

Concept Note

UNCTAD XV Pre-event and webinar, 19 July 2021, 3:00 – 5:00 pm CEST

Addressing unsustainable debt burdens in developing countries: From emergency responses to systemic reforms

Background and thematic focus

Affordable and sustainable external debt financing is a core requirement to achieve structural transformation in developing countries, and to meet the 2030 Agenda.

The need to mobilize economic resources in response to the COVID-19 pandemic has undoubtedly exacerbated already-existing debt vulnerabilities, especially in low- and middle-income countries. Of 99 low-income countries assessed through the International Monetary Fund–World Bank Debt Sustainability Framework, over half (52) were already in debt distress or at high risk of debt distress in 2019 compared to only 16 countries in 2013, the lowest point of reporting on this data.¹ While this figure rose only marginally in 2020 (to 54), it does not include sovereign debt distress and restructurings in 2020 in other developing countries. As recent analysis by the United Nations Development Programme notes, sovereign debt vulnerabilities in low-and middle income countries are not expected to decrease significantly over coming years and are unlikely to return to pre-pandemic levels before 2024 or 2025.² At the same time, many frontier market economies, in particular in Sub-Saharan Africa, will face large amounts of their sovereign bond issuances maturing in 2024, 2025 as well as later in the decade.³ According to ECLAC, in Latin America and the Caribbean only, for instance, it is estimated that the pandemic will set back the region’s economic and social development by at least a decade.⁴

The COVID-19 pandemic has also highlighted the limitations of the current international financial and debt architecture to address looming sovereign debt crises in the developing world. In this context, there is an urgent need to work towards effective, comprehensive and equitable solutions to recurrent sovereign debt crises. Despite recent *ad hoc* debt relief measures implemented at both the domestic and international level, there remains a pressing need to debate structural and long-term responses to the problem of unsustainable debt in developing countries.

Over the years, there have been many proposals in this regard: from those that prioritize domestic and market-based approaches to those that call for the establishment of robust international institutions

¹ United Nations (2021). Inter-agency Task Force on Financing for Development, [Financing for Sustainable Development Report 2021](#). New York: United Nations publication. Sales No. E.21.I.6, p. 129.

² Jensen, L. (2021). [Debt vulnerabilities in developing countries. Which countries are vulnerable and which countries are at risk](#). United Nations Development Programme, Development Futures Series Working Paper, March, p. 26.

³ Volz, U. et al (2021). [Debt relief for a green and inclusive recovery: Securing private sector participation and creating policy space for sustainable development](#). Berlin, London, and Boston, MA: Heinrich-Böll-Stiftung; SOAS, University of London; and Boston University, June, p. 18. See also Munevar, D. (2021). [Sleep now in the fire: Sovereign bonds and the Covid-19 debt crisis](#). Eurodad, May, p. 12.

⁴ Economic Commission for Latin America and the Caribbean (ECLAC). [Financing for development in the era of COVID-19 and beyond. Priorities of Latin America and the Caribbean in relation to the financing for development global policy agenda](#). Special Report Covid-19 No. 10, March.

with a clear mandate to support systemic and durable solutions to unsustainable debt burdens in developing countries.

The thematic focus of this webinar will be to examine the different policy options to reform the international financial and debt architecture, at both market-based and multilateral levels, to promote comprehensive, effective and equitable sovereign debt restructurings and relief, as well as sound sovereign debt markets that can pro-actively support sustainable and inclusive development.

Guiding questions for panelists:

1. What are the advantages and shortcomings of existing arrangements for debt financing, debt relief and for sovereign debt restructuring? This would include:
 - a. Contractual market-based improvements (such as enhanced collective action clauses in sovereign bond contracts)
 - b. Existing multilateral solutions, particularly the G20's Debt Service Suspension Initiative (DSSI) and its Common Framework for Debt Treatments beyond the DSSI.
2. Given your professional and/or academic experience, what are your priorities for a reform of the international financial and debt architecture?
3. Which are the different ways of mobilizing support for the establishment of a global, consensus-based and inclusive multilateral framework for debt treatment and restructuring?
4. How can UNCTAD, international financial institutions and other United Nations system entities promote relevant reform proposals in this regard?

Panelists:

Mr. Martín Guzman, Minister of Economy, Argentine Republic.

Mr. Avinash Persaud, Emeritus Professor of Gresham College and Chair of the CARICOM Commission on the Economy, Barbados.

Ms. Stephany Griffith-Jones, Financial Markets Program Director at the Initiative for Policy Dialogue, Columbia University and Emeritus Professorial Fellow, Institute for Development Studies, Sussex University, United Kingdom.

Ms. Yuefen Li, Special Advisor on Economics and Development Finance of the South Centre and Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights to the UN Human Rights Council.

Chair:

Mr. Richard Kozul-Wright, Director, Division on Globalization and Development Strategies, UNCTAD.

Organisational and logistical Information:

Panellists are asked to prepare an initial presentation of 10-12 mins around the above guiding questions and with an emphasis of their choosing on any specific issues raised by these questions, not least in the context of their specific professional backgrounds and experience. Presentations will be followed by around an hour of questions and answers.

The link to the meeting with further instructions to ensure easy connectivity will be provided closer to the meeting date.