



International Debt Management Conference

14th session

Innovative and resilient debt management: managing risks and navigating crises

17-19 March 2025, Geneva

Panel 2: Liquidity vs Solvency: Debates Around Debt Sustainability and Development

Since the Debt Service Suspension Initiative and the Common Framework of the COVID-19 period, there has been much debate as to whether developing countries are experiencing liquidity or solvency problems, and how the solutions can be best framed to ensure that development is not compromised by privileging costly debt servicing. This panel considers aspects of this debate and ongoing changes in diagnostics including debt sustainability analyses.





Luiz Vieira

Coordinator

Bretton Woods Project (IMF and World Bank)

Luiz Vieira has over 25 years of senior management experience in international development, including 10 years collaborating with global economic, climate and human rights networks, academics and senior UN and government officials to critically analyse the international financial and aid architecture and its implications for international human rights obligations and the implementation of the UN's Development Agenda. Luiz coordinates the work of the Bretton Woods Project. Previously he served for eight years as the chief of mission for the International Organisation for Migration (IOM) in Timor Leste, where he worked with UN bodies, donors and IFIs on strategic development planning and received the Order of Timor-Leste, Medal of Merit for services to the people of Timor-Leste. His past experience includes working with the IOM in Nauru, as well as with NGO Mercy Corps in a variety of emergency response situations, including in El Salvador, Kosovo and Macedonia, as well as on democratic governance in Angola. He served as a guest lecturer on conflict and development at the Columbia University School of International Public Affairs (SIPA). Luiz holds an LLM in International Law and a Masters in Development Economics from the School of Oriental and African Studies at the University of London, as well as a degree in political science from the State University of New York at Albany.



Patrick Njoroge

Economist and former Governor of the Central Bank of Kenya

Dr. Patrick Njoroge served as the ninth Governor of the Central Bank of Kenya from June 2015 to June 2023, after a 20-year career at the International Monetary Fund. He is currently a member of the Advisory Boards of the Yale Program on Financial Stability and the Global Finance and Technology Network, and Co-Chair of the Debt Relief for Green and Inclusive Recovery Project. He has received several awards and recognition, including four awards for Africa's Central Banker of the Year, and recognition in 2023 as a Top 25 African Finance Leader. He holds a PhD in Economics from Yale University.



Allison Holland

Assistant Director, Debt Policy Division

International Monetary Fund (IMF)

Allison Holland leads the Debt Policy Division of the Strategy, Policy, and Review Department of the International Monetary Fund since July 2023. She has been with the IMF for over 18 years in a variety of roles including Mission Chief for Zambia and Somalia, supporting them through complex debt relief operations, as well as for Oman; overseeing the

Regional Economic Outlook for the Middle East and Central Asia; and as a public debt management expert in the Monetary and Capital Markets Department. Prior to joining the IMF, Ms. Holland worked for almost 12 years in the UK public sector, including the Bank of England, and senior roles at the Ministry of Finance and UK Debt Management Office.



Shanti Bobin

Vice-Chairperson

Paris Club

Mrs. Shanti Bobin is Deputy Director in charge of Multilateral Financial Affairs and Development Division at the French Treasury, and it also Vice-Chairperson of the Paris Club. Previously, she covered European Affairs, as Deputy Director in charge of European Affairs (2021-23); Head of the French Treasury regional economic office in Madrid (2019-21); and Head of European bilateral affairs (2016-19). She was also Head of official development aid unit (2013-16). She also covered emerging markets at the Treasury (2010-13). She started as head of mission on unemployment at the ministry of Labour (2006-09). Shanti holds a degree in Public Affairs from Sciences Po Paris and is an alumna from the Ecole nationale d'administration.



Patrick Ndzana Olomo

Economist

African Union Commission

Dr. Patrick Ndzana Olomo is Economist, Acting Director Economic Development, Integration and Trade Directorate and Head of Economic Policy and Sustainable Development Division and Coordinator of the Productive Transformation and Regional Value Chain Initiatives at the African Union Commission (AUC) in Addis Ababa, Ethiopia. His work includes contributing to Africa's economic transformation through regional value chains, industrialization, financial Sector Development and Regional Integration in Africa. Before joining the Commission, he served as Lecturer, at Omar Bongo University (ENSET-Gabon) and International Consultant at the United Nations Development Programme (UNDP), the African Development Bank and the Economic Community of Central African States (ECCAS), where he successfully applied economic principles to produce rigorous analytical work and policy orientations in private sector development, macroeconomic and financial situation Central African Countries for economic and social transformation. Dr. NDZANA's research interests include: international economics, investment, private sector, regulation, institutions, and policy evaluation. In addition, Dr. NDZANA is the Editor of the African Integration and Development Review of the AUC. He holds a PhD in Economics from Dschang University (Cameroon).

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Panel 2 Evolution of Debt and Debt Vulnerabilities in EMDEs

Allison Holland

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



Evolution of Debt and Debt Vulnerabilities in EMDEs

14TH INTERNATIONAL DEBT MANAGEMENT CONFERENCE, MARCH 17, 2025

Disclaimer: The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its Management.

Allison Holland

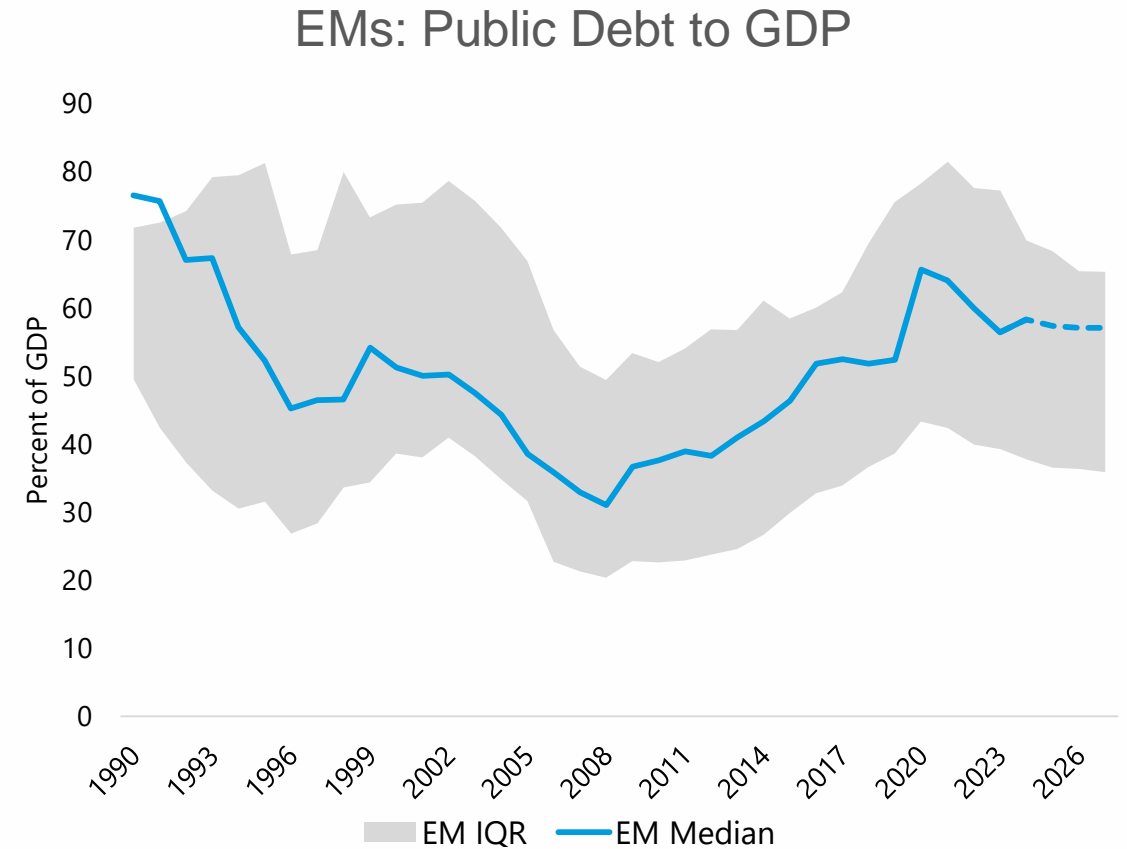
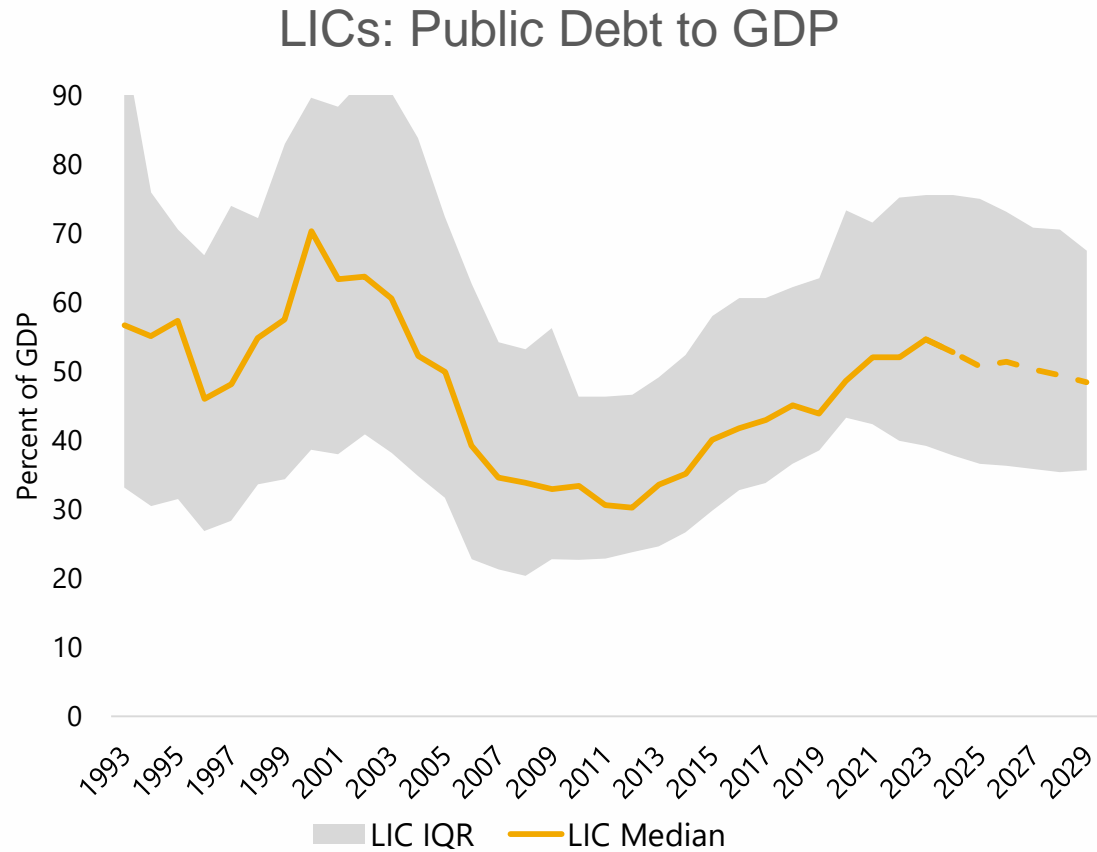
Assistant Director, Strategy Policy and Review Department

Agenda

- **Evolution of Debt Indicators**
- **A Look Under the Hood**
- **Concluding Remarks**

Public debt levels remain broadly under control

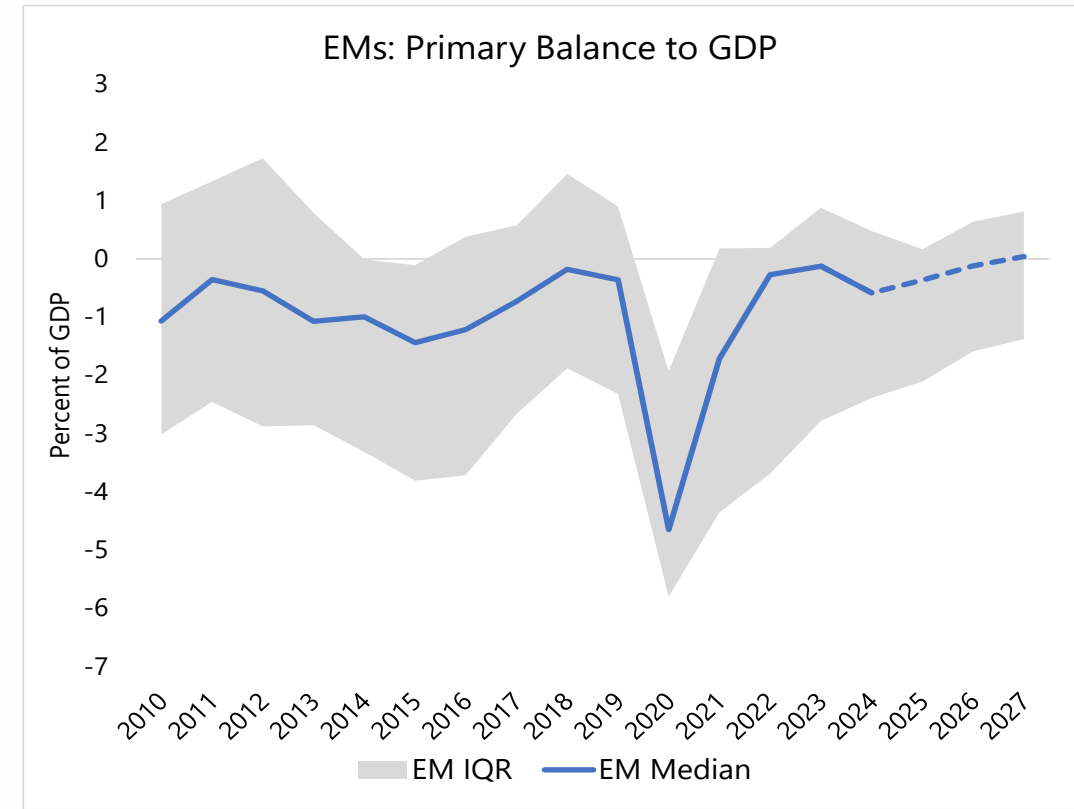
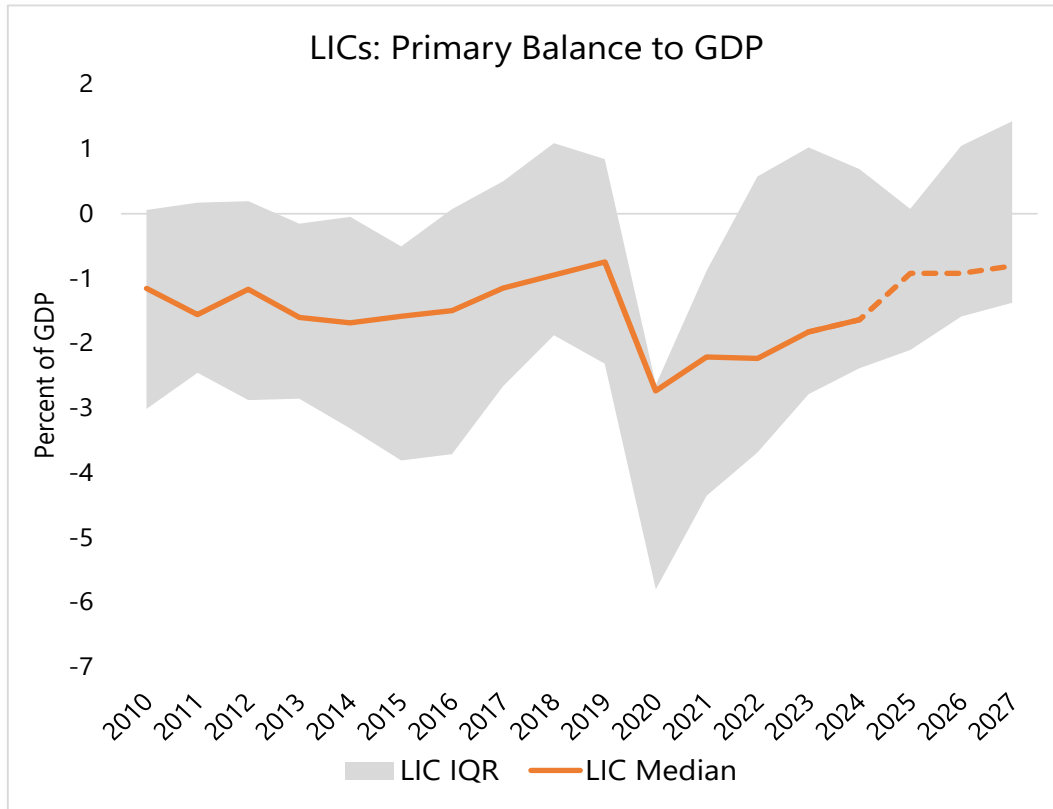
General Government Debt (percent of GDP)



Source: IMF Global Debt Database 2023 and World Economic Outlook January 2025.

Note: 2024 values are estimates. IQR refers to interquartile range.

Reflecting significant fiscal efforts



Sources: World Bank International Debt Statistics 2024 and IMF World Economic Outlook October 2024.

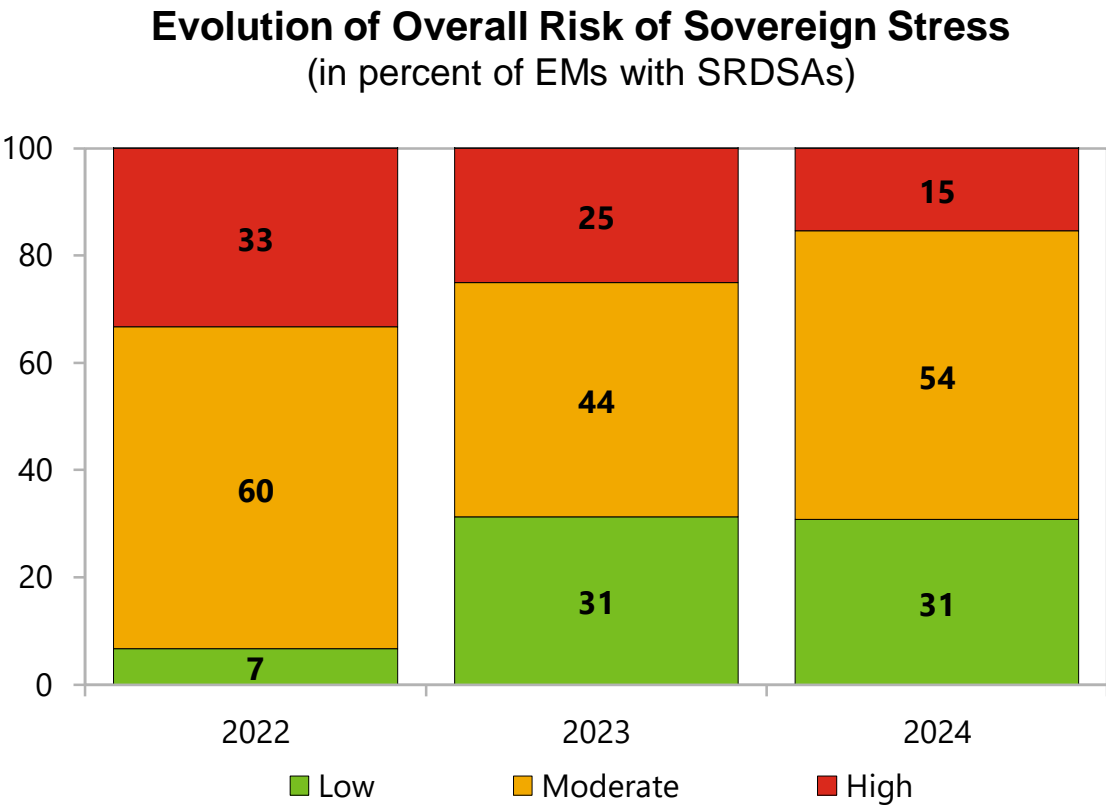
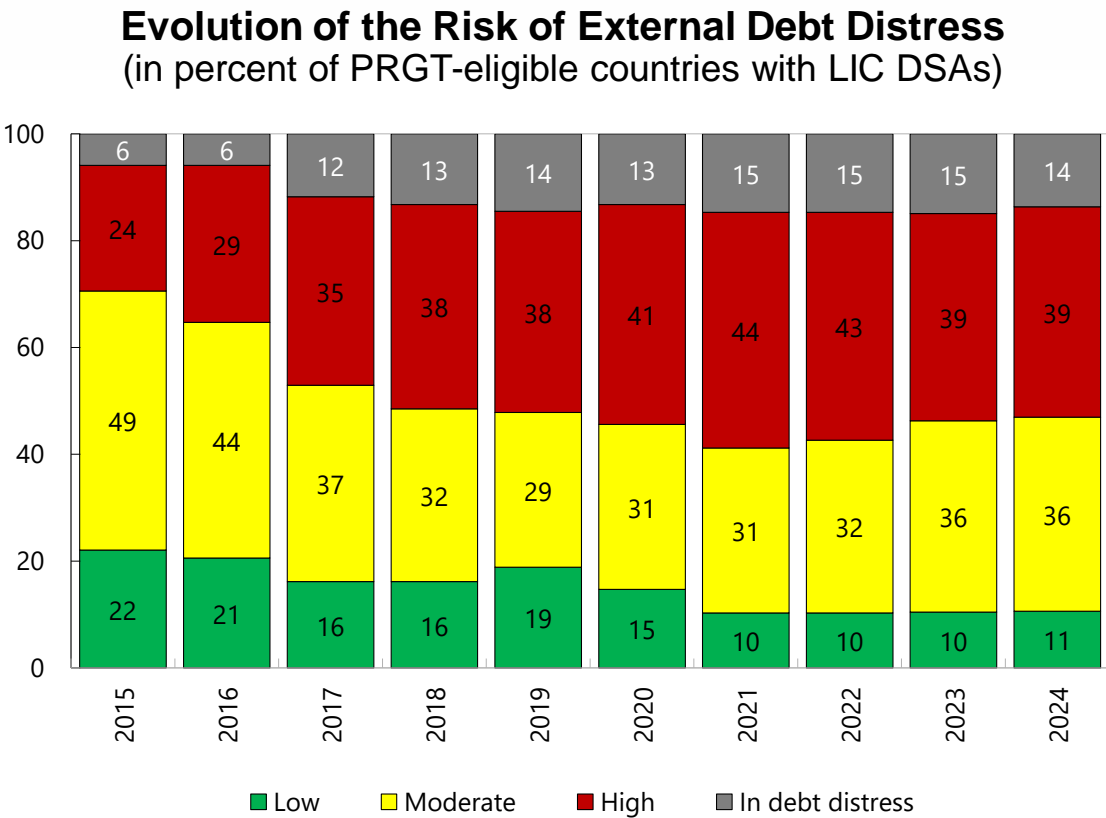
Note: 2024 values are estimates. IQR refers to interquartile range.

Risk landscape somewhat improved - Though tail of high-risk cases persist

DSF Risk Ratings

LICs

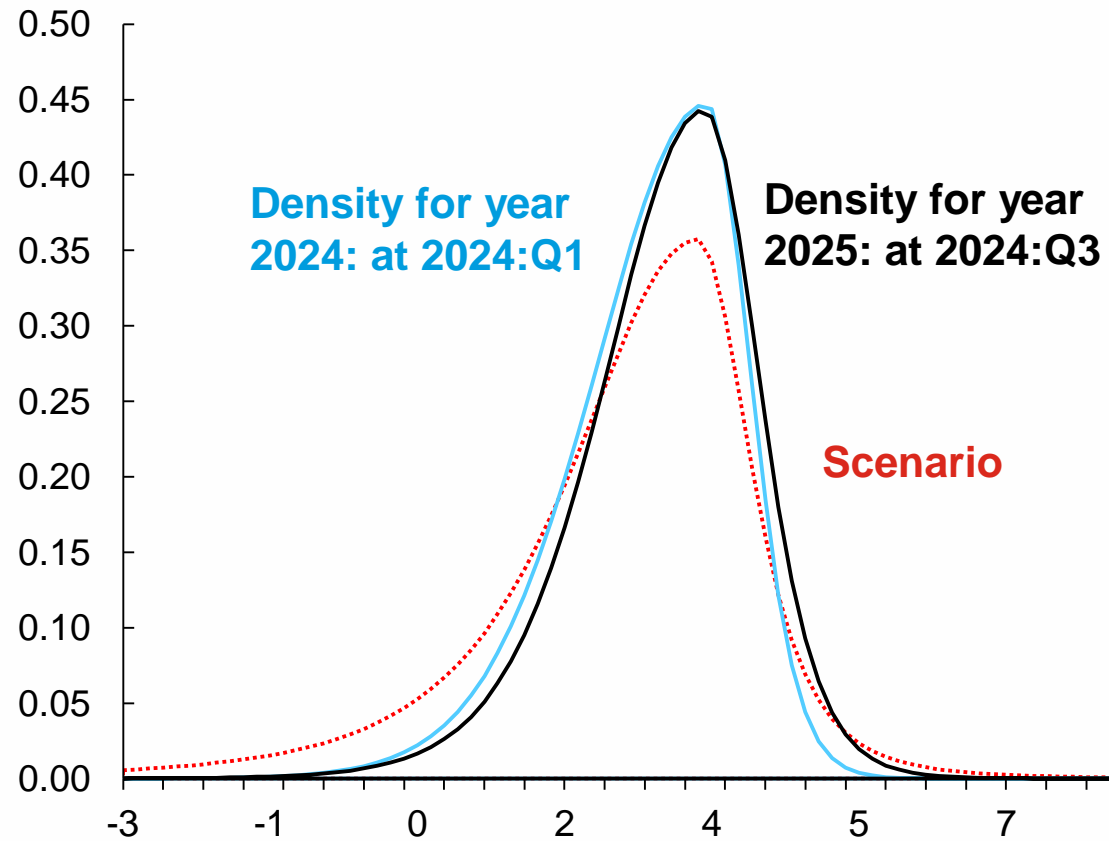
EMs



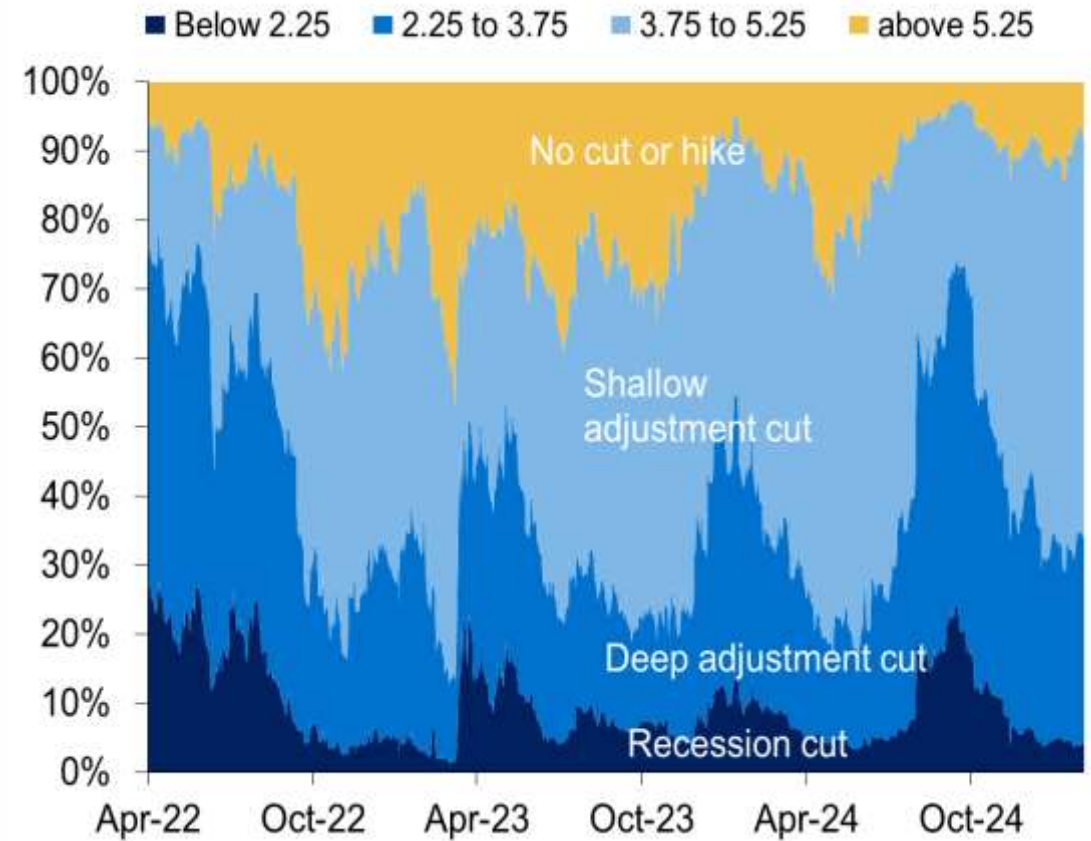
Source: IMF-World Bank LIC-DSF database and IMF SRDSF database.

And significant risks around the baseline ...

Global Growth Forecast Densities
(Probability Densities)



Option-implied US policy rate
scenarios over the next two years

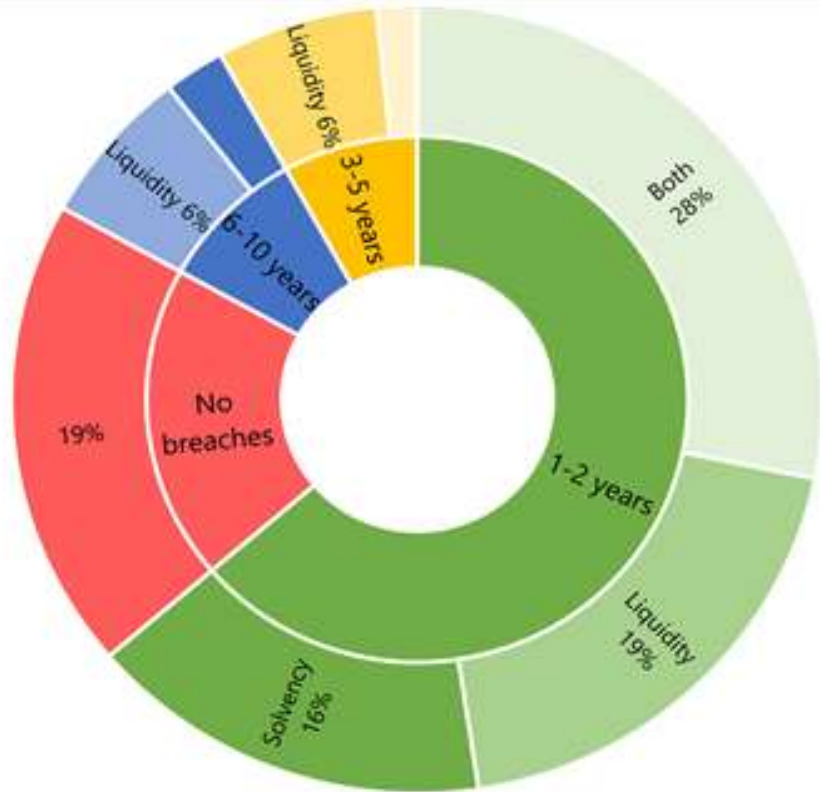


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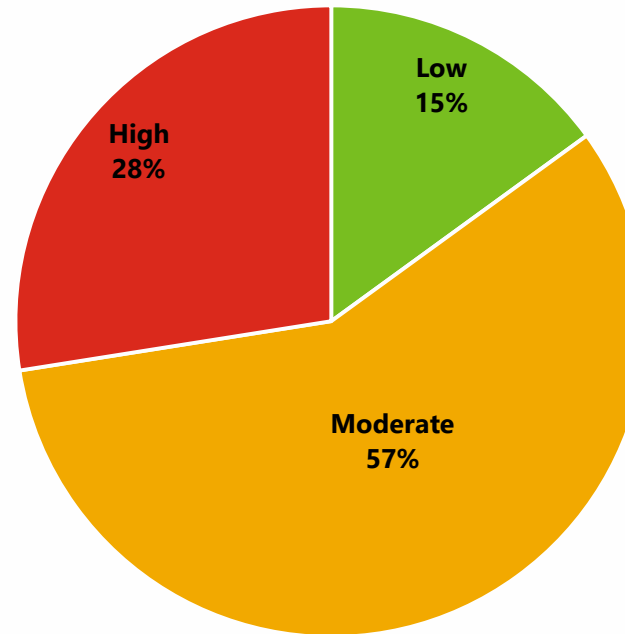
Liquidity risks important in LICs, while solvency issues seem relatively more important in EMs

LICs DSAs: High External Debt Risk Rating*
(Share, in percent of total, 2018-2023)

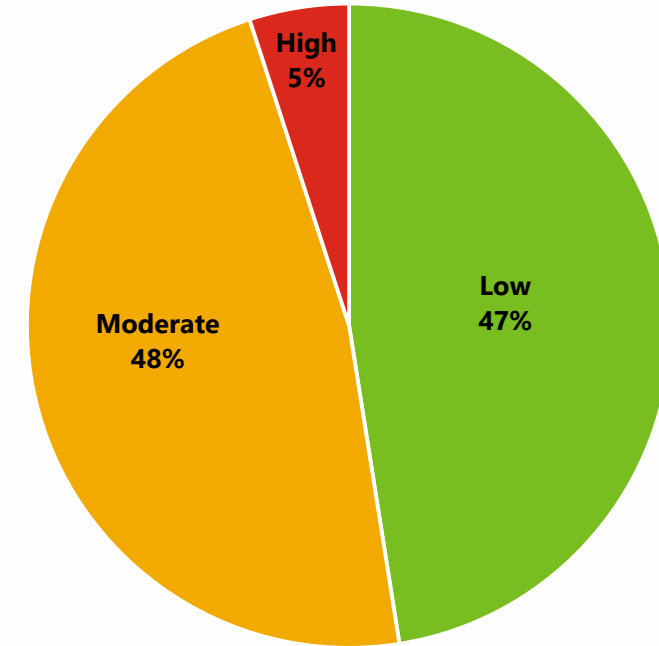


EMs SRDSAs: Distribution of Medium-Term Risk Ratings
(Share, in percent of total, 2024)

Solvency (Debt Fanchart)



Liquidity (GFN Module)



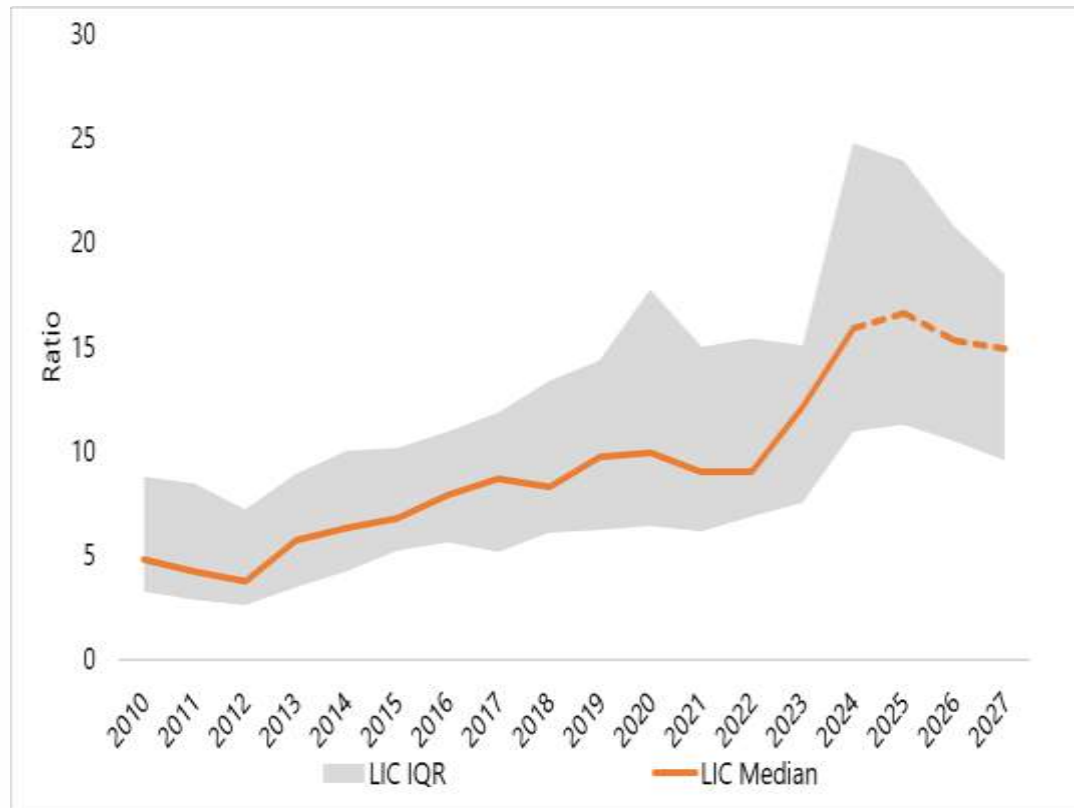
Source: Staff analysis of joint IMF-WB LIC-DSF country analyses. IMF-World Bank LIC-DSF database and IMF SRDSF database.

*/ Pattern of First-Time Breaches of Debt Indicators Thresholds over Time and by Type of Risk. The 2-level pie chart illustrates the forecast horizon over which the first breaches of debt burden thresholds occur within the 10-year forecast period of the risk assessment and within that the types of risks being flagged. The High-Risk rating corresponds to the final rating, determined after application of judgment.

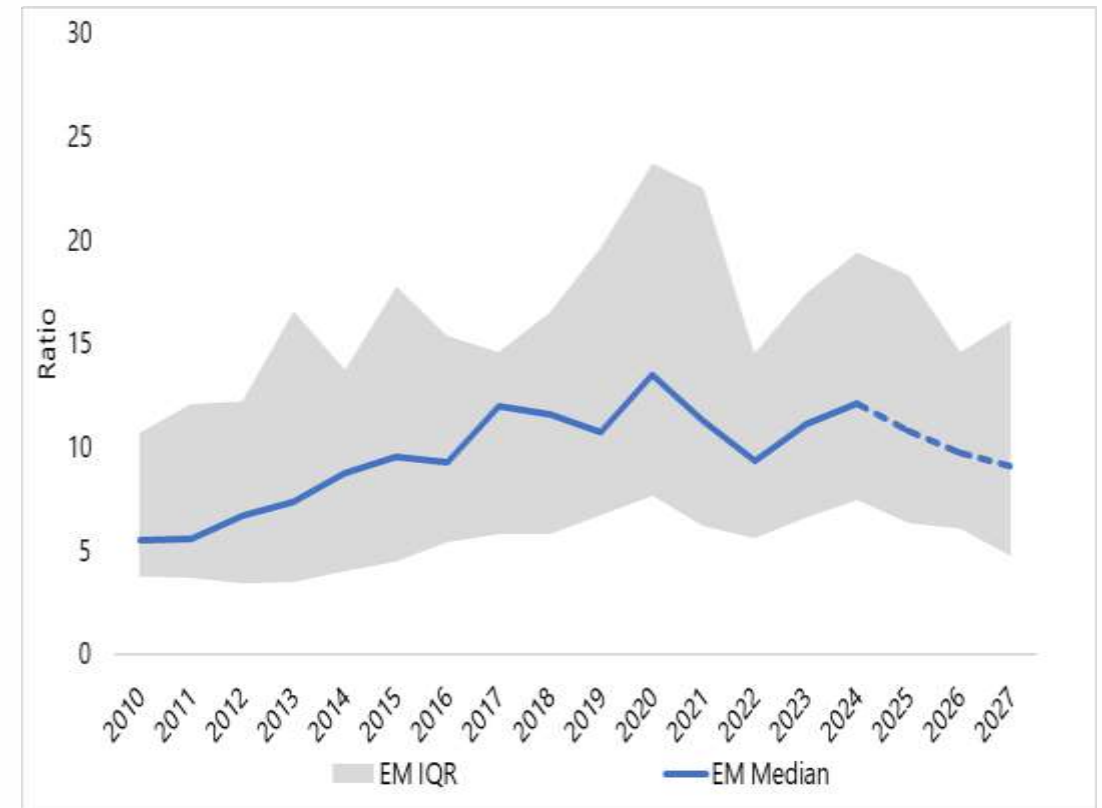
Pressure of external debt service has tightened fiscal space, particularly among LICs ...

External Debt Service to Revenue (excl. grants)
(Ratio)

LICs



EMs



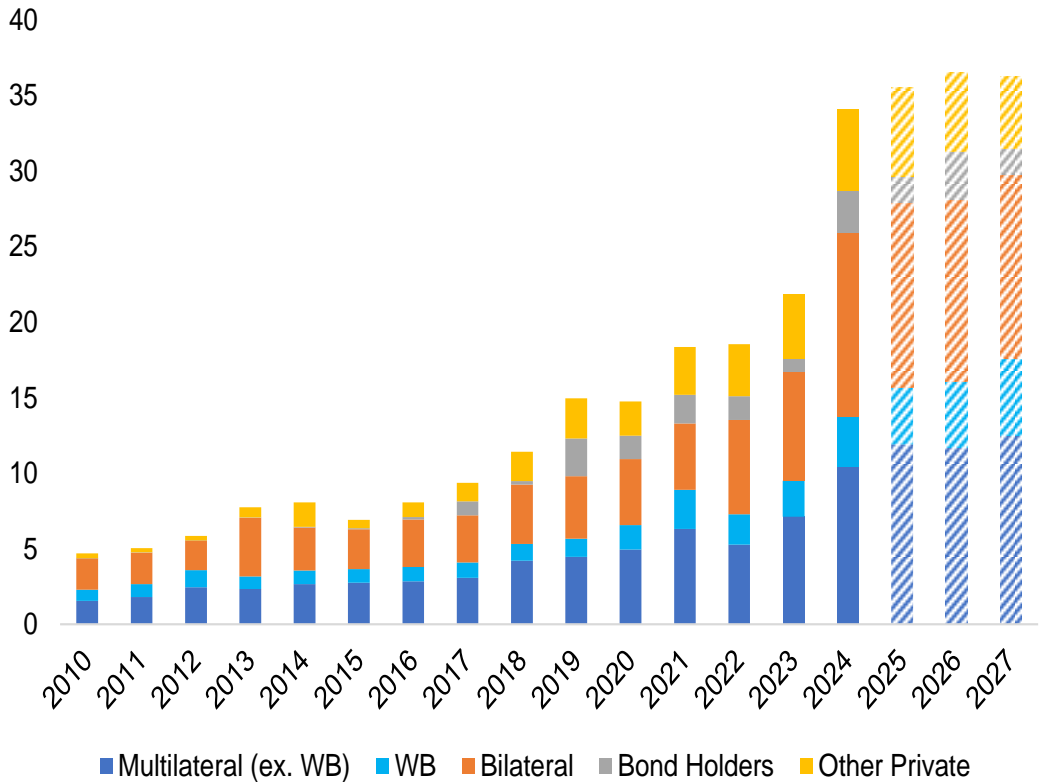
Sources: World Bank International Debt Statistics 2024 and IMF World Economic Outlook October 2024.

Note: 2024 values are estimates. IQR refers to interquartile range.

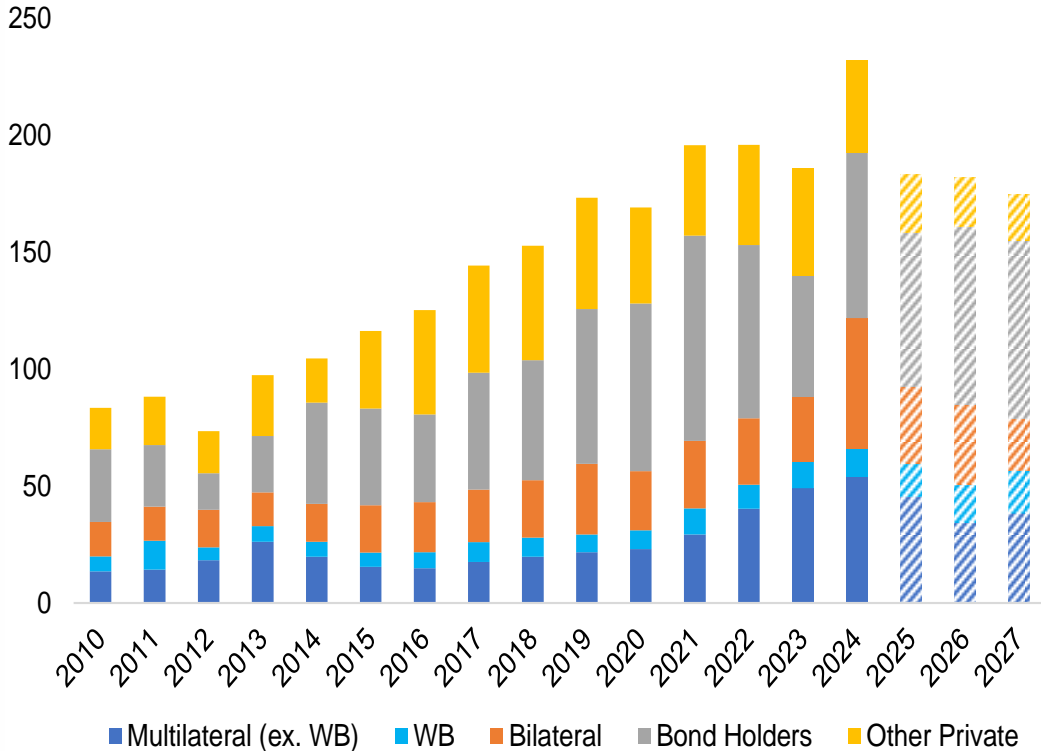
Refinancing Needs remain Challenging

External Principal Repayments on PPG Debt by creditor type
(USD billions)

LICs



EMs

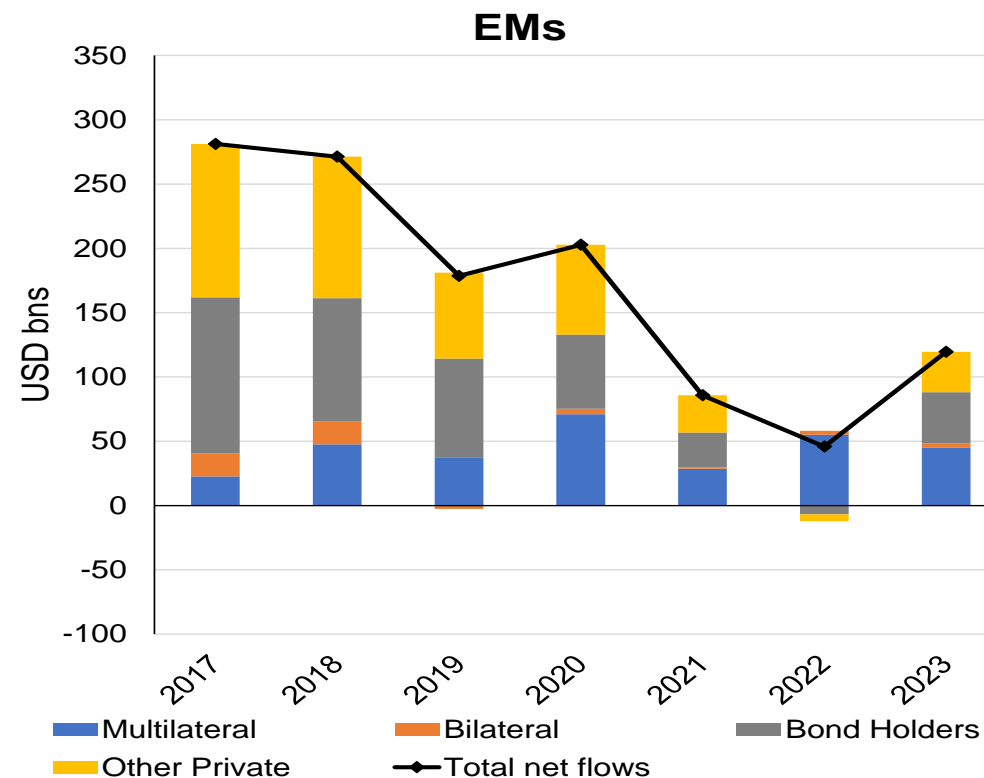
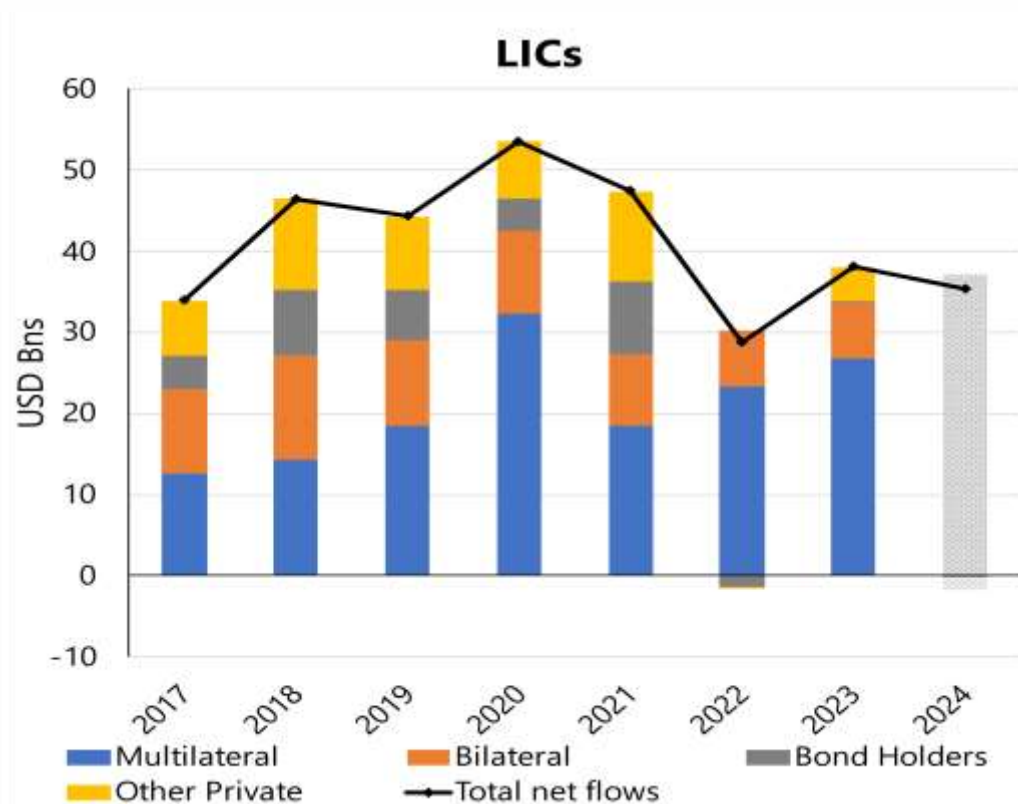


Source: World Bank International Debt Statistics 2024.

Note: 2024 onwards are IDS projections based on 2023 external debt stocks. Countries currently undergoing a debt restructuring are excluded to avoid overestimating future payments.

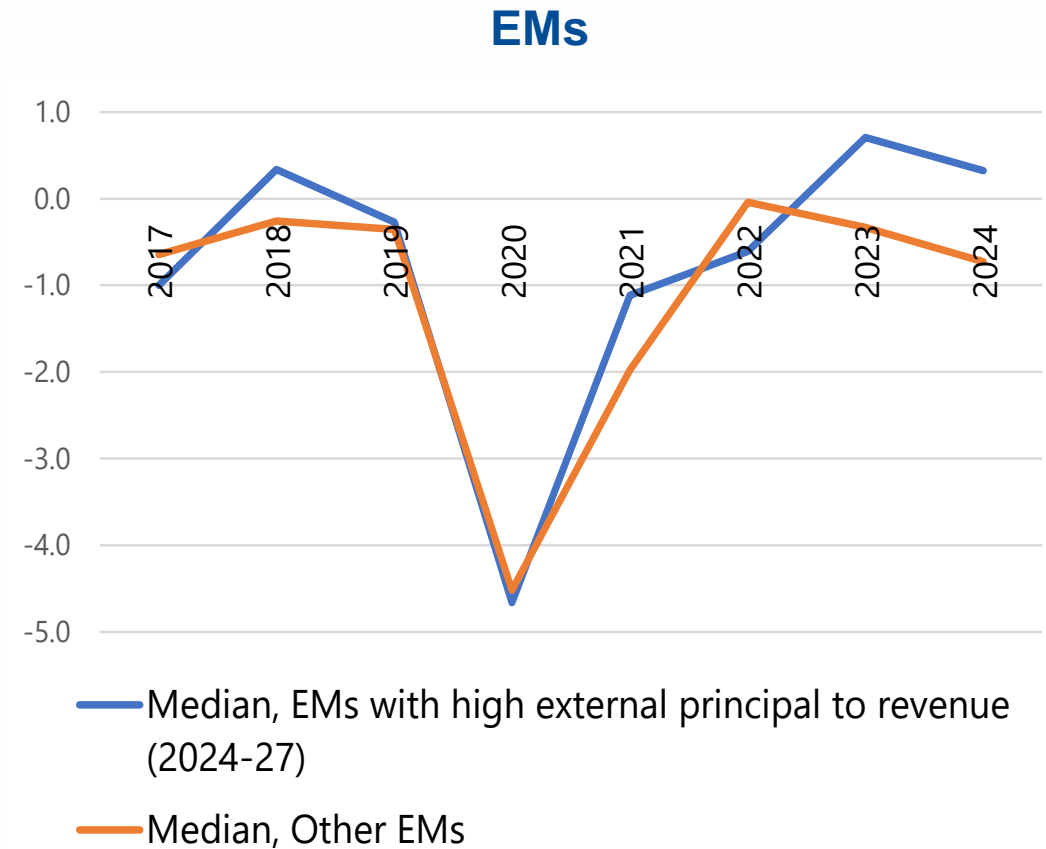
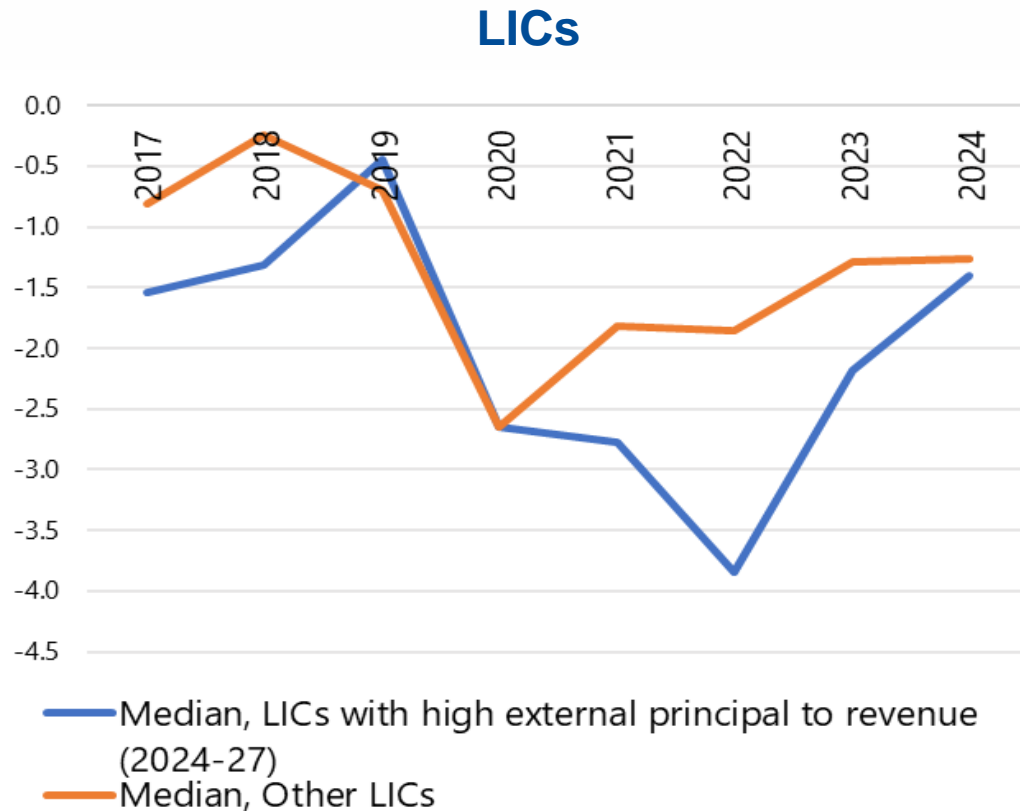
... Against a backdrop of lower net external flows

Net Flows of External PPG Debt. by creditor type
(USD billions)



Source: World Bank International Debt Statistics 2024, which has outturn data through end-2023 and IMF Financial data. LICs 2024 data is an estimate.

Countries with higher amortization pressures have tightened their fiscal position significantly



Sources: IMF World Economic Outlook October 2024, World Bank International Debt Statistics 2024, and Fund staff calculations.

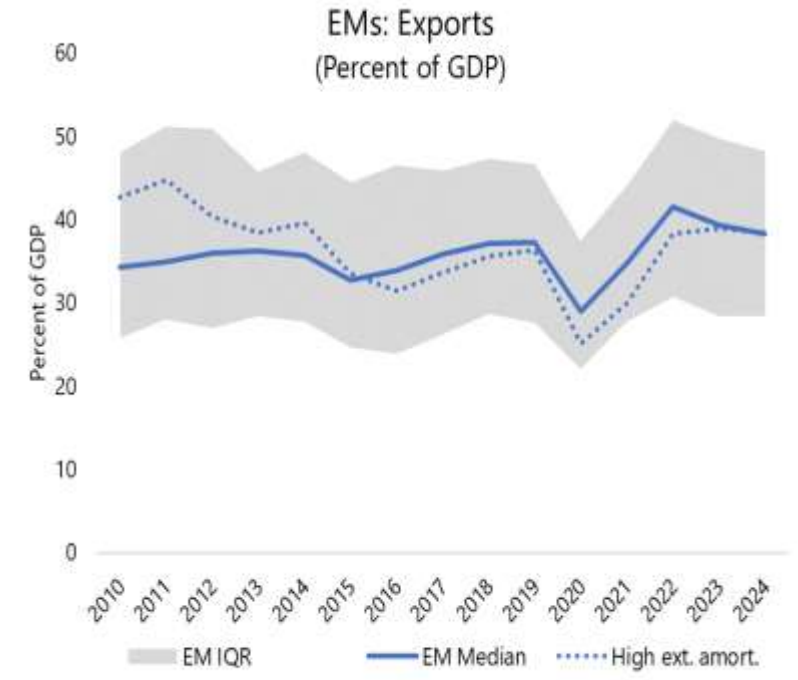
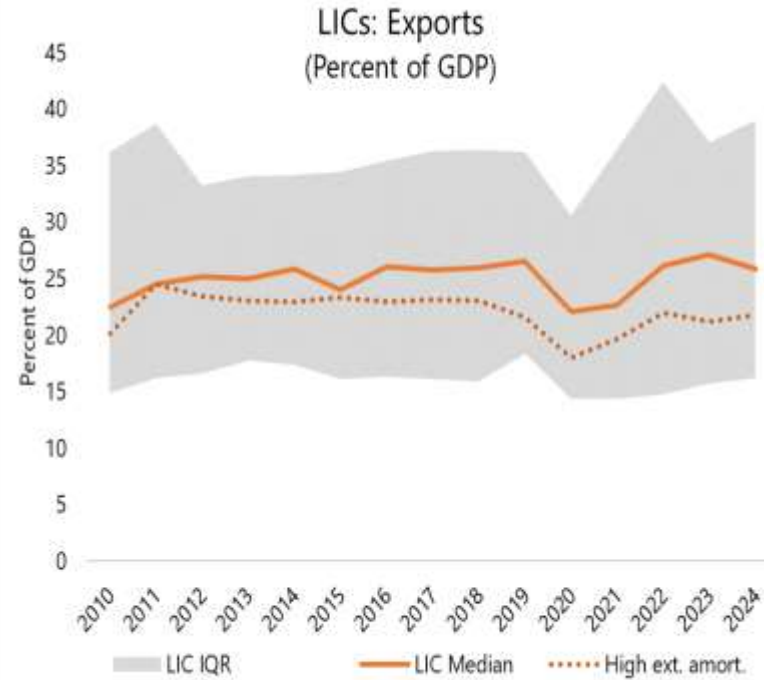
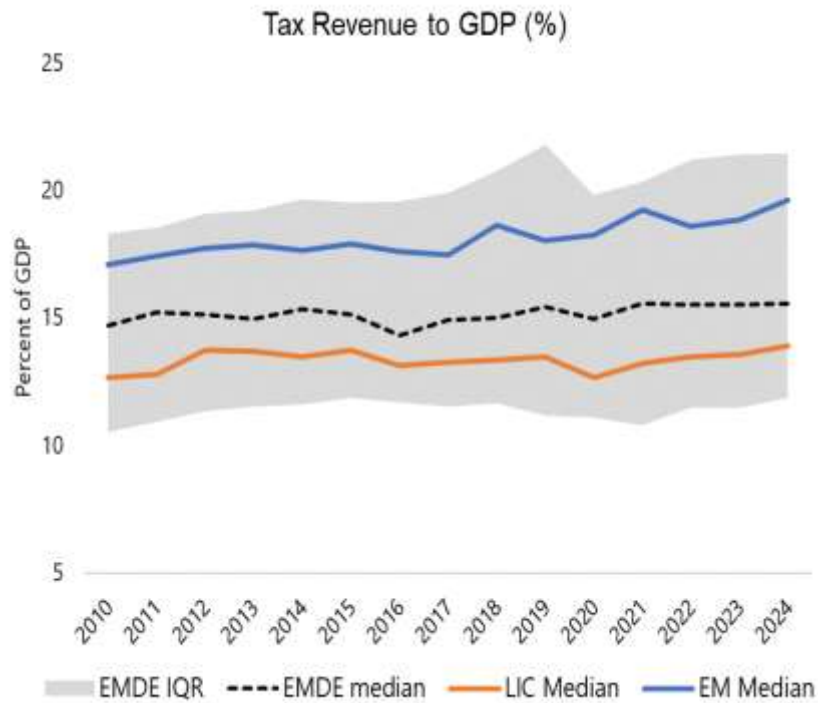
Agenda

- **Evolution of Debt Indicators**
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The 3-pillar Approach: A Pathway Towards Durable and Sustainable Financing

- Pillar I: implement strong structural reforms and domestic resource mobilization, supported by technical assistance and policy advice.
 - ▶ Boost growth and job creation
 - ▶ Mobilize fiscal revenues
 - ▶ Improve spending efficiency, public financial management and debt management
 - ▶ Develop domestic financial markets
- Pillar II: mobilize sufficient international support to help countries meet their financing needs
 - ▶ Provide adequate multilateral and bilateral financial support including grants and concessional loans
 - ▶ Leverage IMF and WB catalytic roles
- Pillar III: reduce debt servicing burdens where relevant, including through greater use of risk-sharing instruments by bilateral and multilateral partners to incentivize new or higher inflows from private creditors at affordable costs.
 - ▶ Leverage domestic reforms to crowd-in higher and more affordable private finance inflows
 - ▶ Use liability management operations, such as debt swaps and debt buy-back, supported by credit enhancement where appropriate

Structural reforms are critical to create fiscal space



Sources: IMF World Economic Outlook October 2024 and Fund staff calculations.

Final Remarks

- A clear liquidity problem centered in LICs (need to secure financing on sustainable terms, in a period when debt service is increasing);
 - Overlaid on the well-known financing for development problem/gap
- Partial market re-opening but underlying yields remain high
 - Leading to a further squeeze on non-interest spending in LICs (failure to invest): how long can this be sustained?
- Continued tight market conditions and unsustainable spending squeeze, could trigger a more prominent solvency challenge
- Focus of international community: 3-pillar approach (structural reforms; international support; market-friendly efforts to reduce debt service burdens)
 - Continue to enhance efficiency of sovereign debt restructuring processes for cases where it is needed

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Panel 2

Solvency vs Liquidity and the role of the Common Framework

Shanti Bobin

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International Debt Management Conference:

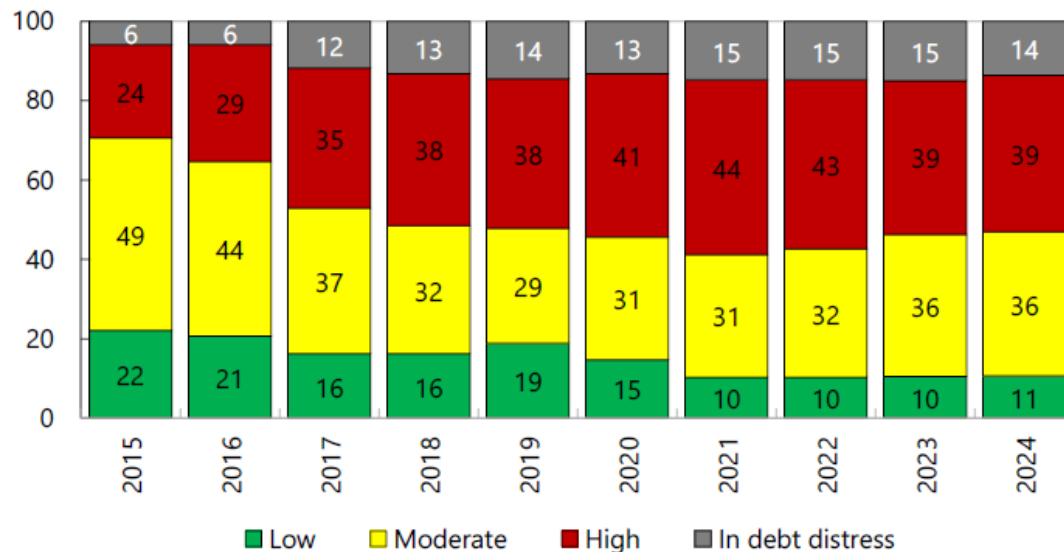
Solvency vs. liquidity issues & the role of the Common Framework

Global risk of debt distress and solvency risks are declining

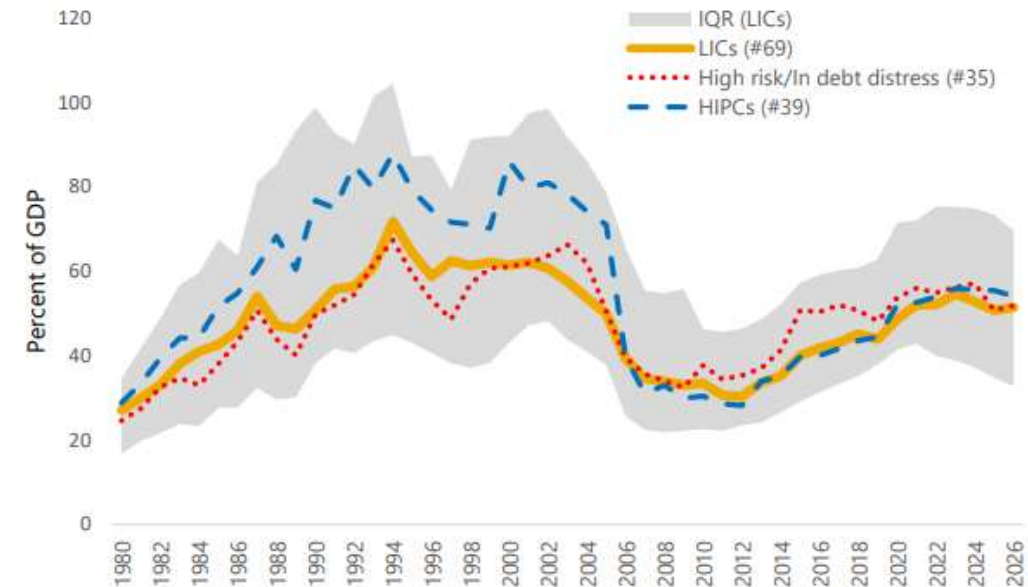


For LICs, solvency risks are contained as public debt levels have broadly stabilised post-Covid. Insolvency crises for a few countries – but no global solvency crisis as during HIPC.

LICs: Share of Countries using LIC-DSF



Evolution of LIC Total Public Debt
(Median, in percent of GDP)

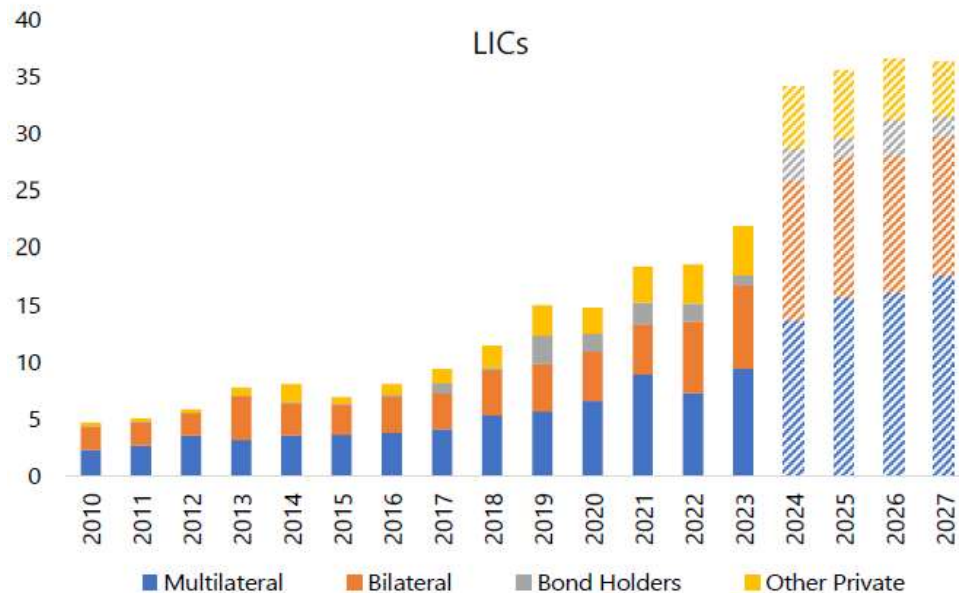


Liquidity pressures need to be managed



Many LICs face liquidity pressures as exhibited by tight external debt service ratios – reflecting higher interest rates, high principal repayments, stagnating tax revenues and refinancing difficulties.

External Public and Publicly Guaranteed Principal Payments, by creditor type
(USD bn)



USD Bn\$	2018	2019	2020	2021	2022	2023
Net debt transfer (P+I) for SSA	24,7	19,4	12,7	9,9	5,6	-10,8
Long-term	21,9	14,1	3,8	3,1	-2,8	-6,2
Official creditors	16,0	15,3	30,0	14,4	14,5	14,0
Multilateral creditors	9,5	12,7	28,6	12,9	15,8	15,2
o/w WB	5,2	8,3	7,7	6,1	11,5	10,1
o/w AfDB	1,5	1,5	2,2	0,5	1,0	1,0
o/w IMF	1,5	1,3	16,6	4,3	2,0	0,3
Bilateral creditors	6,4	2,6	1,4	1,6	-1,3	-1,2
o/w Traditionals creditors (Paris Club)	0,2	-0,5	1,2	2,2	0,7	-0,3
o/w New creditors	6,3	3,1	0,1	-0,6	-2,0	-0,8
Private creditors (PPG)	10,5	9,0	-8,2	-3,3	-10,9	-13,4
Bonds	5,9	13,1	-8,6	0,0	-9,9	-10,3
Commercial banks	6,0	-2,4	1,1	-1,8	-0,5	-3,1
Other private	-1,3	-1,6	-0,8	-1,4	-0,5	0,0
Short-term	2,8	5,4	8,9	6,9	8,4	-4,6

The Common Framework is delivering relief on a case-by-case basis

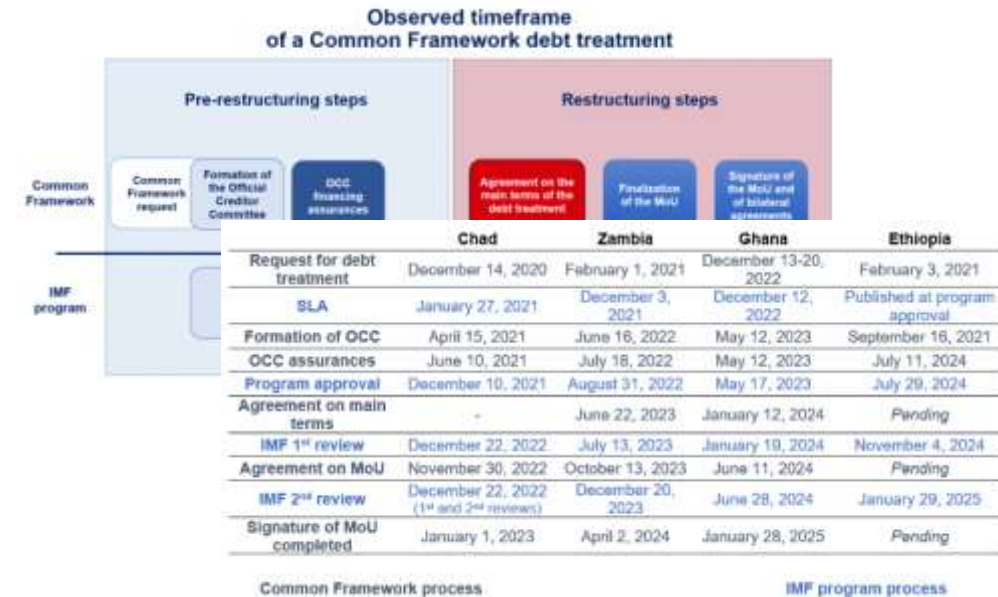
While liquidity pressures can be addressed via different options (three-pillar initiatives), the Common Framework provides debt restructurings for countries facing acute solvency and liquidity challenges.

The Common Framework is delivering:

- ✓ Strong debt relief
- ✓ Reduced delays
- ✓ More clarity

How to improve it further?

- ✓ Clearer and faster processes for borrowers
- ✓ Better information-sharing and coordination with other creditors
- ✓ More voice for borrower community



Information on CF updates and processes from Paris Club website