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Abstract

The IMF–World Bank Low-Income Country Debt Sustainability Framework (LIC-DSF) stress-tests commodity-dependent economies by shocking export prices and, where a country imports the same commodity it exports, optionally netting that import exposure against the export shock. This netting logic embeds the same structural blind spots as a terms-of-trade ratio: it records only relative price movements between the two legs and discards their common movement entirely. Using structural export- and import-price shocks for twenty African economies from 1990 to 2019, I show this matters in two distinct ways. First, the two price legs are not symmetric in their debt effects: a ten-percent export-price decline raises gross government debt by 5.7 percentage points of GDP after four years, while an equal import-price rise lowers debt by 3.4 points. A framework that nets these as offsetting gets the import-leg sign wrong. Second, when export and import prices fall simultaneously — the most common pattern in African commodity data — the netting logic registers near-zero impact, yet gross debt rises by 9.1 percentage points. The common-bust scenario the framework is most likely to discount is precisely the one that does the most fiscal damage. Both failures bear directly on IO design: the LIC-DSF is the primary instrument through which the IMF and World Bank assess debt sustainability, determine IDA grant allocation, and define the limits on non-concessional borrowing in low-income countries. A stress test blind to common price declines and asymmetric transmission misprices sovereign vulnerability at the moment those institutions are deciding whether and how to intervene.