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**The Impact of External Debt on Growth:  
Evidence from Highly Indebted Poor Countries\***

by

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**Abstract**

During the 1970's and 1980's, the external debt levels of poor countries rose to a level constituting a 'debt crisis.' The main source of external debt was the surplus revenue generated by significant increases in the price of oil during the 1970s. Unfortunately, many of the countries failed to use the external debt wisely and prudently. When the revenue from oil sales started to decline due to low oil prices during the 1980s, heavily indebted poor countries (HIPCs) experienced difficulty servicing the debt. Using HIPCs data, this paper analyses the extent to which the external debt burden impacts on a country's GDP.

Key words: External debt, Economic growth, highly indebted poor countries, Debt relief.

JEL Codes: O10, F34, H12, H63, O47, O55

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