Opening Statement by Dr. Mukhisa Kituyi, Secretary-General of UNCTAD

10th UNCTAD Debt Management Conference

Geneva, 23 November 2015

AS PREPARED FOR DELIVERY

Your Excellency, Mr. Michael Higgins, President of the Republic of Ireland,
Your Excellency, Mr. Luis Arce Catacora, Minister of Economy and Public Finance of Bolivia,
Excellencies,

Distinguished delegates,

Ladies and gentlemen,

I am honoured to welcome you all to the 10th UNCTAD Debt Management Conference. Over the past 20 years, this conference has evolved into a unique and important forum to discuss core challenges arising for the management of public debt.

We know that public sector debt, when managed well, is an indispensable element of any financing strategy for development. But it can quickly become a problem when foreign borrowing is unrelated to productive investment projects, or when a debtor economy is hit by severe exogenous shocks.

We also know that in an integrated, financialized world economy, efficient and transparent debt management is a sophisticated and evolving challenge. It is not enough to focus on measures of debt sustainability. We also need a better, more in-depth understanding of the longer-term implications of the choices and challenges policy makers face in making recourse to the debt markets.

Today the threat posed by growing mountains of debt to the stability of the global economy is, once again, gaining widespread attention. Following the global financial crisis and the Eurozone crisis, the debt saga has now reached emerging economies, and is also threatening to engulf least developed economies, particularly in Africa as well.

Eight years on from the global financial crisis, the world has still not succeeded at shifting gears towards more inclusive and sustainable economic development. The global economy remains in the doldrums. Advanced economies are not pulling their weight, and leading emerging economies, which have been the main driver of global economic growth since 2011, are now struggling. Growth in LDCs, consequently, is also slowing.

At the heart of this continued global economic fragility is a growing mountain of debt. Global debt levels rose from $21 trillion dollars in 1984 to a staggering US$142 trillion by the end of 2007. And since the global financial crisis, another US$57 trillion has been piled on top, pushing global debt to an astounding US$199 trillion by 2014.

Until recently, public sector borrowing in developed economies led the way expanding this debt burden, but that is now changing. The favourable external economic environment, strong growth and international debt relief of the early 2000s has given way to gradually rising external debt levels in most developing countries this decade. And this burden will be more difficult to service with falling commodity prices, rising interest rates, currency depreciations and a slowdown in global growth.

Some dozen sub-Saharan African economies have returned to the sovereign bond markets in recent years, including some Least Developed Countries (e.g. Rwanda, Senegal, Zambia). A number of African countries have seen their debt as a share of GDP grow in recent years, such as Ghana, which is at 73% and rising, and Kenya, which is at 60% and rising. Government borrowing - which accounts for the bulk of foreign debt in African economies - doubled from US$ 5.5 bn in 2009 to

US$11 bn in 2014. This debt was initially at relatively low rates of interest in international markets, especially compared to domestic market rates, but yields on sovereign bonds in Africa are now rising in many cases. Combined with the prospects of slowing growth, falling commodity prices and depreciating currencies, this means that unsustainable debt is once again becoming a threat to development gains.

Some emerging economies are also seeing large increases in corporate debt – from US$ 4 trillion in 2004 to US$ 18 trillion in 2014. Private sector debt sustainability will be a core factor in assessing sustainable external debt strategies in many developing nations. Unsustainable private debts have a habit, as we well know, to end up on public sector balance sheets. And we also know that this link from private to public debt is not limited to developing countries as, I think, the recent experience of Ireland illustrates.

This 10th Debt Management Conference takes place in a historic year. The international community has just signed up for the ambitious 2030 Agenda for Sustainable Development, and debt financing was emphasized as one of the key levers for financing that agenda, by the Addis Ababa Action Agenda agreed at the Financing for Development Conference in July.

The financing requirements to achieve the SDGs are enormous, and are more ambitious than any previous development agenda. New and evolving challenges to debt sustainability, in particular in emerging and developing economies, is now more important than ever.

Here at UNCTAD, we have long-standing research, policy analysis and technical experience in addressing issues of debt sustainability in developing countries.

At the last Debt Management Conference in 2013, we presented our work on Principles for Responsible Sovereign Lending and Borrowing. They emphasized the need for creditors and debtors to share responsibility for preventing unsustainable debt situations. We have since engaged in capacity-building activities across a number of member states to promote implementation of these principles, which, consequently, were also cited in the Addis Ababa Action Agenda at July's FfD Conference earlier this year.

We have also urged the international community to actively explore a rules-based approach to sovereign debt workouts to increase the predictability and timely restructuring of debt when required, with fair burden sharing. We have supported debt-resolutions at the UN General Assembly in recent years drawing attention to the fact that debt matters for development and that debt issues are becoming more urgent than ever.

We also welcome the constructive engagement of the G-20 leaders in their most recent meeting at Antalya pushing for stronger collective action and *pari passu* clauses in debt contracts. However, more can and should be done to formalize a sovereign debt workout mechanism that protects the interests of all countries and all creditors and debtors and does so at the multilateral level.

Our call is being heard. In September of this year, the UN General Assembly adopted a set of nine Basic Principles for Debt Restructuring Processes. UNCTAD served as Secretariat to the Ad Hoc Committee, charged with developing those principles. At the same time, we also published our UNCTAD Roadmap and Guide on Sovereign Debt Workouts, providing a detailed step-by-step guide to sovereign debt workout procedures.

UNCTAD's Debt Management and Financial Analysis System (DMFAS) Programme also remains one of our flagship technical assistance programmes. DMFAS has been successfully helping governments improve their capacity to manage public debt for over 30 years, working directly at the country level with over 100 institutions in almost 70 countries. DMFAS is one of the finest example of how UNCTAD technical cooperation helps build sustainable national capacities.

UNCTAD is committed to provide, through the DMFAS Programme, the assistance countries need to meet the many new financing challenges that the post-2015 environment is expected to present.

Allow me to conclude my remarks by wishing you all very productive, fruitful and engaging deliberations on these issues that are of the utmost importance to your countries and to the world economy. Thank you.