

2nd Committee Side Event: Debt Vulnerabilities in Emerging Market and Developing Countries

Co-Hosted by the International Monetary Fund and the World Bank Group

Date: 23 October 2018 Time: 3:00 p.m. – 5:00 p.m. Venue: Conference Room 2

Public debt in developing countries has risen substantially in recent years in both emerging markets and low-income developing countries (49 countries including all but one of the LDCs). The number of countries in debt distress has increased, and in other countries vulnerabilities to shocks have risen. This event is focused on efforts needed from IFIs, creditors and debtors to contain debt vulnerabilities.

Public debt in Emerging Markets (EMs) has been rising, reaching levels not seen since the 1980s. In recent years, the increase has been driven mainly by a few EMs, including commodity exporting countries affected by the 2014–15 commodity price decline. While the increase in public debt levels may to some extent reflect reasonable policy responses to support growth in the context of low global interest rates and the commodity price shock, it has been accompanied by changes in public debt composition and by rising corporate debt adding to fiscal risks and vulnerabilities. Overall, debt related risks in some EMs are elevated, although there is substantial variation among countries. Most notably, average public and external financing needs are substantial despite the still low global interest rates. In the event of shocks, such as a sharp increase in global interest rates, financing needs could rise quickly.

Debt risks in low-income developing countries (LIDCs) have risen substantially over recent years. The share of countries at high risk of debt distress or in debt distress has doubled since 2013 to about 40 percent. Heightened vulnerabilities reflect not only higher public debt levels, but also increased debt portfolio risks resulting from the shift in the debt composition. Enhanced reliance on commercial debt has contributed to higher debt service costs and raised refinancing and interest rate risks. Increased access to non-Paris Club creditors and market-based financing has added new sources of finance. But it poses new challenges for debt resolution, if this becomes necessary.

The IMF and the World Bank are pursuing a wide-ranging approach to help countries contain public debt vulnerabilities. The multi-pronged approach proposes improved assessments of public debt vulnerabilities, enhanced early warnings systems, increased debt transparency, enhanced support for structural reforms to help reduce debt vulnerabilities, and scaled up debt management capacity building and outreach to creditors and borrowers to raise awareness of debt issues.

Description/Potential Contribution

The event would highlight recent work by the IMF and World Bank on debt developments in emerging markets and low income and developing countries, from which lessons will be

drawn. It would spotlight trends in recent years, with particular attention given to the evolution of fiscal positions and public debt levels, including analysis of the drivers of debt accumulation and the current severity of debt vulnerabilities. It would also highlight steps being taken by the IMF and World Bank to help countries contain debt vulnerabilities. To promote a lively debate, it would bring contributions from different perspectives. The event would be aimed at country representatives, UN staff, and open to participation from CSOs and academics.

Key topics for discussion could include:

- What are the key debt vulnerabilities of EM and LDCs? How should they manage them?
- How can countries design fiscal adjustments when needed while minimizing social and growth impacts?
- How can countries facing elevated debt vulnerabilities and therefore tight constraints on borrowing nevertheless make progress towards their development?
- What can the international community do to help countries facing high debt vulnerabilities contain them?

Run of show

- 15:00 **Ms. Anneli Lepp**, Political Officer, Estonia (Chair) opens the event
- 15:05 **Mr. Bjorn Gillsater**, Special Representative, World Bank Group, provides opening remarks and report of the Development Committee
- 15:10 Lead Speakers
Mr. Mark Flanagan, Assistant Director of the Strategy Policy and Review Department, IMF
- 15:25 **Ms. Doerte Doemeland**, Practice Manager, Global Macro and Debt Analytics, World Bank Group
- 15:40 Panel Discussion
Ms. Shari Spiegel, Chief, Financing for Development, DESA (moderator)
H.E. Mr. Courtenay Rattray, Permanent Representative of Jamaica to the United Nations
H.E. Mr. Lazarous Kapambwe, Permanent Representative of Zambia to the United Nations
Ms. Courtney Nemroff, Deputy U.S. Representative to ECOSOC, United States Mission to the UN
Ms. Stephanie Blankenburg, Head of the Debt and Development Finance Branch, UNCTAD
- 16:10 Interactive Discussion
- 17:00 Chair closes the meeting