

Concept Note for

MCDF and CAREC Institute ‘Residential Workshop on Debt Sustainability for Central and West Asia’

Context

A large and increasing segment of emerging and developing countries are facing sovereign debt distress or are already in default.¹ The problem existed before COVID-19, but it has gotten much worse with the bulge of pandemic-related expenses—not to mention lower tax collection during the crisis.

A long horizon of troubled public debt bodes ill for infrastructure investment and, more broadly, for development. On the one hand, long-term capital will not venture into economies whose sovereign is or could soon be in default. On the other, interest expenses will absorb a growing portion of fiscal revenues. Those expenses already take up between a third and half of fiscal revenues in many of the countries currently in debt distress. That is why a “lost decade” of low investment and low growth is on the cards—not unlike what Latin-America experienced in the 1980s after its wave of sovereign defaults. Needless to say, lack of financing, whether private or public, could not come at a worst time: the need for new green infrastructure is ballooning with climate change.

In order to help address this issue, in 2022 and 2023, MCDF delivered two editions of a highly successful “*Workshop Series on Sustainable Financing of Development and Infrastructure*”. In ten, three-day, virtual workshops, each of the Series brought together official borrowers and official lenders from around the world—literally—and offered them cutting-edge knowledge and best-practices on the management of public debt, from its planning, origination, instruments, costs and risks to its optimization, reporting and legal underpinnings. Both the affiliation and role of the participants—borrowers and lenders, together—and the comprehensiveness of the material—it spanned the entire borrowing process—were unprecedented in the profession.

The two Workshop Series attracted a total of 800 professionals from some 60 countries. Participants came from advanced, emerging, and developing economies. Twenty multilateral organizations and a dozen bilateral lending institutions were represented. As a by-product, a “Handbook” on sustainable financing was produced and is now electronically available.² This led to follow-up requests for country- and institution-specific knowledge transfers (e.g., by China’s Ex-Im Bank) and technical assistance (e.g., Cambodia). In other words, over the past couple of years, MCDF has established itself in the development community as more than a platform for coordination and a source of seed funding—it is now also seen as a provider of actionable and impactful knowledge-based services.

Sovereign debt distress continues to pose a critical challenge in the CAREC region despite economic growth and infrastructure investments facilitated by regional and global initiatives. Many CAREC economies struggle to manage their debt burdens effectively due to factors such as excessive reliance on external borrowing, fluctuating commodity prices, and vulnerabilities. Addressing these challenges necessitates comprehensive strategies that promote fiscal discipline, improve debt transparency, and prioritize

¹ The IMF estimates that more than half of low-income countries are in debt distress.

² Giugale, Marcelo, ed., 2022, *Sustainable Financing of Development and Infrastructure – A Handbook for Borrowers and Lenders*, MCDF: Beijing, China

sustainable development goals. Policymakers in the CAREC region must therefore possess the essential tools and knowledge to navigate these complexities, fostering dialogue and collaboration to attain a resilient and sustainable economic future.

To address this need, MCDF and the CAREC Institute will launch the Residential Workshop on Debt Sustainability. This four-day immersive workshop at the CAREC Institute's premises in Urumqi aims to equip policymakers and financiers with cutting-edge knowledge and practical skills to enhance understanding of debt management policy issues and promote collaboration. This initiative represents a significant investment in the future of policymaking in debt management and sustainability, empowering policymakers in the region and their financiers to address these challenges with confidence and creativity.

Objectives

The objective is to provide high-quality training on debt sustainability based on the key content of the Workshop Series, while providing three additional benefits:

- a) **Interaction with the instructors:** plenty of opportunity for this should be provided during sessions and in the breaks.
- b) **Peer-to-peer learning:** break-out groups will be used for sharing between participants.
- c) **Interaction between borrowers and lenders:** it will be unique in inviting both governments and financiers to attend, providing an opportunity for both borrowers and lenders to talk informally for better mutual understanding. There will be a carefully facilitated session at the end that discusses ways to improve the borrower-lender relationship.

Attendees

The total number of attendees is therefore expected to be 45, composed as follows:

Around 25 attendees from Debt Management Offices (DMOs) including Directors and/or their deputies from Central and West Asia region composed of:

- **2 attendees per country:** 2 attendees from 9 CAREC countries gives 18 in total.
- **7 attendees from China as the host:** ensures a good balance.

The aim is to provide them with the key information they need to know to ensure that their DMOs are covering the main best practices.

Around 20 attendees from 10 financiers from the region and from MDBs: A maximum of 10 financiers will be able to attend, roughly half would come from the host country (China), and the rest from the region and interested MDBs. Each financier from the region and China could bring a maximum of two people, giving a total of 20.

Length and Content

The minimum of 4 days is required in order to cover the key content of the Workshop Series, while not being too long for people to attend. It would be structured as follows:

Day 1: Debt Management Strategies, Annual Borrowing Plan, and Debt Reporting and Transparency (one instructor in-person);

Day 2: Liability and Risk Management (one instructor in-person), and Private Financing of Infrastructure (one instructor online);

Day 3: Debt Sustainability Assessments (one instructor in-person);

Day 4: Debt Restructuring; Borrower-Lender relationship; and Peer Presentations on key lessons learnt and takeaway actions.

Other design features

Participants Interaction: this will be promoted through the following:

- Participants asked to flag key questions upon registration;
- Poll questions and exercises from instructors;
- Participants seated around tables to facilitate group discussions;
- Q&A at the end of each module.

Post-Workshop Support: The following materials will be provided to participants through MCDF's JIGSAW digital platform: training and reference materials. All participants will be invited to join JIGSAW to continue the discussion and for peer-to-peer learning. This can be through participants posting comments and questions on the materials, and experts and participants uploading their relevant materials on JIGSAW. The workshop materials and video recordings of key presentations will also be made available on the CAREC Institute's E-Learning platform, providing a wider audience of policymakers and experts with access to contemporary knowledge on debt management.

Feedback and Evaluation: A feedback form will be sent to all participants to assess their satisfaction with the workshop and seek their suggestions on how to improve it.