UNITED NATIONS DEVELOPMENT PROGRAMME

DEVELOPMENT FUTURES SERIES

February 2023

UNDP Global Policy Network Brief

Building blocks out of the crisis: The UN's SDG Stimulus Plan

by George Gray Molina and Lars Jensen[1]

The UN's *SDG Stimulus Plan*, which calls for additional liquidity, effective debt restructuring and the expansion of development financing, has the potential to free up significant fiscal space in developing economies. For 52 most debt-vulnerable economies, a 30 percent haircut of 2021 public external debt stock could lower debt service payments in 2022–2029 by between US$44 billion and $148 billion, depending on the participation of various creditor classes. For all developing economies, a 40 percent "refinancing" of their 2021 bond debt stock to average official creditor rates could amount to a $121 billion savings on interest payments in 2022–2029. Against the backdrop of growing economic and geopolitical fragmentation, this policy brief describes building blocks for exiting the crisis.

> *I have urged the G20 to agree on a global SDG Stimulus Plan that will provide support to countries of the Global South—including vulnerable middle-income ones. They need the necessary liquidity, debt relief and restructuring—as well as long-term lending—to invest in sustainable development. In short, we need a new debt architecture.*
>
> *UN Secretary-General Antonio Guterres, January 18, 2023*

Despite upward revisions to global economic growth in January 2023, many developing economies (DEs)[2] face an uphill battle. Caught between low growth and high interest rates, many of the poorest economies will muddle through but are not expected to grow fast enough to expand their fiscal space or finance transformative Sustainable Development Goals (SDG) and Paris Agreement investments in energy transitions, digital infrastructure and social protection.

While there are few signs of a systemic financial or economic crisis, many smaller DEs are already in, or nearing, a crisis. In the current environment, we can expect a few more years of 'lost development' in addition to the three years since March 2020. As economists project soft-landing scenarios for

developed economies in 2023, is there room for multilateral action to secure a soft landing for DEs?

The United Nations' SDG Stimulus Plan is a three-point proposal that focuses on increasing liquidity, accelerating debt restructuring efforts and expanding concessional and near-concessional financing to DEs. The plan is expected to mobilize between $487 billion and $1.2 trillion in expanded multilateral development bank (MDB) lending. The stimulus plan provides some building blocks for action—on liquidity, debt relief and expanded finance—to exit the current crisis.

In this brief, we consider the costs of "doing nothing" in 2023 and 2024 and contrast them with the potential benefits of the Secretary-General's call to expand development financing and accelerate debt restructuring.[3] We conclude with some thoughts on how multilateral action can provide a bridge out of the current crisis.

1. Business as usual: Muddling through 2023 and 2024

The business-as-usual scenario describes a bottoming out of the global slowdown in 2023 and an uptick in growth in 2024; the trajectory faces some downside risks from geopolitical fragmentation, selective financial crises in developed economies or a slowing down of Chinese growth by other factors.[4]

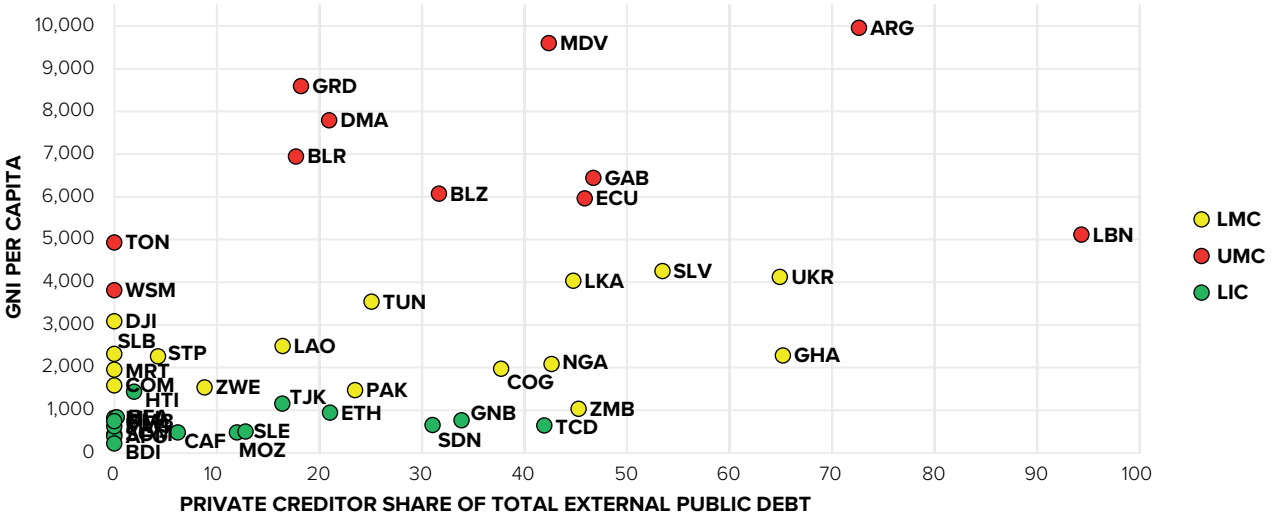
The problem, for many DEs, is not an absence of growth but the fact that tepid growth and high interest rates in 2023 and 2024 will not provide enough fiscal or monetary space to mitigate crises or allow economies to initiate any new significant investments. While a soft landing is being crafted in developed economies, it is not on the radar in many DEs due to a lack of buffers.

Two issues are critical in the business-as-usual scenario: debt overhang, where 'old' debt makes it difficult to attract new finance for worthwhile investments, and high and rising debt service burdens (exacerbated by rising interest rates and currency depreciation) that crowd out critical government spending and investments. In 2022, for the first time since the beginning of the Heavily Indebted Poor Countries (HIPC) debt relief initiative, 25 countries are estimated to have had total debt service payments on public and publicly guaranteed external (PPGE) debt exceed 20 percent of total government revenue in 2022 (Box 1).

Using a combination of credit ratings, debt sustainability analysis (DSA) risk ratings and bond spreads up to February 2023, we identify 52 DEs (40 percent of the total) suffering from severe debt problems.[5] The group is a mixed bunch in terms of income level, geography and creditor composition: 17 are low income (LIC), 18 lower middle-income (LMC) and 17 upper-middle-income countries (UMC). The largest geographical subgroup is Sub-Saharan Africa (SSA), with 23 countries, followed by Latin America and the Caribbean (LAC) with 10 and East-Asia and the Pacific (EAP) with eight countries; 37 countries are eligible for International Development Association (IDA)[6] borrowing, and the median country owes 82 percent of its total PPGE debt to official (bilateral and multilateral) creditors, although with considerable country variation (Figure 1).

Figure 1 helps illustrate the complexities of dealing with debt trouble today as compared to the past, when troubled DEs relied much less on private capital markets and more on the Paris Club of bilateral creditors. As an example, in 2010, LMC countries Ghana and Sri Lanka relied on private creditors for about 20 percent of total PPGE debt; today, their private creditors account for 65 and 45 percent, respectively. Sixteen of the most debt-troubled countries today owe more than 30 percent to private creditors, and 20 countries owe more than 20 percent.

Figure 1: GNI per capita and creditor shares of external public debt—most debt-vulnerable developing economies



Source: Author, based on World Bank WDI and IDS 2022.
Note: The graph includes 44 of the 52 most debt-troubled countries for which data is available.

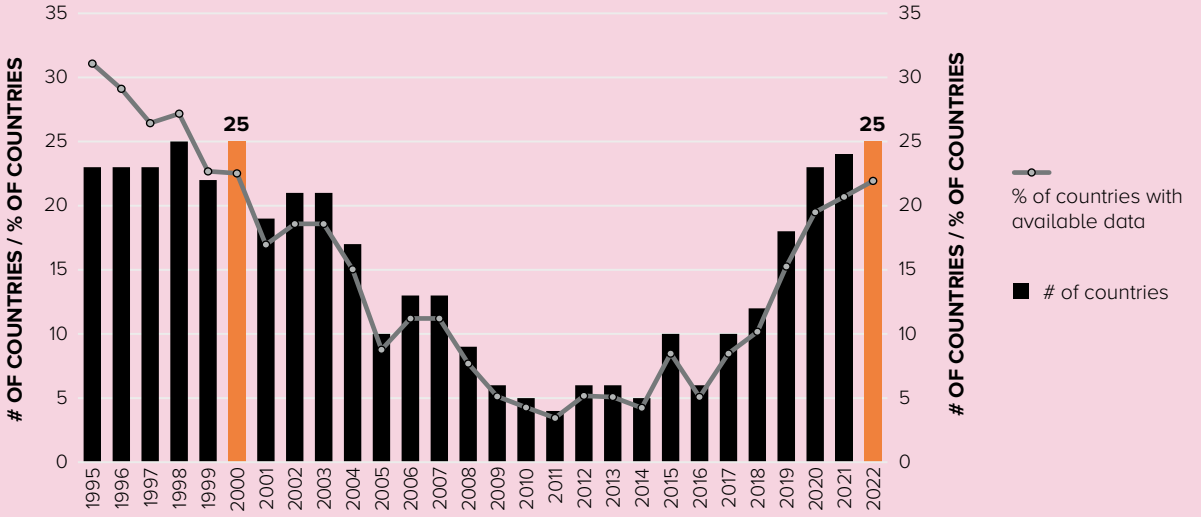
Together, the group of 52 accounts for only about 2.5 percent of the global economy but as much as 15 percent (1.2 billion) of the global population and 40 percent (242 million) of the world's extreme poor.

They also include more than half of the world's top 50 most-climate-vulnerable countries. In other words, the developmental consequences of not helping these countries are very large.

Box 1: Debt vulnerabilities have intensified back to HIPC-era levels of debt service

For many countries, debt-burden indicators are back at levels last seen during past periods of debt crisis. As an example, it is estimated that in 2022, 25 DEs paid more than 20 percent of total government revenue in debt service on public and publicly guaranteed external (PPGE) debt—a number of countries not seen since the year 2000 at the beginning of the Heavily Indebted Poor Countries (HIPC) initiative (Figure A).[7]

Figure A: Number of countries paying more than 20 percent of government revenue in PPGE debt service



Source: UNDP, based on external PPG debt service data from World Bank IDS 2022 database and government revenue data from IMF WEO October 2022 database. Note: Debt service includes interest and principal payments on public and publicly guaranteed (PPG) debt. Countries covered are all low- and middle-income countries for which data is available in the IDS 2022 database. The dotted line shows the number of countries with debt service higher than 20 percent as a share of all countries for which data is available (in sample) each year.

Favorable global liquidity conditions and low interest rates following the global financial crisis have prompted many lower-income countries to access international capital markets over the past decade and more. This group of relatively new market entrants, often referred to as frontier economies, are characterized by being smaller and relatively poorer economies, having lower credit ratings and issuing debt mostly in foreign currency. As interest rates and risk premiums have risen and currencies depreciated, a sharp fork in the road has arisen for these countries, bringing into question the merits of market-based finance.[8]

While larger DEs with longer market experience and better credit ratings continue to tap capital markets at scale and at reasonable rates, a large number of poorer DEs have lost access or face punitive rates.[9] Today, 14 DEs issuing bonds in international markets face an interest rate spread higher than 10 percentage points (pp)—considered a de-facto loss of market access—up from only five countries at the end of 2019, and as many as 21 DEs have a spread higher than 6 pp—typically considered 'high risk'—up from only eight countries at the end of 2019.

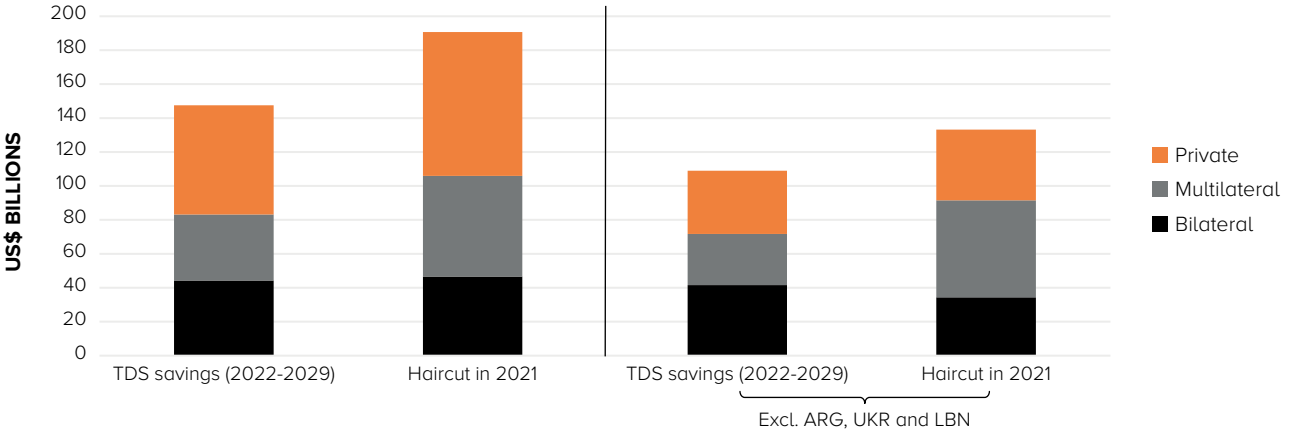
In the short run, large-scale issuances of bonds since the beginning of the year signal that many DEs are badly in need of liquidity during the economic slowdown.[10] But it also signals a problem for the future: investments in sustainable development, including the energy transition, require long-run maturities at low interest rates. These are currently not available to many countries.

2. Old debt: How much fiscal space can be freed up through debt restructuring?

Most of the 52 severely debt-troubled countries owe by far their largest share of PPGE debt to official (bilateral and multilateral) creditors, a figure that is 82 percent for the median country. But 16 countries owe more than 30 percent to private creditors. Therefore, an effective debt solution today can, and should, find inspiration in both the former Brady Plan (which dealt mostly with private creditors) and the later HIPC and Multilateral Debt Relief (MDRI) initiatives (which dealt mostly with official creditors).

To give an example of how much countries could potentially save in total (principal and interest) debt-service payments from a restructuring of PPGE debt, Figure 2 below shows the savings over the eight-year period 2022–2029 under a simple assumption of a 30 percent haircut on 2021 nominal debt stocks across the three creditor classes bilateral, multilateral and private, for 44 (of the 52 most debt-troubled) countries for which data is available. Total debt service (TDS) savings would amount to more than $148 billion over the following eight years from a reduction in 2021 total debt stock of $191 billion (30 percent).[11]

Figure 2: Total debt service (TDS) payments saved (2022–2029) from a 30 percent haircut to 2021 PPGE debt stock,* US$ billion



*Source: Author, based on IDS 2022. Note: The figure includes data from 44 of the 52 most debt-troubled DEs on the left side and excluding Argentina (ARG), Lebanon (LBN) and Ukraine (UKR) on the right side. *The calculations simply assume that a 30 percent haircut on each country's 2021 debt stock translates to a 30 percent reduction in annual principal and interest payments from 2022 to 2029 using the 2022–2029 repayment schedules reported in IDS 2022.*

Not counting three relatively larger economies with large debts and, in particular, private creditor–funded debt (Argentina, Lebanon and Ukraine), total TDS savings would instead be $109 billion for a haircut of $133 billion. In this latter case, two thirds ($72 billion) of the savings would come from lower TDS payments on debt owed to official creditors.

As alluded to above, dealing effectively with debt in the group of most debt-troubled DEs today requires a multipronged strategy targeting both official and private creditor debt. To illustrate this, we use Ghana as an example below. Ghana is an interesting case for a couple of reasons. First, it is the latest country to have received a (selective) default credit rating and to join the G20's Common Framework for Debt Treatments (CF).[12] Second, Ghana has undertaken one of the fastest and largest transformations of its PPGE debt composition over the last decade. Ghana has one of the highest shares of debt owed to private creditors—65 percent, compared to little more than 20 percent a decade ago. As the largest source of private creditor funding, bonds make up 48 percent of Ghana's total PPGE debt.

We simulate different debt restructuring scenarios for Ghana compared to a baseline identical to the debt stock and interest and amortization schedules reported in IDS 2022 for the period 2022–2029 (see Box 2 for details). The three restructuring scenarios focus on 'bonds only', 'bonds and other private creditor debt' and finally 'all private and official creditor debt'. Each scenario is compared to the baseline in terms of how many US$ are 'freed up' over the period 2022–2029 and the size of annual TDS payments relative to forecasted government revenue (taken from the IMF's WEO October 2022) for the period 2022–2027.

Box 2: Ghana restructuring scenarios

0. Baseline scenario
This scenario is the debt repayment structure of amortization and interest as reported in the IDS 2022 database on types of private (bonds and other) and official (bilateral and multilateral) PPGE debt.

1. Cash down payment structure for bond debt only
This scenario is inspired by the 'cash down payment structure' proposed for bondholders by Lee and Lerrick (2023).[13] More specifically, countries make a cash payment to bondholders of 10 percent of the nominal value of outstanding bonds in 2021 financed through an IFI (official sector) loan. The IFI loan has a maturity of 20 years, an interest rate of 2.5 percent and a five-year principal grace period. The remaining 90 percent nominal value of outstanding bonds is exchanged for a new long-term (25–30 year) bond with an interest rate of 3.5 percent and with amortization paid in equal amounts during the last three years. The consequence will be much lower bond debt service payments over the projection horizon 2022–2029 as annual coupon payments are reduced and principal payments are postponed until beyond the projection horizon period.

2. Cash-down payment structure for total (both bonds and other types of) private debt
This scenario is the same as scenario 1 but applied to total private creditor debt, including commercial bank loans.

3. Cash-down payment structure for total private creditor debt plus official creditor haircut
This scenario is the same as scenario 2 but delivers a 30 percent haircut on top of the outstanding PPGE debt stock in 2021 owed to official sector creditors. More specifically, the haircut is applied to the debt stock prior to the new loan used to finance the cash-down payment to private creditors, so the net (post-restructuring) haircut is lower than 30 percent.

The period of focus is 2022–2029 for the US$ value estimates as 2021 is the latest PPGE debt stock datapoint from IDS 2022, and 2029 the latest debt service datapoint. For comparing against government revenue, the period is 2022–2027, as revenue forecasts until and including 2027 can be obtained from the IMF's WEO October 2022 database.

Under the baseline scenario, Ghana's TDS for 2022–2029 is $23.6 billion (Table 1). This falls to $16.4 billion under scenario 1 (bond restructuring only), $12.4 billion under scenario 2 (bonds and other private creditor debt) and $10.1 billion under scenario 3 (all private and official creditor debt). Total new IFI lending would be $1.3 billion under scenario 1 and $1.8 billion under scenarios 2 and 3. As an example, TDS savings in the three years 2023–2025 under the 'bonds only' scenario would be $2.5 billion. In comparison, at the end of 2022, Ghana requested from the IMF a new three-year support package worth $3 billion, contingent on comprehensive debt restructuring.[14] The restructuring scenarios would also take significant pressure off foreign reserves (excluding gold), which fell by more than $3 billion (or 35 percent) last year.[15]

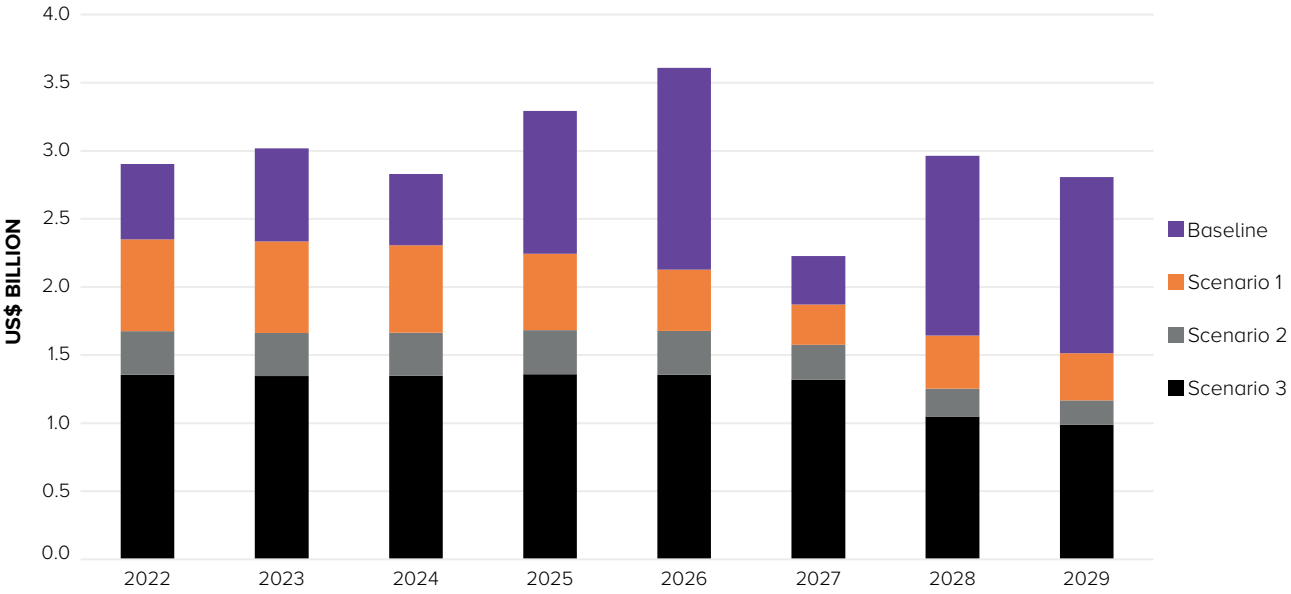
Table 1: Total debt service (TDS) for 2022–2029 compared to baseline, US$ billion

	Baseline	Scenario 1	Scenario 2	Scenario 3
Total TDS (2022-2029), US$ billion	23.6	16.4	12.4	10.1
Savings compared to baseline, US$ billion		*7.3*	*11.3*	*13.5*
Percentage reduction compared to baseline		*-30.7*	*-47.7*	*-57.2*
New IFI lending requirement, US$ billion		*1.31*	*1.78*	*1.78*

Source: Author, based on IDS 2022 data and scenario assumptions described in Box 1.

Figure 3 shows the TDS profile from 2022 to 2029 in US$ billions. Given Ghana's relatively large reliance on bond debt, scenario 1 significantly decreases TDS payments over the chosen period and especially in the years 2025, 2026, 2028 and 2029, when large bond principal payments are due. As an example, scenario 1 would reduce TDS payments in 2026 by more than $1.5 billion (from $3.6 to $2.1 billion).

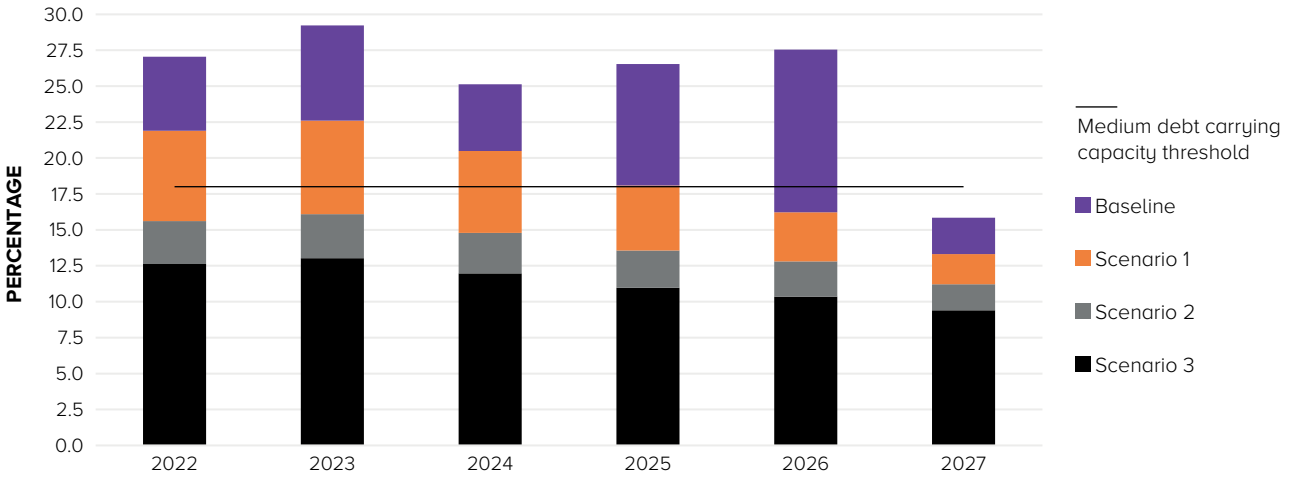
Figure 3: TDS under different restructuring scenarios, US$ billions



Source: Author, based on IDS 2022 data and scenario assumptions described in Box 2.

To assess whether the restructuring scenarios are large enough to likely pull Ghana out of debt distress, Figure 4 compares TDS payments to annual revenue forecasts from the IMF until 2027. The dotted line is the threshold value of 18 percent for countries with 'medium' debt-carrying capacity as defined in the LIC-DSA framework and applicable to Ghana.[16] It can be noted that the 'bonds only' scenario 1 would not bring Ghana's debt service ratio below its debt carrying threshold until 2026. As an example, in 2023, Ghana's debt service ratio is expected to be higher than 29 percent but would fall to 22.5 percent under scenario 1, 16.1 percent under scenario 2 and 13 percent under scenario 3.

Figure 4: TDS as a percentage of government revenue under different restructuring scenarios



Source: Author, based on IDS 2022 and IMF WEO October 2022 data, LIC-DSA framework. Note: The dotted line represents the ratio of TDS-to-revenue considered the upper threshold for countries with medium debt-carrying capacity as defined in the World Bank and IMF LIC-DSA framework. According to Ghana's latest DSA, the country is rated at 'medium' debt-carrying capacity.

What does it take to reach debt restructuring? We have argued elsewhere that financial assurances, credit enhancement and value recovery instruments for private creditors can provide a breakthrough for effective reductions in debt stock and for non-traditional creditors to join on equal terms.* Given the shifting composition of creditors, restructurings must be a hybrid between HIPC-type terms and Brady-bond-type debt swaps to secure private creditor participation. While debt restructuring with minimal conditionalities is the preferred option, linking debt relief to investments in climate mitigation and adaptation as described in each country's nationally determined contributions (NDCs) might allow a political breakthrough in creditor governments.[17]

3. New debt: the challenges of economies that access international capital markets

Over the past decade, many DEs began borrowing in international capital markets, thus expanding their resource envelope and reducing their dependence of official creditor-funded debt. Despite their relatively lower credit ratings, they were able to take advantage of a historical decline in world interest rates and a significant compression of risk premiums for emerging markets following the global financial crisis.[18]

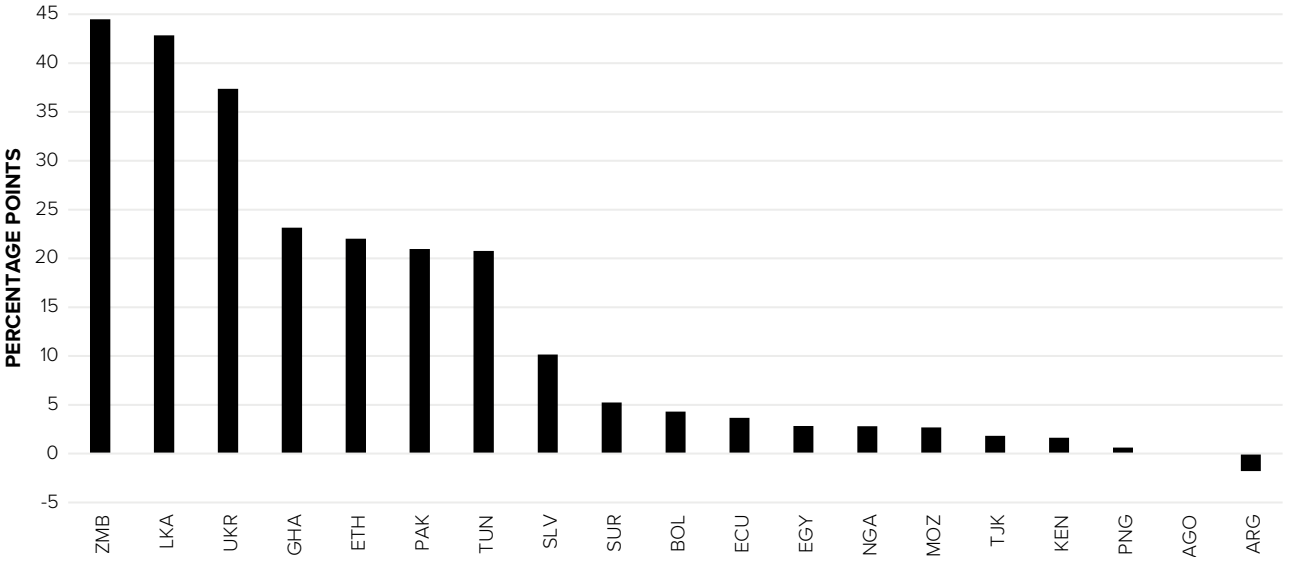
But following the major global shocks from COVID-19, the war in Ukraine and disruptions to commodity markets, the resurgence of inflation is threatening to end more than a decade of relatively favorable markets conditions for the group of newer market entrants with lower ratings and poorer economies—often referred to as frontier economies. The tightening of global financial conditions, often coupled with a sharp currency depreciation, is worsening already high fiscal and external debt vulnerabilities and fundamentally calling into question the merits of funding investments on the international capital markets.

Luckily, many of the larger DEs have not seen their spreads increase or have seen only slight increases, providing some assurance that the probability of a larger-scale system financial crisis is low. Several relatively smaller and poorer economies have, however, witnessed a surge in interest rate spreads. Fourteen countries now have spreads higher than 10 pp—which is considered a de-facto loss of market access—up from five at the end of 2019, and 21 countries have spreads higher than 6 pp—considered 'high risk'—up from eight at the end of 2019.

For the group of 21 with spreads higher than 6 pp, 20 have a higher spread today than at the end of 2019, and the median spread has increased by 7.7 pp. Figure 5 shows the pp change in spreads from end-2019 to February 2023 for the 21 countries excluding Lebanon and Venezuela (which have extremely high spreads).

* https://www.undp.org/publications/dfs-avoiding-too-little-too-late-international-debt-relief

Figure 5: Countries with spreads currently higher than 6 pp—pp change in spread from end-2019 until today*



Source: Author, based on Haver Analytics/JP Morgan EMBI Global.
*Note: *Datapoints show the change in spread from the average day in December 2019 to the average day in February (1-8) of 2023.*

As rated by one or more of the three major ratings agencies, nine countries have defaulted since the beginning of 2020:[19] Argentina, Belize and Ecuador, which have since cleared their default ratings but remain highly vulnerable, and Belarus, Lebanon, Ghana, Sri Lanka, Suriname and Zambia, who currently have default ratings. Other countries that have lost market access due to credit rating downgrades and high interest rate spreads are Ukraine, Tunisia, Ethiopia (which has asked to restructure debt under the CF), Pakistan, El Salvador and Tajikistan. Countries that are currently close to losing market access are Mozambique, Nigeria and Egypt.

Increasing access to concessional finance

DEs face daunting investment needs if they are to make meaningful progress on sustainable development, including climate change mitigation and adaptation. In an environment of elevated risk of debt distress, it is imperative that countries mobilize more of their own resources and gain access to funds at affordable rates and with long maturities.

To free up debt service costs for other investments and spending, the group of (mostly low-income) countries that rely very little on market-based funding must gain access to more concessional funding sources from official creditors, e.g., in the form of grants. For the countries that rely more on market-based funding (most middle-income countries), increased access to official sector loans would allow them to save a significant amount in interest payments by shifting their debt composition.

To take a closer look at the amount of interest payments that could be freed up for other uses if countries had more access to lower-cost funding sources, we estimate the interest-rate savings for the period 2022–2029 from a large shift in the 2021 debt stock away from bonds and towards official sector borrowing for each of the income groups, that is, LICs, LMCs and UMCs.

More specifically, we estimate a 'refinancing' by shifting 40 percent of the 2021 bond debt stock to 'official creditor borrowing', using estimated implicit interest rates for each type of debt. Consequently, interest savings will accrue as debt is shifted to a cheaper funding source: the average interest rate differential between bond and official creditor debt is 4.4 pp for the group of LICs, 3.0 pp for LMCs and 2.8 pp for UMCs. We then compare how this refinancing would affect total interest payments over the eight year period 2022–2029 (Table 2).[20] In total, across all DEs (low- and middle-income countries), savings would amount to $121 billion. For LICs, the savings would amount to less than half a billion, or a 2.9 percent reduction in interest payments, largely reflecting the groups' scant reliance on bond debt, which currently makes up little more than 4 percent of total PPGE debt. For the group of LMCs, the savings would be more significant, amounting to $36.4 billion or a 15 percent reduction in interest payments.

Table 2: Interest rate savings from 2022–2029 (US$ billion) from 'refinancing' 40 percent of bond debt to official sector borrowing

	LIC	LMC	UMC	Total
Interest savings (2022-2029), US$ billion	0.4	36.4	84.5	**121.3**
Percentage reduction in total interest payments, (%)	*2.9*	*15.0*	*18.5*	***16.9***
Amount of bond debt refinanced in 2021, US$ billion	2.3	197.0	484.4	**683.7**

Source: Author, based on IDS 2022. Note: 40 percent of the 2021 stock of bond debt is 'refinanced' to the average official creditor interest rates for the period 2022–2029. The calculations use implicit interest rates estimated as period t interest payments divided by period t-1 debt stock.

Table 2 also shows the major refinancing that would have been needed in 2021 to achieve these savings. As an example, 40 percent of bond debt amounts to $197 billion for the LMCs and $484 billion for the UMCs. The total amount 'refinanced' under this exercise would be $684 billion, not far from the historic $650 billion special drawing rights (SDR) allocation in 2021.

4. Conclusion: Building blocks for exiting the crisis

The UN's SDG Stimulus Plan calls for multilateral action on liquidity, debt restructuring and development financing, as well as tailoring multilateral action to different country contexts. These are building blocks that can help set the stage for a post-crisis recovery in DEs in 2023 and 2024. In this brief, we argue that 52 DEs are particularly vulnerable, and for some, their vulnerability is strongly tied to their market-based funding. This group includes many of the economies that have been in the news in recent months—Ethiopia, Ghana, Pakistan, Sri Lanka, Tunisia and Zambia, among others.

Why should major powers want to enact a multilateral deal to repair fiscal space in DEs? In contrast to a soft-landing scenario projected for developed economies, we argue that DEs are not guaranteed a soft landing; debt overhang and constrained access to low-cost and long-term funding sources will eclipse economic growth recoveries in 2023 and beyond.

Debt overhang and growing political and geo-economic fragmentation pose serious systemic risks to the global economy because they accentuate a potential fracture between developing and developed economies, a fracture that, if left unchecked, will have immeasurable consequences on a global scale.

These fractures play out differently for different groups of economies. LICs' debt overhang can be addressed under HIPC-type arrangements that provide financial assurances and ensure that official creditors grant debt relief while continuing to provide net positive financial flows. However, middle-income countries that tap capital markets may require additional guarantees, including a Brady-bond-type swap to ensure adequate debt relief from all creditors on equal terms.

Crafting a new convergence for developing economies

The current debt and development finance architecture was built in an era of convergence between developing and developed economies, characterized by rapid technological catch-up, booming trade and broad-based income generation in the Global South. As geopolitical fractures set in, together with population ageing, structural change in the Chinese economy and higher inflation/interest rates in advanced economies, convergence can no longer be taken for granted.

Thus, it may have to be crafted through deliberate multilateral policy action. If we play out the next steps for the global economy as it recovers in 2024, we can see glimpses of divergences setting in across supply chains, energy regionalization and decarbonization.

Financial trends suggest that many of the features we associate with green and just transitions are starting to happen in developed economies, which today attract the largest share of green bonds, sustainable finance, ESG flows and renewable energy investments. But these trends are not happening quickly enough in DEs.

A soft landing for DEs can help avert divergence in the future trajectories of development between the world's richest and poorest economies. It can also set the stage for forward-looking reforms of the multilateral system, spanning climate and development finance, debt and taxation, among others.

Annex

	iso3	Country	Region	Income	Rating[1]	Spread (bps)[2]	Debt (% of GDP)[3]	PPGE (US$ Bilion)[4]	PPGE official share[5]	PPGE China share[6]	PPGE Paris Club share[6]	Poverty rate (% of pop)[7]	Climate vulnerability rank[8]
52 most debt vulnerable low- and middle-income countries	TCD	Chad	Sub-Saharan Africa	LIC	In distress	..	55.956	3.00	58.1	10.4	45.7	41.0	179
	SOM	Somalia	Sub-Saharan Africa	LIC	In distress	..	..	2.97	100.0	0.0	77.9	41.0	181
	SDN	Sudan	Sub-Saharan Africa	LIC	In distress	..	181.974	15.31	69.0	7.3	25.5	16.0	178
	STP	São Tomé and Principe	Sub-Saharan Africa	LMC	In distress	..	72.378	0.23	95.7	0.0	14.7	33.0	146
	ZWE	Zimbabwe	Sub-Saharan Africa	LMC	In distress	..	66.913	4.63	91.2	39.2	33.5	43.0	159
	GRD	Grenada	Latin America & Caribbean	UMC	1.0	..	70.3	0.53	81.8	4.2	3.7	..	61
	LBN	Lebanon	Middle East & North Africa	UMC	1.0	Yes	150.6	33.28	5.7	0.0	0.5	..	86
	VEN	Venezuela	Latin America & Caribbean	UMC	1.0	Yes	240.5	..	..	..	..	35.0	58
	BLR	Belarus	Europe & Central Asia	UMC	1.3	..	41.2	19.98	82.3	21.3	42.6	..	26
	LKA	Sri Lanka	South Asia	LMC	1.3	Yes	103.1	36.52	55.2	19.7	13.9	..	123
	ZMB	Zambia	Sub-Saharan Africa	LMC	1.3	Yes	119.1	12.50	54.7	30.8	17.5	49.0	139
	GHA	Ghana	Sub-Saharan Africa	LMC	1.5	Yes	82.1	27.37	34.8	6.3	18.9	10.0	119
	SUR	Suriname	Latin America & Caribbean	UMC	1.7	Yes	125.7	..	..	..	..	28.0	72
	CUB	Cuba	Latin America & Caribbean	UMC	2.0	..	..	..	..	..	..	..	95
	LAO	Laos	East Asia & Pacific	LMC	3.0	..	93.5	10.27	83.6	50.9	9.0	10.0	145
	UKR	Ukraine	Europe & Central Asia	LMC	3.0	Yes	47.6	44.63	35.1	2.0	7.8	..	55
	ARG	Argentina	Latin America & Caribbean	UMC	3.3	Yes	80.9	114.75	27.4	2.4	2.2	..	74
	SLV	El Salvador	Latin America & Caribbean	LMC	3.3	Yes	82.4	11.46	46.5	0.0	3.5	..	102
	ETH	Ethiopia	Sub-Saharan Africa	LIC	3.7	Yes	53.0	28.17	79.0	26.4	15.3	8.0	164
	MLI	Mali	Sub-Saharan Africa	LIC	4.0	..	51.9	5.43	100.0	11.2	6.1	30.0	176
	TUN	Tunisia	Middle East & North Africa	LMC	4.5	Yes	81.8	23.06	74.9	0.2	18.5	..	60
	COG	Republic of the Congo	Sub-Saharan Africa	LMC	4.7	..	103.6	6.29	62.3	38.1	35.6	46.0	142
	MOZ	Mozambique	Sub-Saharan Africa	LIC	4.7	No	106.4	10.58	88.0	17.5	15.2	63.0	135
	BLZ	Belize	Latin America & Caribbean	UMC	5.0	..	82.2	1.28	68.3	0.0	28.5	20.0	111
	BFA	Burkina Faso	Sub-Saharan Africa	LIC	5.0	..	52.4	4.33	99.7	2.8	4.5	35.0	156
	ECU	Ecuador	Latin America & Caribbean	UMC	5.0	Yes	62.2	38.71	54.1	12.7	3.9	4.0	105
	SLB	Solomon Islands	East Asia & Pacific	LMC	5.0	..	16.5	0.14	100.0	0.0	15.5	26.0	166
	PAK	Pakistan	South Asia	LMC	5.0	Yes	74.9	94.67	76.5	28.9	13.0	6.0	147
	GAB	Gabon	Sub-Saharan Africa	UMC	5.5	No	65.8	6.28	53.3	18.1	10.0	4.0	87
	MDV	Maldives	South Asia	UMC	5.5	..	124.8	3.09	57.6	44.4	3.0	..	143
	IRQ	Iraq	Middle East & North Africa	UMC	5.7	No	59.1	20.52	73.8	3.7	64.4	10.0	99
	NGA	Nigeria	Sub-Saharan Africa	LMC	5.7	No	36.6	34.39	57.3	10.6	2.3	32.0	130
	AFG	Afghanistan	South Asia	LIC	High risk of distress	..	7.397	1.91	100.0	0.0	45.8	19.0	169
	BDI	Burundi	Sub-Saharan Africa	LIC	High risk of distress	..	66.565	0.57	100.0	8.2	0.0	81.0	160
	KIR	Kiribati	East Asia & Pacific	LMC	High risk of distress	..	17.562	..	..	..	..	..	..
	MWI	Malawi	Sub-Saharan Africa	LIC	High risk of distress	..	63.93	2.37	100.0	10.1	0.1	50.0	158
	CAF	Central African Republic	Sub-Saharan Africa	LIC	High risk of distress	..	47.613	0.43	93.8	6.2	1.5	71.0	175
	COM	Comoros	Sub-Saharan Africa	LMC	High risk of distress	..	25.999	0.27	100.0	34.4	2.9	22.0	149
	DJI	Djibouti	Middle East & North Africa	LMC	High risk of distress	..	45.953	2.41	100.0	55.6	2.5	15.0	125
	DMA	Dominica	Latin America & Caribbean	UMC	High risk of distress	No	102.652	0.31	79.0	9.6	9.2	..	104
	GMB	Gambia, The	Sub-Saharan Africa	LIC	High risk of distress	..	83.777	0.81	100.0	3.4	0.1	9.0	155
	GNB	Guinea-Bissau	Sub-Saharan Africa	LIC	High risk of distress	..	78.522	0.95	66.1	0.0	0.0	84.0	180
	HTI	Haiti	Latin America & Caribbean	LIC	High risk of distress	..	24.226	2.10	98.1	0.0	0.0	21.0	150
	MHL	Marshall Islands	East Asia & Pacific	UMC	High risk of distress	..	19.777	..	..	..	..	..	..
	MRT	Mauritania	Sub-Saharan Africa	LMC	High risk of distress	..	51.663	4.03	100.0	8.8	4.1	5.0	165
	FSM	Micronesia, Fed. Sts.	East Asia & Pacific	LMC	High risk of distress	..	15.001	..	..	..	..	..	171
	WSM	Samoa	East Asia & Pacific	UMC	High risk of distress	..	46.301	0.38	100.0	42.3	8.1	..	128
	SLE	Sierra Leone	Sub-Saharan Africa	LIC	High risk of distress	..	79.286	1.31	87.2	5.8	3.8	38.0	163
	SSD	South Sudan	Sub-Saharan Africa	LIC	High risk of distress	..	64.692	..	..	..	..	84.0	..
	TON	Tonga	East Asia & Pacific	UMC	High risk of distress	..	47.547	0.19	100.0	60.4	0.0	..	168
	TUV	Tuvalu	East Asia & Pacific	UMC	High risk of distress	..	6.024	..	..	..	..	..	..
	TJK	Tajikistan	Europe & Central Asia	LIC	6.0	Yes	44.4	3.19	83.6	34.5	1.4	..	75
9 "borderline" countries	AGO	Angola	Sub-Saharan Africa	LMC	6.0	No	86.4	46.74	22.8	47.1	23.9	44.0	131
	COD	Congo	Sub-Saharan Africa	LIC	6.0	..	16.1	6.52	98.0	38.4	2.7	73.0	173
	CPV	Cape Verde	Sub-Saharan Africa	LMC	6.0	..	142.3	1.98	74.0	1.7	10.4	4.0	80
	KGZ	Kyrgyzstan	Europe & Central Asia	LMC	6.0	..	61.1	3.96	100.0	45.4	8.0	..	28
	MDG	Madagascar	Sub-Saharan Africa	LIC	6.0	..	53.1	3.72	96.8	5.0	11.3	59.0	162
	MDA	Moldova	Europe & Central Asia	LMC	6.0	..	33.1	1.82	98.9	0.0	6.2	..	91
	NER	Niger	Sub-Saharan Africa	LIC	6.0	..	51.2	4.25	95.2	6.8	8.9	41.0	182
	VCT	St Vincent and the Grenadines	Latin America & Caribbean	UMC	6.0	..	88.4	0.47	99.2	6.9	1.1	7.0	..
	SWZ	Swaziland	Sub-Saharan Africa	LMC	6.0	..	45.0	0.62	98.5	30.0	8.7	34.0	136
No data	ERI	Eritrea	Sub-Saharan Africa	LIC	No data	..	176.25	0.66	95.1	2.9	7.7	46.0	174
	YEM	Yemen, Rep.	Middle East & North Africa	LIC	No data	..	69.734	6.11	100.0	2.6	25.5	29.0	161
	LCA	St. Lucia	Latin America & Caribbean	UMC	No data	..	92.195	0.72	66.0	0.0	0.2	5.0	34
	SYR	Syrian Arab Republic	Middle East & North Africa	LIC	No data	..	..	3.63	99.6	2.1	42.3	..	116
	LBY	Libya	Middle East & North Africa	UMC	No data	..	..	..	..	..	..	..	93

Notes

[1] Using average numeric rating across the three major rating agencies (see Table A2 for details). DSA-ratings are from latest country DSA.
[2] EMBI Global Sovereign Spreads (as of February 13, 2023)
[3] General government gross debt from IMF WEO October 2022 (for the year 2021, except for for LBN and AFG where it is 2020).
[4] External public and publicly guaranteed debt data is from World Bank IDS database 2022 and is for the latest reported year of 2021.
[5] Share of total external PPG debt owed to bilateral and multilateral creditors
[6] Share of total external PPG debt owed to official China and Paris Club. Paris Club here includes the 22 permanent member countries.
[7] Percentage of population living in extreme poverty. Data taken from the World Poverty Clock by the World Data Lab.
[8] Ranked based on the climate vulnerability index from the University of Notre Dame's Global Adaptation Initiative.Vulnerability measures a country's exposure, sensitivity and ability to adapt to the negative impact of climate change. The index ranks 182 countries (higher score = worse).

Endnotes

1 George Gray Molina is Head of Inclusive Growth and Chief Economist at UNDP's Bureau for Policy and Programme Support, email: George.gray.molina@undp.org; Lars Jensen is an Economist and Policy Specialist in UNDP's Inclusive Growth Team, Bureau for Policy and Programme Support, email: lars.jensen@undp.org.

2 Here, the term 'developing economies' (DEs) refers to all low- and middle-income countries.

3 The SDG Stimulus Plan can be found here: https://www.un.org/sustainabledevelopment/wp-content/uploads/2023/02/SDG-Stimulus-to-Deliver-Agenda-2030.pdf

4 The IMF's January update projects a bottoming out of the global slowdown in 2023. https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023

5 For methodology, see: https://www.undp.org/publications/dfs-avoiding-too-little-too-late-international-debt-relief

6 https://ida.worldbank.org/en/about/borrowing-countries

7 The median country paying more than 20 percent paid 28.6 percent of revenue in 2000 and 27 percent in 2022.

8 See Policy Brief: 'Getting Sovereign Debt Restructurings out of the Rut in 2023: Three Concrete Proposals', February 2023 by Lazard.

9 https://www.reuters.com/markets/emerging/investors-snap-up-record-39-bln-emerging-market-sovereign-bond-splurge-2023-01-13/

10 https://www.reuters.com/markets/emerging/investors-snap-up-record-39-bln-emerging-market-sovereign-bond-splurge-2023-01-13/

11 The calculations simply assume that a 30 percent haircut on each country's 2021 debt stock translates into a 30 percent reduction in annual principal and interest payments from 2022 to 2029 using the repayment schedules reported in IDS 2022.

12 Ghana was given a selective default (SD) rating by ratings agency S&P on December 20, 2022. Four countries, all from Sub-Saharan Africa, have signed on to the CF: Ethiopia, Chad, Zambia and Ghana.

13 Lee C. Buchheit and Adam Lerrick, 'A Modern Template for Restructuring of Poor Country Debts', 2023.

14 https://www.imf.org/en/News/Articles/2022/12/12/pr22427-imf-reaches-staff-level-agreement-on-a-3-billion-three-years-ecf-with-ghana

15 https://viewpoint.eiu.com/data/results?searchId=f8d174d7-4dc9-4d5b-a6eb-e1ab5ec1af8f

16 Ghana's debt sustainability is assessed by the World Bank and the IMF using the Debt Sustainability Framework for low income countries (LIC-DSA).

17 See Kevin Gallagher (2022): https://justmoney.org/kevin-p-gallagher-no-time-for-another-lost-decade-why-debt-restructuring-must-be-linked-with-climate-and-development-goals/

18 https://www.lazard.com/media/452372/policy-brief-sovereign-advisory-february-2023-final.pdf

19 Major ratings agencies referred to are S&P, Fitch and Moody's.

20 We estimate these rates as implicit interest rates in the IDS dataset. As an example, the bond interest rate is bond interest payments in period t divided by bond debt stock in period t-1.