

WHAT CAN HUNGARY DO FOR GLOBAL ECONOMIC JUSTICE?"

ADDRESSING THE DEBT CRISIS IN DEVELOPING COUNTRIES IN
THE YEAR OF THE JUBILEE



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OUTLINE

- **THE CONTEXT. THE DEBT CRISIS IN DEVELOPING COUNTRIES**
- **JUBILEE REPORT. MAIN FINDINGS**
- **HOW TO ADDRESS THE CRISIS IN THE YEAR OF THE JUBILEE**
- **CONCLUSION**

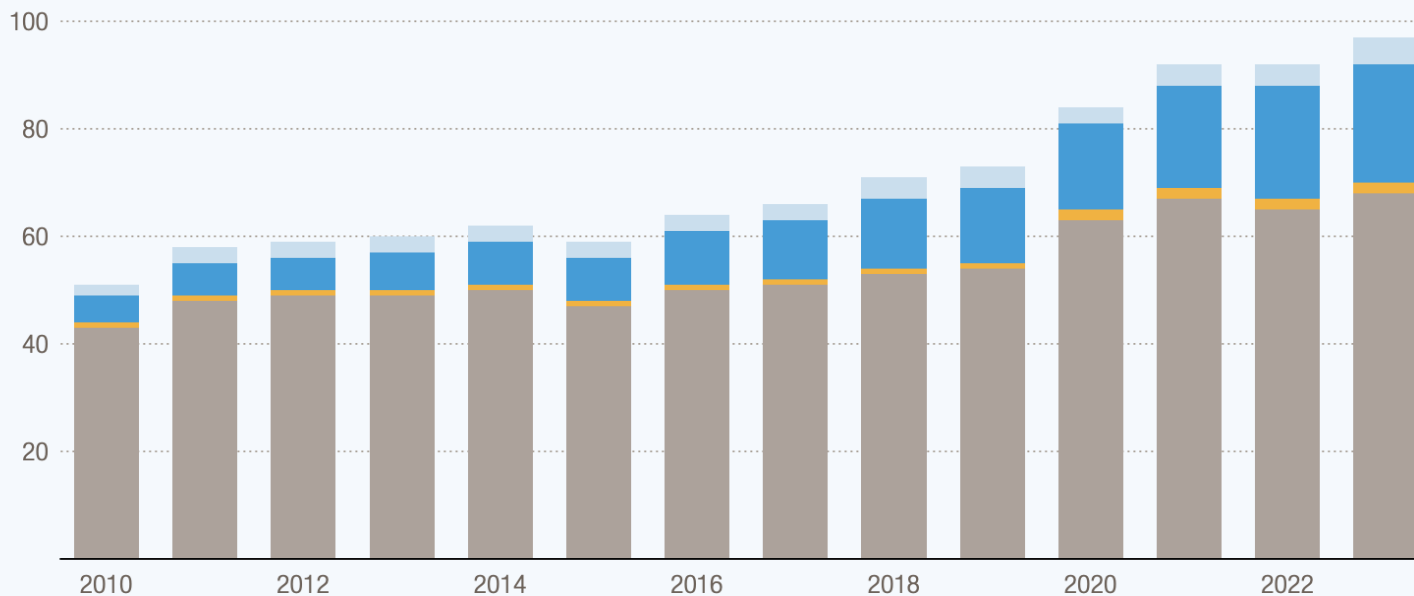
GLOBAL PUBLIC DEBT HAS REACHED RECORD LEVELS



**Global public debt
reached a record US\$ 97 trillion in 2023.**

Global public debt in US\$ trillion, by region

■ Developed countries ■ Africa ■ Asia and Oceania ■ Latin America and the Caribbean



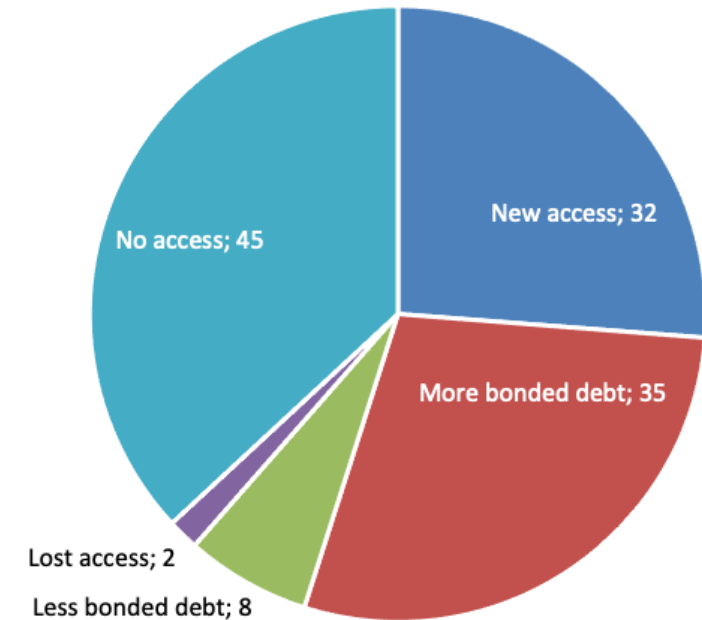
Source: UN GCRG - technical team calculations, based on IMF World Economic Outlook (April 2024).

Note: Figures represent nominal values in current US\$. 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.

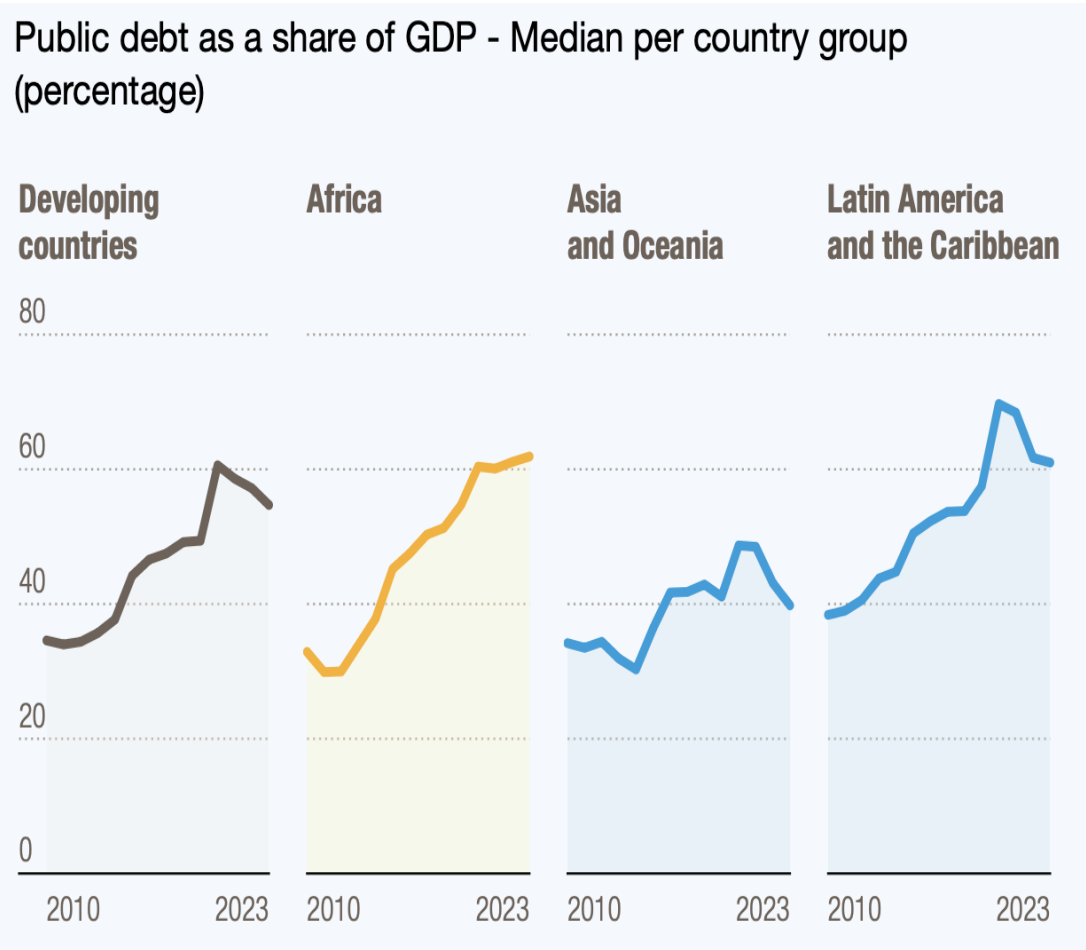
HOW WE GOT HERE

- After the GFC, QE led to a world of very low interest rates. Countries had access to cheap financing. This allowed many developing economies to tap capital markets for the first time: **32 low-income countries (LIC) and middle-income countries (MIC) gained first time market access over the 2008-2023 period.**
- Another large group of 35 countries expanded its **bond issuance.**
- WB IDA countries also issued large amounts in additional bonded debt, with total levels increasing from 6.4 billion to 88.5 billion USD over that period. By contrast, out of 122 LICs and MICs only eight reduced their outstanding bonded debt stock.

Figure I: Access to international capital markets by amount of countries, from 2008-2022

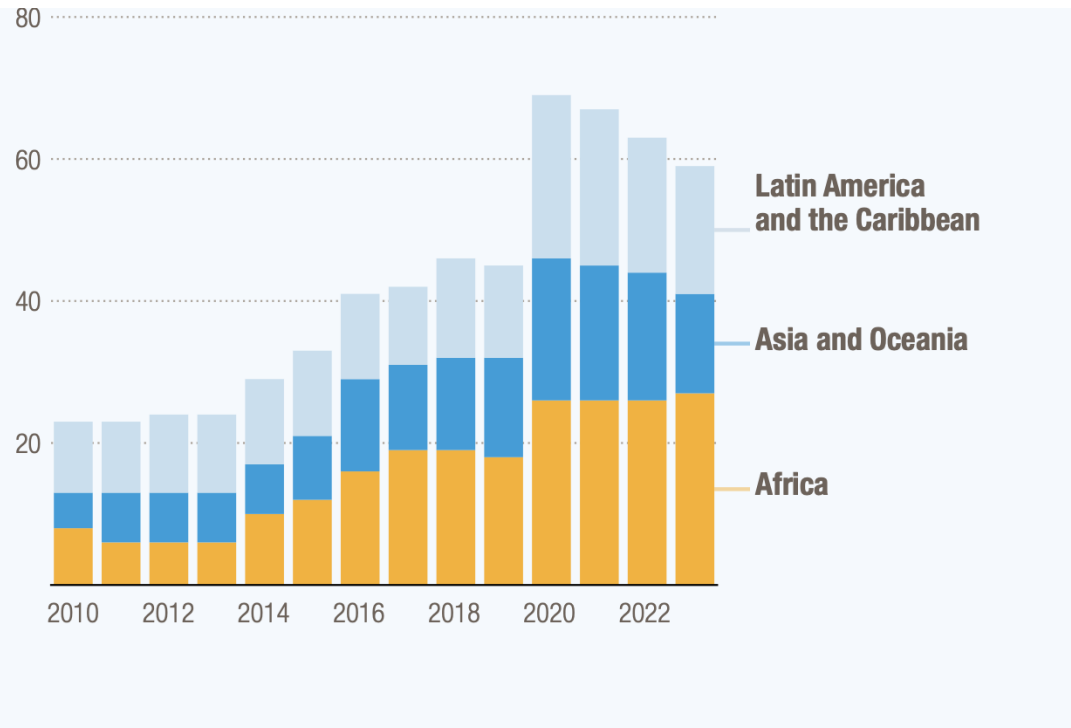


CRISIS OF DEVELOPMENT AND DEBT IN DEVELOPING COUNTRIES



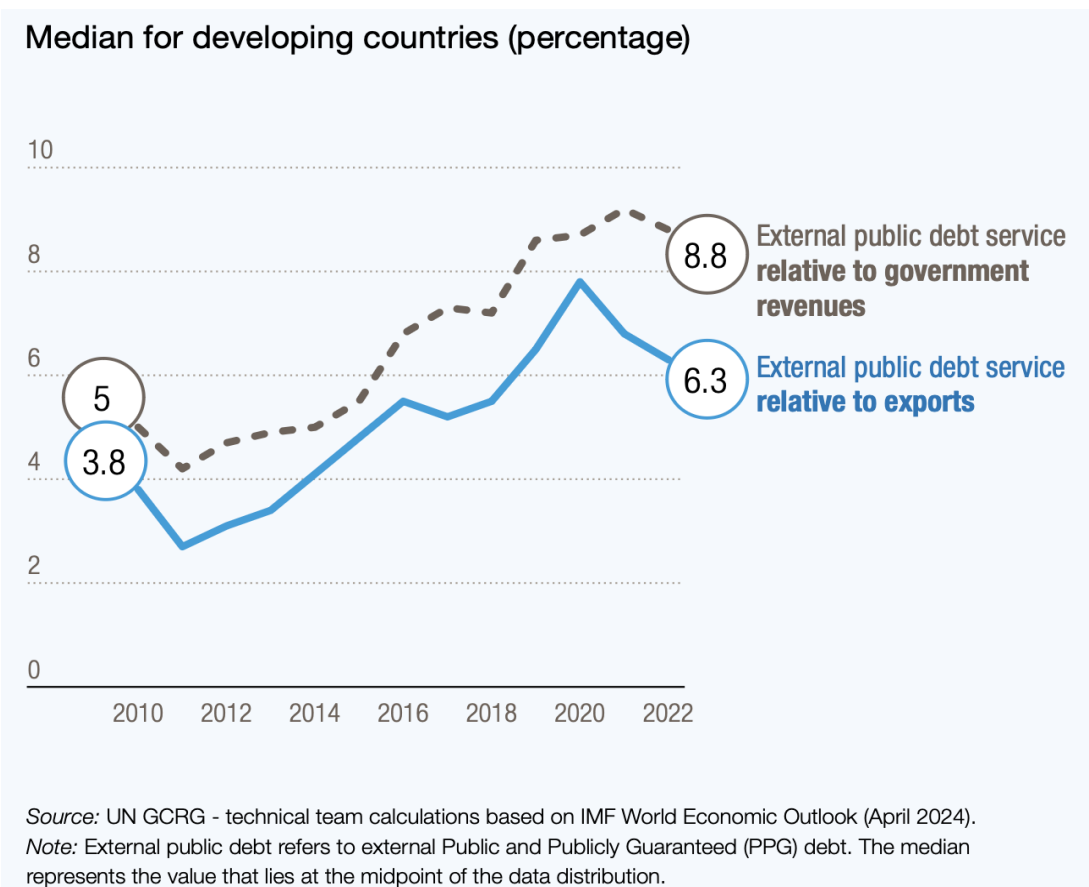
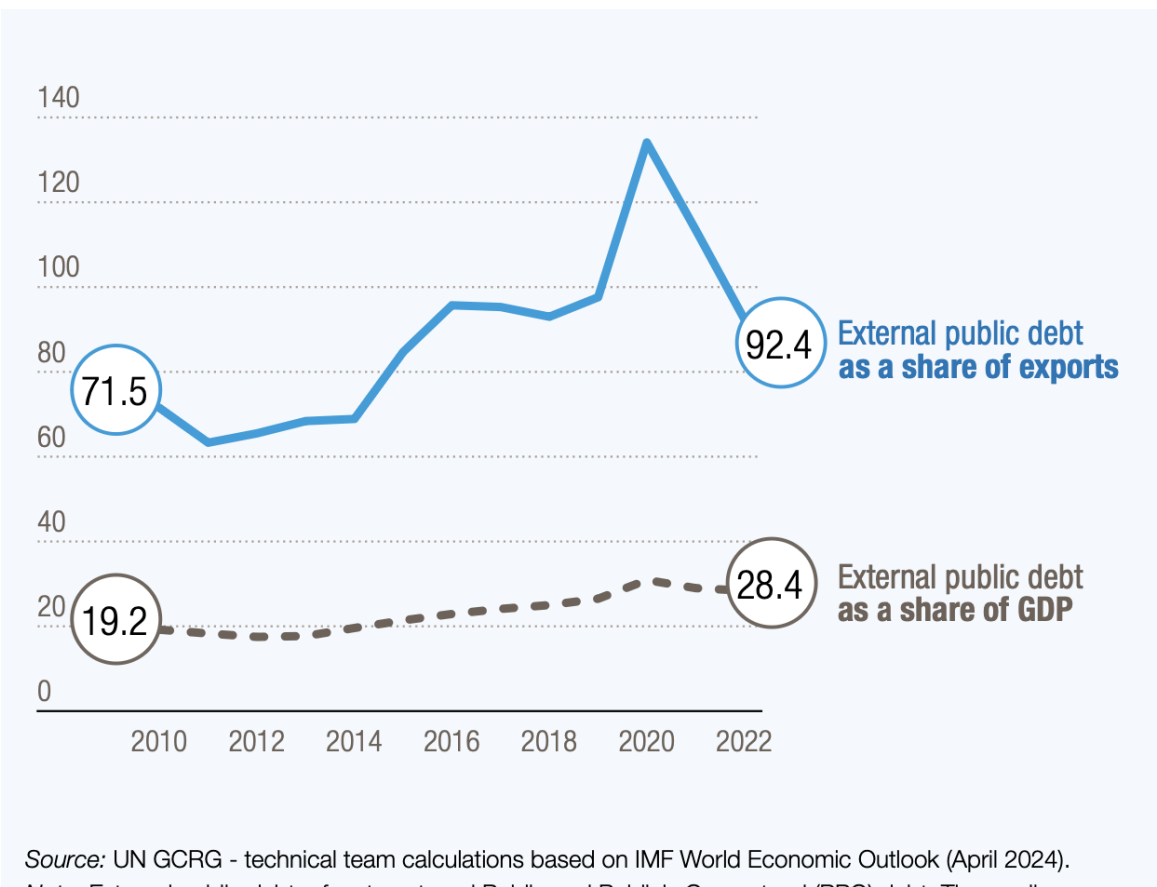
Public debt as a share of GDP is growing in all regions (in Africa, it is growing faster than GDP)

Almost a third of global public debt is owed by developing countries.



Source: UN GCRG - technical team calculations based on IMF World Economic Outlook (April 2024).

EXTERNAL PUBLIC DEBT: INDICATORS RETURNED TO PRE-COVID LEVELS, BUT EXTERNAL DEBT SERVICE BURDENS REMAIN HIGH



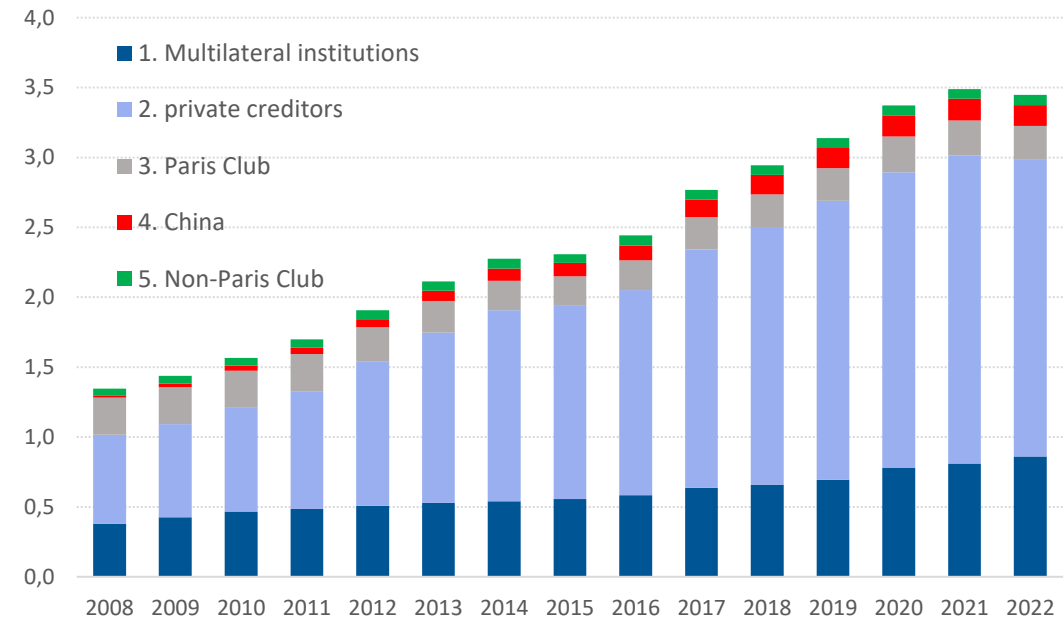
NEW CREDITOR LANDSCAPE

- Overall external PPG debt levels increased from 1.25 trillion to USD 3.5 trillion in LICs and MICs from 2008 until 2022 (latest data available).
- Funding from public creditors almost doubled over the last decade and a half from 0.7 trillion to 1.3 trillion USD.
- **Financing provided by private bondholders, more than quadrupled from USD 0.4 trillion to 1.6 trillion over the same period. It now makes up a share of 47% of the total**
- A large part of the private financing has been **external debt, issued under foreign currency, often in US-dollars**, and global financial centre's legal regimes.

This new landscape:

- increases developing countries' vulnerabilities
- requires new approaches and frameworks

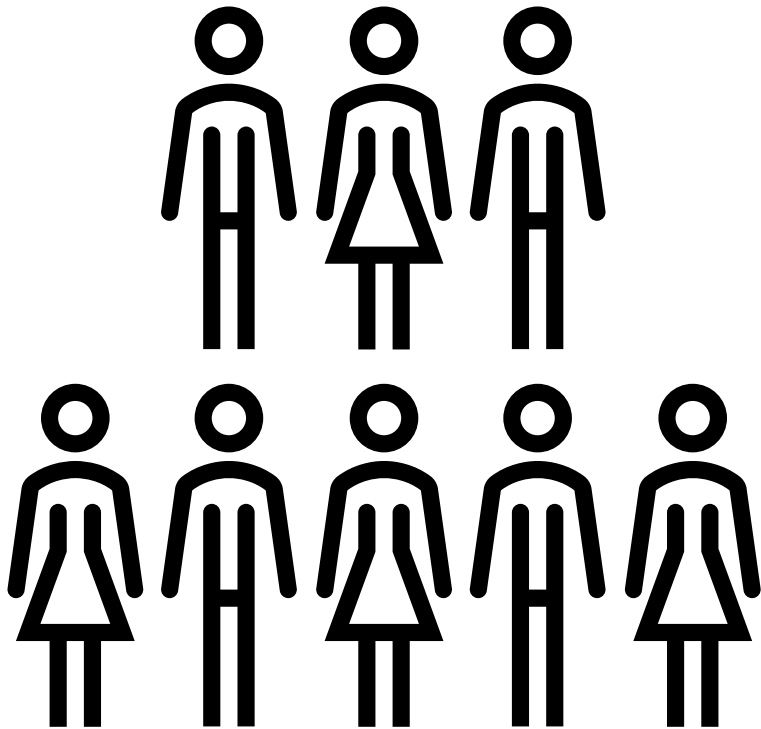
Figure II: Public and Publicly Guaranteed (PPG) debt of LIC & MIC
By creditor type, USD trillion



Source: World Bank IDS ([12/2023](#))

THE DEBT CRISIS IS A DEVELOPMENT CRISIS

Developing economies must spend more on servicing their debts than meeting their citizens' critical needs like health and education and making investments for their citizens' futures.



3.3 billion people live in countries that spend more on debt service than on health.

2.1 billion people live in countries that spend more on debt service than on education.

(UNCTAD World of Debt 2024)

JUBILEE YEAR. POPE FRANCIS' LEGACY

A Call for Economic Justice

- Pope Francis has made tackling the global debt crisis a top priority for the 2025 Jubilee Year.
- He called for urgent action on sovereign debt and transformative reform of the global financial system.

THE REPORT.

- Formed in response to a call from Pope Francis, a **Commission of Experts**, convened by the Vatican and led by Nobel Laureate Professor Joseph Stiglitz, will produce a **Jubilee Report** on Addressing the Debt and Development Crises in the Global South.
- The Commission's Report will be launched on June 20th puts forward clear-eyed recommendations to address today's crises, prevent a recurrence of crises in the future, and promote sustainable economic, social, and environmental development.
- The objective is to provide a clear and moral reflection of the debt crisis combined with sound economic solutions from leading economists around the world.



FINDINGS.

A NEW INTERNATIONAL DEBT ARCHITECTURE IS NEEDED

1. **Today's debt architecture is woefully inadequate: It serves creditor interests, not the needs of people or the planet.**
 - Sovereigns in debt distress are up against creditors with more resources, more information, and who are not incentivized to negotiate.
 - Starting a debt restructuring is hard, and the relief that does come is often too little and too late.
 - The international financial institutions have systematically bailed out private creditors while forcing developing countries to cut vital spending.
2. **Recent trends are making things even worse.**
 - There are increasing challenges—from the rise of blended finance that diverts already scarce public resources to the proliferation of bilateral investment agreements that have saddled developing countries with costly legal challenges.

WHAT TO DO.

HOW TO ADDRESS THE CRISIS IN THE YEAR OF THE JUBILEE

Redesign the international financial architecture

1. Provide timely and adequate debt relief to countries in need.
2. Improve international sovereign debt workout mechanisms.
3. Align debt sustainability and IMF policies with human dignity and the global common good.
4. Reform multilateral lending systems and expand the global financial safety net.

WHAT TO DO.

HOW TO ADDRESS THE CRISIS IN THE YEAR OF THE JUBILEE

Reforming the Global Financial System for a Fairer Future

1. Redesign the international financial architecture to support timely, just, and effective debt resolution.
2. Ensure all creditors are bound by fair and inclusive debt negotiation frameworks.
3. Enhance access to affordable financing for inclusive growth, climate action, and structural transformation.
4. Improve local and regional financing conditions in developing countries.
5. Make financial tools and global funds more equitable to drive sustainable development and climate resilience.

CONCLUDING COMMENTS

In the absence of a global legal framework, the possibility of just debt resolutions depends, in large part, on the will of the most powerful to act with solidarity.

If we do not reform the system itself, we will continue to reproduce the very dynamics that led us here.

The international financial architecture must be redesigned—not only to enable just and efficient debt resolutions, but to create sustained access to the financing needed for inclusive growth, climate, and structural transformation.

Debt is only one pillar of a global economic order that has become fragmented, extractive, and inequitable.

If we are to achieve shared prosperity, we must reform the entire architecture of the global economy: its rules for taxation, for trade, and for the creation and diffusion of knowledge.

¡Thank you!



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