

# ECOSOC LIMUN 2026



**Topic: Debt vulnerability in South East Asia**

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## OVERVIEW OF ECOSOC COMMITTEE

Established in 1945, The United Nations Economic and Social Council (ECOSOC) serves as the central platform for discussion, policy coordination, and recommendations on international economic, social, and development issues. ECOSOC's broad mandate includes promoting higher living standards, full employment, and economic and social progress. It acts as a bridge between global standard-setting and national policy implementation: ECOSOC oversees the work of specialized UN agencies, commissions, and regional bodies, and monitors progress on the 2030 Agenda for Sustainable Development.

## GENERAL OVERVIEW

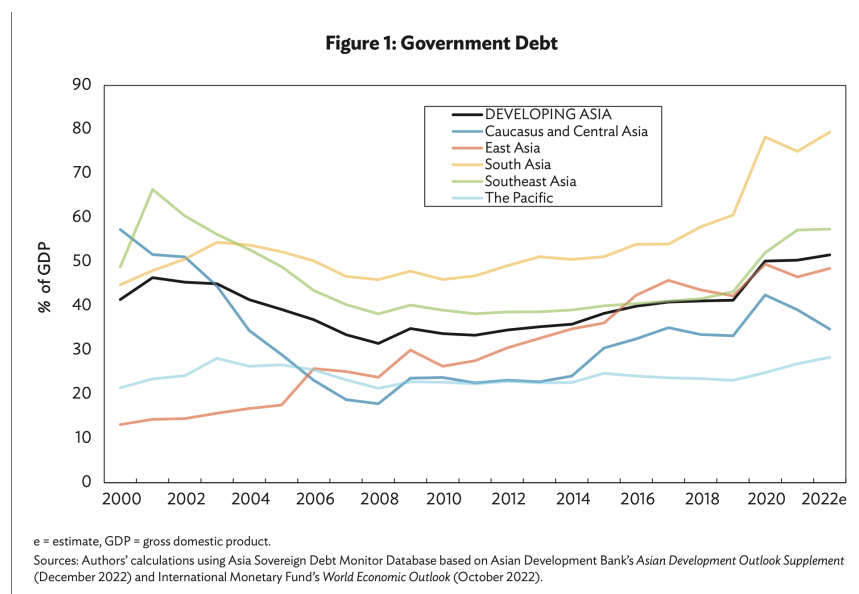
Debt vulnerability refers to the susceptibility of countries to economic stress and financial instability resulting from elevated levels of public debt, rising debt servicing obligations, and limited fiscal space to respond effectively to external shocks. When governments allocate a growing share of national revenue toward debt repayment, fewer resources remain available for essential public investments, including healthcare, education, and infrastructure. As a result, high debt burdens can constrain long-term economic growth, weaken social protection systems, and increase the risk of sovereign default. This challenge has become more pronounced in many emerging and developing economies following the 2008 global financial crisis and has intensified significantly since the COVID-19 pandemic, which compelled governments to expand borrowing in order to finance emergency health responses and economic recovery measures.

In Southeast Asia, debt vulnerability has grown alongside rapid economic development and increased integration into global markets. While borrowing has supported infrastructure expansion and poverty reduction efforts, it has also heightened exposure to fluctuations in global financial conditions. The COVID-19 pandemic resulted in a marked increase in public and external debt across many economies in the region, as governments widened fiscal deficits to stabilize domestic economies. For several low- and middle-income countries, rising debt service burdens relative to government revenues have increased exposure to tightening global credit conditions, slowing export demand, and capital flow volatility.

Beyond pandemic-related borrowing, structural fiscal and external pressures have further contributed to regional vulnerability. Weaker revenue mobilization, persistent budget deficits, and heavy reliance on external financing have limited the fiscal flexibility of many states. In addition, a significant share of external debt is often denominated in foreign currencies, increasing sensitivity to exchange rate fluctuations. Many economies within the Association of Southeast Asian Nations remain dependent on trade, commodity exports, and global supply chains, making them particularly vulnerable to external economic disruptions. Climate-related disasters, which frequently affect the region, further strain public finances and can necessitate additional borrowing for recovery and reconstruction.

Given its implications for sustainable development, poverty reduction, and economic stability, debt vulnerability represents a significant concern within the mandate of the United

Nations Economic and Social Council. Persistent debt pressures risk undermining development gains and limiting the capacity of governments to achieve long-term economic resilience. As such, understanding the drivers and impacts of debt vulnerability in Southeast Asia is essential for addressing broader regional and global development objectives.



## PRESENTATION OF KEY ACTORS

### International Monetary Fund (IMF)

The International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 191 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being. The IMF is governed by and accountable to its member countries.

### UNCTAD

Founded in 1964, the United Nations Conference on Trade and Development supports developing countries to access the benefits of a globalized economy more fairly and effectively, and helps equip them to deal with the potential drawbacks of greater economic integration.

### Asian Development Bank (ADB)

ADB is a leading multilateral development bank supporting inclusive, resilient, and sustainable growth across Asia and the Pacific. Working with its members and partners to solve complex challenges together, ADB harnesses innovative financial tools and strategic partnerships to transform lives, build quality infrastructure, and safeguard our planet. Founded in 1966, ADB is owned by 69 members—50 from the region.

## **OECD**

The Organisation for Economic Co-operation and Development (OECD) is an international organisation that works to build better policies for better lives. It shapes policies that foster prosperity and opportunity, underpinned by equality and well-being.

## **World Bank**

The World Bank Group is a family of five international organizations that make leveraged loans to developing countries: the International Bank for Reconstruction and Development (IBRD), 1944, International Development Association (IDA), 1960, International Finance Corporation (IFC), 1956, International Centre for Settlement of Investment Disputes (ICSID), 1965 and the Multilateral Investment Guarantee Agency (MIGA), 1988. It is the largest and best-known development bank in the world and an observer at the United Nations Development Group.

## **Bangladesh, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal, Timor-Leste and Yemen**

These are the countries of South East Asia that are part of the United Nation's list of Least Developed Countries (LDCs), entitling them to preferential market access, aid, special technical assistance, and capacity-building on technology among other concessions. The list of LDCs is reviewed every three years by the Committee for Development Policy, a group of independent experts that reports to ECOSOC. Their presence in this list makes them extremely likely to be subject to debt vulnerability, and should be focused on.

## **PREVIOUS MEASURES TAKEN**

### **Expert Group on Debt**

The urgency and need for coordinated solutions that address not only debt sustainability but also serve to get development back on track prompted the United Nations Secretary-General António Guterres to establish the Expert Group on Debt in December 2024, with UN Trade and Development (UNCTAD) as Secretariat. Appointed by the UN Secretary-General, its members are: Mahmoud Mohieldin, Paolo Gentiloni, Trevor Manuel and Yan Wang. The objective of the Expert Group is to identify and promote politically feasible and actionable policies that mitigate the current debt and development crisis, not only to deal with high debt service costs and unsustainable debt stocks - but also to ensure the expansion of new, long-term, and affordable financing.

### ***Compromiso de Sevilla***

The Compromiso de Sevilla lays out a path to close the \$4 trillion annual SDG financing gap in developing countries and reflects a multilateral commitment to renew the global financing

for development framework in the face of serious geopolitical tensions, conflicts, increasing macroeconomic challenges and growing systemic risks.

#### **Fourth International Conference on Financing for Development (FfD4)**

Taken place in Seville, Spain from the 30 June to the 3 July 2025, the FfD4 presented an opportunity to address these adverse debt dynamics and assist in getting development back on track. With 130 initiatives turning the *Sevilla Commitment* or *Compromiso de Sevilla* into action through concrete steps to boost investment in sustainable development, the conference addressed the debt crisis afflicting many of the world's poorest countries, and gave developing countries a stronger voice in the international financing architecture.

#### **IMF's EFF**

The International Monetary Fund's External Fund Facility has long been supporting Pakistan's dealing with a lingering balance of payments crisis, but investor wariness reached a whole new level when devastating floods added to an already dire economic, political, and social situation in the country and sent credit default swap spreads soaring to a massive 123% in November 2022.

#### **IMF's Sovereign Risk and Debt Sustainability Framework for Market-Access Countries (SRDSF), Debt Sustainability Analysis for Market-Access Countries (MAC-DSA)**

The SRDSF and MAC-DSA routinely assess debt levels, gross financing needs, and a multitude of debt profile indicators against early warning benchmarks. It adopts a standard probabilistic framework for near-term risk analysis. Specified by a multivariate logistic regression, the tool determines an economy's stress probability as the odds of experiencing a sovereign debt-related stress within the next 2 years. The IMF specifies the model along nine predictors that are organized in five categories: institutional quality, stress history, cyclical, debt burden and buffers, and global.

#### **Debt Sustainability Framework for Low-Income Countries (LIC-DSF)**

The Debt Sustainability Framework (DSF) is designed to guide the borrowing decisions of low-income countries in a way that matches their financing needs with their ability to repay now and in the future. The framework requires regular debt sustainability analyses of a country's projected debt burden over the next 10 years and its vulnerability to economic and policy shocks. Countries vary in their ability to handle debt. The DSF classifies countries' debt-carrying capacity into three categories – strong, medium, and weak.

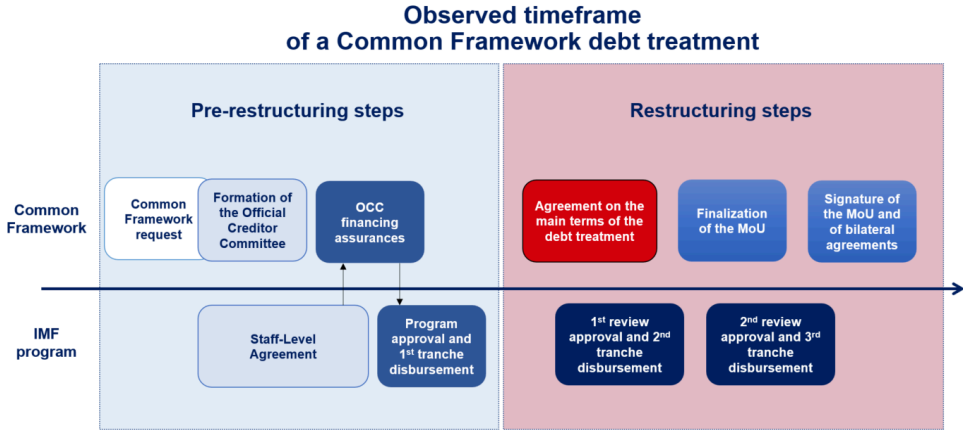
**Debt Burden Thresholds and Benchmarks in the DSF**

	Present value of external debt (in percent of)		External debt service (in percent of)		Present value of total public debt (in percent of)
	GDP	Exports	Exports	Revenue	GDP
<b>Strong</b>	55	240	21	23	70
<b>Medium</b>	40	180	15	18	55
<b>Weak</b>	30	140	10	14	35

**POTENTIAL PATHWAYS OF ACTION**

**G20’s Common Framework for Debt Treatments**

Over two-thirds of low-income countries are now either in debt distress or at high risk of it, yet only four - all in Africa - have undergone formal restructuring through the G20 Common Framework. Encouragement for countries fragilised by debt vulnerability to take part in this Common Framework could provide them with valuable, much needed debt restructuring.



**Official development assistance**

ODA is government aid that promotes and specifically targets the economic development and welfare of developing countries, however it is stalling. In 2024, it fell by 7.1% - the first decline in years - and based on announced cuts to aid budgets, disbursements in 2025 could be around 20% below their final 2023 levels. The development and augmentation of this government aid can assist debt vulnerability in countries in need.

## **Funding Needs in Sri Lanka, Pakistan, Lao PDR, Mongolia**

Any excess in an economy's funding needs against its continued ability to access affordable and sustainable financing sources constitutes a shortage and is typically a warning of debt distress and inability to stay current on debt obligations. Sri Lanka reached such a point in April 2022, when government declared its inability to service its foreign debts falling due for repayment, except those owed to multilateral creditors. Even though this has been avoided elsewhere, it is only because of IMF emergency loans and lending or debt service rescheduling. These countries need to focus on augmenting funding in order to meet their goals for debt repayment, or hopefully decreasing their dependence on loans to fund their countries.

### **Deeply rooted structural and institutional challenges**

Although harder to alter or repair, attempts at making small but significant changes to the institutional problems that impact these nations can create longlasting change for their socioeconomic and political prosperity. The International Monetary Fund's Logistic Risk Assessment for Market-Access Economies already attempts to do this, but efforts to ameliorate or alter may be necessary. Pakistan and Sri Lanka are high risk, whereas Mongolia and Viet Nam are categorized as moderate risk.

### **Continue to develop proposals of the Expert Group:**

1. Repurpose and replenish existing funds to enhance liquidity support by extending maturities, financing loan buy-backs and reducing debt servicing amid crises

The Debt Reduction Trust Fund (DRTF) and the Catastrophe Containment Relief Trust (CCRT) was designed to provide relief on debt service payments to the IMF by freeing up resources to help poor countries meet exceptional balance of payments needs arising from disasters and pay for containment and recovery.

2. Normalise debt service pauses during crises, including climate-related disasters or other external shocks.

Vulnerable countries frequently face climate shocks or other crises. A balance needs to be struck between broad-based country participation, risk premiums and the extent of the risks covered. Introducing automatic and speedy debt service pauses during such events can provide critical breathing space, freeing up resources for emergency response and macroeconomic recovery.

3. Reform the G20 Common Framework:

The current Framework is widely seen as slow, inefficient, and too narrow in scope. Reforms to the G20 Common Framework can include an Extension of access to the Common Framework to more countries, as well as debt service standstill during crises, as well as

ensuring shorter timeframes for completion of the restructuring process. The adoption of New York's Champerty Bill could also assist.

4. Reform the IMF's debt sustainability analyses to better reflect the position of developing countries

Since Debt Sustainability Analysis (DSA) frameworks are used to assess a country's fiscal sustainability and are crucial determinants of the extent of debt relief required and access to lending by international financial institutions, the methodology used should be regularly updated to meet prevailing economic circumstances.

5. Re-channel Special Drawing Rights through the IMF's Resilience and Sustainability Trust and multilateral development banks where legally possible

Expanding the capital bases of multilateral and regional development banks and other development finance institutions is a key requirement of scaling-up access to liquidity support and affordable financing to address the SDG financing gap. SDRs are currently rechanneled through the IMF Resilience and Sustainability Trust, for which borrowing countries pay a tiered interest rate. But the process is slow, and a tracker that is regularly updated with information of amounts rechanneled to beneficiaries would be helpful.

6. Establish a shared information hub to provide technical assistance and guidance on innovative financial instruments, including debt-for-development swaps

Debt swaps can be an effective instrument to reduce debt burdens while directing resources toward critical development priorities such as climate action, nature, health, education, and poverty reduction. However, their use remains limited due to technical complexities, high transaction costs, and the absence of standardized frameworks.

7. Establish a forum for borrowers to share knowledge and experiences, provide advice and enhance the effectiveness of their representation and voice in international forums

The absence of a dedicated platform for sharing knowledge and elevating the collective voice of debtor countries has long been recognized as a critical gap in the international financial architecture. A borrowers' forum can address this by serving as a peer support and experience sharing platform and assisting in rebalancing the global debt.

8. Expand technical assistance and capacity development to debt management offices and treasuries

Expanding technical assistance and capacity development for debt management offices and treasuries is essential to strengthening countries' ability to manage debt in a sustainable and transparent manner, whether through Enhanced institutional or Technical assistance programs

9. Strengthen institutional capacities to address liquidity risks, currency mismatches and interest rate exposure and improve debt management

By reducing reliance on foreign currency and high-cost instruments, extending maturities, using risk management tools and minimizing term mismatches, can reduce the risks for developing countries created by exposure to foreign currency denominated debt, interest rate fluctuations and volatile capital flows.

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