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# Determinants of developing country debt: the revolving door of debt rescheduling through the Paris Club and export credits

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## Abstract

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that, following debt restructuring, new export credit guarantees and/or loans were

forthcoming to these countries from the ECAs of the creditor countries that rescheduled their old debt in Paris Club negotiations during 2000–12.

Keywords: [developing country debt](#) [Paris Club](#) [export credit](#) [debt rescheduling](#) [sub-Saharan Africa](#)

## Acknowledgements

I would like to thank Samuel Barkin, Tina Zappile, Stephanie Rickard and Pablo Toral for helpful comments and suggestions. This work was supported by the Office of Research and Sponsored Programs at Pennsylvania State University, Altoona under Grant 276-11. Research assistance was provided by Makayla Zonfrilli and Justin Girven. Earlier versions of this paper were presented at the International Studies Association Annual Conference in San Francisco, CA, April 3–6, 2013 and at the International Studies Association Northeast Conference in Baltimore, MD, November 1–4, 2012.

## Notes

1. Streeten, “Structural Adjustment”; and Srinivasan, Structural Adjustment.

2. Gunter, “Achieving the MDGS.”

3. Oatley, “Political Institutions and Foreign Debt.”

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5. Gianti

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8. Cheru

9. Ibid.

10. Boor

226.



11. This process is known as the 'subordination strategy', in which old loans are subordinated to new credits in order to continue with the flow of new credits in the form of guarantees or insurance. The process allows many of these countries to continue to be eligible for additional export loans. See M. Kuhn, *Official Financing for Developing Countries*, 24.

12. Gunter, "Achieving the MDGs," 50; Arslanalp and Henry, "Helping the Poor to Help Themselves," 175-176.

13. Fosu, "The Impact of External Debt on Economic Growth"; and Fosu, "Implications of the External Debt-servicing Constraint."

14. Taylor, "The Debt Problem of Sub-Saharan Africa," 10.

15. Greene, "The External Debt Problem of Sub-Saharan Africa," 841.

16. *Ibid.*, 837. See also Rieffel, *Restructuring Sovereign Debt*, 4.

17. Low-income International Development Association (IDA) only countries that were heavily indebted could take advantage of the IDA Debt Reduction Facility also established in 1989. This facility was established to restructure and buy back commercial debt with IDA credits. Birdsall et al., *Delivering on Debt Relief*, 23; and Roodman, "Creditor Initiatives in the 1980s and 1990s," 13-14. The rescheduling of commercial bank debt occurs primarily through the London Club, which is structurally and institutionally similar in many respects to the Paris Club. See Rieffel, *Restructuring Sovereign Debt*, 104-105.

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19. The repayment  
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21. Birds

22. Borensztein et al., Living with Debt; and Lora and Olivera, Public Debt and Social Expenditure.
23. A detailed study of these issues is provided in Gupta et al., "Debt Relief and Public Health Spending." For a more detailed analysis of the development of the HIPC as a response to increased poverty in countries under IMF and World Bank programmes, see Blackmon, "Rethinking Poverty."
24. Birdsall et al., Delivering on Debt Relief, 24-25.
25. A book chapter by Bird and Powell examining debt relief initiatives did mention the involvement of ECAs by noting that aid agencies of creditor countries did not want to see increases in aid budget monies for low-income countries used for old ECA credits, see Bird and Powell, "Debt Relief in Low-income Countries," 181-182. However, the omission of developing country debt incurred as a result of ECA activity is surprising in articles such as Easterly, "How Did Heavily Indebted Poor Countries Become Heavily Indebted?"
26. Eurodad, Exporting Goods or Exporting Debts?
27. The most extensive analysis of the development and operations of export credit agencies is provided in Stephens, The Changing Role of Export Credit Agencies, 76, 106.
28. Gianturco, Export Credit Agencies, 4.
29. For a detailed study of the operations of export credit agencies in developing countries, see Stephens, The Changing Role of Export Credit Agencies, 76, 106.
30. An example of this is provided in Stephens, "Disciplining Export Credit Agencies: The Case of Trade Finance," 106.
31. The report contains information on the number of companies in 2011 and the worth of their exports to the US.



32. For specific reasons as to why firms used the financing provided by the US Export-Import Bank in order to mitigate the risks of doing business in Kazakhstan and Uzbekistan, see Blackmon, *In the Shadow of Russia*, 83–88. For detailed information on specific firms that use ECAs to support their projects in developing countries, see Blackmon, “Global Companies,” 300–315.

33. Kuhn et al. *Officially Supported Export Credits*, 12, 14.

34. All definitions are taken from the World Development Indicators/Global Development Finance Database series definitions. The permanent url for database information is at <http://go.worldbank.org/B53SONGPA0>.

35. The World Bank defines low-income economies as having a GNI per capita of \$1005 or less and lower middle-income economies as having a GNI per capita of \$1006 to \$3975, as of May 2012. <http://data.worldbank.org/news/new-country-classifications>, accessed October 26, 2012.

36. These debt indicators are found in the World Development Indicators/Global Development Finance database.

37. OECD Development Assistance Committee (DAC), “DAC Statistical Reporting Directives,” November 12, 2010, 11. <http://www.oecd.org/dac/stats/38429349.pdf>.

38. Birdsall et al., *Delivering on Debt Relief*, 22.

39. See Borensztein et al., *Living with Debt*, 105; and Oatley, “Political Institutions and Foreign Debt.”

40. For a list of non-governmental organisations, see <http://www.un.org/News/Press/docs/2002/020219.htm>.

41. World Bank

42. The US Export-Import Bank

43. Export-Import Bank of the US they offer. Stephen... to such thing as a typi



44. For example, I was able to receive information from the UK's ECGD for 2000-04 via a Freedom of Information Request through email correspondence.

45. US Export-Import Bank, Annual Report, 2004, 16.

46. Current information available at Individual Transaction Information.

<https://www19.edc.ca/edcsecure/disclosure/DisclosureView.aspx?yr=2009&lang=EN>.

Information from 2001-10 was sent to the author via email from an EDC representative.

47. I was provided with data from the ECGD's Annual Review and Resource Accounts for 2000-04 by a representative of the department under a Freedom of Information Request, but was denied data prior to 2000 because the ECGD representative estimated that it would take longer than the approved time of 40 hours to process my request. Before its financial report for 2000-01, the ECGD did not publish a list of guarantees in its annual report. I was provided with EDC data on its export credit activity for 2001-10, including on which countries received guarantees and/or loans from it, with amounts, and the month, day and year of the financial support, by a representative of EDC. However, I was informed that the disclosure policy for EDC began in 2001, which meant that only transactions from that date onwards were available.

48. Information on Paris Club meetings explains that Paris Club members participate as creditors, if they have claims towards the invited debtor country, and as observers, if they do not. See <http://www.clubdeparis.org/sections/composition/fonctionnement-du-club/reunions>, accessed May 2012. There was also some controversy as to whether Nigeria should have qualified for Paris Club rescheduling, since it is not strictly an IDA-only country. Paris Club,

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category 'all other' comprised 33.3%, a category which encompasses many projects detailed in this article. US Export-Import Bank, Annual Report, 2004, 69.

53. UK ECGD, Annual Review and Resource Accounts, 2004-05, 2005-06 and 2008-09.

54. Current information available at Individual Transaction Information.

<https://www19.edc.ca/edcsecure/disclosure/DisclosureView.aspx?yr=2009&lang=EN>.

Information from 2001-10 was sent to the author via email from an EDC representative.

55. World Bank, Global Development Finance, 177.

56. Kenya's PPG Multilateral Debt also increased during this time from \$2836 million in 2000 to \$3426 million in 2005 and to \$4110 million in 2010. Thus Kenya saw increases in both PPG Bilateral Debt (attributed in part to increases in export credit facilities) and PPG Multilateral Debt from 2000 to 2010. World Bank, Global Development Finance, 177.

57. Paris Club, "Paris Club Creditors agreed on December 10, 2001 with the Government of the Republic of Ghana to a Restructuring of its Public External Debt," press release, <http://www.clubdeparis.org/sections/communication/archives-2001/ghana/viewLanguage/en>, accessed May 2012. For detailed information on the HIPC process, including the criteria for reaching the decision point and completion point, see Blackmon, "International Economic Institutions and Global Justice," 4028-4029.

58. Paris Club, "Paris Club Creditors agreed on May 16, 2002 with the Government of the Republic of Ghana to a Restructuring of its Public External Debt," press release, [http://www.clubdeparis.org/sections/communication/archives-](http://www.clubdeparis.org/sections/communication/archives-2002/gh)

[2002/gh](http://www.clubdeparis.org/sections/communication/archives-2002/gh)

59. Paris

[http://www](http://www.clubdeparis.org/sections/communication/archives-2002/gh)

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60. P

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[2004/gh](http://www.clubdeparis.org/sections/communication/archives-2004/gh)

61. US E

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[uage/en,](http://www.clubdeparis.org/sections/communication/archives-2002/gh)

initiative, July

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2007, 22.

2009, 18.

63. US Export-Import Bank, Annual Report, 2010, 23.
64. World Bank, Global Development Finance, 149.
65. UK ECGD, Annual Review and Resource Accounts, 2008-09, 12.
66. Current information available at Individual Transaction Information.  
<https://www19.edc.ca/edcsecure/disclosure/DisclosureView.aspx?yr=2009&lang=EN>.  
Information from 2001-10 was sent to the author via email by an EDC representative.
67. World Bank, Global Development Finance, 149.
68. Ibid.

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