

**Statement by Rebeca Grynspan, Secretary-General, UNCTAD to
the G24**

Washington DC, April 2022

- Excellencies,
- I have the honour to address the G24 once again, less than six months after UNCTAD concluded its 15th Ministerial Conference hosted by Barbados. Last time, I spoke to this gathering, I highlighted the challenges around growing inequality and weak multilateralism and the linkages between them. UNCTAD member states committed to work to address these challenges in Barbados.
- At our last meeting, I also warned of the danger of another “lost decade” for the developing countries, and the risk of returning to the policies that had not only led to disappointing growth in the decade following the global financial crisis but had failed to address the fragilities that were behind that crisis. Since then, a “perfect storm” of crises – the ongoing COVID-19 pandemic, the deepening climate crisis and now the war in Ukraine – has only heightened that danger.
- We cannot afford to wait as the most vulnerable people around the globe become collateral damage in yet another disaster for which they bear no responsibility. We must act now.

- To this end, the United Nations Secretary-General announced the establishment of a Global Crisis Response Group (GCRG) in March of this year. The goal of the GCRG is to help developing countries avert large-scale crises through high-level coordination and partnerships, urgent action and access to critical data, analysis and policy recommendations. The development of coordinated solutions to the interlinked crises will be made in collaboration with governments, the multilateral system and the private and civil society sectors.

The GCRG is, in particular, monitoring trends related to Food, energy and Finance with a view to identify especially vulnerable countries and provide policy solutions.

UNCTAD is playing a very active role in the Response Group task team by co-leading the finance workstream and coordinate the technical analysis of the three workstreams.

- Preliminary analysis of the GCRG highlights once more that we live in an interconnected world and that no country is impervious to crises in another corner of that world. The first brief of the GCRG shows that 107 economies are severely exposed to at least one of the three global channels of transmission that characterize this crisis – rising food prices, rising energy prices, and tightening financial conditions. 1.7 billion people live in these countries, of

which 553 million are already poor, and 215 million are undernourished.

- The magnitude of this renewed developmental challenge calls for a commensurate response. Yet, the world faces this crisis with depleted domestic resources and weak multilateral policy buffers. The capacity of developing countries to borrow their way out of relentless health, climate and economic shocks has been exhausted. Debt in many countries is already beyond what can be considered economically or socially sustainable, due to factors beyond their control.
- These unsustainable debts stand in the way of unlocking the scale of financing required to address the immediate impact of the crisis, let alone invest in their own long-term sustainable development needs.
- Our 2021 Trade and Development Report Update highlighted the magnitude of the challenge. Developing countries external debt almost doubled from \$6.5 trillion to \$11.7 trillion between 2011 and 2020, rising from 41 to 69.5 per cent of GDP. In 2020 alone, external debt increased by \$678 billion and developing countries transferred almost \$1 trillion in debt servicing to external creditors. As a result of this massive build-up of debt, at least 60 countries are currently assessed to be at high risk, or in debt distress, by the IMF/WBG Debt Sustainability Framework. A systemic debt crisis is unfolding as we speak.

- We cant go on like this. The world is facing the risks of a significant breakdown and perpetual crisis. The self-reinforcing nature of the global shocks we have witnessed over the last years, be it health, economic, social, climate or geopolitical in nature, clearly shows that a country-by-country approach is ill-suited to a world where an increasing share of the financial challenges faced by developing countries are the result of a system that rushes from one crisis to the next, while often blaming the victim.
- The problem is systemic and so must be the solution. UNCTAD has, in this respect, long championed the case for a structural reform of the international financial architecture, including the establishment of a multilateral debt workout mechanism to ensure the timely, orderly, effective, fair and negotiated resolution of unsustainable debts as called for in the Addis Ababa Action Agenda.
- But there are measures that need to be taken immediately to alleviate the growing economic stress in developing countries resulting from the war in Ukraine. Waiting months to put in place the necessary measures to preclude another lost decade for development, a generalized debt crisis, and social and political instability is not acceptable. The international financial system has the instruments and the capacity to respond to the challenge today. Leadership and political will can make this possible. There are no grounds for procrastination.

- To provide immediate financial relief to developing countries, the Global Crisis Response Group is calling for:
- Provision of emergency debt relief for developing countries. For countries at high risk or already in debt distress, relief targets should be set in line with the degree of ambition of the Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives. For countries with moderate and low levels of risk of debt distress, complementary mechanisms should be considered.
- Reactivation of the G20 DSSI for two additional years, including the extension of maturities for up to five years.
- Revision of the G20 Common Framework for Debt Treatments to provide timely debt restructuring to countries in need. This includes clarity on timelines and transparency on what debt should be covered, a debt service payment standstill, clear enforcement of comparability of treatment and the need to include private creditors and expand country eligibility.
- Consideration should be given to climate and nature debt relief. We have an opportunity to learn from past small-scale debt for nature swaps and scale up to comprehensive large scale debt relief linked to improved climate adaptation and mitigation and food security in the aftermath of the war in Ukraine.
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- This action program on debt issues must be complemented with additional actions including:
 - First, the timely provision of grants and emergency concessional financing by the international financial institutions, with an emphasis on ensuring net – positive resource transfers to countries experiencing social and economic distress;
 - Second, enhance IMF lending capacity through the Poverty Reduction and Growth Trust (PRGT) and the recently created Resilience and Sustainability Trust (RST) that has to be put into operation as soon as possible, and secure more
 - pledges for the recycling of existing allocations of SDRs
 - Fourth, suspension of IMF surcharges on existing lending arrangements for at least 2 years;
 - Fifth, an easing of conditions for access existing and new lending facilities so as not to deter countries in need from requesting financial assistance.
 - Sixth, a capitalization of multilateral development banks, including possible arrangements with pledges of SDRs.
 - And seventh, lastly, we need to push MDBs to do more with the capital they already have. An ultra-conservative approach to lending ratios is unfit for a world where the

real risk is the risk of doing nothing, or doing things again too little too late.

- Excellencies, my call to you and to others in the system is to work in a co-ordinated multilateral fashion to find solutions.
- We need fresh thinking to revitalize the international financial system and to make it fit-for-purpose in the twenty-first century, one that is ready to respond to crises, that recognizes the gaps and asymmetries in the system that hinder the ability of developing countries to deal with external shocks, and that delivers win-win solutions that guarantee greater stability and increased prosperity for all its participating countries and constituencies.
- Thank you.
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