UNITED NATIONS **NATIONS UNIES**

Statement by
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TO THE MINISTERIAL MEETING OF THE GROUP OF 24
Virtual Meeting, 13 October 2020

Even before the outbreak of the COVID-19 pandemic, the global community was off-track to meet the Sustainable Development Goals (SDGs) – as highlighted in the *2020 Financing for Sustainable Development Report*. The pandemic has heightened the challenge of reaching the SDGs, while exposing long-standing gaps and deficiencies in the international financial system, such as on debt, global liquidity and illicit financial flows. These pressing challenges are being discussed in multiple fora, such as the G20. Nonetheless, many countries fear that their voices are not being heard sufficiently, and their specific development needs are often not being taken into account.

The United Nations provides a unique platform, which creates space for all voices to be heard. In open discussions on financing the 2030 Agenda for Sustainable Development in the era of COVID-19 and beyond, Member States and other stakeholders put forward a set of policy options for consideration, including ideas to: reallocate and increase SDRs and develop new liquidity facilities; go beyond DSSI to address debt relief, including mechanisms to involve private creditors, as well as the creation of regional resilience funds; address illicit financial flows; and recover better to achieve the SDGs and leave no one behind.

Background

The COVID-19 pandemic is continuing to cause wide-spread human suffering. Over 33 million people have been infected, with one million deaths. The global economy is going through its largest contraction since the Second World War, with hundreds of millions of people losing their jobs and livelihoods. Global income from work declined by more than 10 percent in the first three quarters of the year, according to the International Labour Organization. In middle-income countries, this figure is as high as 15 percent. The World Bank estimates that by 2021, up to 150 million people could have fallen into extreme poverty. In many countries, fiscal positions are squeezed by falling tax revenues, as spending needs rise; and many developing countries are struggling under high external debt service burdens.

Governments around the world have taken extraordinary measures to stabilize their economies, increase health spending and provide social assistance to those in need. By the end of August, the global fiscal response to COVID-19 amounted to over $11.5 trillion. However, developing and emerging economies accounted for only 2.5 per cent of this global fiscal stimulus, as they lack the necessary resources and capacities to address the crisis. While international financial markets have recovered from the brink of collapse – thanks to actions of major reserve currency issuing central banks – many developing countries continue to experience severe liquidity shortages.

International Financial Institutions have reacted quickly to rising liquidity needs and the growing risk or solvency crisis in many countries, by scaling up emergency financing on concessional terms and providing some debt service relief to the poorest countries. However, available resources are insufficient to cover the expected financing needs of developing countries – estimated by the IMF in April to reach approximately $2.5 trillion. The absence of timely support could magnify the scale of the financing challenges and trigger a wave of debt and financial crises.

The G20 Debt Service Suspension Initiative (DSSI) on official bilateral debt service for 73 low-income developing countries until the end of 2020 is an important step in the right direction. But it has quickly become clear that it will not be sufficient, as the pandemic continues unabated and many middle-income countries (MICs) and small island developing States (SIDS), which are not included in the G20 debt moratorium, are also highly vulnerable. Moreover, as the suspension applies only to official bilateral debt, it covers only about one third of the external debt servicing obligations of eligible countries through the end of 2020. Many MICs, in particular, have significant commercial debt, so any meaningful action on debt would also need to address private creditors.

The United Nations has taken action to address these challenges by strengthening global solidarity and joint action, and supporting country responses, including through: (i) the Strategic Preparedness and Response Plan, which covers public health measures needed to combat COVID-19 and ensure the continuity of essential health and services; (ii) the Global Humanitarian Response Plan, which coordinates the pandemic response in over 63 highly vulnerable countries; and (iii) the COVID-19 Response and Recovery Fund, which supports the social and economic recovery in middle and lower-income countries. The United Nations is also a partner to the Access to COVID-19 Tools Accelerator (ACT-A), a global collaboration to accelerate the development, production, and equitable access to COVID-19 tests, treatments, and vaccines.

In addition, the UN has facilitated intergovernmental discussions on financing the 2030 Agenda for Sustainable Development in the era of COVID-19 and beyond, following a High-Level Event convened by the Prime Ministers of Canada and Jamaica and the UN Secretary-General on 28 May 2020. Six discussion groups – led by Member States and supported by 50 institutional partners including international financial institutions, think tanks, academic institutions, civil society organizations and relevant UN entities – produced a menu of over 250 policy options in the areas of (i) external finance and remittances, jobs and inclusive growth; (ii) recovering better for sustainability; (iii) global liquidity and financial stability; (iv) debt vulnerability; (v) private sector creditors engagement; and (vi) illicit financial flows.

The process culminated in a Meeting of Heads of State and Government on 29 September 2020, where world leaders came together to take stock and consider the bold choices needed to secure our common future. These policy options are expected to feed into and mobilize discussions and decisions at high-level meetings such as the World Bank and International Monetary Fund annual meetings and the G20 Leaders' Summit.

Policy options for urgent action

To alleviate the ongoing liquidity crisis in many developing and emerging countries, existing mechanisms should be expanded, including by continuing support through the IMF's emergency financing facilities, mobilizing additional financing from multilateral, regional and national development banks, and extending bilateral swap lines. The fastest and most impactful liquidity measure would be a new issuance of the IMF's special drawing rights (SDRs), of around $600 billion. Reallocation, or facilitation of existing, unused SDRs should also be considered. While some developed countries are already providing loan resources to the IMF's Poverty Reduction and Growth Trust (PRGT) using their SDR holdings, more will need to follow suit.

To mitigate debt vulnerabilities, the DSSI should be extended to at least the end of 2021, while broadening its scope to all highly indebted vulnerable countries, and maintaining positive net flows from MDBs. Private creditors must be brought to the table on comparable terms, to provide meaningful fiscal space for countries to fight COVID-19 and recover better. Otherwise, public resources will be used for private sector debt service payments rather than for recovery.

Beyond the DSSI, many countries will need debt relief. One option is to expand or create programmes, such as the IMF's Catastrophe Containment and Relief Trust (CCRT), including at the multilateral development banks (MDBs). These could be funded with SDRs, as MDBs are "prescribed" holders who can receive SDRs from IMF members. Any solution, however, will need to include equal burden sharing by private creditors.

Mechanisms to address debt to private creditors could include debt buyback programmes, which would purchase market debt at deep discounts, and debt swaps. There is growing momentum for debt for climate swaps facilities, for instance through regional resilience fund to channel debt swaps through the

Green Climate Fund. There are also calls for setting up term sheets for debt for climate swaps to make transactions more efficient. In addition, state contingent elements should be considered (in both official and commercial debt) to share risks – in effect building a debt moratorium into debt contracts.

Solutions must be supported by fairer and more effective mechanisms for debt crisis resolution. In the near term, legislation to address holdout creditors should be considered in jurisdictions where bonds are issued, following national legislative initiatives in the UK (2010) and Belgium (2013). At the same time, a comprehensive mechanism to address sovereign debt distress that includes private creditors must be pursued.

Recover better for sustainable development

To recover better and set the world on a path towards achievement of the Sustainable Development Goals by 2030, short-term COVID-19 response measures must be geared to supporting medium- and long-term sustainable development. Fiscal stimulus packages responding to COVID-19 will be most effective if they prioritize public investments that contribute to the achievement of the Sustainable Development Goals. Investments in green and resilient infrastructure, digital inclusion, health, education and strengthened social protection will increase countries' resilience and reduce future risks, while also helping to address immediate social needs and increase employment.

Domestic resource mobilization will be essential to create the necessary fiscal space, supported by the international community, in line with countries' needs. Illicit financial flows (IFFs) are still eroding domestic tax bases and undermining government revenues and trust in institutions. We need strong international action to combat such flows, including by strengthening beneficial ownership information and the spontaneous disclosure of information on law-enforcement action on cross-border corruption. It is also vital that taxes are paid where value is created, including in the context of business models in the digitalized economy. A global minimum corporate tax can help tackle base erosion and profit shifting, and negative incentives that countries face when taxing multinational corporations.

Conclusion

I encourage the G24 finance ministers to make use of the outcomes of the high-level discussions at the United Nations on financing the 2030 Agenda for Sustainable Development in the era of COVID-19 and beyond. It is my hope that the menu of options will help countries and the international community to take bold action, in line with country needs, to mitigate the effects of the COVID-19 pandemic and to recover better towards a more sustainable future.

The Inter-agency Task Force on Financing for Development, which I chair, and which includes the World Bank Group, IMF, WTO, UNCTAD, UNDP and more than 60 other agencies and institutions along with UN-DESA, will also draw on and further develop ideas presented in these outcomes for its upcoming *2021 Financing for Sustainable Development Report*. This includes issues of liquidity crises, debt sustainability and fiscal space, as well as the mobilization of sustainable private investment for a more sustainable and inclusive recovery. These issues will also be taken up in April 2021 by the ECOSOC Forum on Financing for Development in New York.

The High Level Panel on International Financial Accountability, Transparency and Integrity (FACTI) – convened by the 74th President of the General Assembly and the 75th President of the Economic and Social Council – will make recommendations for strengthening ongoing efforts to combat illicit financial flows, and for closing remaining gaps in the international system. It just published its interim report on 24 September.

I hope to see you and your national leaders again for events such as the ECOSOC FFD Forum at the United Nations Headquarters in the near future. 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.