

The logo features a large '10' where the '0' is a multi-colored ring (red, orange, yellow, green) with 'th' inside. To the right, 'UNCTAD' is in green, and 'DEBT MANAGEMENT CONFERENCE' is in a smaller green font.

# 10<sup>th</sup> UNCTAD DEBT MANAGEMENT CONFERENCE

Geneva, 23<sup>th</sup> – 25<sup>th</sup> November 2015

## **Exogenous Shocks and Debt**

by

**Mr. John Panzer**

Director

Global Practice for Macroeconomics & Fiscal Management  
The World Bank Group

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

The logo consists of a blue stylized 'M' shape followed by the letters 'MFAS' in a blue sans-serif font.

**UNCTAD**

# Exogenous Shocks and Debt In Developing Countries



**John Panzer**

Director

Global Practice for Macroeconomics  
& Fiscal Management

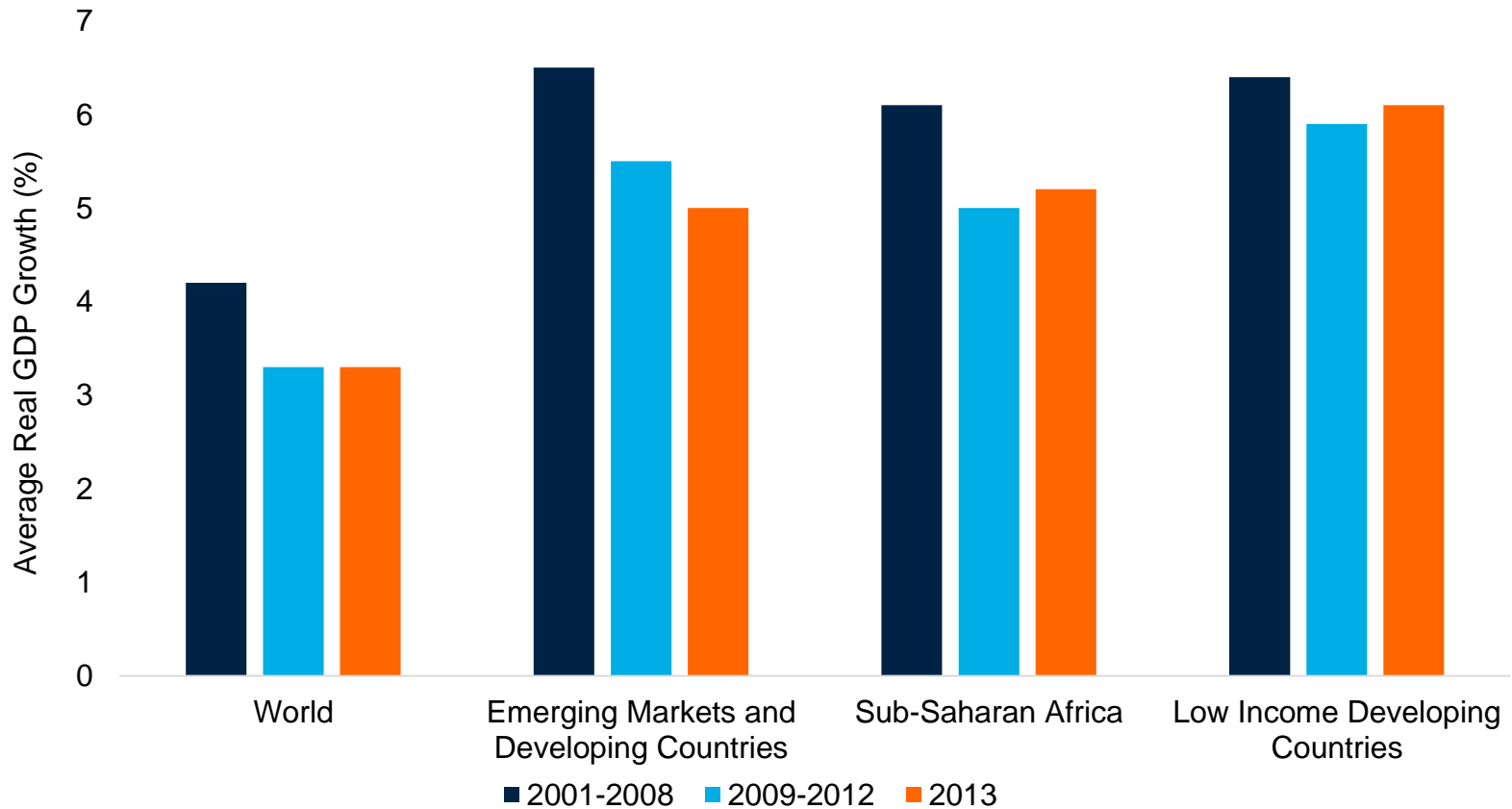
# Outline

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- Development and Poverty Reduction
- Debt in Developing Countries (LICs)
- Outlook and Vulnerabilities
- Policy Options

# Era of unprecedented growth

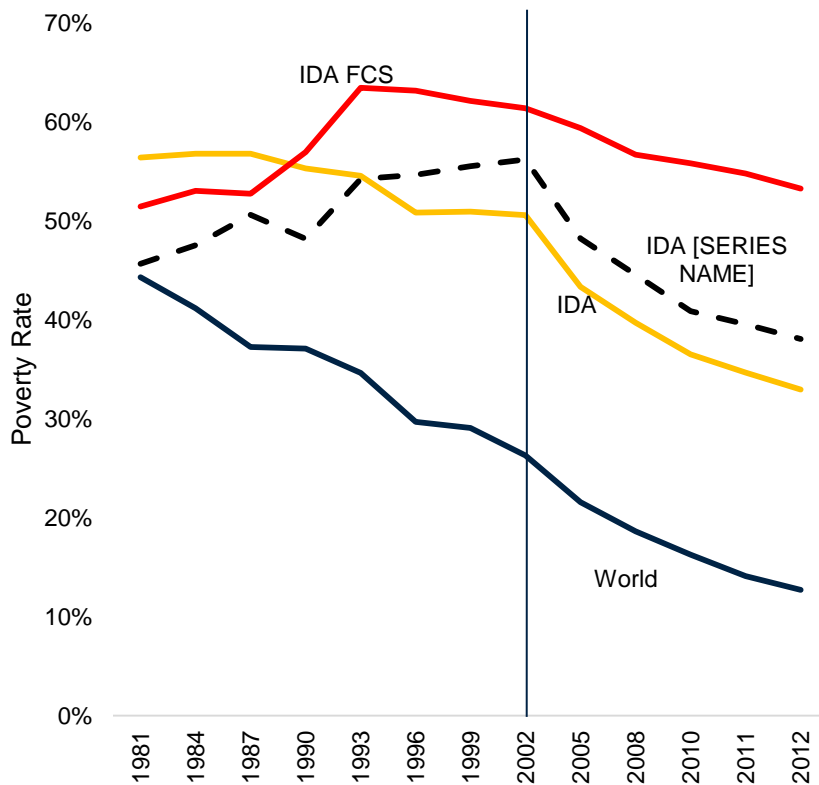
## Real GDP Growth by Country Group



Source: World Bank Global Monitoring Report

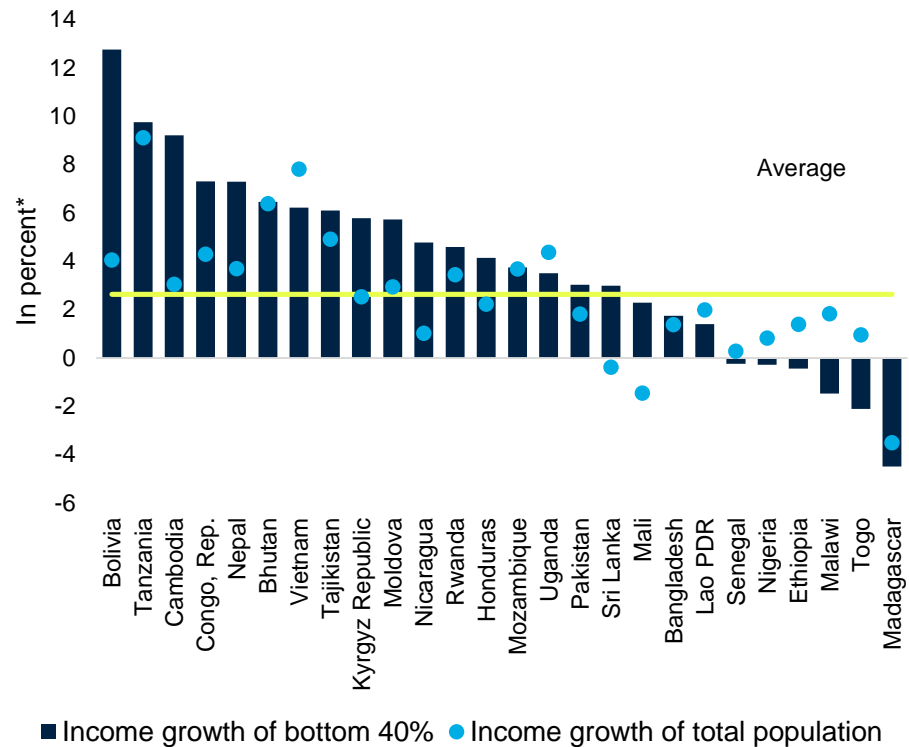
# Strong (but uneven) progress against twin goals

## Convergence in poverty reduction



Source: PovCal Net, The World Bank.

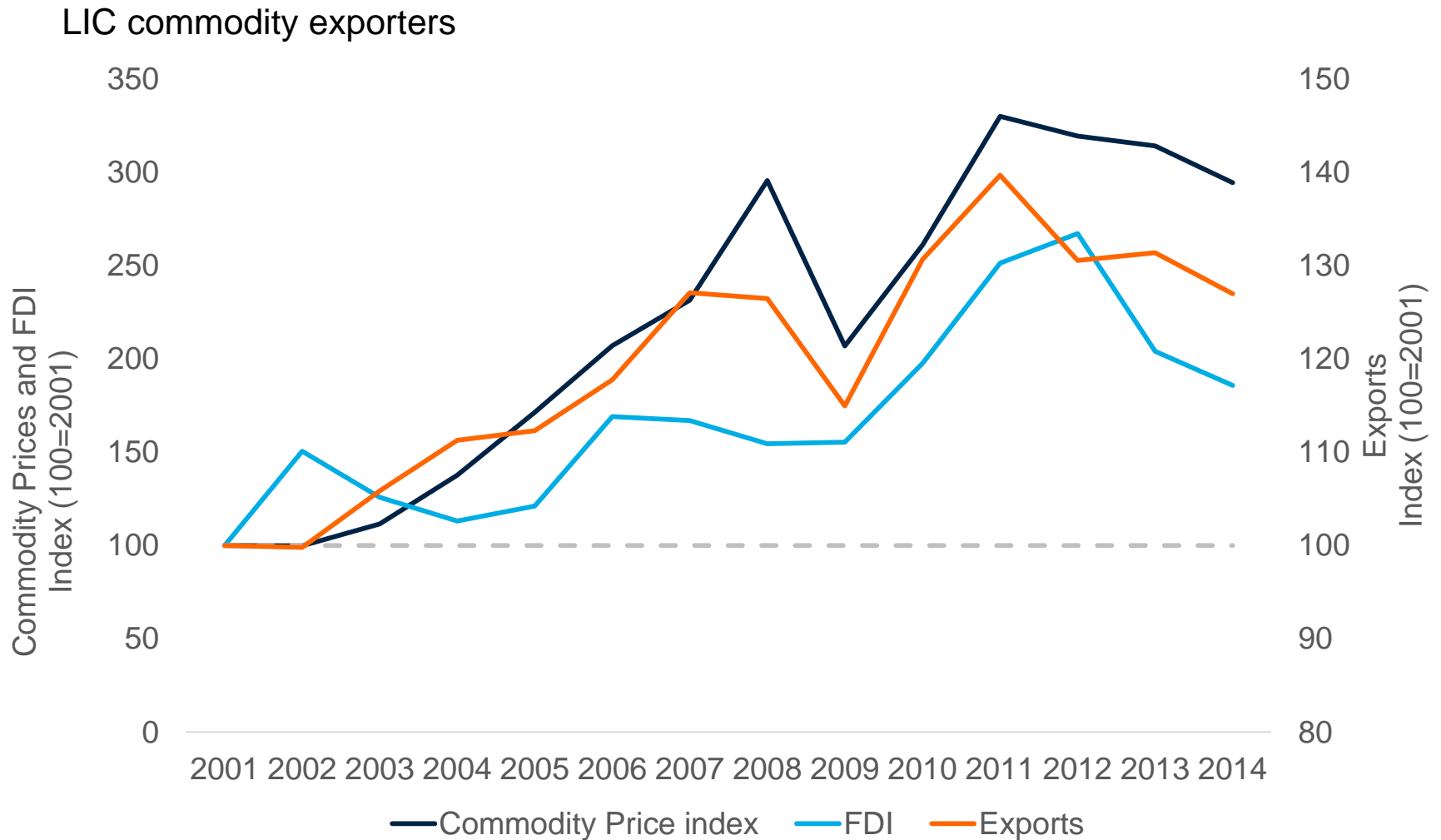
## Growth inclusive in IDA countries



Source: *World Development Indicators*.

\* Average annual growth in mean income/consumption per capita during a 5-year period between 2002-2012.

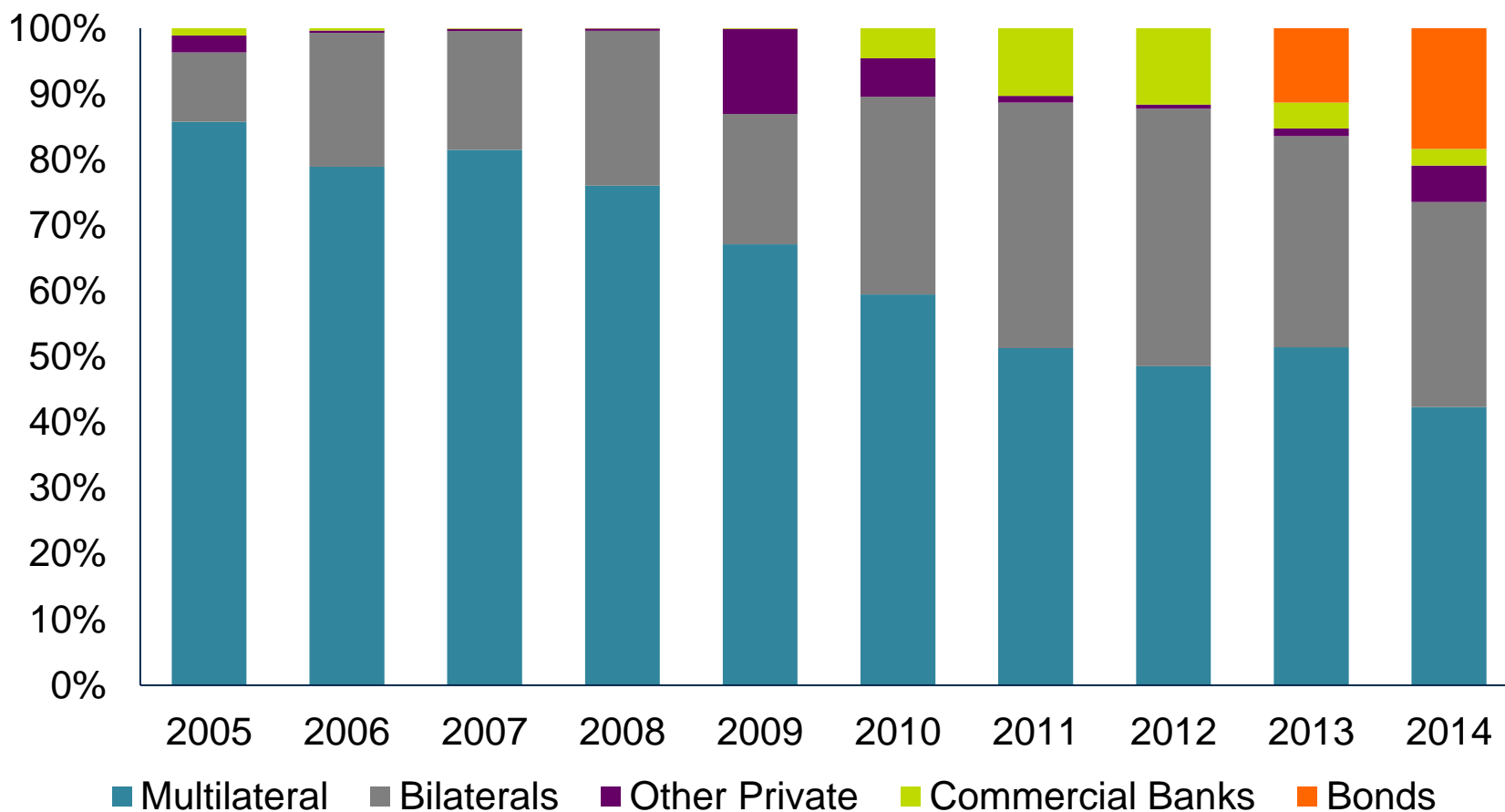
# Benign external environment



Source: World Development Indicators, DSAs

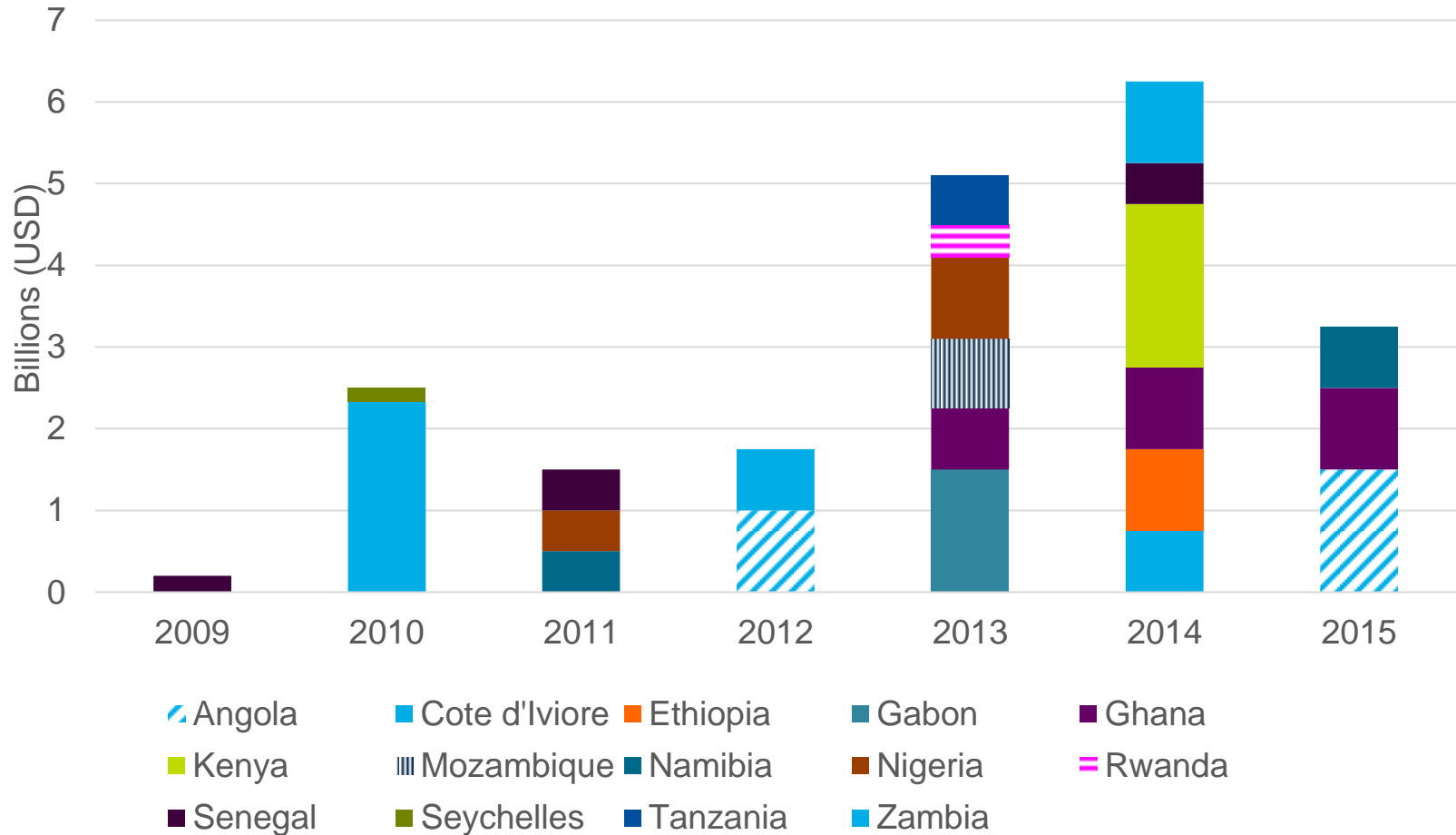
# LICs able to diversify financing

Debt disbursements to Low Income Countries by type



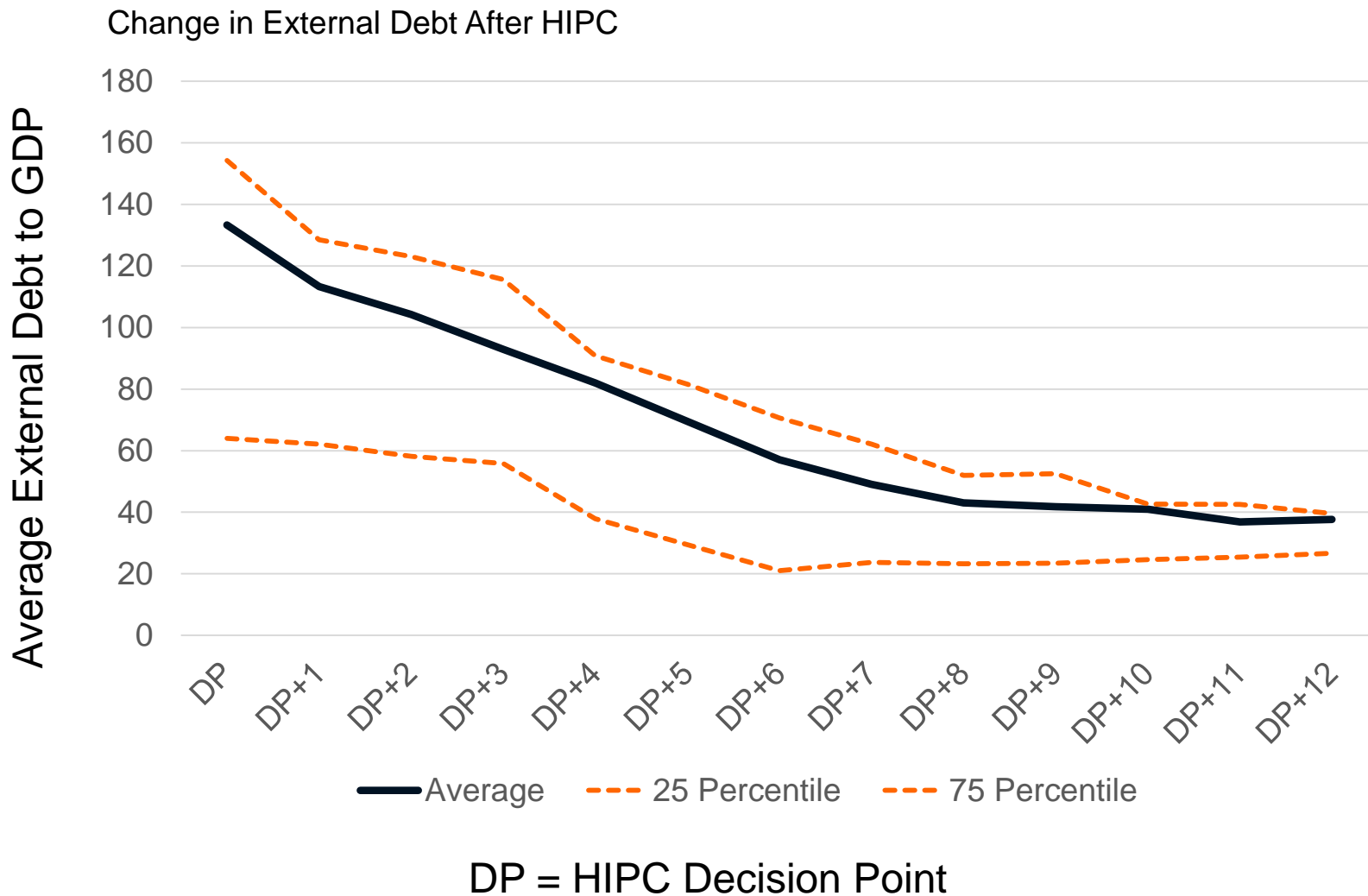
# Broader access to global bond markets

Global Bond Issuances – Sub-Saharan Africa (Excl. SA)





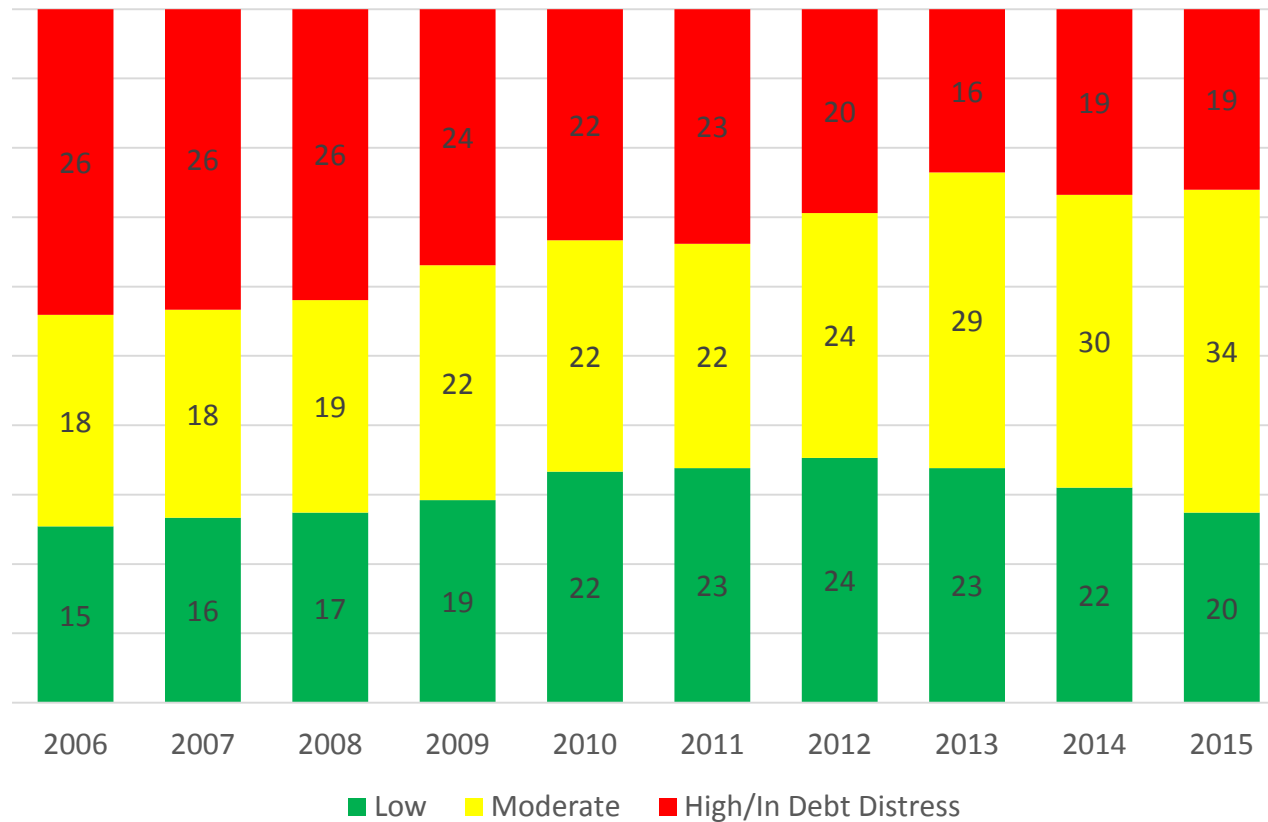
# HIPC gains sustained



Source: World Development Indicators

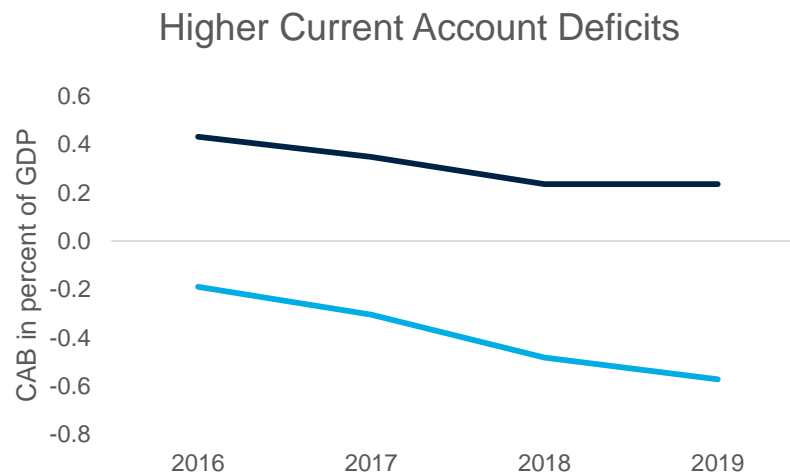
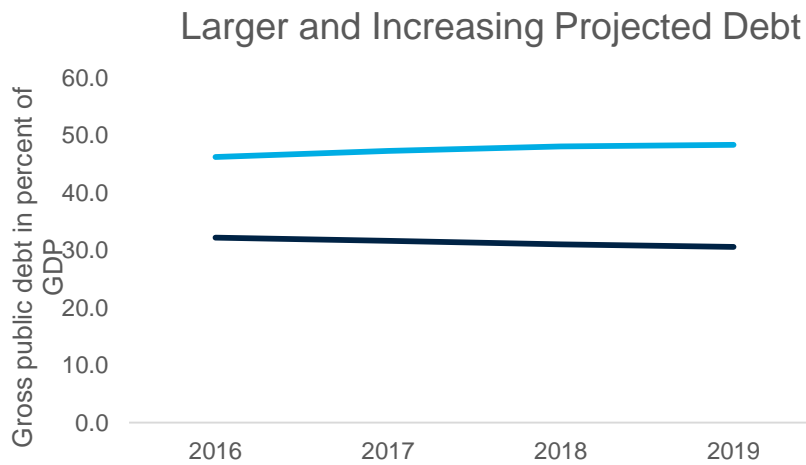
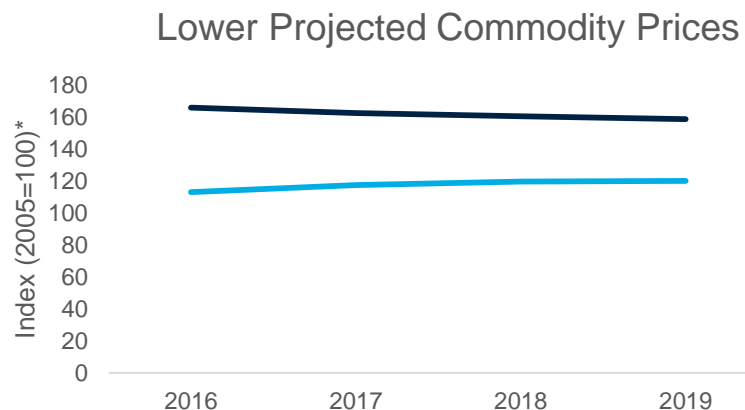
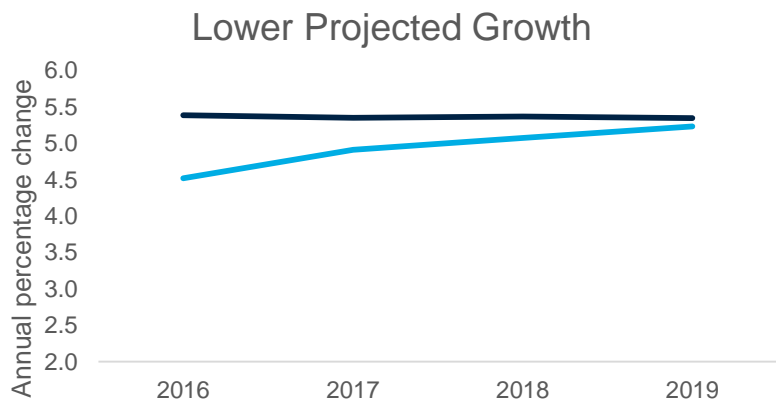
# Until very recently, reduced risks of debt distress

Number of Countries by Risk Rating and Year



# A more challenging global outlook

Outlook in April 2014 — Outlook in October 2015



Source: *World Economic Outlook, April 2014 and October 2015, IMF.*

\*Commodity Price Index includes both Fuel and Non-Fuel Price Indices

# Transitioning into headwinds

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- Country specific
- Oil and commodity exporters vs. diversified economies
- Buffers and vulnerabilities

# Transitioning into headwinds - vulnerabilities

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## Oil Exporters

- 1) Fiscal
- 2) External

## Commodity Exporters

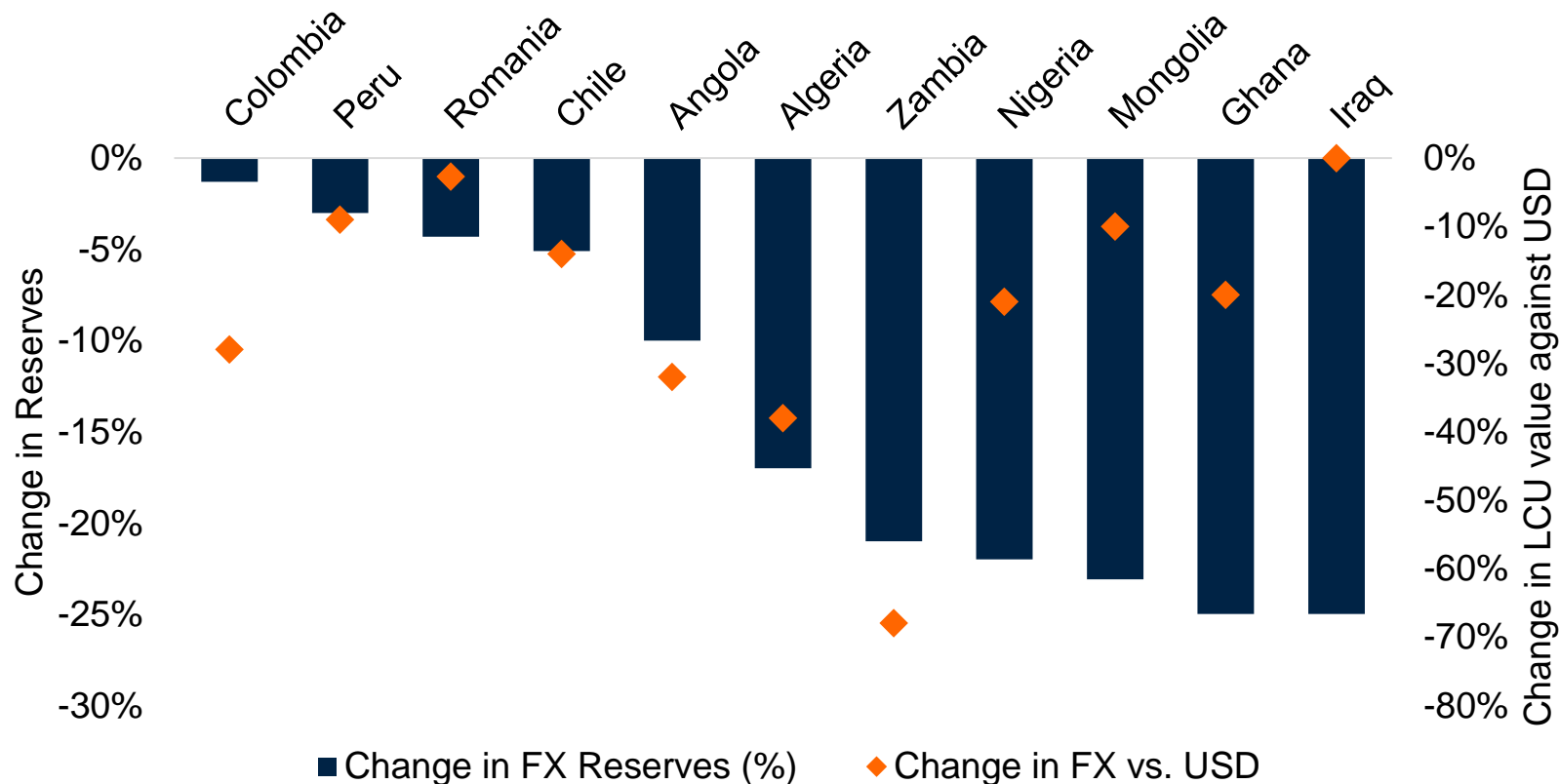
- 1) External
- 2) Fiscal

## Diversified

- 1) Fiscal

# Transitioning into headwinds – external sector and erosion of buffers

Change in FX Reserves and Depreciation Since 2014



Source: World Bank Survey of Commodity Exporters

# Policy options in an era of headwinds

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- Speed of adjustment a function of policy space
  - Market debt
  - Reserves
  - IFIs
- If possible, support domestic demand
- In the longer run:
  - Debt risk management
  - Diversification (RER, structural reforms)

# Policy options in an era of “headwinds”

## How we are helping countries transition and increase gains

- Efficiency in **Public Finance**
  - Domestic Resource Mobilization and its cross-cutting effects
  - Public Investment and debt management to sustain infrastructure development
  - Human capital

But external financing is critical

- Relentless focus on **productivity/transformation**
  - Ambition in policy reforms in agriculture, resource management and infrastructure
- Importance of **Equity and Measurement**
  - Constantly checking and measuring progress