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Statement by
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Over the past 12 months, the war in Ukraine, lingering impacts of COVID-19, sharp increases in food and energy prices and rapidly tightening financial conditions further exacerbated challenges for many countries, increasing hunger and poverty and reversing progress on the Sustainable Development Goals (SDGs). The global economic outlook remains fragile and uncertain amid a highly challenging environment. The situation is particularly bleak for many of the poorest and most vulnerable countries faced with growing debt service burdens and tight fiscal constraints. Today, financing and sustainable development prospects are diverging even more sharply.

The Inter-agency Task Force on Financing for Development, which I chair, has just published its ***2023 Financing for Sustainable Development Report: Financing Sustainable Transformations.*** The Task Force – which includes the World Bank Group, IMF, WTO, UNCTAD, UNDP and more than 60 other agencies and institutions along with UN-DESA – has recognized that the lack of progress on the great finance divide is becoming entrenched as a lasting sustainable development divide. The 2023 FSDR warns that delaying investment in sustainable transformations would put the 2030 Agenda for Sustainable Development and climate targets out of reach and further exacerbate financing challenges down the line. In the face of a unique confluence of challenges, this report calls on the international community to undertake a concerted effort to finance the timely realization of the SDGs, through: i) immediate measures to scale up development cooperation and SDG investments; ii) national actions to accelerate sustainable industrial transformations; and iii) enhancements to the international financial architecture, with concrete recommendations across all the action areas of the Addis Ababa Action Agenda.

To deliver the necessary resources for sustainable transformations, action is needed to scale up public investment, enable and catalyse private investment, and strengthen tax systems alongside fundamental changes to the international architecture.

The call for greater investment is in line with the United Nations Secretary-General's ***SDG Stimulus,*** which aims to scale up affordable long-term financing for countries in need by at least $500 billion a year. A detailed brief on the Stimulus was published in February with short- and medium-term actions that can address the urgent challenges of the world.

Today, I would like to focus on five areas needed to support implementation of the SDG Stimulus and achievement of the SDGs.

1. Development cooperation and investment in the SDGs must be scaled up.

Demands on international development cooperation are higher than ever. Official development assistance (ODA) providers need to meet their commitments. Yet it is clear that ODA resources, while essential, will never be sufficient on their own for SDG financing. Concerted efforts are needed to scale up investment in the SDGs and climate action. This dearth of financing motivated the SDG Stimulus call to massively scale up affordable long-term financing for development, especially through strengthening the system of public development banks.

The SDG Stimulus calls on MDBs to massively expand the volume of lending by increasing their capital bases, better leveraging existing capital (implementing recommendations of the G20 Capital Adequacy Framework Review), and developing mechanisms to receive re-channelled special drawing rights (SDRs). MDBs need to also improve the terms of their lending, including through longer-term lending, lower interest rates, the systematic use of pandemic and disaster clauses and more lending in local currencies.

The World Bank Group's Evolution Roadmap is a welcome effort aligned with the commitment in the Addis Ababa Action Agenda, which in 2015 called for MDBs to establish processes to examine their own role, scale, and functioning and adapt to become fully responsive to the sustainable development agenda. The World Bank's shareholders should ensure that the institution's mission, financial model, and operational model have the achievement of the Sustainable Development Goals at their core.

In addition, closer cooperation between MDBs and across MDBs and other development banks to strengthen the entire development bank system would enable greater impact and potentially higher lending. This can be achieved, for example, through greater use of co-financing and other risk-sharing mechanisms, which can allocate risk across the PDB system and reduce risks on individual MDB balance sheets. MDBs should also strengthen their financial cooperation and technical assistance provided to national development banks. In turn, regional and global institutions can benefit from the local knowledge of national institutions.

2. Tackling the high cost of debt and rising risks of debt distress

Debt challenges show no signs of abating for many poor and vulnerable countries. Data presented in the *2023 FSDR* show that more than a dozen countries are either in technical default or on the brink of default. In total, over half of the world's poorest countries are at high risk if not already in debt distress. Debt service burdens have risen to 20% of revenue for 25 countries. Against this situation, the G20 Common Framework has not fulfilled its intended function. Progress on debt treatments for the four countries that have approached the Common Framework has been extremely slow, limiting uptake. The FSDR concludes that the international debt resolution architecture needs significant improvement to incentivize sufficiently deep and rapid restructuring and avoid doing "too little too late."

The SDG Stimulus calls for the international community to work together to urgently develop an improved multilateral debt relief initiative. Creditors and debtors must share responsibility fairly. A new initiative would need to include a ready-made mechanism for debt reprofiling, exchanges, and write-downs when necessary; automatic debt service suspension during negotiations; concrete tools to incentivize or encourage private creditors to participate in official debt restructurings; and support to middle-income countries under stress. Official creditors, including the IMF, should also systematically include state-contingent elements into lending.

At the same time, concrete steps must be taken toward a permanent mechanism to address sovereign debt distress including the perennial challenge of creditor coordination, with a view to create a fully operational, timely, and effective sovereign debt restructuring mechanism, as called for in the Addis Ababa Action Agenda.

3. To achieve the SDGs countries can accelerate investment in sustainable industrial transformations.

The world has witnessed a welcome revival of industrial policies, with measures more than doubling between 2009 and 2019, with much of the growth in developed countries. The *2023 FSDR* shows that industrialization and structural transformation have been historic engines of growth, job creation and technological advancement. The current revival of industrial policies – a response to the climate crisis, the pandemic, but also geostrategic concerns – opens a window of opportunity for countries to pursue sustainable industrial transformations: to build the domestic productive capabilities to achieve lowcarbon transitions, create decent jobs and gender equality, and stimulate economic growth.

A new generation of sustainable industrial policies aims to stimulate economic growth that creates decent jobs, and is environmentally sustainable and supports rapid decarbonization. Sustainable industrial transformations require scaled up, coordinated and 'targeted' public and private investments in innovation, energy transition and other areas

Sustainable industrial and financing policies, both national actions and international support, are key to facilitate such transformations. Many developing countries will need capacity and financial support. The international community can support countries' efforts through project-specific support, e.g., through blended finance instruments well aligned with national priorities, and capacity support.

4. Creating fully inclusive and effective international tax cooperation

Financial and economic stress, high debt burdens and tight fiscal space have stretched public finances in most countries; domestic public resources remain the main way that governments can support the Sustainable Development Goals (SDGs). People's well-being and livelihoods are linked to the ability of the State to raise resources from domestic taxation and spend them effectively. Yet taxpayers often exploit gaps and mismatches in tax rules to artificially shift profits, assets, or income to low- or no-tax locations where there is little or no economic activity. They may also obfuscate the ownership and origin of taxable assets and income. International cooperation is essential to exchange information and reveal tax evasion and enable enforcement.

International tax cooperation must advance progress toward a fair, effective, and inclusive international tax system for sustainable development, in a way that reflects the concerns and capacities of countries, in the context of the current international tax landscape and beyond. On 30 December 2022 the United Nations General Assembly decided, by consensus, to begin intergovernmental discussion at the United Nations Headquarters in New York on ways to strengthen the inclusiveness and effectiveness of international tax cooperation through the evaluation of additional options. It includes the possibility of developing an international tax cooperation framework or instrument developed and agreed upon through a United Nations intergovernmental process, taking into full consideration existing international and multilateral arrangements.

The United Nations Secretary-General was mandated to prepare a report on the options for strengthening the inclusiveness and effectiveness of international tax cooperation as the basis for further discussions during the General Assembly's seventh-eighth session starting in September. I welcome your engagement in the historic process that has been launched.

5. The international financial architecture must be reformed

The global financial and monetary systems are not designed to deliver the financing or stability needed to achieve the Sustainable Development Goals (SDGs). As we have seen in this recent period of rapidly rising interest rates, the volatility of financial markets and capital flows complicates macroeconomic management and undermines the stability of currencies and exchange rates. These global systems have not kept pace with the changing economic and social environments. The existing rules and governance arrangements for financial institutions and markets have not fully incorporated sustainable development in its three dimensions – economic, social, and environmental.

The SDG Stimulus suggests that the global financial safety net urgently needs to be further strengthened and made fit for purpose. It will require a larger total resource envelope to ensure effective insurance coverage for all countries and regions. Governments should continue to explore ways to more effectively utilize SDRs, such as encouraging unused SDRs to be more quickly rechannelled. These efforts should be complemented by discussions on how to ensure more automatic countercyclical issuance of SDRs and the possibility of SDRs backing a Climate Mitigation Trust as proposed under the Bridgetown Initiative. Countries can explore the creation or strengthening of regional mechanisms to increase liquidity, including through enhancing regional financing arrangements. The presence of central bank swap lines, typically extended from reserve currency central banks to the central banks of other developed countries, has already proven effective at calming markets during periods of volatility. Extending the availability of swap lines to more developing countries would contribute to reassuring cross-border investors. To increase access to swap lines for all, the IMF could facilitate a multilateral currency swap facility, with the participation of global reserve currency issuing central banks, to provide access to emergency liquidity for a broader set of developing countries.

The *2023 FSDR* finds that the international financial architecture is in flux. Discussions and institutional reform processes are ongoing across the areas of the Addis Ababa Action Agenda from trade rules to tax norms, debt relief mechanisms, private sector reporting standards, and more. These processes hold the potential to arrive at a more coherent and effective international architecture. If these discussions proceed piecemeal, remain partial and do not take the SDGs fully into account, the architecture will remain fragmented and not fit for purpose to deliver sustainable development. The financing for development process at the United Nations provides an opportunity to bring these different strands together.

Conclusion

I encourage the G-24 finance ministers and central bank governors to make use of the analysis and recommendations of the *2023 Financing for Sustainable Development Report*. It is my hope that this analytical work, which is supported by the entire international system, can help to bolster the evidence base for your decision making.

The United Nations Secretary-General in the SDG Stimulus has clearly expressed the need to go further to meet the ambitions of the 2030 Agenda for Sustainable Development and achieve the globally agreed targets on climate change. The United Nations is ready to play its part, as a forum for convening all countries on equal footing.

Next week I hope to welcome you in New York at the ECOSOC Financing for Development Forum. In September this year, the UN General Assembly will convene the SDG Summit, back-to-back with the High Level Dialogue on Financing for Development. These provide venues for your heads of state and government to advance ambitious actions. The Summit of the Future in 2024, will build on the guidance and actions emergent from these milestone events, while putting the reform of the international financial architecture front and centre. A Fourth International Conference on Financing for Development in 2025 can culminate and drive forward our efforts to make sure that the international system of development financing works for all countries. I look forward to continuing the close working relationship between the United Nations and your countries as we implement the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development.