Debt "sustainability" is often defined as the ability of a country to meet its debt obligations without requiring debt relief or accumulating arrears. To assess this type of debt sustainability, three main international methodologies have been developed – Heavily Indebted Poor Countries Debt Relief Analyses
, the
Low Income Countries Debt Sustainability Framework (LIC-DSF)
and the
Middle-Income Countries Debt Sustainability Framework (MIC-DSF)
. They all involve making projections of intended borrowings and economic variables over a maximum 20-year period, and then using ratios comparing debt stock, present value or service with GDP, exports or budget revenue to assess payment capacity. For a discussion of the ratios and sustainability thresholds used in the HIPC and LIC-DSF methodologies, please click here
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These assessments are useful from a financial point of view. However, developing countries see debt sustainability as fully positive only if it is providing enough finance to reach their overall national development goals. Therefore the key aim of assessing debt sustainability should be to reconcile financing needs for development with sustainable debt levels DFI's work always starts from this perspective and therefore sustainability analysis includes a scenario where the Millennium Development Goals and other national development plans (where these have been costed) are fully funded.

Latest work DFI carried out in this area:

19 August - Eurodad Paper on Debt in Developing Countries

Brussels-based organisation Eurodad has published a discussion paper which analyses the evolving nature of debt in developing countries and investigates currently available solutions for change. In a context where developing country debt is increasing, despite taking a relative downward path between 2000 and 2010, this report aims to figure out the reasons behind this debt burden increase, analyse the risk of new debt crises and to examine the changing nature of the type of debt countries are now facing. It also makes recommendations for sustainable and progressive solutions to prevent further debt crises and to improve policy processes of

crisis resolution and management.

17 April 2015 - African Development Bank Requests Debt Input

The African Development Bank has asked DFI to provide evidence to its ADF Task Force on potential debt risks for ADF borrowers during 2015-30. The Task Force meeting will be held in Abidjan on 29-30 May, after the Bank's Annual Meetings.

4 April 2015 - DfID Commissions Debt Position Paper

DFI has been commissioned by the UK Department for International Development to prepare a position paper on debt policy in the context of preparing the Financing for Development conference. It has also been asked to provide inputs on the 2016 review of the BWI Debt Sustainability Framework.

2012-16 Latin American Capacity Building Programme in Public Debt Management

Managed by CEMLA and funded by the Secretariat for Economic Cooperation of the Swiss Government, the Capacity Building Programme in Public Debt Management (PDP) was launched in 2012 to deliver tailor-made capacity-building support in public debt management to Latin American countries. The five-year programme will aim at assisting LIC and MIC LAC countries to maintain debt sustainability and improve debt and macroeconomic management through improved national debt and new financing strategies capable to effectively respond to the impacts of the financial crisis. Initial Demand Assessment Missions have already been conducted to several countries and will be completed in Q1/Q2 2013.

10-17 December 2012 - Financing Strategy Workshop in Haiti

As part of the Debt Management Capacity Building Program managed by CEMLA and financed by CIDA, a joint CEMLA/DRI mission went to Port-au-Prince, Haiti, to hold a first national Financing Strategy workshop. This event enabled participants from the Ministry of Finance, the Central Bank of Haiti and the Ministry of Planning and External Cooperation to draft their own debt strategy document structured around 4 main points: how to mobilize financing for development, how to maintain debt sustainability, conducting a cost/risk analysis and reducing long term dependence on external financing. The document is currently being finalised and will be submitted to the Haitian authorities for approval, in time for their 2013-2014 budget.

13-30 March & 23 April 2012 - 3 May - Launch Capacity Building Missions in Haïti

As part of the Debt Management Capacity Building Program managed by the Centro Estudios Monetarios de Latinamerica (CEMLA) and financed by the Canadian International Development Agency (CIDA), CEMLA/DRI visited Port-au-Prince for 2 joint capacity building missions. The first one aimed at enhancing capacity in debt sustainability and debt strategy and to update the public debt database in order to prepare the various debt data projections and macroeconomic projections required for the debt sustainability analysis and Medium Term Debt Strategy (MTDS). The second mission's objective was to familiarise staff of the various institutions with the methodology on new financing elaborated by DRI. The seminar welcomed nineteen participants from the Ministry of Economics and Finance, the Ministry of Planning and External Cooperation, as well as the Bank of the Republic of Haiti - the country's central bank. Preparation for a third mission on risks and portfolio analysis is underway.

17-29 October 2011 – Debt Sustainability Work in DRC

A Debt Sustainability Workshop was held in Kinshasa, Democratic Republic of Congo, on 17-29 October. The objective of the workshop was to enhance capacity in debt sustainability for staff from the Public Debt Department, the Ministry of Finance, the Ministry of Budget, and the Central Bank. About thirty staff were trained using the methodology developed by the World Bank and the IMF (Debt Sustainability Framework for Low Income Countries) in order to draft the country's debt sustainability report.

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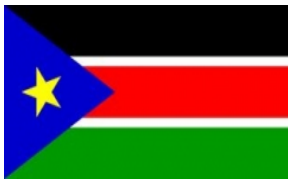
5 September 2011 - BMZ Seminar on Managing Sovereign Debt Crisis beyond HIPC

DFI helped to mobilize Development Countries Participants for the Workshop "Managing Sovereign Debt Crises beyond HIPC" hosted by the Federal Ministry of Development Co-operation (BMZ) in Berlin in June. For the organizers final report click here .

25 July - 5 August 2011 – Southern Sudan Debt Policy and Capacity Building Mission



DFI was funded by the Joint Donor Capacity Building Trust Fund for Southern Sudan to help the Government of the newly-independent Republic of Southern Sudan to examine policy options for post-independence development financing – especially borrowing on concessional terms – and the institutional and capacity-building measures required to establish a debt management unit well coordinated with wider economic policymaking. To read more on Southern Sudan's debt, click here .

April – September – LIC Debt Sustainability Analysis Report

DSAs results are available on the IMF site . The results for Benin, Cameroon, Kyrgyz Republic, Lao, Liberia, Mauritania, Moldova, Mozambique, Papua New Guinea, Rwanda, Senegal, Tajikistan and Tanzania are similar to those of the previous DSA. Ghana and Togo have improved and Cote d'Ivoire and Republic of Congo have worsened their status. The results for Zimbabwe show that the country is in debt distress.

26-29 April 2011 – MEFMI – Malawi Debt Sustainability Analysis Workshop

A successful DSA workshop with 22 participants was conducted by MEFMI as part of the HIPC CBP, to support the Malawi government by training staff in the use of the DSF tools. At the end of the workshop a draft DSA report was submitted to senior officials for comments. The exercise revealed that Malawi remains sustainable even in the presence of serious shocks and decline of GDP growth. The results of this DSA will feed into the 2011/12 budget framework and the review of the MTDS planned for the end of 2011.