Amid rising government debt levels, higher interest rates, global economic slowdown and heightened geopolitical uncertainty, the risk of public debt distress and debt overhang in developing countries will remain elevated in coming years. At the same time, large financing needs to meet the Sustainable Development Goals (SDGs) and climate ambitions are adding more pressure on fiscal and debt positions. How developing countries navigate a balancing act between ensuring post-pandemic socioeconomic recovery and pursuing the SDGs, while maintaining public debt sustainability is an important policy consideration.

Too often, developing countries have opted to reduce near-term fiscal risks at the expense of inclusive and sustainable development in the long run. There is a need to raise awareness that failure to timely and adequately address development deficits and climate risks can jeopardize economic stability and public debt sustainability. Insufficient spending in critical areas, such as health, education, or infrastructure, also undermines long-term potential economic growth and increases vulnerability to shocks.

In this context, ESCAP launched its annual flagship publication “Economic and Social Survey of Asia and the Pacific 2023: Rethinking Public Debt for the SDGs” in April 2023. The report calls for a significant shift in thinking about leveraging public debt for development gains. It argues that developing countries should continue to explore ways to strengthen fiscal positions and view public debt as a powerful tool to promote sustainable development, especially if used judiciously and with a long-term horizon.

This policy dialogue is organized by the North and Central Asia office in collaboration with the Macroeconomic Policy and Financing for Development Division of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The event aims to discuss ideas on policy issues and options to deal with sovereign debt distress while keeping in view the SDGs and long-term climate ambitions.