

A looming debt crisis in a changing creditor landscape

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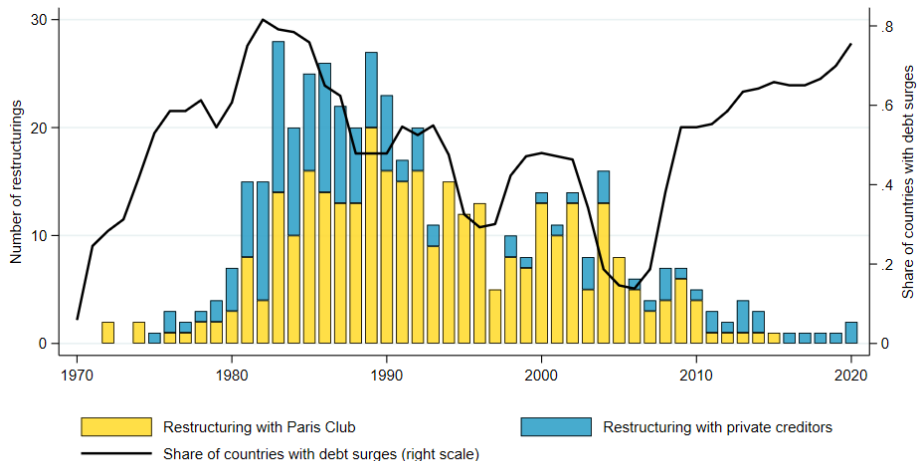
Debt and innovative finance in developing countries

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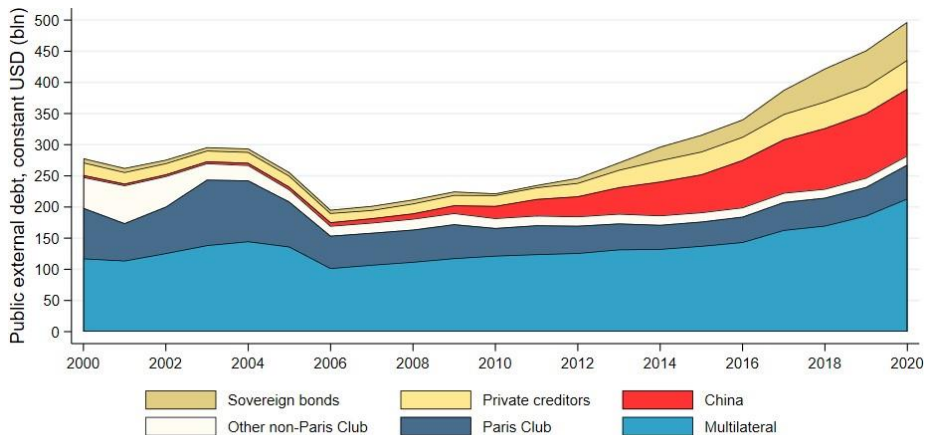
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Public debt surges and restructurings



Unbalanced sample of 123 countries, 1970-2020 (N x T = 6,221); excluding DSSI

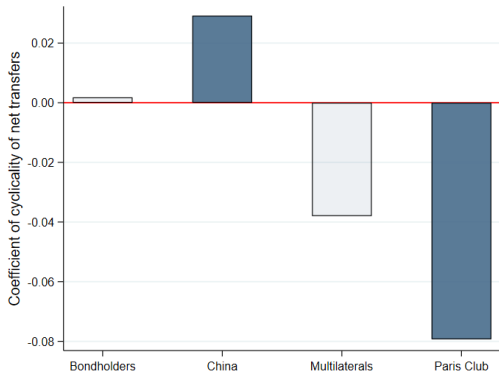
Changing credit landscape



Balanced sample of 65 DSSI-eligible countries, 2000-2020. Source: World Bank IDS

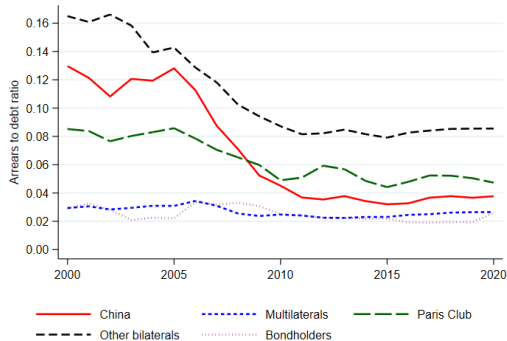
The growing role of China (Cordella & Presbitero 2022)

Chinese lending is procyclical



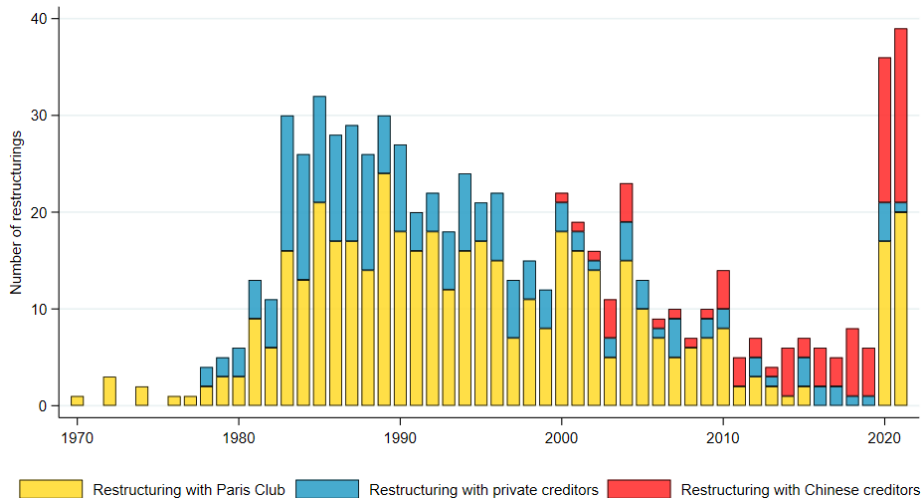
Source: World Bank IDS and WDI

China as a senior creditor



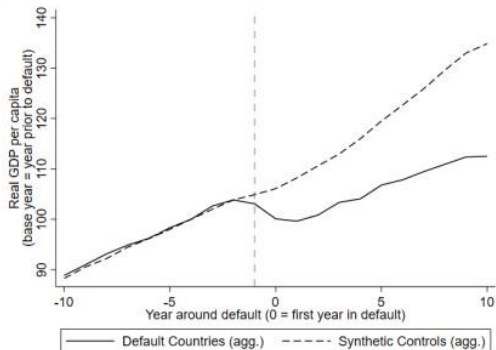
Unbalanced sample of more than 120 debtor countries, unweighted averages across creditors. Source: World Bank IDS

Accounting for hidden defaults (Horn et al. 2022)

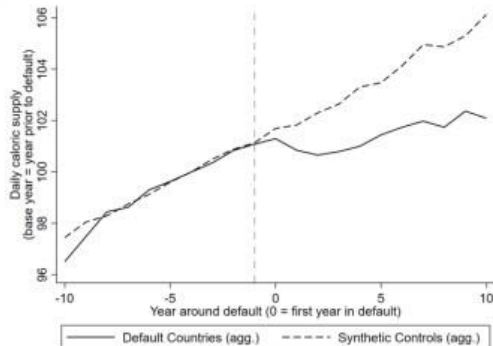


The economic and social costs of sovereign default (Farah-Yacoub et al. 2022)

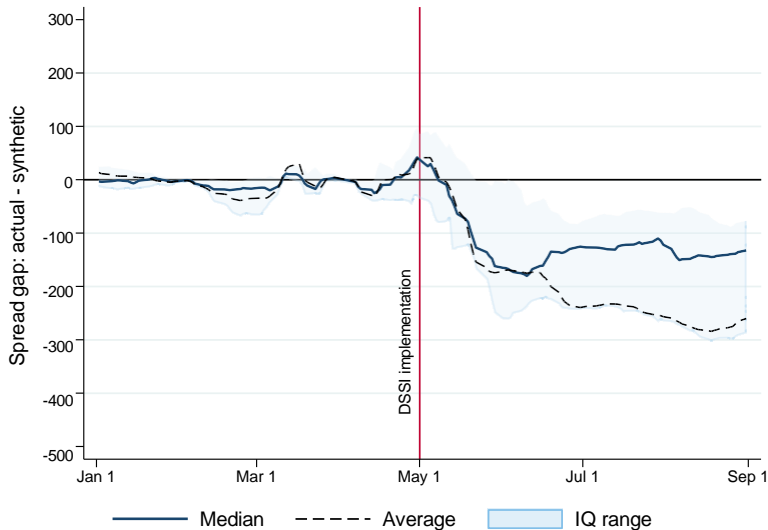
The cumulative GDP gap is 8.4 percent three years after default



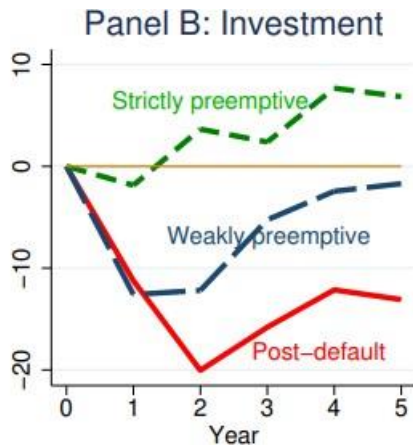
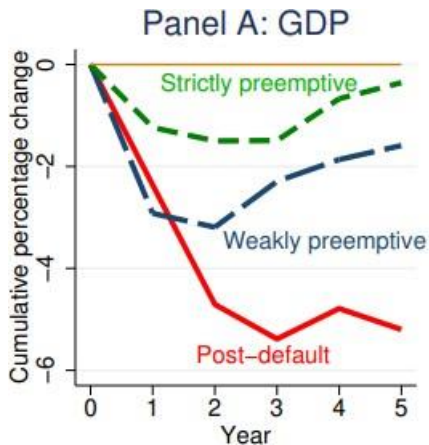
The cumulative gap in calorie intake reach 4 pps 10 years after default.



The DSSI reduced borrowing costs (Lang et al. AEJ:Policy 2022)



Early interventions to resolve crises avoid costly outcomes (Asonuma et al. 2021)



Looking ahead

- About 60% of low-income countries are already in **debt distress** or in high risk of debt distress (it was 30% in 2015)
- A strong US dollar and tightening global financial conditions may aggravate debt vulnerabilities, requiring some **reprofiling** or **restructuring**
- The **G20 Common Framework** is an important step forward but more is needed