

BROOKINGS

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Balancing financing and debt restructuring needs post-COVID

Homi Kharas

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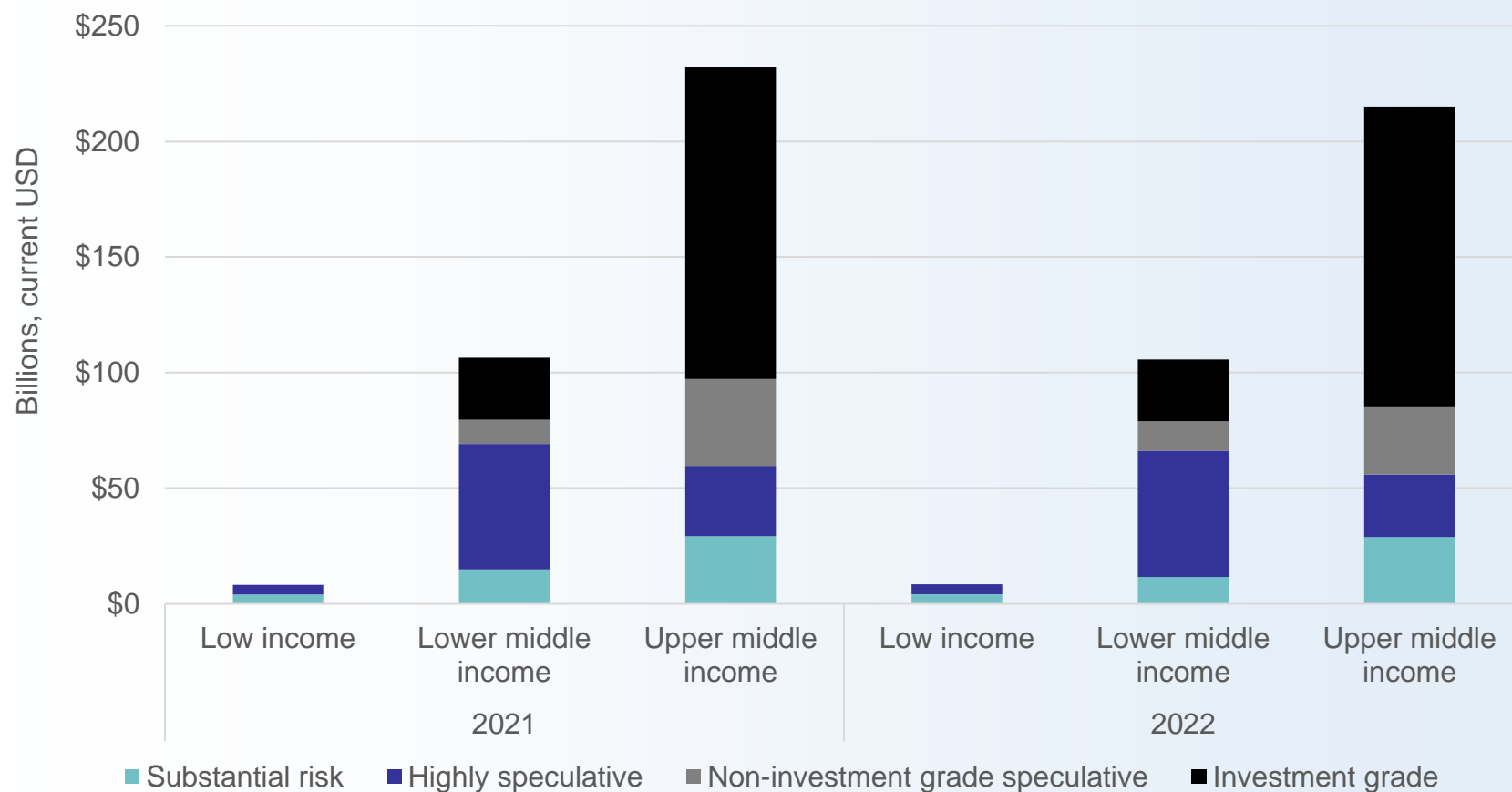
G-24 Technical Group Session “Addressing the Challenge of Sovereign Debt Distress”

Twin crises: balancing financing and debt restructuring needs

- IMF est. \$2.5 trillion in additional financing needed in EMDEs to cope with COVID-19 recovery
- Governments taking on debt to finance recovery
 - » Public debt in 2020 rose by 12pp of GDP EM, 8pp LICs
 - » Half LICs at high risk of debt distress before COVID-19
- Countries need both debt forgiveness and new lending to address twin debt and development crises
 - » Need to link size of need to size of financing package

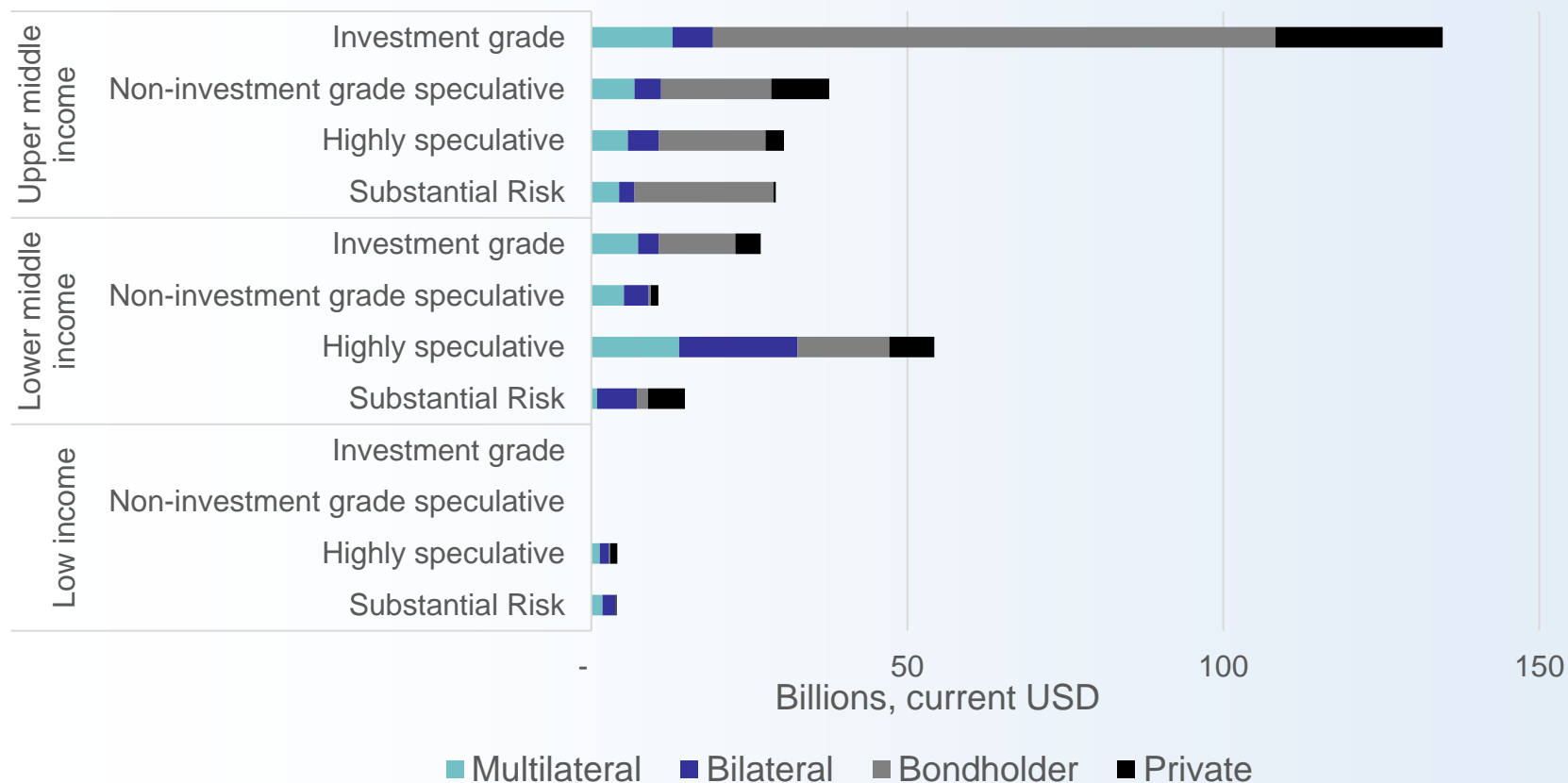
Developing country debt service due

Total debt service on external debt, public and publicly guaranteed, by investment grade and income level



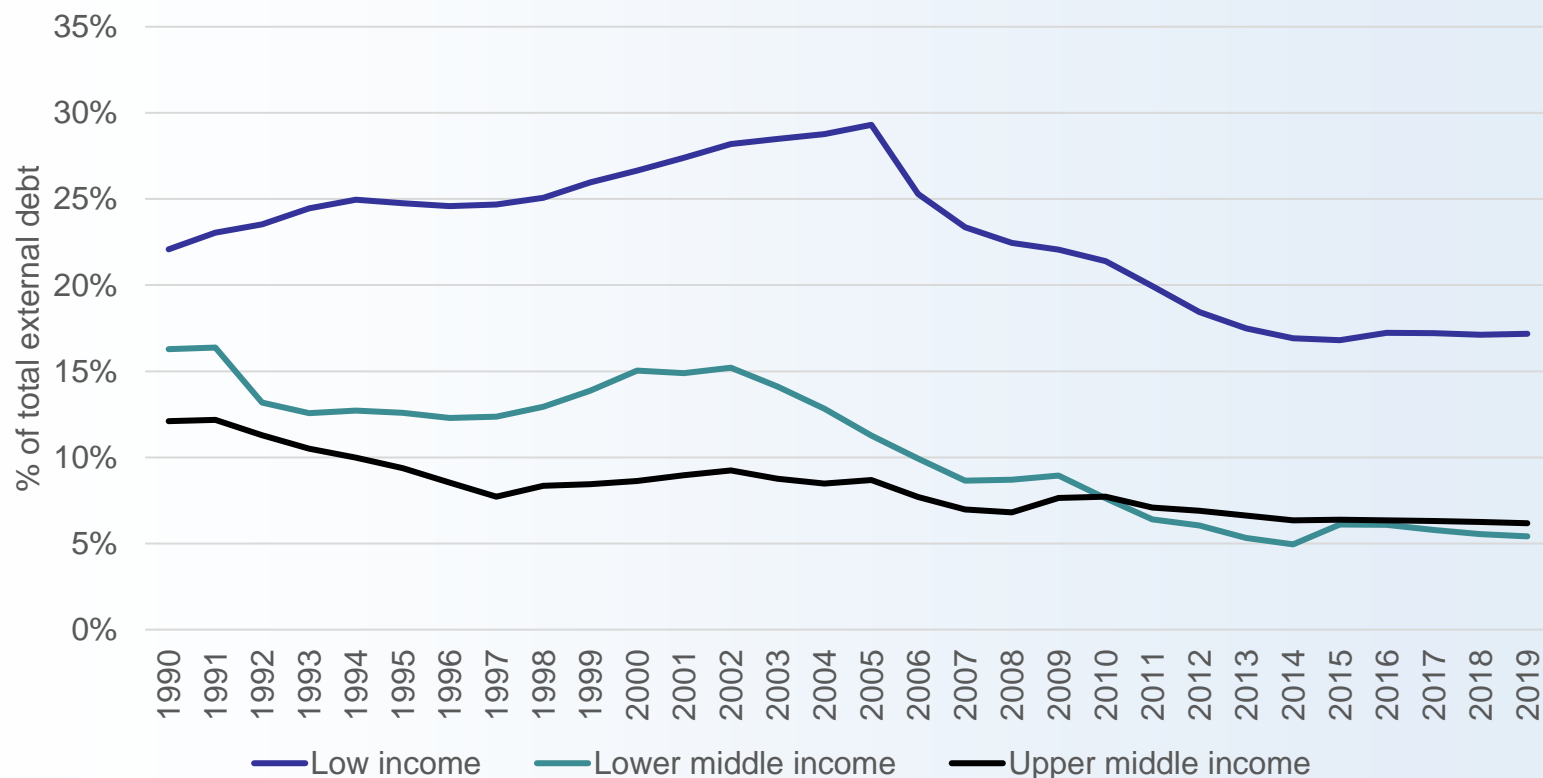
Creditor composition of debt service obligations

Total debt service on external debt, public and publicly guaranteed, in 2021
by creditor, investment grade and income level



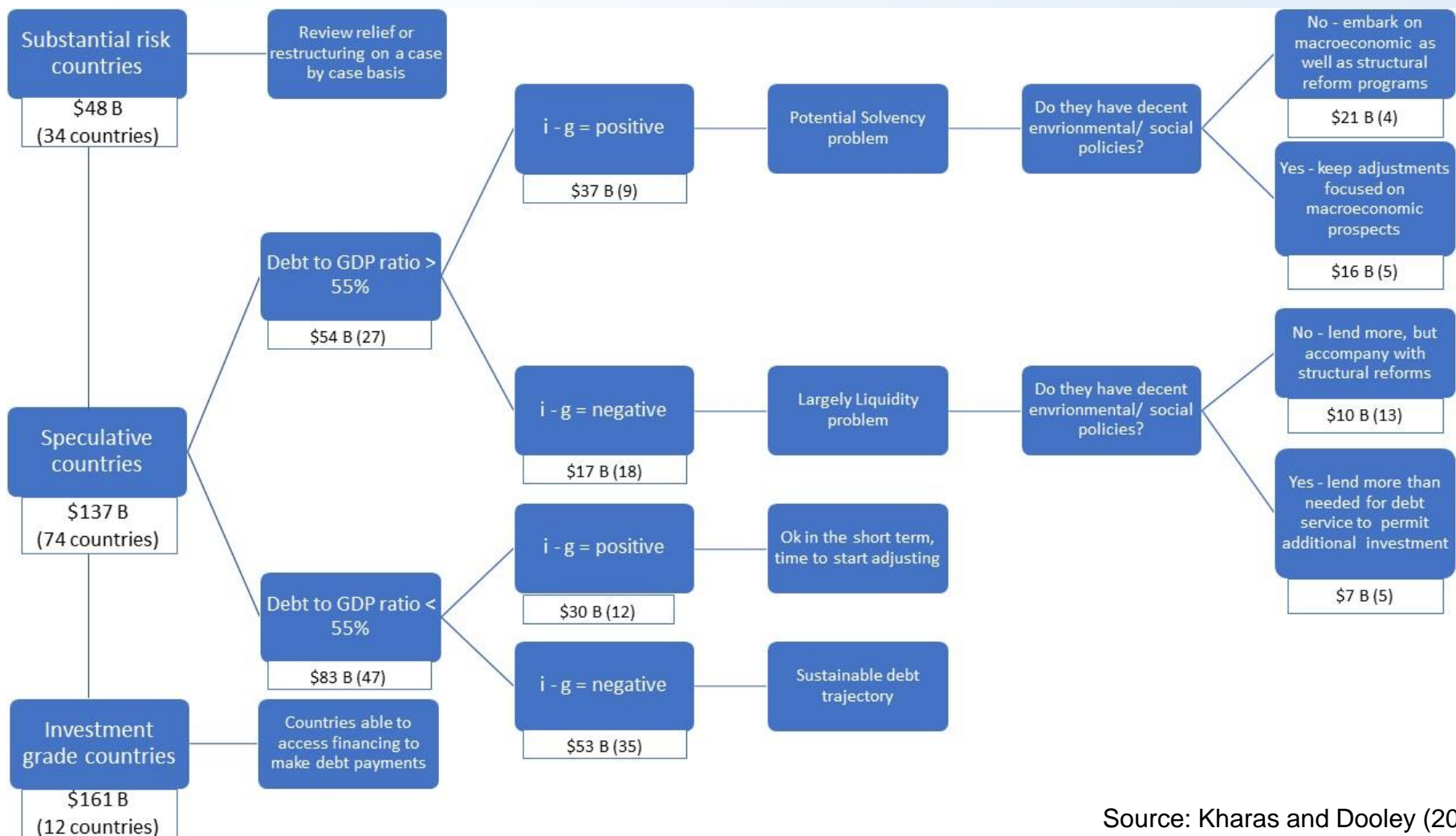
MDB market share decline

Multilateral debt stock as a share of total external debt,
2000 income group classifications



Potential debt sustainability framework

Debt service due in 2021 (and number of countries impacted)



Policy Options

- Extend DSSI to end of 2021, expand eligibility to include LMICs and SIDs
- Link debt deferrals/relief to SDG related or green investments
- Target expanded MDB lending to developing countries with speculative credit rating and decent policies facing liquidity crunch
- New SDR allocation and reallocation mechanism (PRGT, something for MICs like UNECA facility)