



G-24 Technical Group Meeting

10-11 March 2014, Luxor, Egypt

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Session 3: Debt and Debt Sustainability

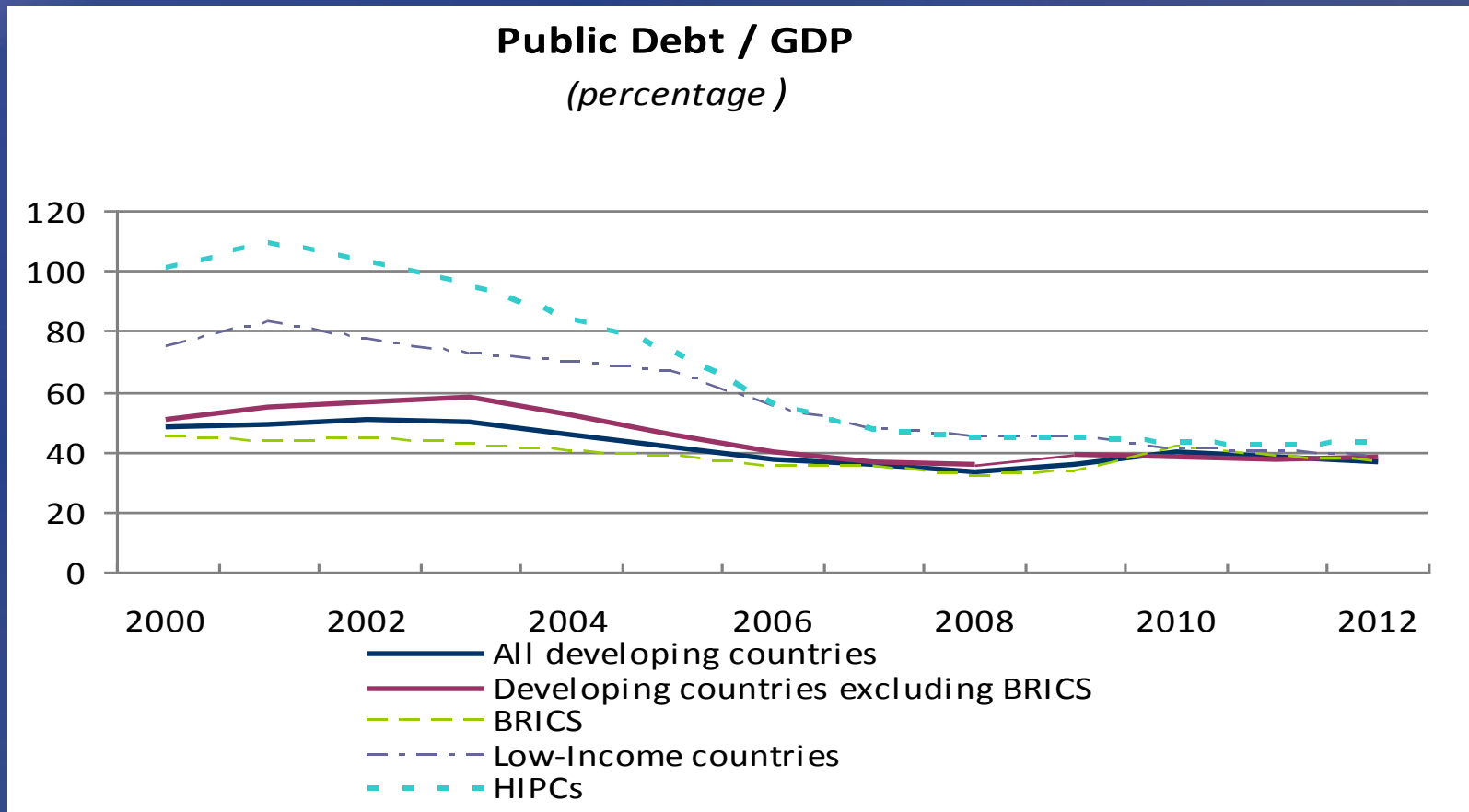
Overview:

- 1. Debt situation and debt sustainability challenges for developing countries**
- 2. Sovereign debt workout mechanism**



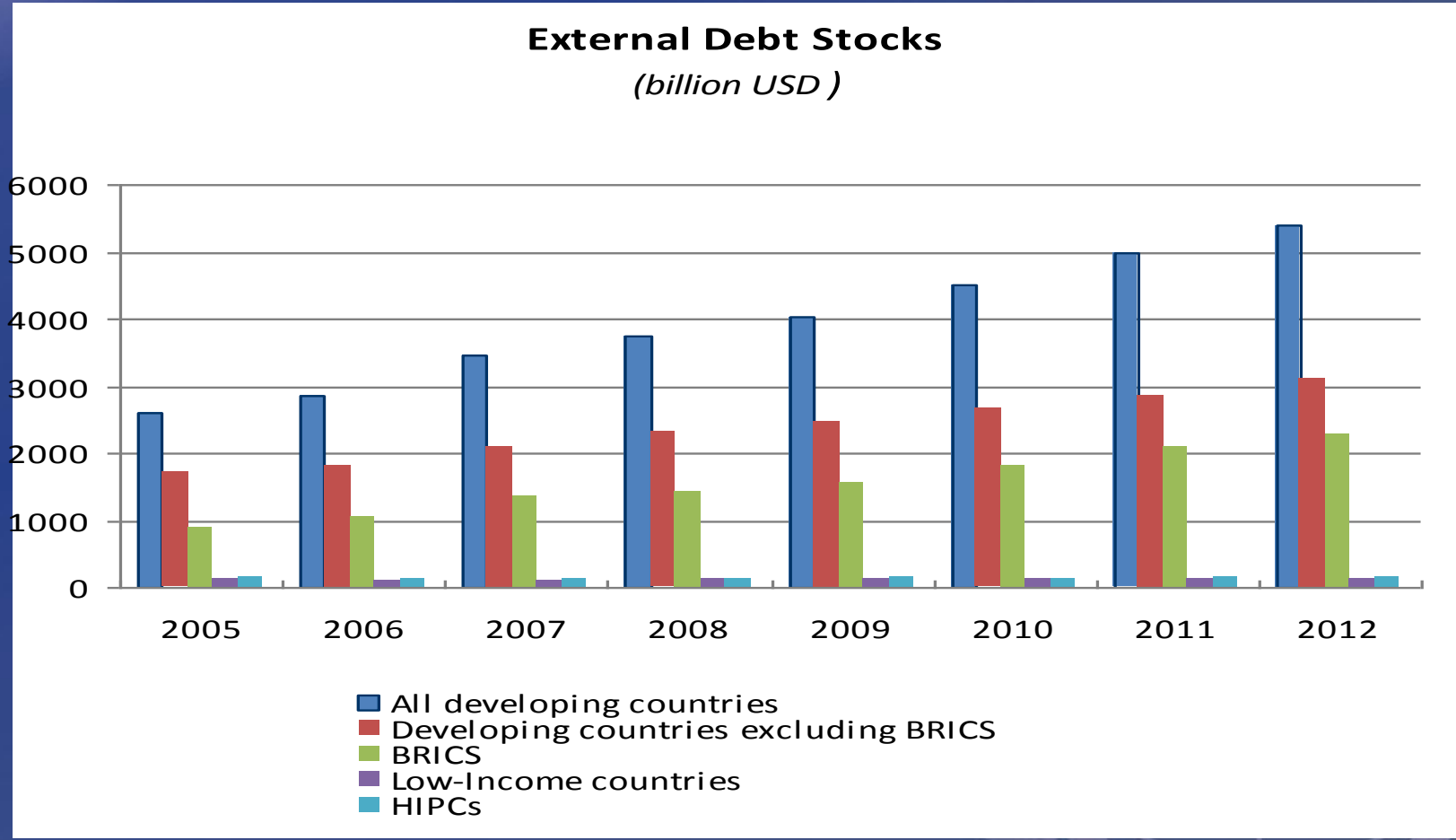


Public debt/GDP



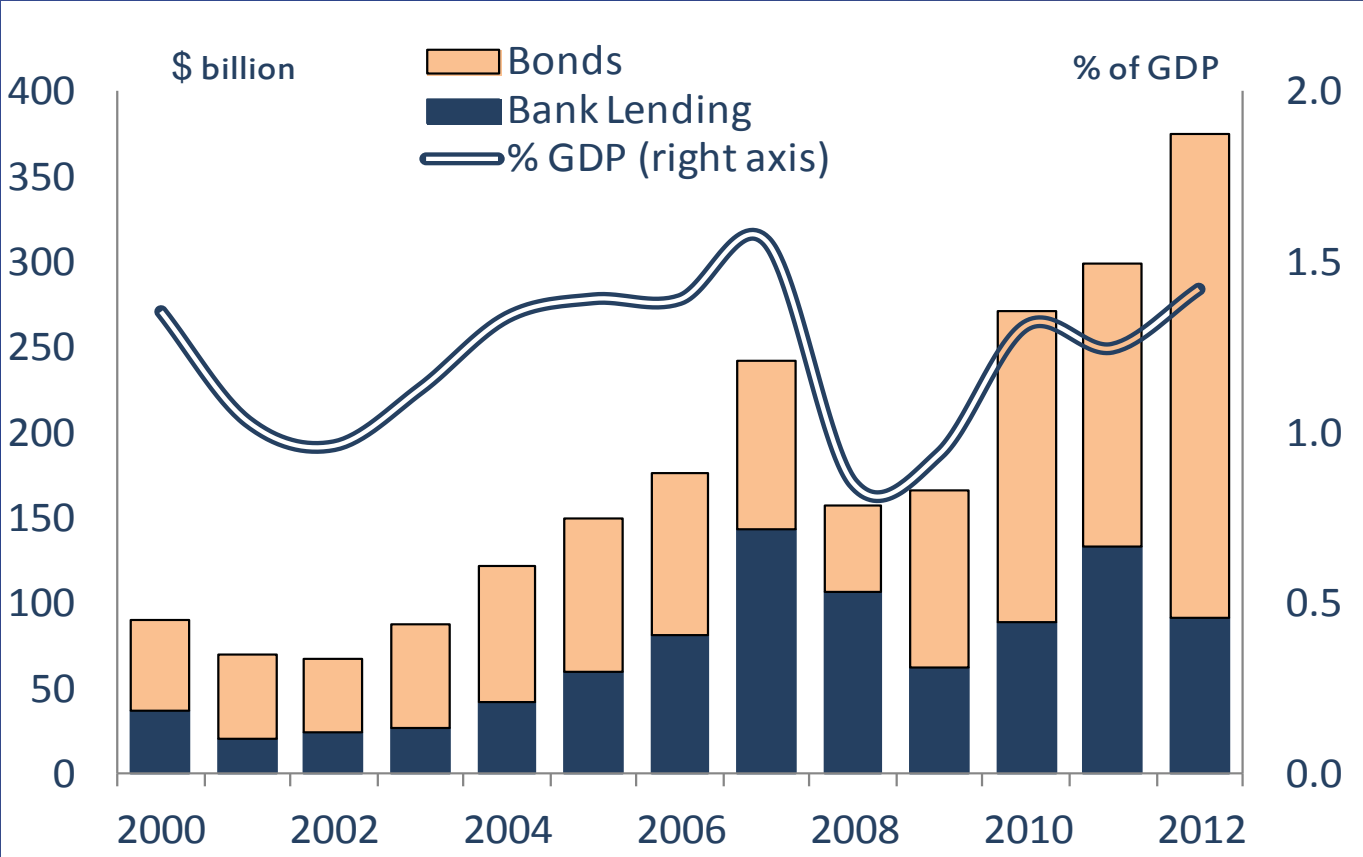


Increasing external debt of developing countries





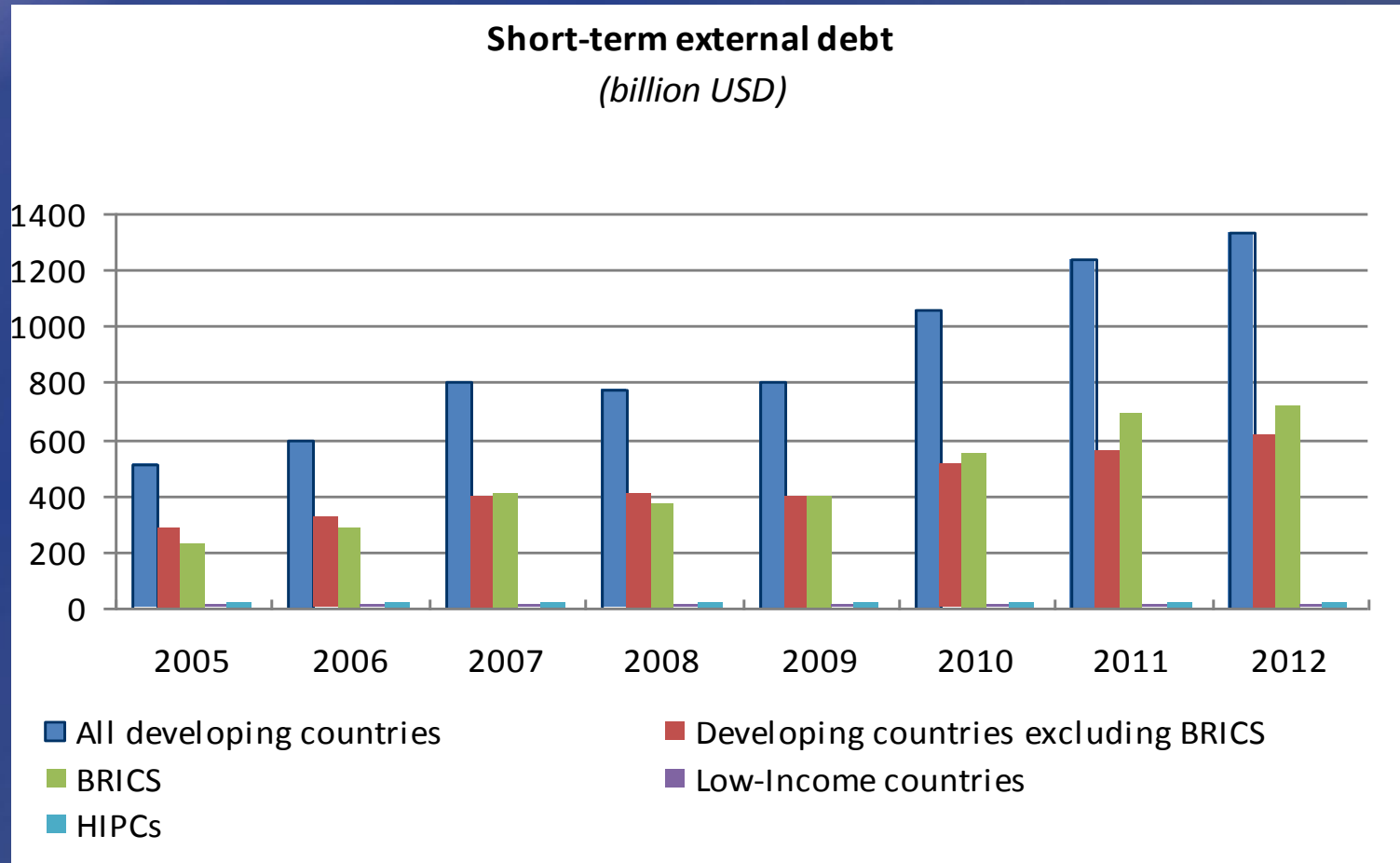
International long-term private debt to developing countries



Source: Dealogic and the World Bank



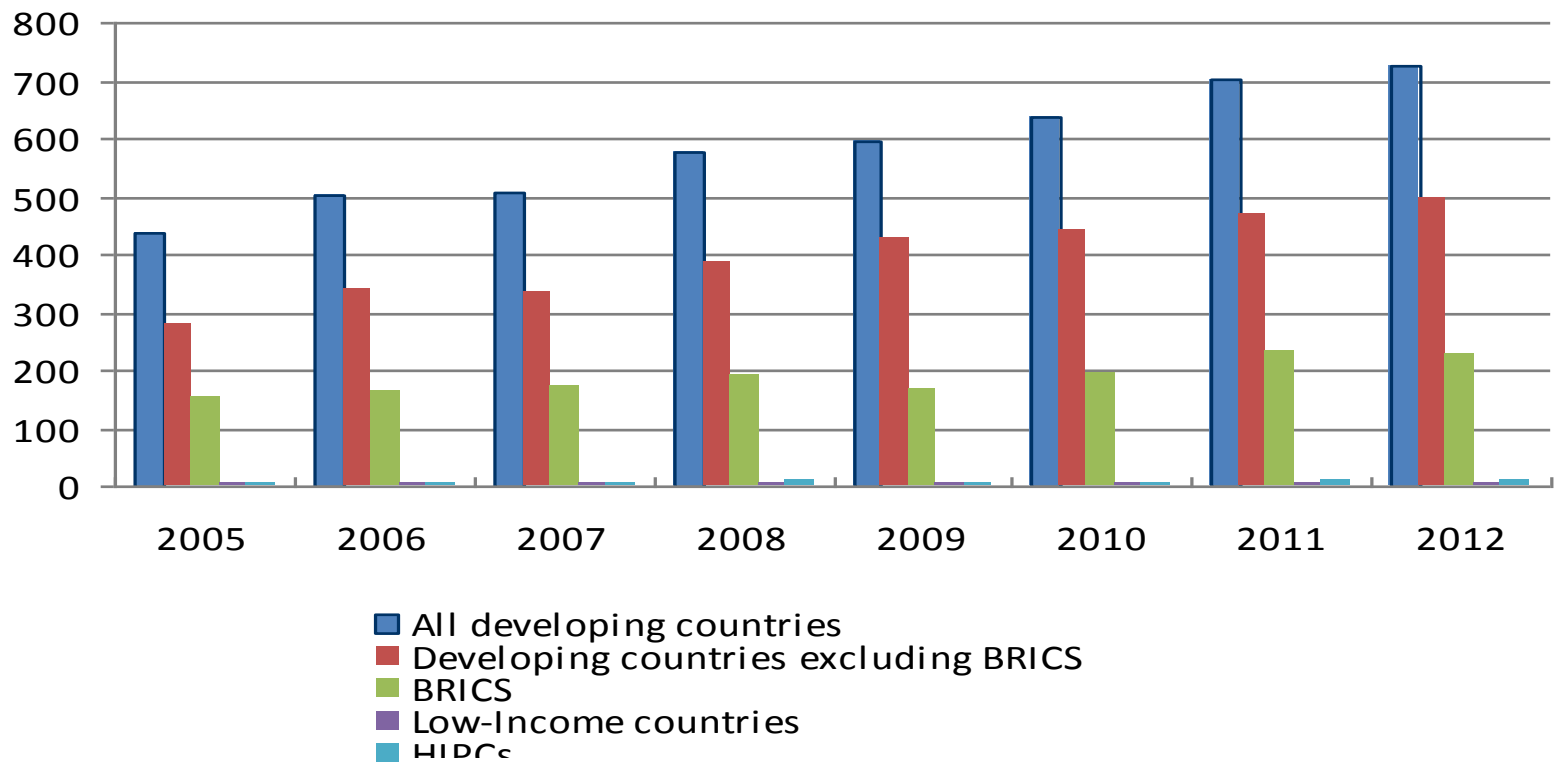
Increasing short term external debt





Increasing debt servicing

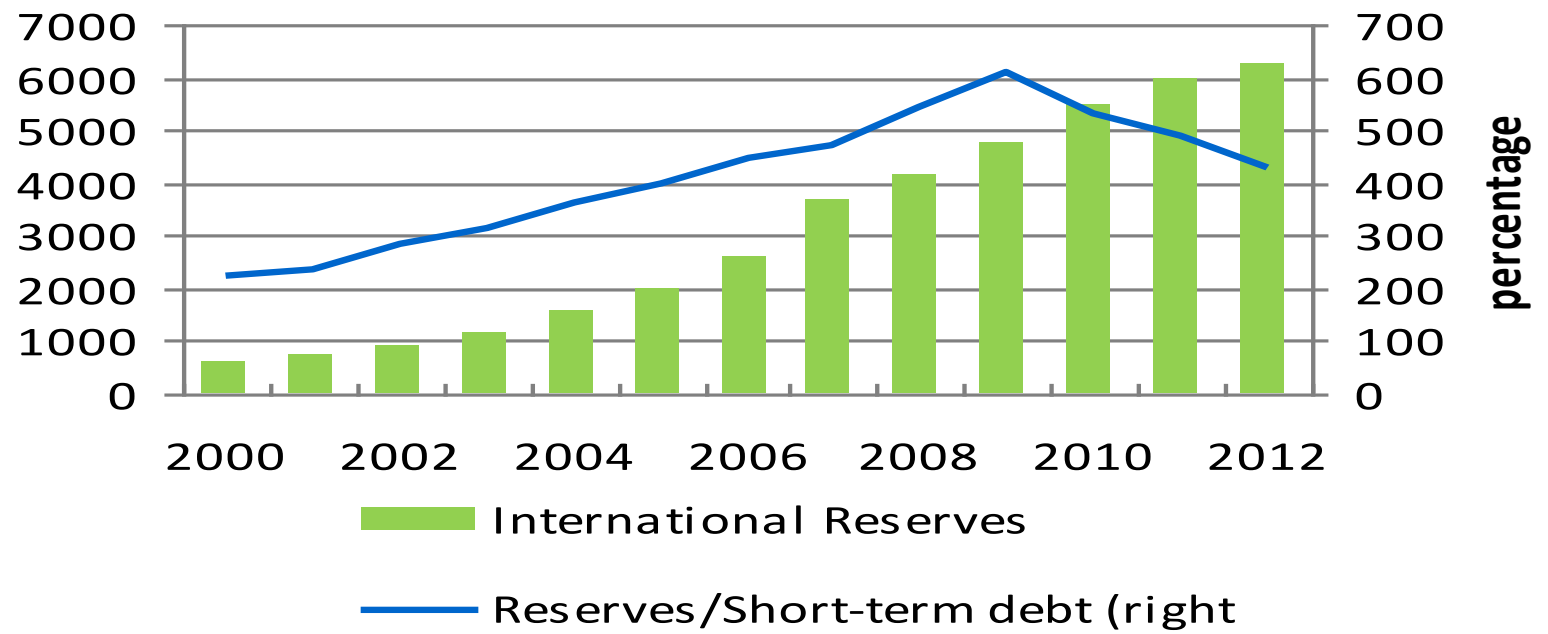
Debt service paid
(billion USD)





Developing countries' total reserves/short-term debt

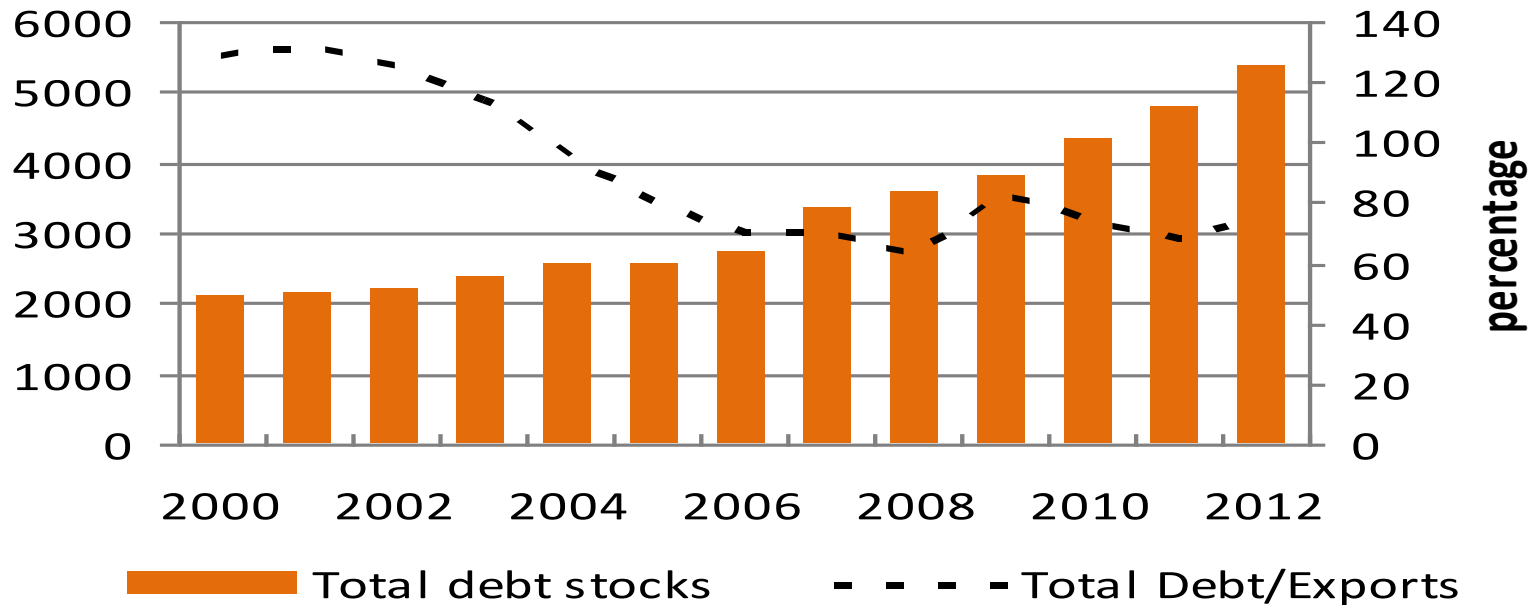
**Developing Countries,
International Reserves**
(billions US\$)





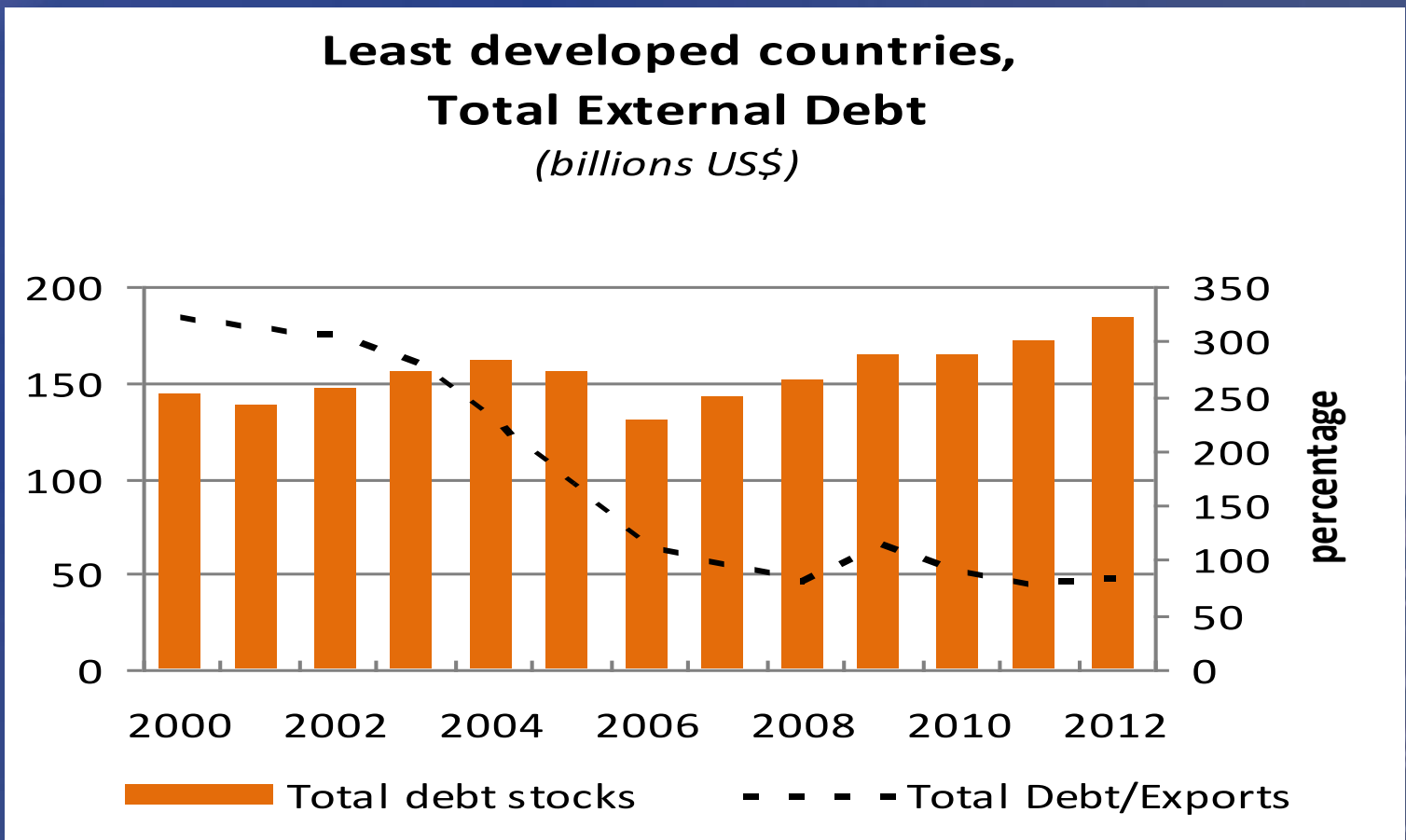
Developing countries' total debt/exports

**Developing Countries,
Total External Debt**
(billions US\$)



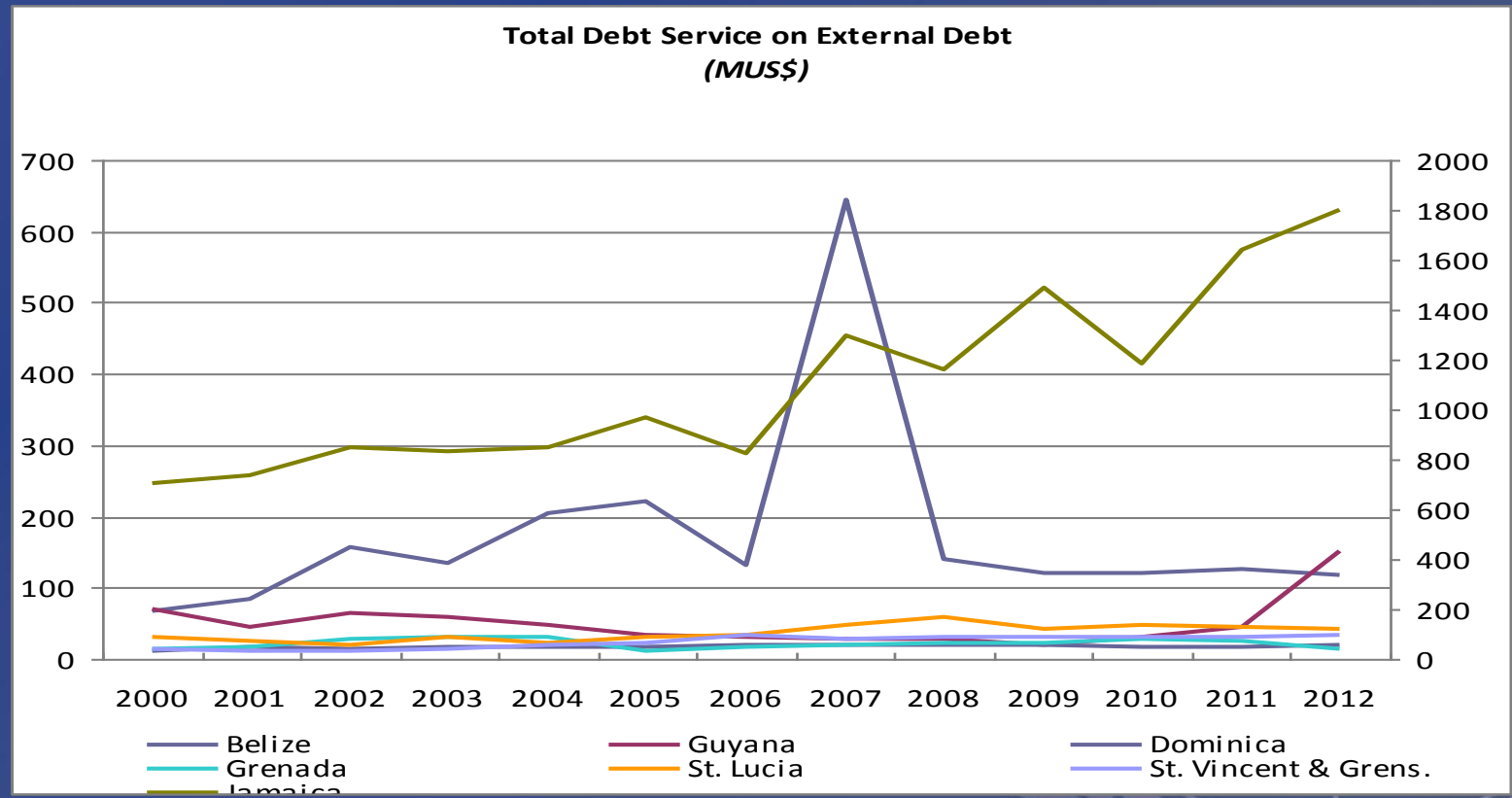


LDCs' total debt/exports



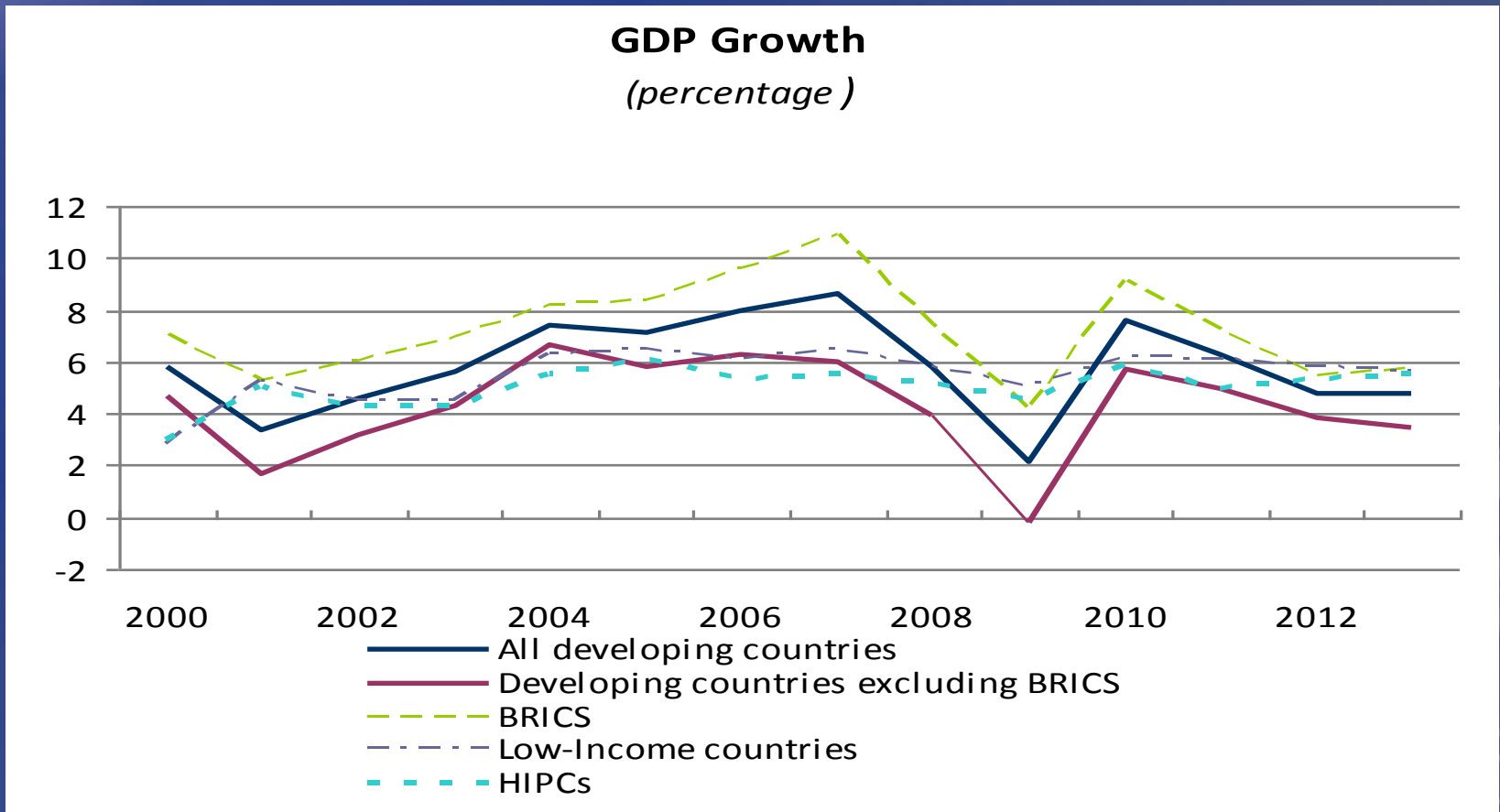


High debt burden of some Caribbean countries





GDP growth below pre-crisis level

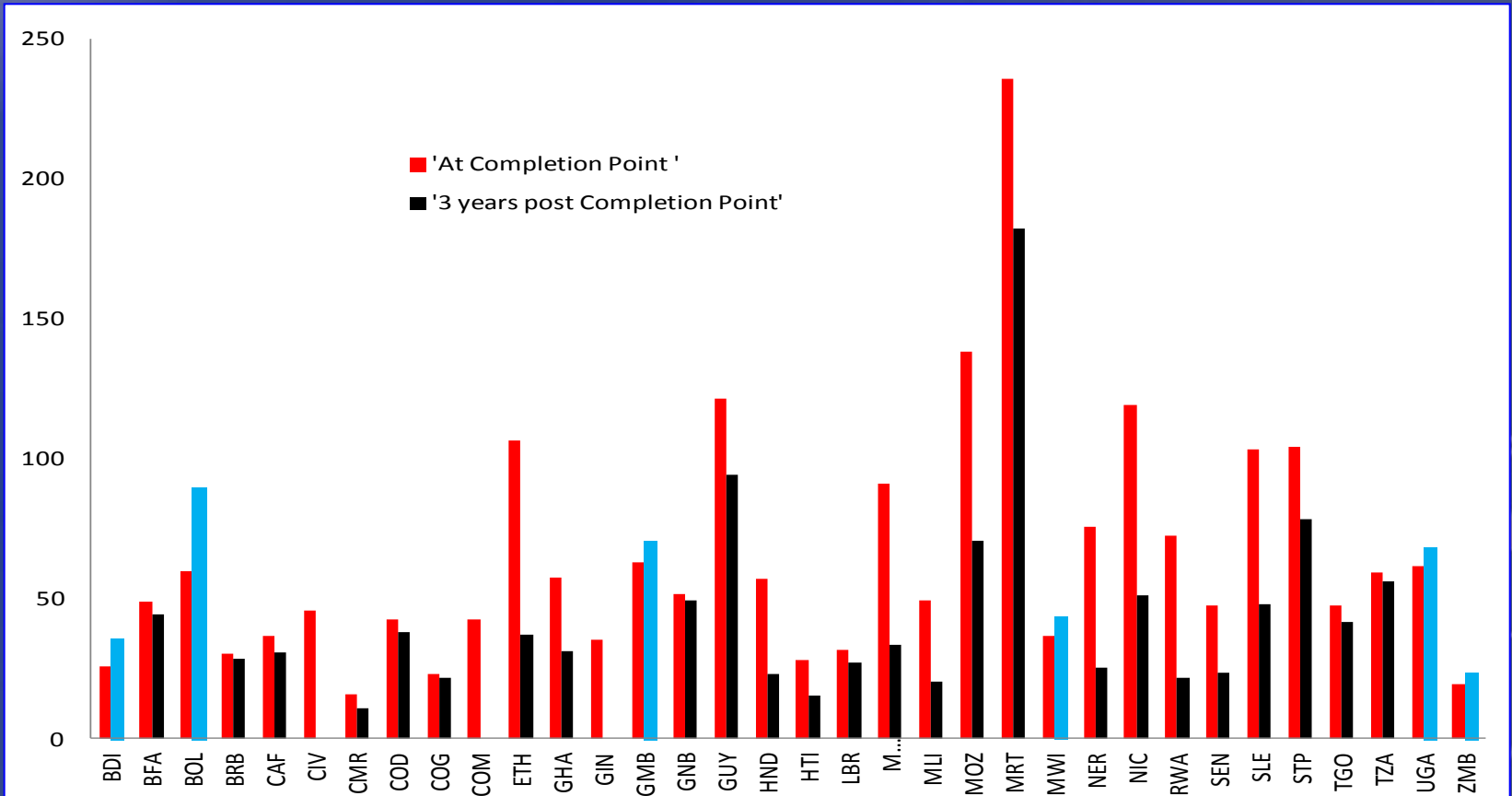


Challenges of HIPCs in maintaining debt sustainability

- 3 pre- decision point countries in debt distress
- 6 CP countries at high risks of debt distress
- 15 CP countries at moderate risks of debt distress



Countries with higher debt/GDP ratio than prior debt relief levels (IMF)





- Non-concessional external debt increased significantly
- Domestic debt is on the rise and maturity is relatively short.
With short maturities and normalization of interest rates, there are refinancing and interest rate risks





Policy recommendations

1. Debt composition matters. Maturity mix matters;
Domestic debt is not harmless;
2. Avoid over-borrowing . Resist temptation of low interest rates
3. The cocktail of higher financing cost with normalization and slow growth will be dangerous
4. Be vigilant with C/A deficits;
5. Declining ODA is a concern
6. An efficient and fair debt workout system is needed





Disclaimer





Sovereign debt workout mechanism – the mood change

- United Nations efforts to keep the topic afloat before the global financial crisis
- Renewed international debate since the Euro zone debt and banking crisis- the UN in the lead
- NY lower court ruling ordering Argentina to pay \$1.33 billion to hedge fund creditors (Nov. 2012)



The shifting of the focus of the debate

- IMF paper on debt restructuring
(April 2013)
- Brooking Institution paper
(Oct. 2013)
- Other proposals





UNCTAD work on debt workout mechanism

- An inclusive Working Group has been set up;
- Work started in January 2013 based on decades of UNCTAD work-papers and meetings





Thank you

