

Debt and climate in the context of a New Collective Quantified Goal



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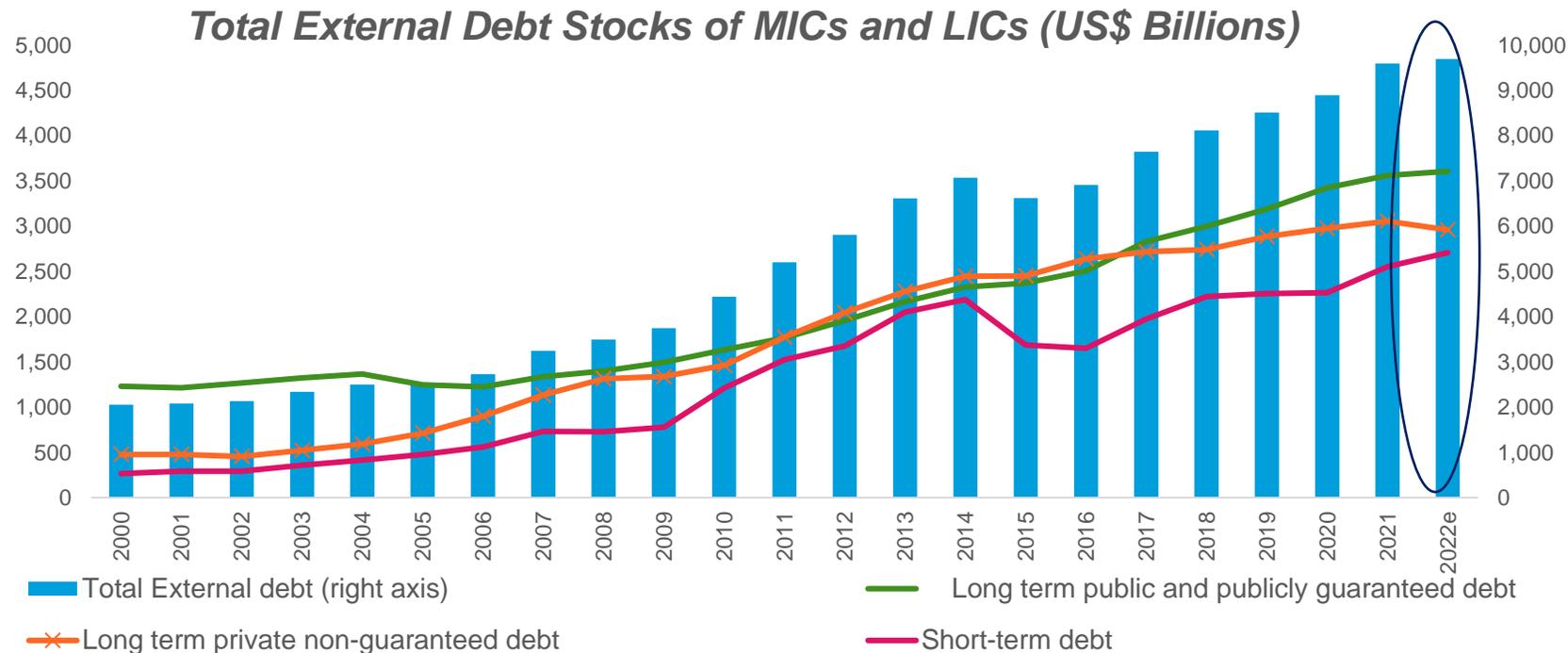
Globalization and Development Strategies

Recent trends in sovereign debt



External Debt Stocks: MICs and LICs

- According to UNCTAD estimates, the external debt stocks of middle and low-income countries (MICs and LICs), reached a record of **US\$ 9.7 trillion in 2022**, 1% annual growth from 2021..
- Despite this virtual stability, the composition of the debt has changed
- The share of public and publicly guaranteed debt (PPG) continued its upward trend, reaching 55% in 2022, its highest share since 2006.
- Higher growth rate of short-term debt



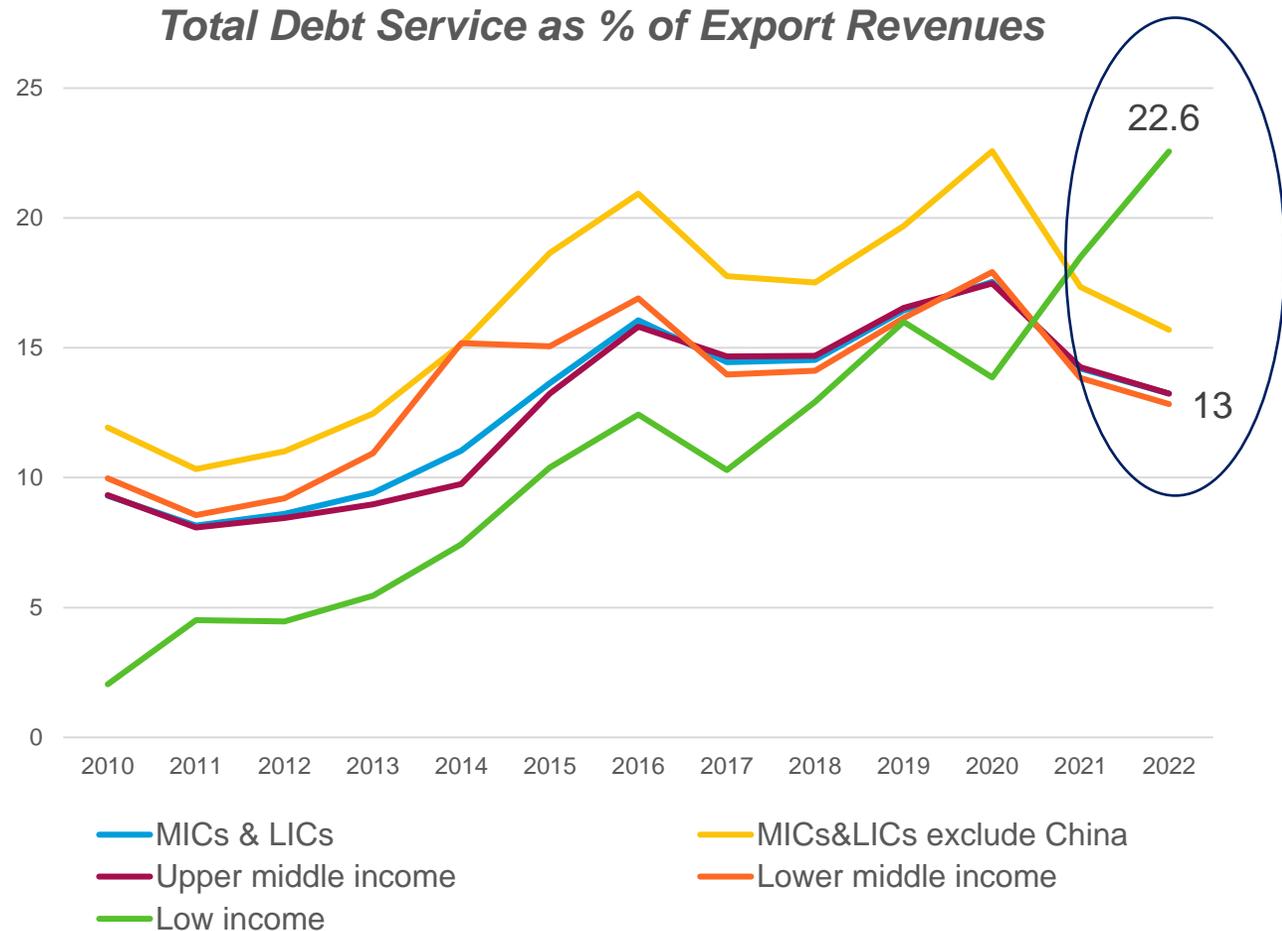
Source: UNCTAD secretariat calculations based on data from World Bank and IMF.

External Debt Sustainability: MICs and LICs

The external solvency depends on the export earnings

- The situation in LICs is **unsustainable**: the ratio of total external debt service to exports reached **22.6%** in 2022
- The current ratio around **13%** for upper and lower MICs is also a concern.

1953 London Agreement on Germany's war debt limited this ratio to **5%** to avoid undermining West German post-war recovery.



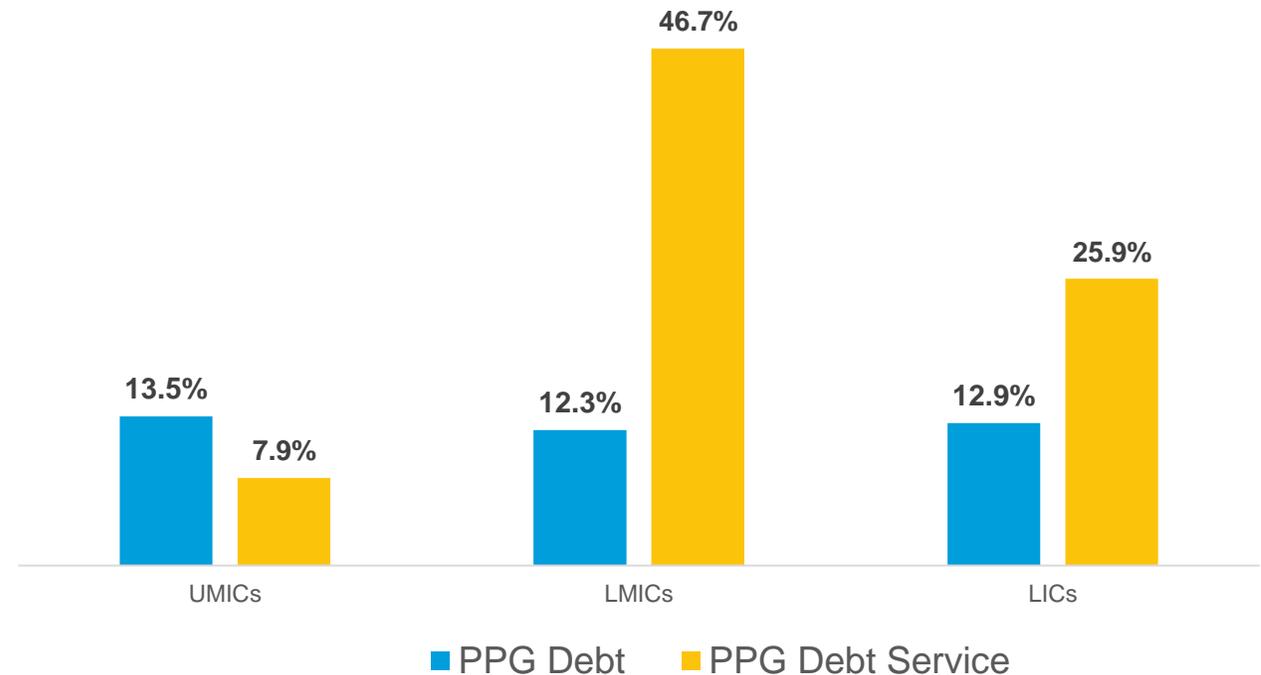
Source: UNCTAD secretariat calculations based on data from World Bank and IMF.

PPG Debt: MICs and LICs

Huge external debt burdens are associated with the trends in the PPG debt after the Covid-19 pandemic.

- PPG rose by 13% whereas PNG rose only by 2.5%.
- Debt servicing on PPG increased much more than the PPG debt stock for LICs and Lower MICs.

PPG Debt and PPG Debt Service: 2020-22 Growth Rates (%)

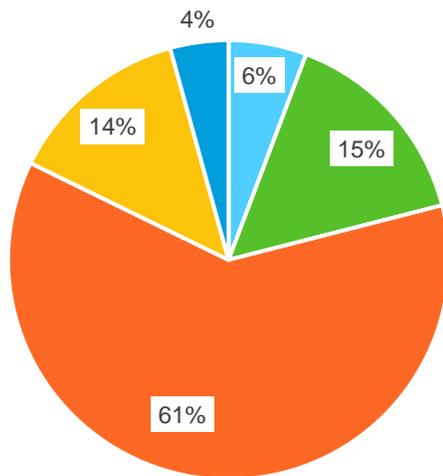


PPG Debt Creditor Composition: MICs and LICs

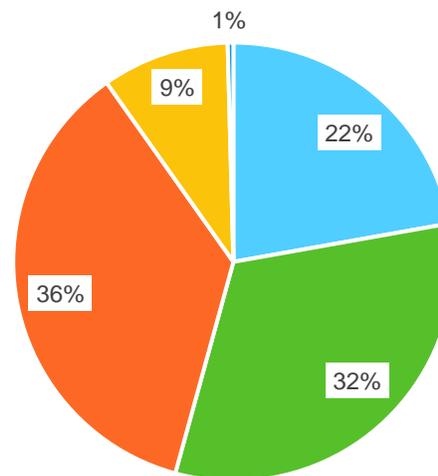
- The growing share of private creditors, mainly bondholders, in PPG debt of MICs and LICs resulted in higher debt servicing costs
 - For Upper MICs : **from 67% in 2011 to 79% in 2021**
 - For Lower MICs: **from 28% in 2011 to 46% in 2021**
 - For LICs : **from 10% in 2011 to 15% in 2021**

PPG Debt by Creditors (2021)

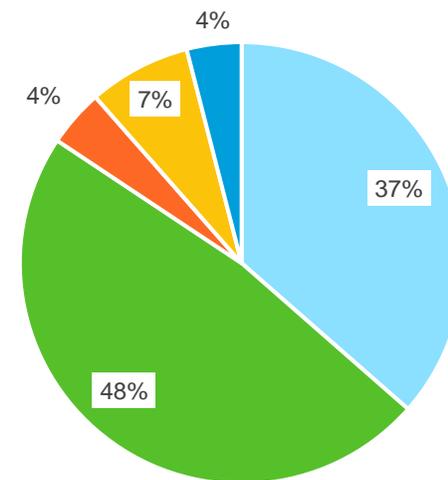
Upper Middle Income



Lower Middle Income



Low Income

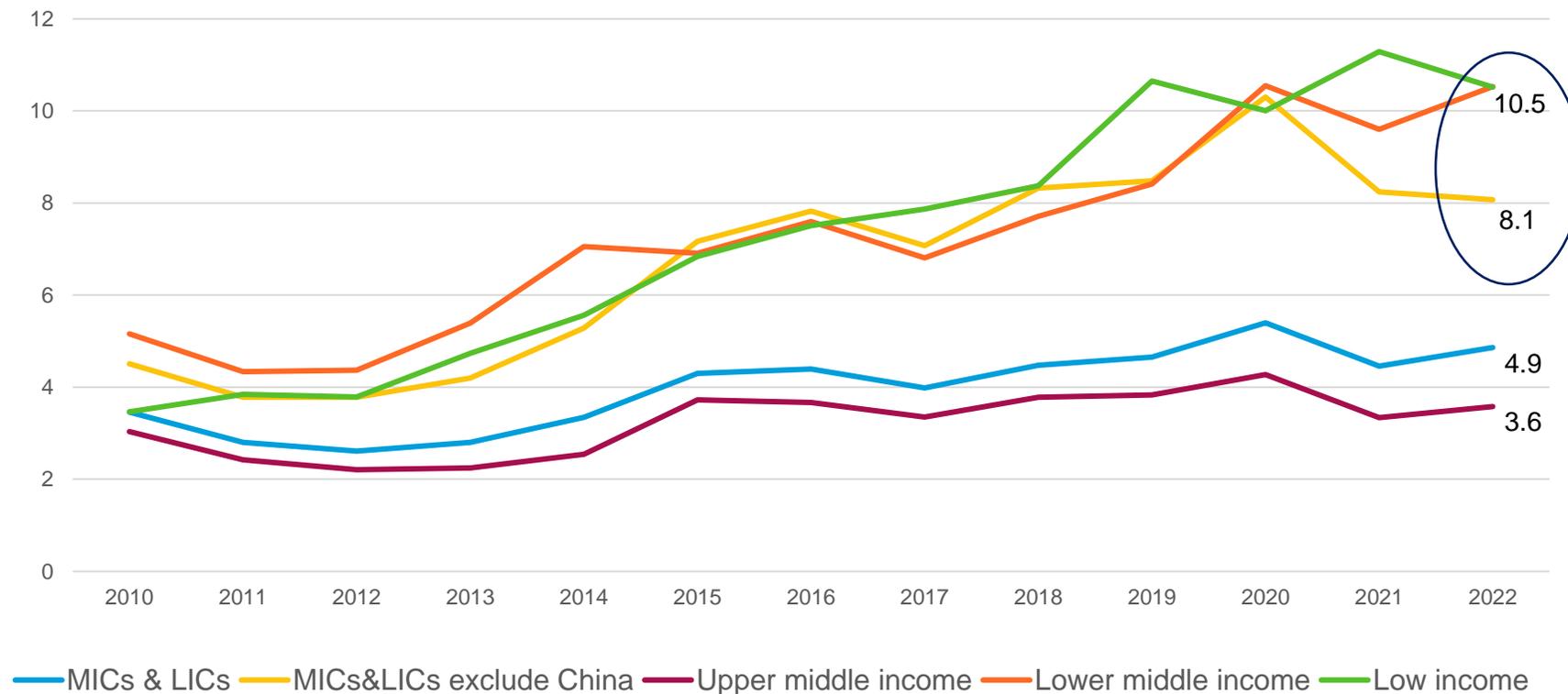


- Off. Creditors-Bilateral
- Off. Creditors-Multilateral
- Priv. creditors-Bonds
- Priv. creditors-Commercial banks
- Other private creditors

External Public Debt Sustainability: MICs and LICs

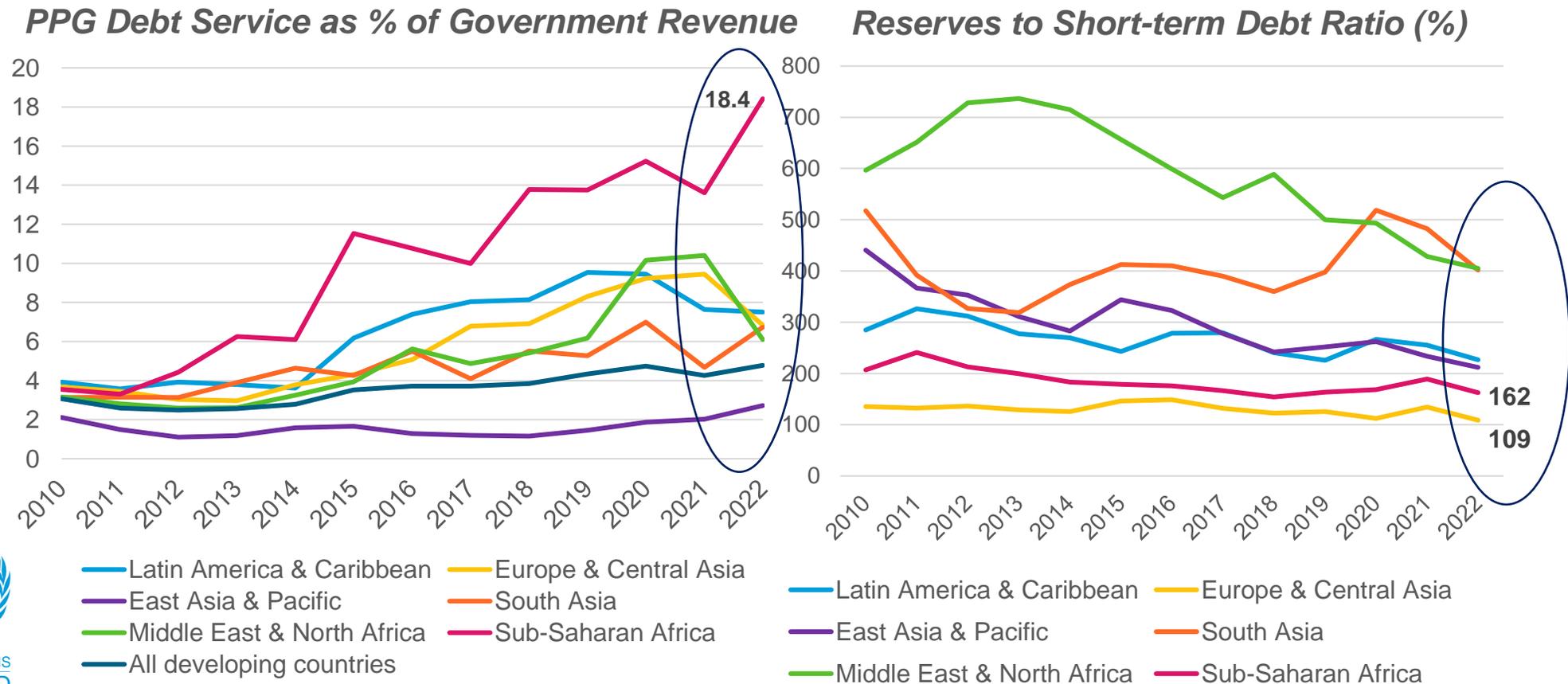
- Amid mounting sovereign borrowing costs, servicing the PPG debt is absorbing a significant share of government revenues of lower MICs and LICs

PPG External Debt Service as % of Government Revenues



Developing regions: External Debt Sustainability

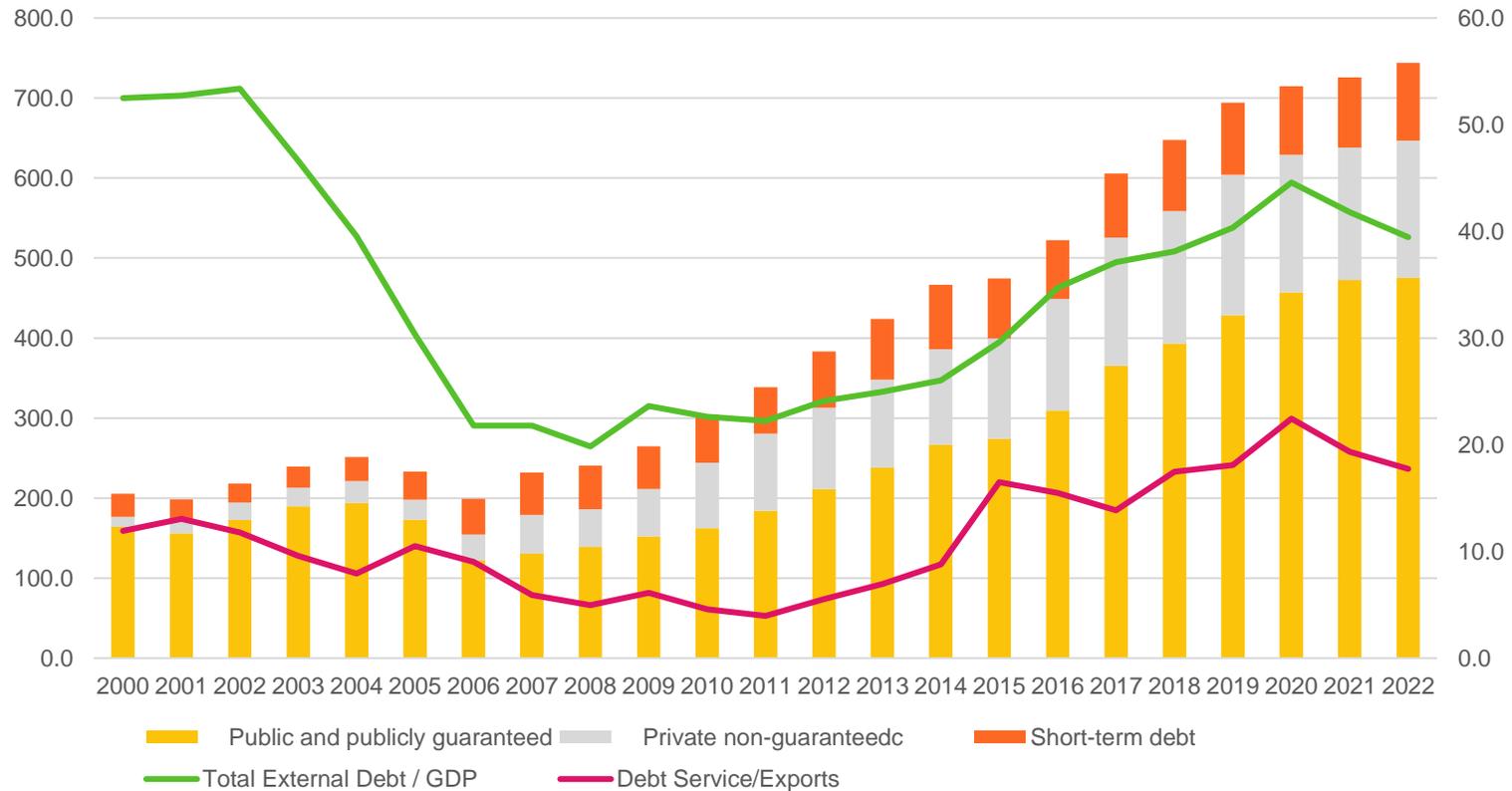
- Sub-Saharan Africa experienced the greatest increase in PPG debt service to government revenues in 2022.
- But Europe & Central Asia had the lowest external liquidity buffer



Source: UNCTAD secretariat calculations based on data from World Bank and IMF and national sources.

Africa's External Debt Stock

Debt service much higher as a share of exports for lower levels of Debt to GDP



Systemic development crisis



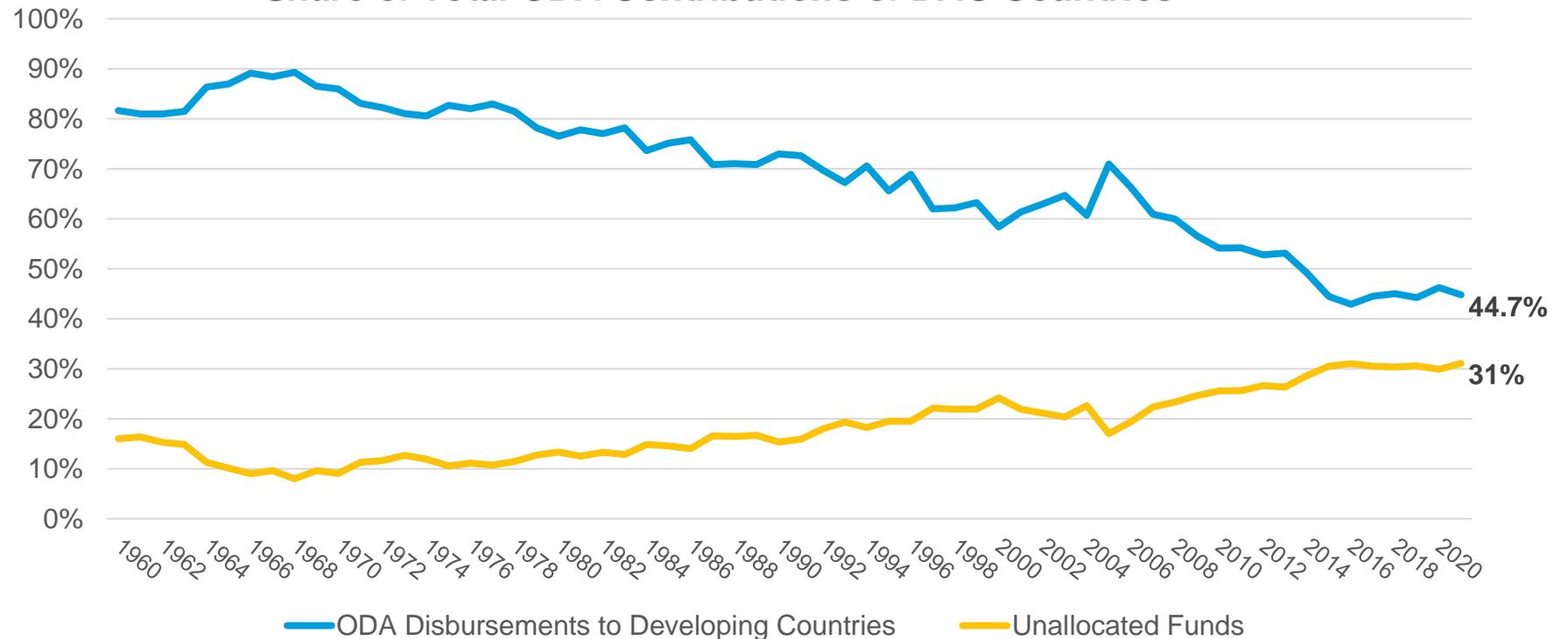
ODA Disbursements to Developing Countries

- Developing Countries received only 44.7% of ODA Disbursements from DAC countries in 2021.
- In 2021, 31% of ODA disbursements from DAC countries fell under the unallocated category, which is a category that represents costs that arise within donor countries, such as administrative costs and in-house refugee expenses.

LDCs, on average, received 19,6% of Total ODA Disbursements from DAC countries between 2011 and 2021

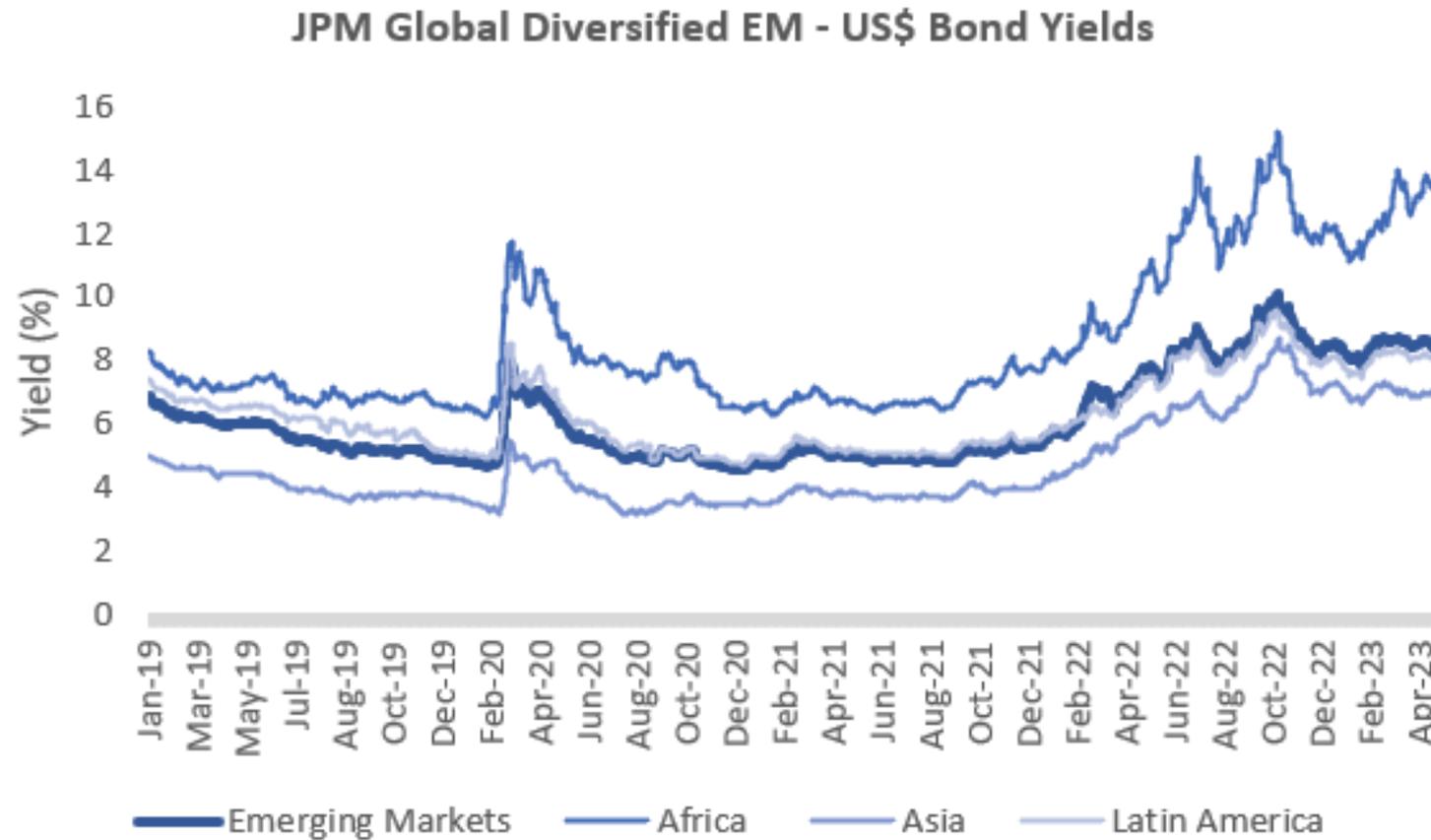


ODA Disbursements to Developing Countries and In-country Use as a Share of Total ODA Contributions of DAC Countries



Developing regions: Sovereign bond yields

African countries have faced the greatest increase in bond spreads

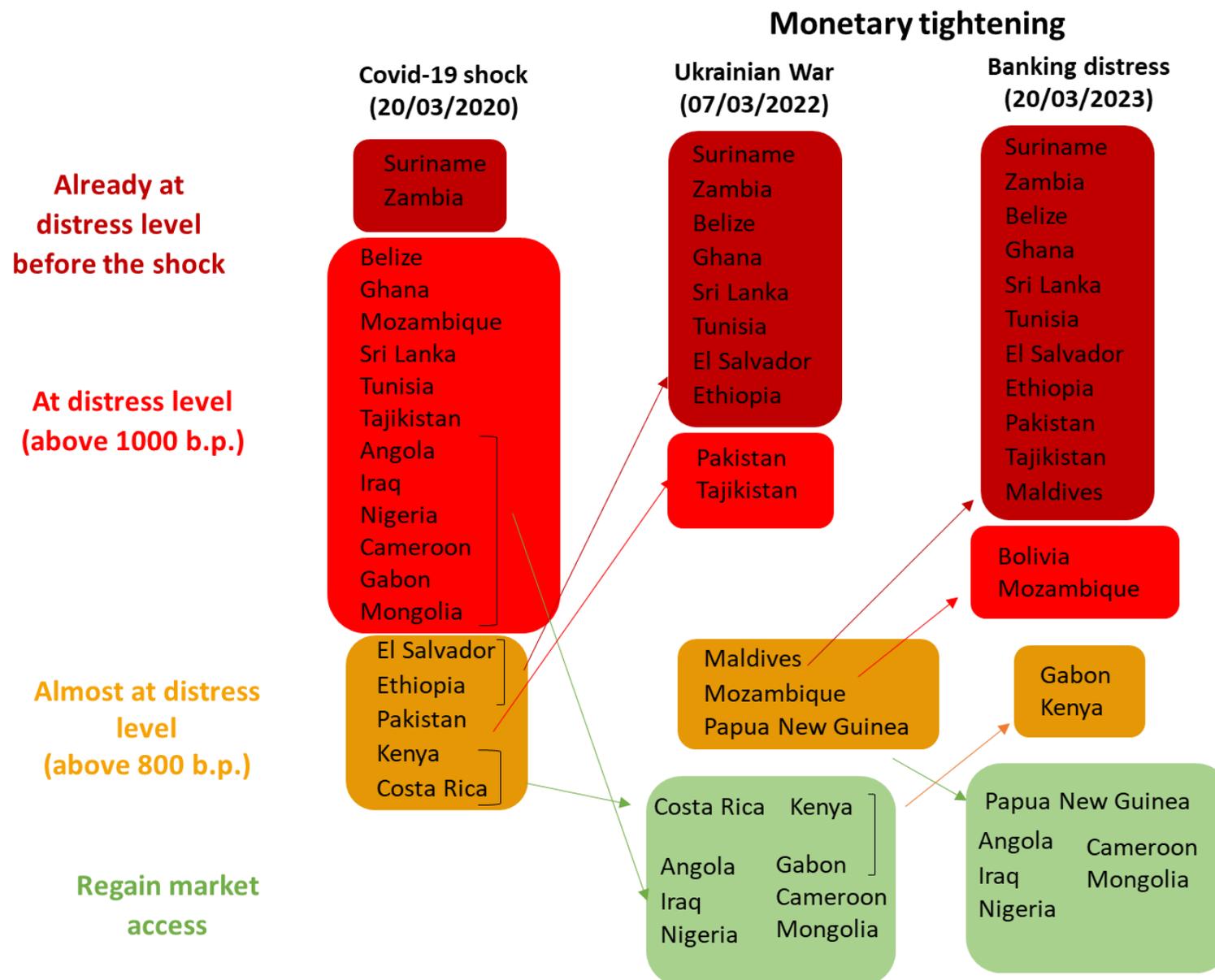


Frontier-Market Economies: market access

FME has been the group of developing countries hardest hit by the cascading crises



Section in TDR 2023

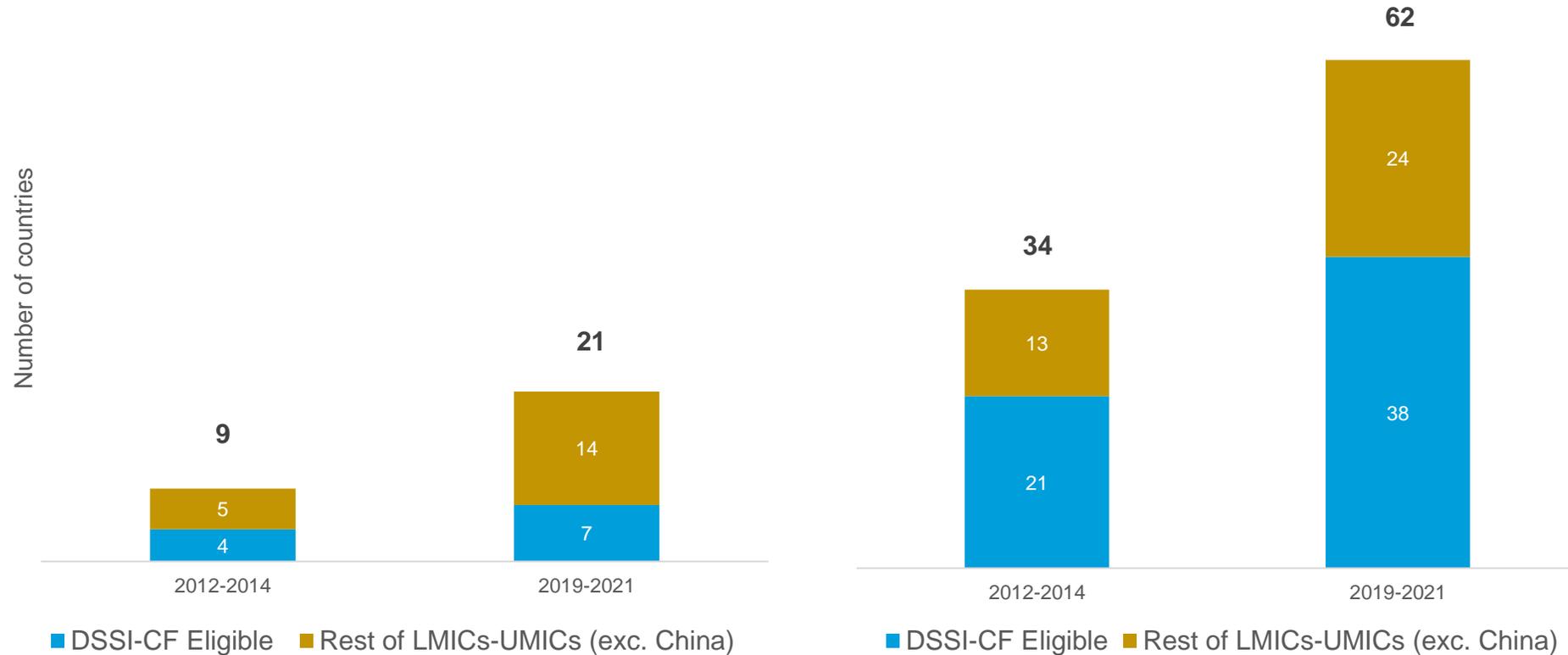


Source: UNCTAD secretariat calculations based on Refinitiv.

Number of countries where external public debt service is higher than public education or health expenditures

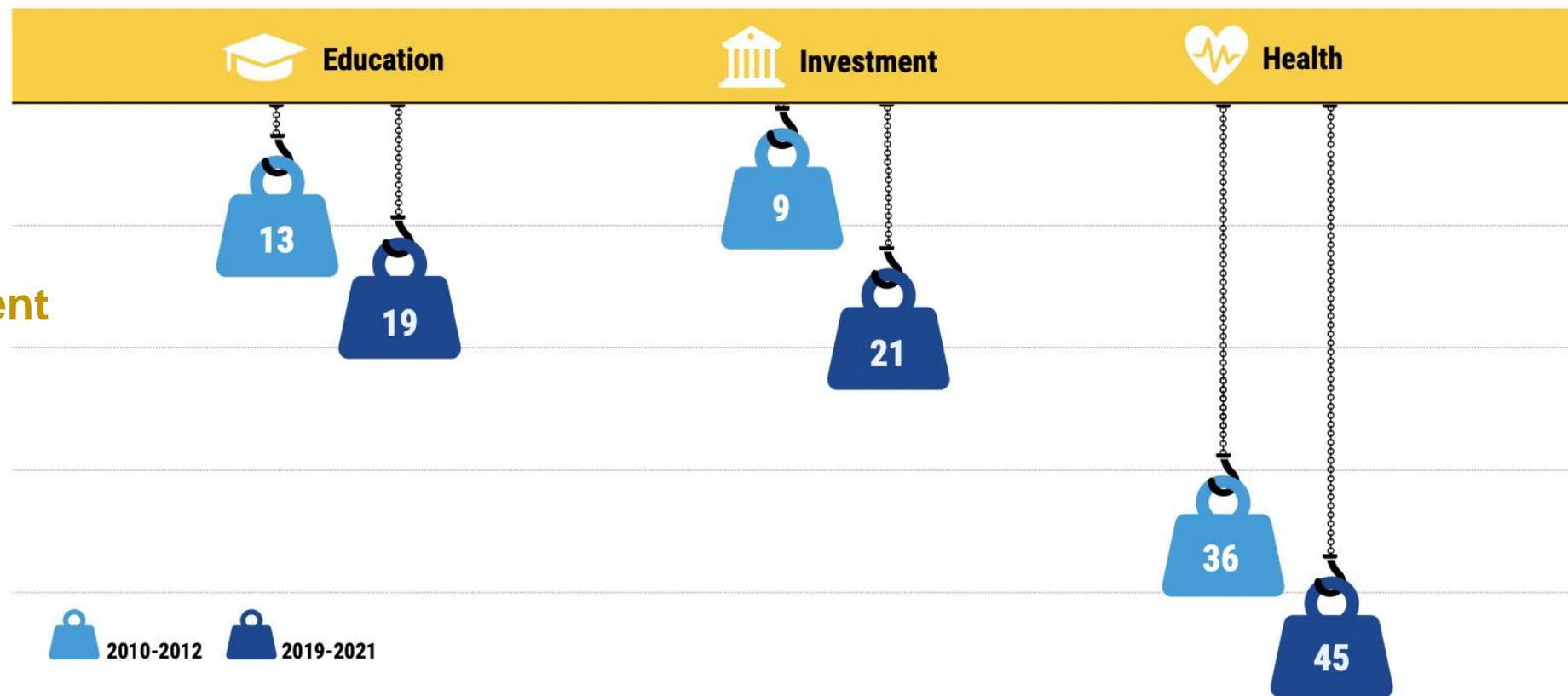
External public debt service is higher than education expenditure (94 countries) (2012-2021)

External public debt service is higher than health expenditure (112 countries) (2012-2021)



Source: TDR Update April 2023 - UNCTAD secretariat calculations

Number of developing countries spending more public resources on total net interest than on education, investment or health



Interest payments outweigh development spending in more countries

Policy Recommendations



How to address the global debt challenges and achieve sustainable development?

UN Stimulus package

Summit for the Future's IFA Policy brief



Make the system more inclusive

- Improving the real and effective participation of developing countries in the governance of the international financial architecture.

Provide greater liquidity in times of crisis by expanding contingency finance/GFSN

- Strengthened use of SDRs, a temporary suspension of IMF surcharges, and increased quota-access windows to IMF emergency financing.

Tackling the high cost of debt and rising risk of debt distress

- Create a sovereign debt workout mechanism

Massively scaling up affordable long-term financing and grants

- Scaling-up MDBs and RDBs concessional finance
- Meeting ODA and climate finance commitments.

Thank you!

