UN GLOBAL CRISIS RESPONSE GROUP

A world of debt

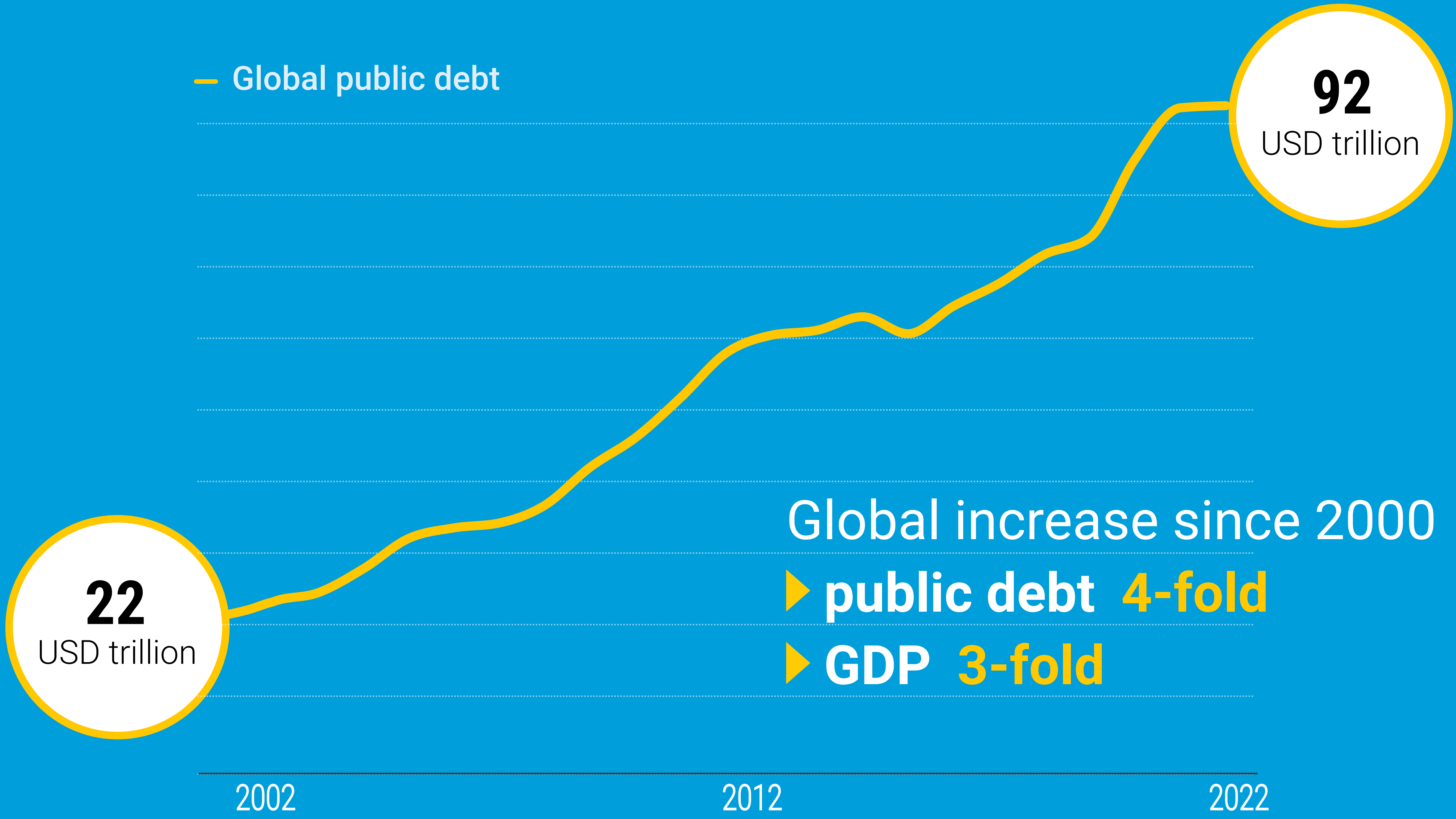
A growing burden to global prosperity

July 2023

United Nations

Global public debt has reached colossal levels

92 000 000 000 000 USD



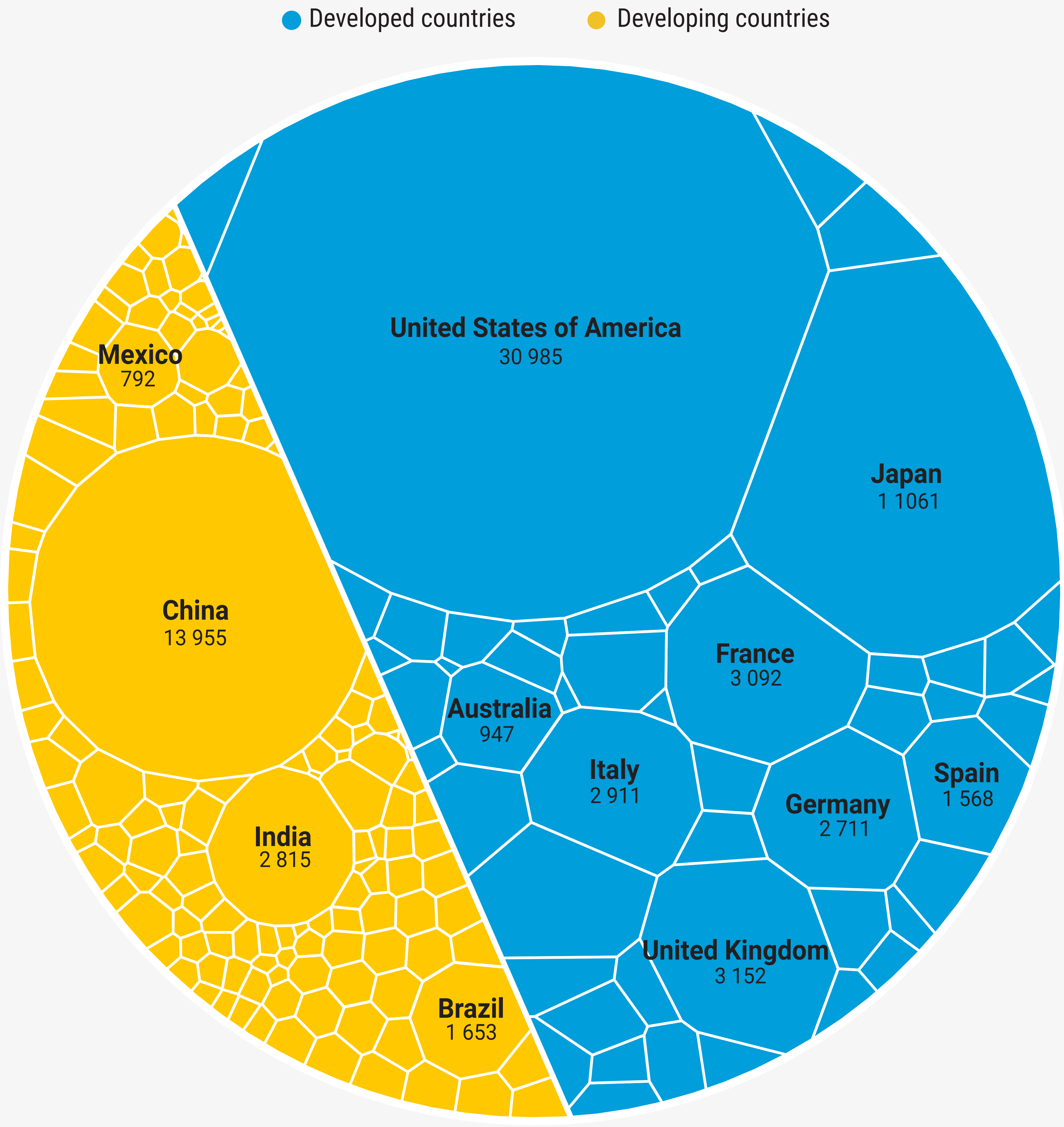
Global increase since 2000

- **public debt 4-fold**
- **GDP 3-fold**

Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023).
Note: Figures represent nominal values in current USD. Public debt refers to general government domestic and external debt throughout the document. General government consists of central, state and local governments and the social security funds controlled by these units. Since the IMF World Economic Outlook does not include data for the United States of America in the year 2000, this value is based on the Federal Reserve.

Almost 30% of global public debt is now owed by developing countries

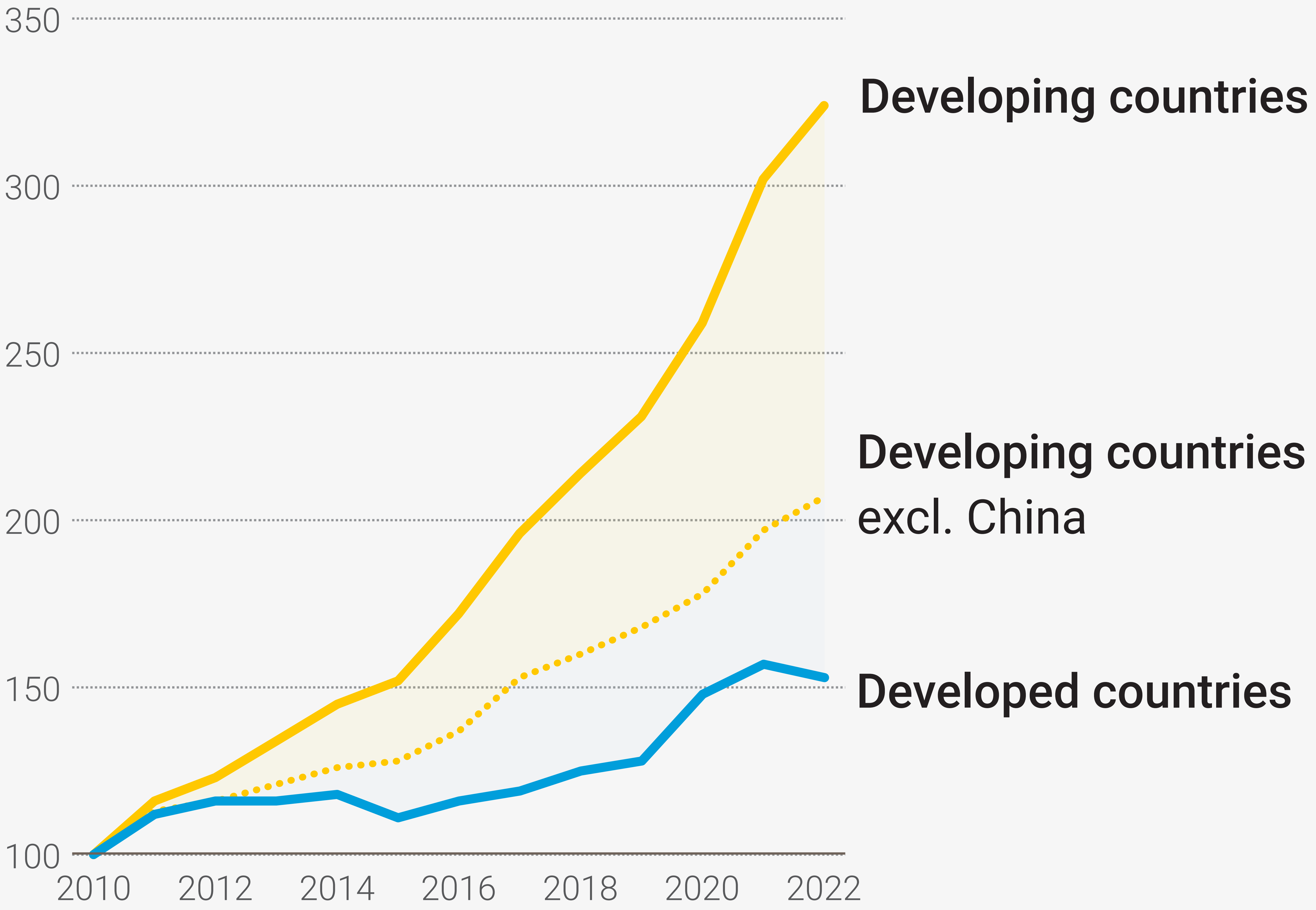
Public debt by country in 2022 (USD billion)



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023).

However, public debt is growing faster in the developing world

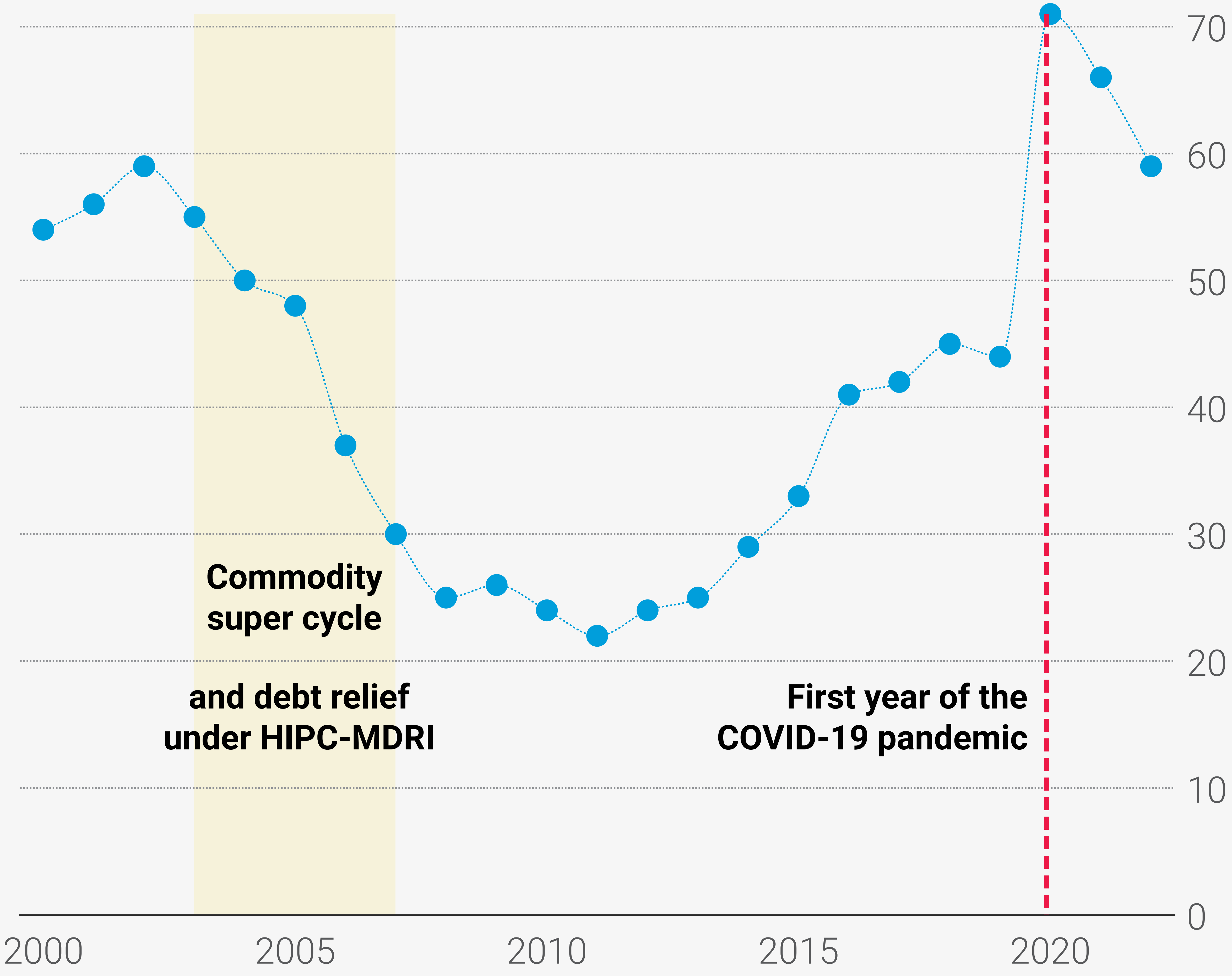
Index: outstanding public debt in 2010 = 100



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023).

A growing number of countries are facing high levels of debt

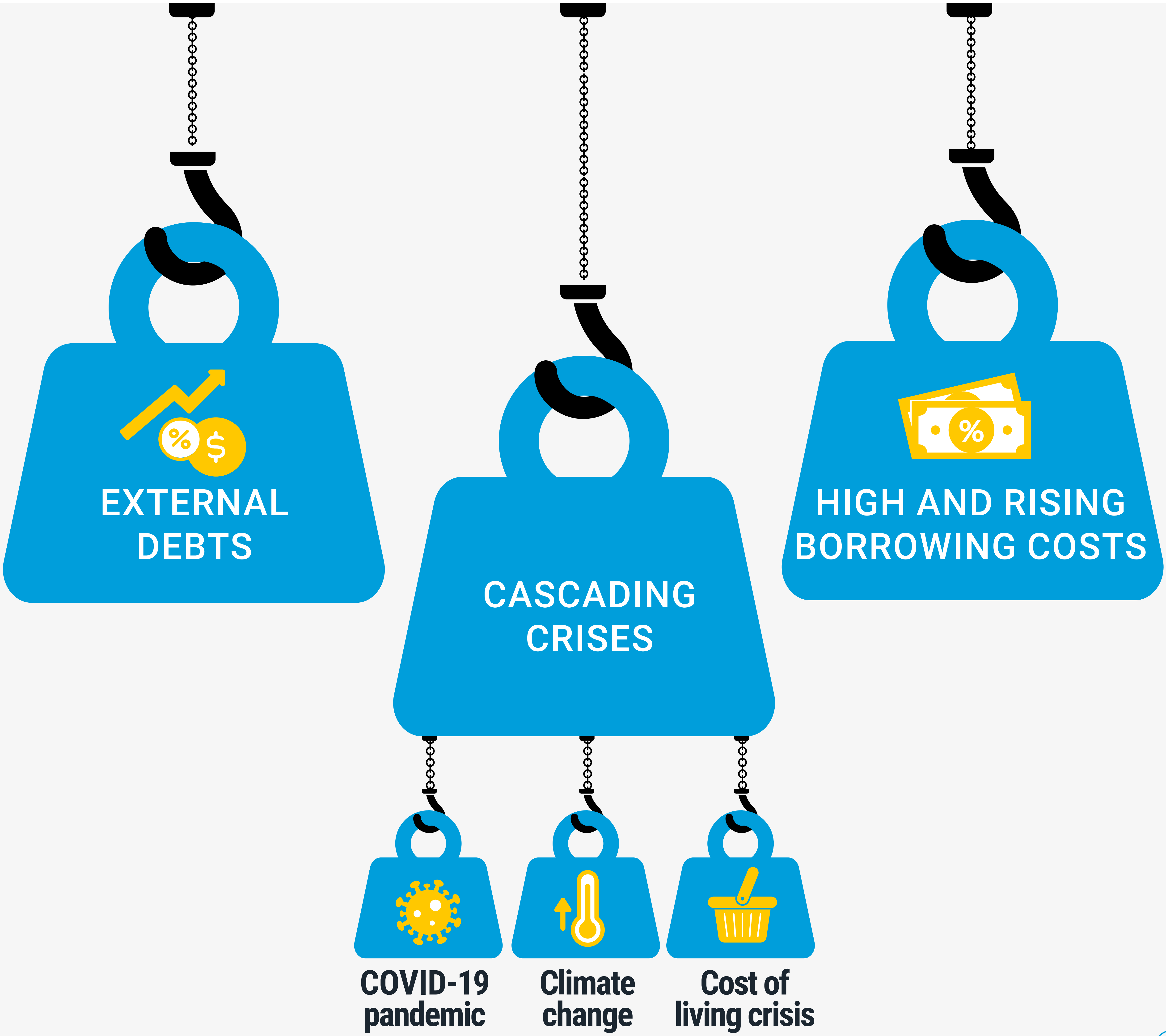
Number of developing countries with public debt **exceeding 60% of GDP**



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023).
Note: Highly Indebted Poor Countries - Multilateral Debt Relief Initiative (HIPC-MDRI).

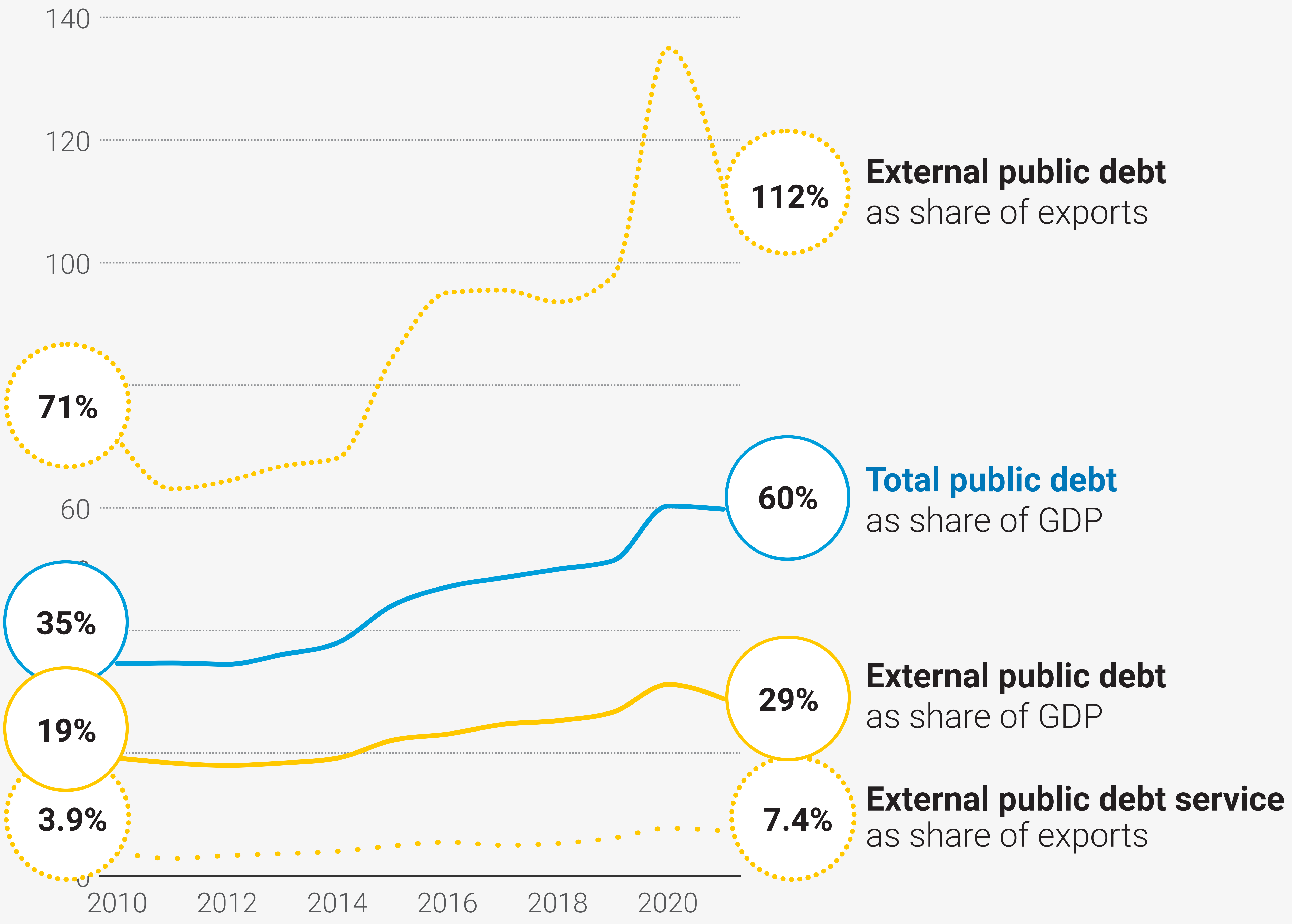
Inequality is embedded in the international financial architecture

The debt burden is heavier for the Global South due to:



Countries are more prone to external shocks due to borrowing in foreign currencies

Median values for developing countries



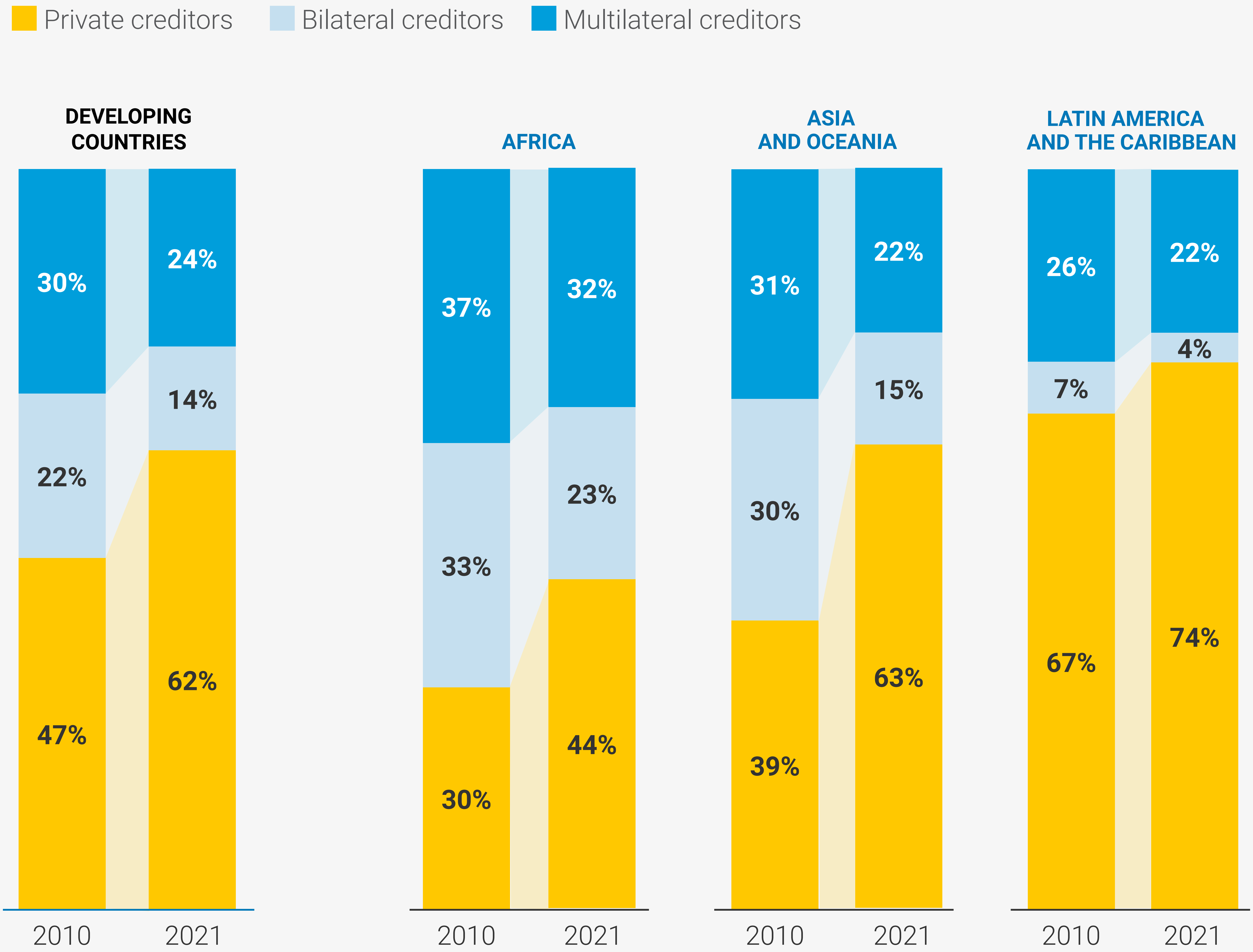
Source: UN Global Crisis Response Group calculations, based on World Bank International Debt Report 2022.
Note: Total public debt refers to General Government debt. External public debt refers to external Public and Publicly Guaranteed (PPG) debt.

A note from history

Half of developing countries are allocating at least 7.4% of their export revenues to external public debt service.

For comparison, the 1953 London Agreement on Germany's war debt limited the amount of export revenues that could be spent on external debt servicing (public and private) to 5% to avoid undermining the recovery.

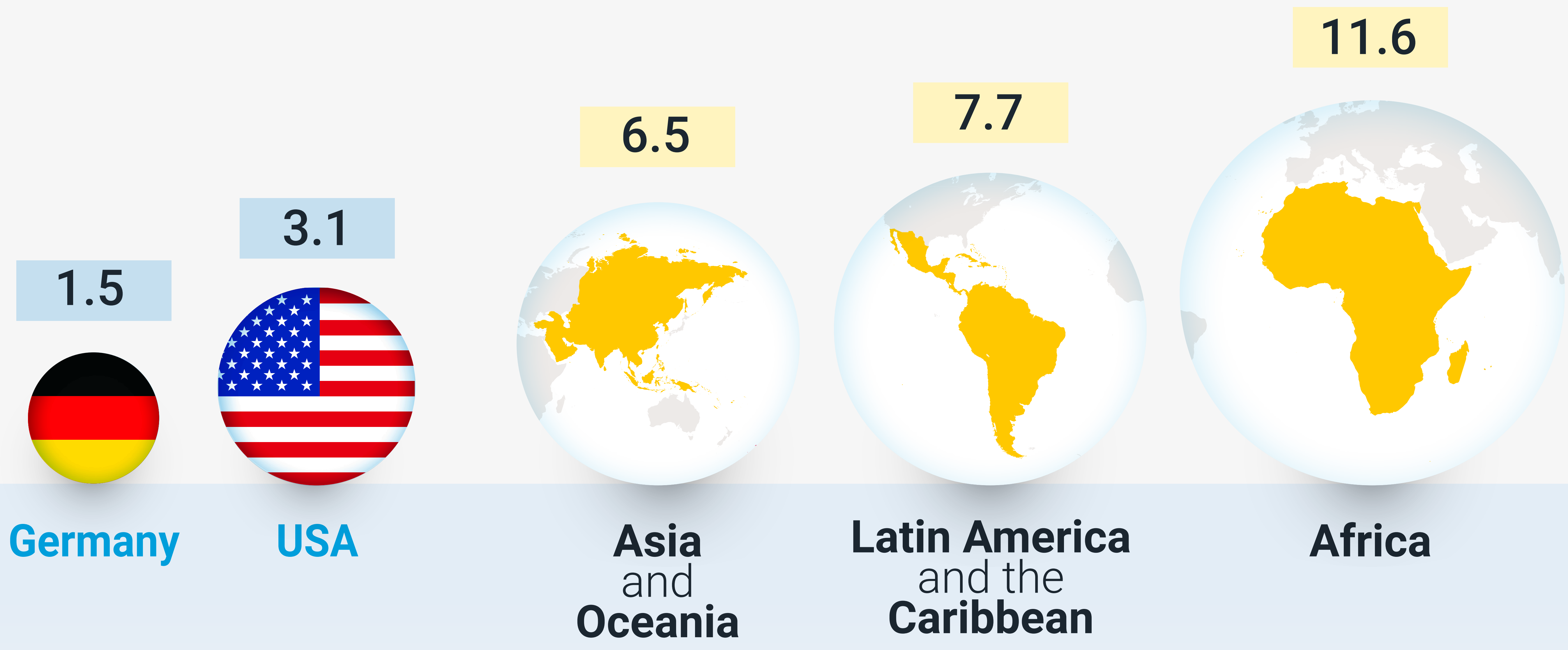
Developing countries rely more on private creditors now, making credit more expensive and debt restructuring more complex



Source: UN Global Crisis Response Group calculations, based on World Bank International Debt Report 2022.
Note: External Public and Publicly Guaranteed (PPG) debt.

Developing countries carry much less debt than developed ones, but pay much more for it

Bond yields (2022-2023)

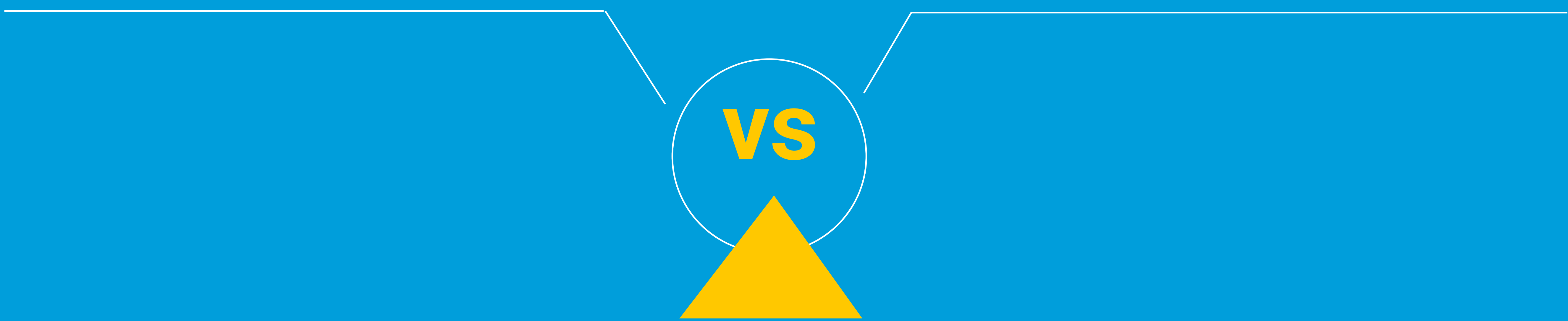


Source: UN Global Crisis Response Group calculations, based on Refinitiv.
Note: Illustrative comparison of the average JPM EMBI Global Diversified USD bond yields per region with the 10 year bond yields of Germany and the United States from January 2022 to May 2023.

Some countries face impossible choices:

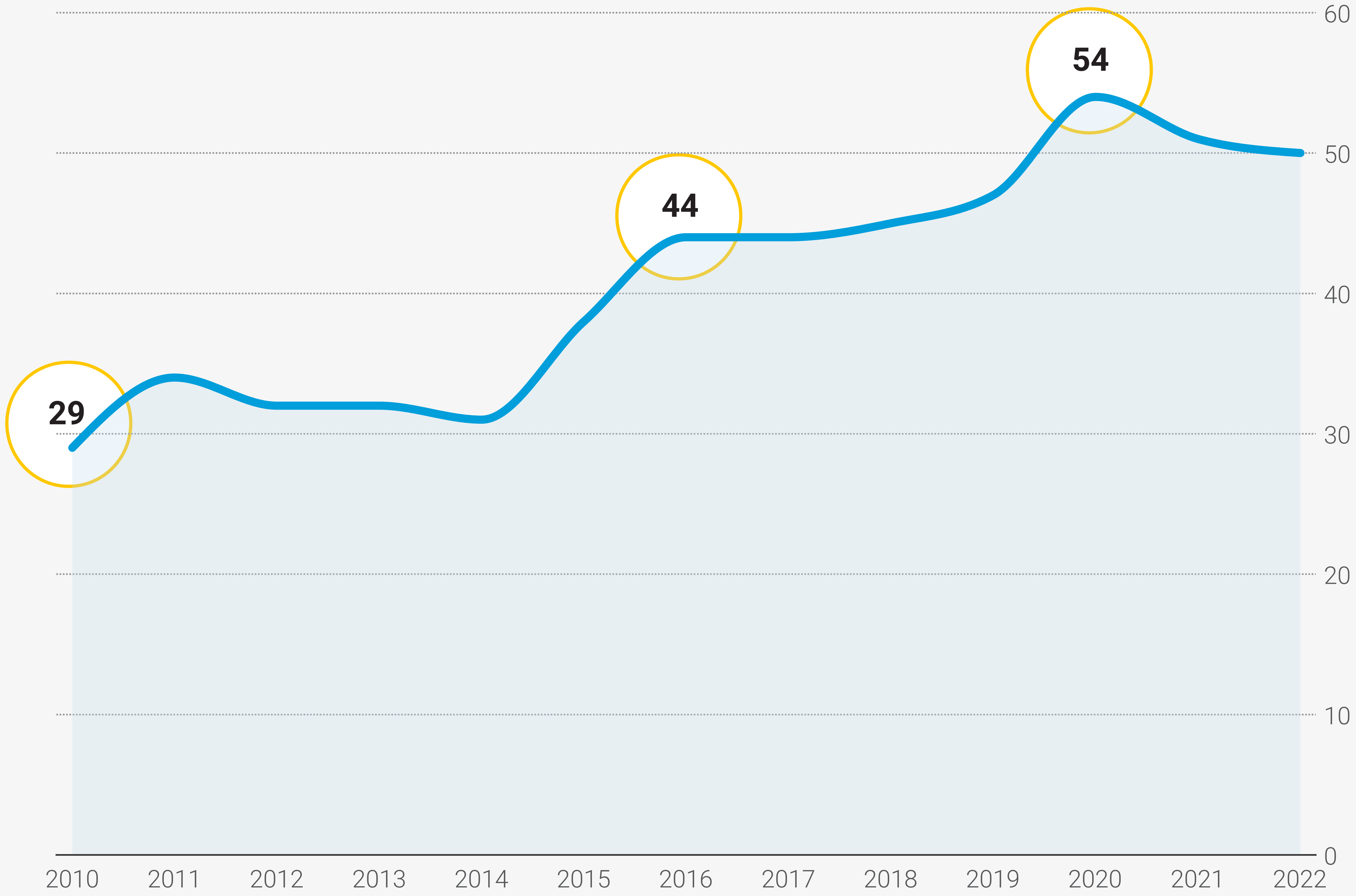
servicing debt

serving people



More countries use more public revenues for interest payments

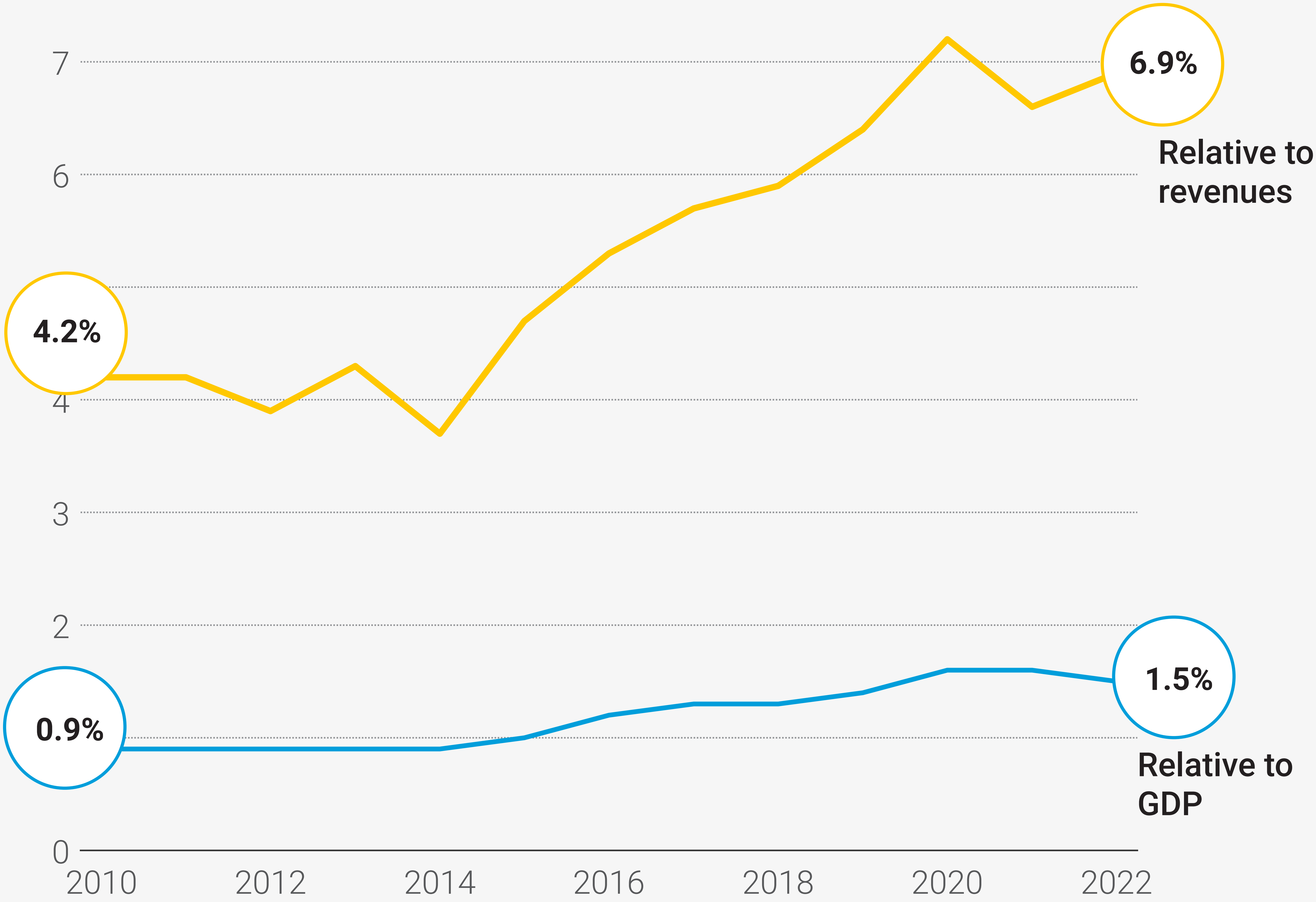
Number of developing countries with net interest payments
exceeding 10% of revenues



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023).
Note: Net interest payments of the general government refer to the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing, minus any interest income received.

Developing countries use more resources to pay interest on their public debt

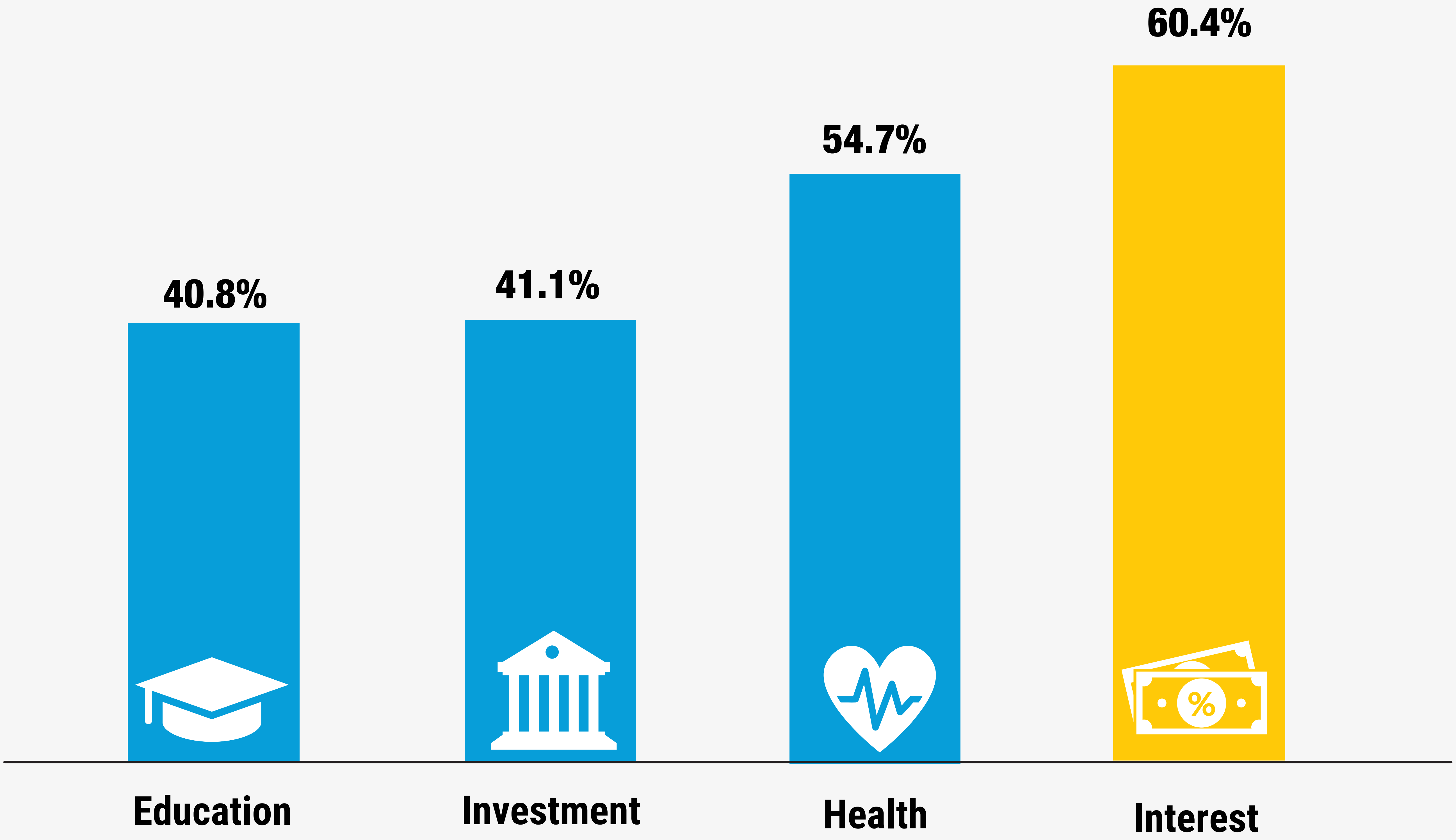
Net interest payments of developing countries



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023).
Note: Median shares across developing countries.

Interest payments are growing faster than other public expenditures

Nominal change (%) of public expenditure categories in developing countries between 2010-2012 and 2019-2021

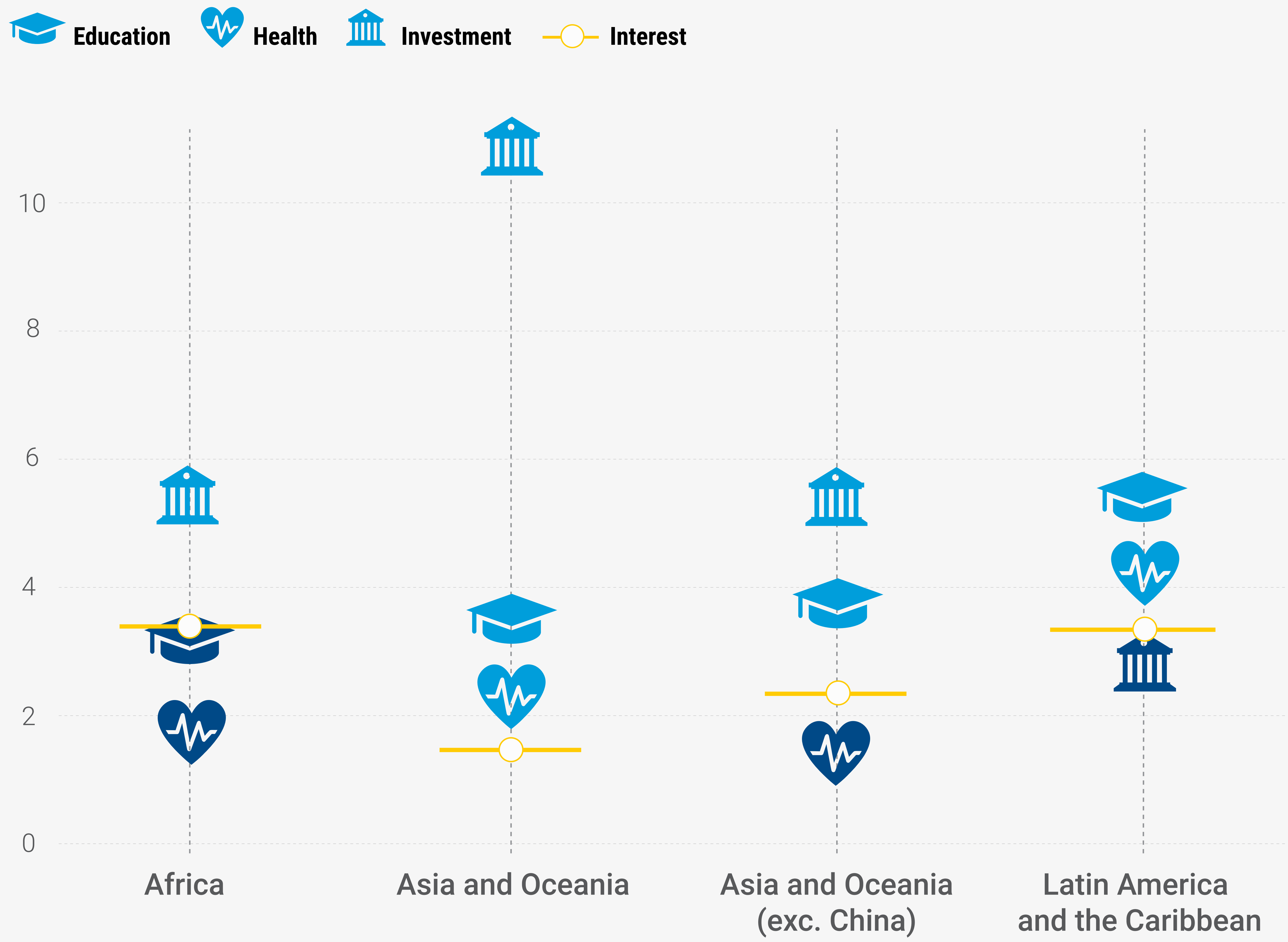


Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023), IMF Investment and capital stock database and World Bank World Development Indicators database.

And people pay the price

Some regions spend more on servicing debt than serving their people

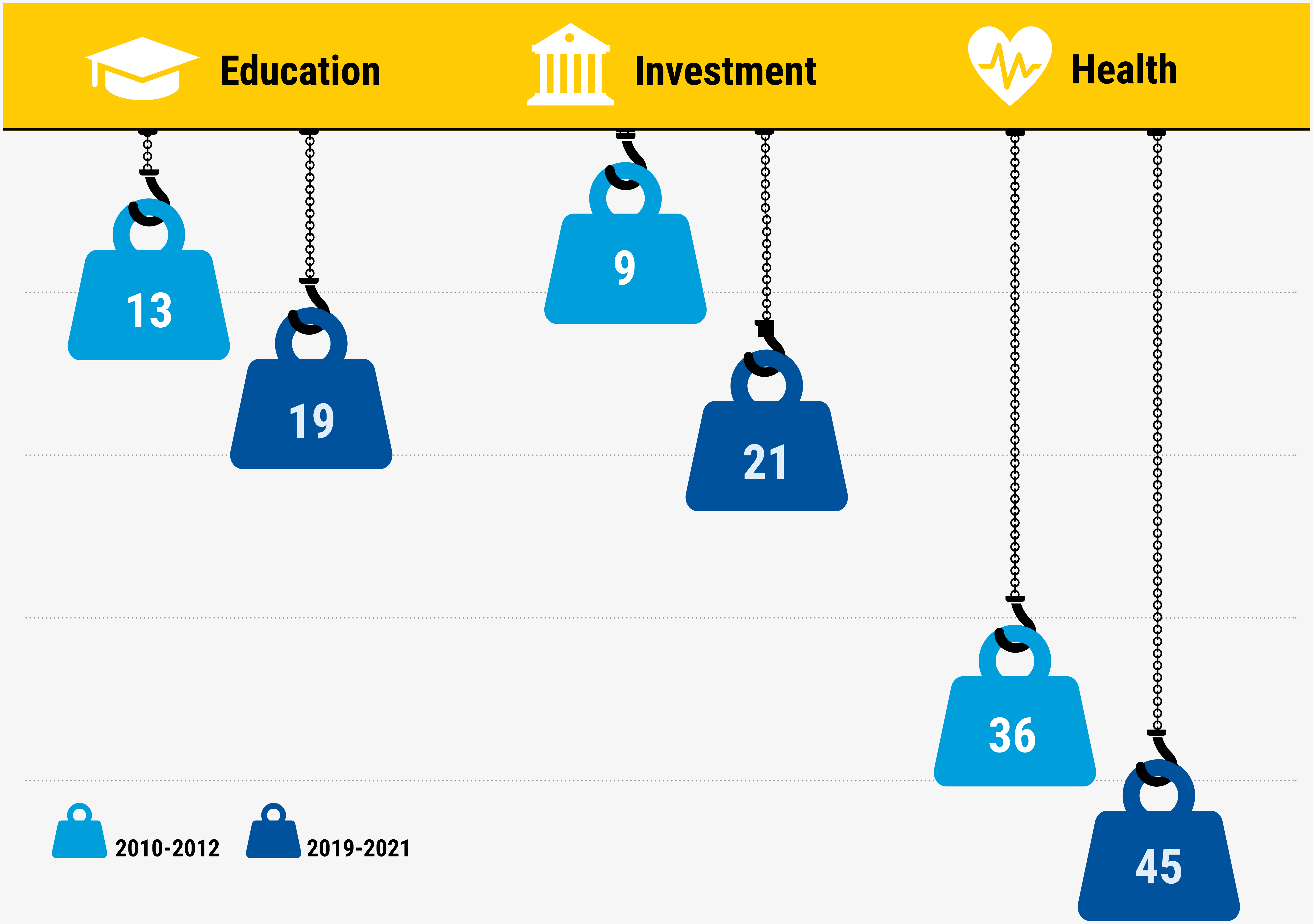
Public expenditure on net interest, education, health and investment as a share of GDP (%) (2019-2021)



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023), IMF Investment and capital stock database and World Bank World Development Indicators database.

Interest payments outweigh development spending in more countries

Number of developing countries spending more public resources on net interest than on education, investment or health



Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023), IMF Investment and capital stock database and World Bank World Development Indicators database.

3.3 billion people

live in countries that spend more on interest than on education or health

Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023), IMF Investment and capital stock database and World Bank World Development Indicators database. Figures for 2019-2021.

The United Nations has a road map of multilateral actions to address the global debt storm and achieve sustainable development

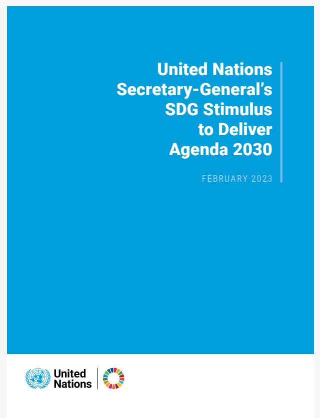
The United Nations call for reform of the International Financial Architecture and the SDG stimulus package outline a way forward:

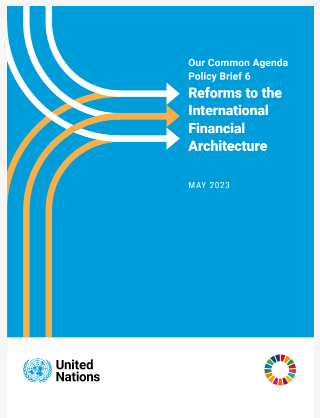
1. **Make the system more inclusive,** improving the real and effective participation of developing countries in the governance of the international financial architecture.

2. **Tackling the high cost of debt and rising risk of debt distress and create a debt workout mechanism** to address the slow progress of the G20 Common Framework for Debt Treatment due to creditor coordination challenges and the lack of automatic debt service suspension clauses to participating countries.

3. **Provide greater liquidity in times of crisis expanding contingency finance,** so that countries are not forced into debt as a last resort, including through the strengthened use of Special Drawing Rights, a temporary suspension of IMF surcharges, and increased quota-access windows to IMF emergency financing.

4. **More and better finance, massively scaling up affordable long-term financing**. The transformation and expansion of Multilateral Development Banks to support long term sustainable development and scaling up private resources. More concessional finance; fulfilling aid and climate finance commitments.





Inequality
is embedded
in the international
financial architecture.

This must change.

United Nations

This document has been prepared by the UN Global Crisis Response Group and the five UN Regional Commissions, ECA, ECE, ECLAC, ESCAP and ESCWA.