**UNITED NATIONS** **NATIONS UNIES**

**Statement by**
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**TO THE MINISTERIAL MEETING OF THE GROUP OF 24**
**Virtual Meeting, 19 April 2022**

Almost exactly two years after the outbreak of the COVID-19 pandemic, the social and economic impacts of the war in Ukraine are reverberating around the world. Even before accounting for the fallout from the war, the outlook for an economic recovery from COVID-19 was already fragile and highly uneven. GDP per capital in one in five developing countries was projected to remain below 2019 levels by the end of 2023. Many years of progress in poverty reduction and the SDGs have been wiped out by the pandemic. The effects of the conflict on commodity prices and supply chains will likely further dampen global growth and worsen inflationary trends. Increased financial market volatility and tightening global financial conditions could put more developing countries at risk of debt distress, further hampering economic recovery.

***The United Nations system*** has been *supporting countries' efforts to overcome the pandemic and its impacts*, through three complementary strategies: (i) a strengthened health response led by the World Health Organization under the Access to COVID-19 Tools Accelerator (ACT-A); (ii) a humanitarian response in 56 countries; and (iii) support for the social and economic impacts of the pandemic and other shocks in 162 countries and territories through the UN development system. At the global level, the United Nations has been supporting multilateral coordination and moving forward policy discussions, including on debt relief and tax cooperation. The United Nations Secretary-General also set up a *Global Crisis Response Group on Food, Energy and Finance* to bring together the United Nations system, international financial institutions, and other stakeholders for a decisive multilateral response to the interconnected challenges from the war in Ukraine.

Yet, while the international community continues to provide support for developing countries, including through emergency financing and the record allocation of Special Drawing Rights, many countries, including middle income countries, still face debt and liquidity pressures. Sixty per cent of least developed and other low-income countries are already at high risk of, or in, debt distress. Vaccine inequity remains high – the number of doses per 100 people in least developed countries stood at 23.9, against 147.4 in developed countries. Over 100 developing economies – home to 1.7 billion people – are also severely exposed to the global economic impacts of the war in Ukraine. At the same time, climate change will continue to exacerbate financing challenges, particularly in vulnerable countries.

As emphasized by the Secretary-General, the war is magnifying the need for liquidity and fiscal space so that governments can provide safety nets for the poorest and most vulnerable. This lends renewed urgency to earlier calls by the Secretary-General for a ***reform of the global financial system*** to support the needs of developing countries, including through: (i) a review of global financial governance mechanisms; (ii) more transparent evidence-based sovereign credit ratings; (iii) an operational debt relief and restructuring framework; (iv) a fairer global tax system; (v) better tools for addressing illicit financial flows; and (vi) economic metrics that go beyond Gross Domestic Product.

***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, has just published its *2022 Financing for Sustainable Development Report (FSDR),* which contains policy recommendations and calls to action across all relevant areas of national and international finance.

At the heart of the divergent recovery, the report identifies a *"great finance divide"* – the inability of poorer countries to raise sufficient resources and access affordable credit for investment. While developed countries were able to borrow record sums at ultra-low interest rates to address the pandemic and to invest in recovery, fiscal constraints limited the response of many developing countries. Many countries were forced to reprioritize expenditure and cut spending in areas critical to the SDGs, such as education and public investment.

If used well, *financing can stimulate growth and improve debt sustainability in the long run*. Productive investments can contribute to economic growth, which can in turn help to raise domestic tax and other revenue. *Access to long-term financing* – concessional finance, lending by development banks, and commercial lending – can enable countries to recover from crises. Yet, for many developing countries, greater perceived default risks translate into high borrowing costs in financial markets. On average, developed countries spend 3.5 per cent of revenue on interest on their debt, versus 10 per cent of revenue for middle-income countries and 14 per cent for the least developed countries, despite much lower debt levels. Elevated sovereign borrowing costs also raise the cost of domestic private sector borrowing, further limiting investment.

Based on this analysis, the UN has put forward four sets of recommendations to enhance developing countries' access to finance for crisis response and investment in recovery, climate action, and the SDGs:

**1. Financing gaps and rising debt risks must be urgently addressed.**

This includes both raising resources from all sources of finance and ensuring that these resources are spent well. Given the lingering effects of the pandemic and the darkening economic outlook, an increase in international long-term sustainable public finance will be crucial.

*Official development assistance* (ODA) providers must scale up and meet ODA commitments, despite growing fiscal domestic pressures. As an immediate priority, the financing gap of the Access to COVID-19 Tools Accelerator (ACT-Accelerator) must be closed. Additional funding will be needed to ensure that increased spending for humanitarian needs and in-donor refugee expenditures as a result of the war do not crowd out existing resources for support for developing countries in need.

*Voluntary channelling of unused SDRs* to countries most in need can strengthen the impact of the new allocation. Countries with strong external positions should meet the global ambition to channel $100 billion dollars, including through the Poverty Reduction and Growth Trust, the new Resilience and Sustainability Trust, or through MDBs and other prescribed holders. The *lending capacity of the IMF* should be strengthened, and annual access limits to its emergency facilities increased – with an extension of existing cumulative access limits to at least 2024. Surcharges on existing lending arrangements should be suspended for at least 2 years.

*Public development banks* have an important role to play in supporting long-term financing. Multilateral development banks should raise additional resources and make optimal use of their existing resources and balance sheets, consistent with maintaining their financial integrity. *The system* of public development banks should be strengthened through support to national institutions who have deep expertise and knowledge of local markets. *Official debt swaps* can create space for investments in recovery, the SDGs, and climate action, particularly for countries that are fiscally constrained but do not have unsustainable debt burdens.

*The G20 Common Framework* should be strengthened, including by taking timelier action and expanding eligibility to highly indebted middle-income countries, as appropriate. Clarification on how comparability of treatment for commercial creditors will be enforced is urgently needed. More broadly, financial and/or legislative measures need to be developed to address this. These can include 'carrots' such as credit enhancements, and legislative 'sticks', e.g. limiting legal options of hold-out creditors. Mechanisms could also be considered to help countries quickly regain market access after a restructuring.

The international community should continue to work towards a *more comprehensive solution to address sovereign debt challenges*. A UN Commission of Experts on this topic could facilitate fresh impetus to the debate on the international debt architecture.

**2. All financing flows must be aligned with sustainable development**

The pandemic has once again highlighted the interlinkages between the social, environmental, and economic dimensions of development. It has underscored the need to address climate change and inequalities head on to preserve economic prospects. Growth can, in turn, help finance environmental and social action. Actions include, for example, adjusting fiscal policies, addressing greenwashing, increasing climate finance, and rethinking incentives in the international financial system.

As the war in Ukraine has raised concerns about energy security in many countries, policymakers should step up investments in a *sustainable energy transition*, taking advantage of the comparative cost advantage of modern renewable energy sources – particularly given the current high global oil and gas prices – and increasing energy efficiency while using targeted support measures to protect vulnerable populations from rising energy prices.

**3. Enhanced transparency and a more complete information ecosystem will strengthen the ability of countries to manage risks and use resources well**

Better quality data is needed not only to enable monitoring and accountability, but also to support public and private sector planning and management, and financial integrity. Sovereign debt markets can also be more efficient with higher quality and more complete information.

*Broadening the scope and improving the inclusivity of international sharing of tax information*, so that more countries can receive information that is suitable to their capacities and needs, will help to combat tax evasion and eliminate illicit financial flows. *Transparency in debt financing* is essential for effective debt management, debt crisis prevention and resolution. It has been a major focus of international support, but challenges remain. *Credit rating agencies* are an important part of the information ecosystem for capital markets, but developing countries are experiencing challenges. My department has provided recommendations for improving the contribution of credit ratings to the 2030 Agenda. For example, long-term sovereign ratings could be developed to complement existing assessments, including through economic scenarios and climate transition pathways. A standing framework for dialogue between agencies and the public sector can help prevent misunderstandings. Developing measures of sustainable development and *indicators beyond GDP* could help to better inform policymaking and direct actions towards sustainable development priorities.

**4. International tax cooperation**

Ongoing changes to the global economy are creating pressures on tax systems amid a rise in expectations for delivering on the SDGs. Developing countries' interests and voices need to be taken into account in global discussions around the taxation of the digitalized and globalized economy.

The *UN Tax Committee's approach to taxing automated digital services* is a viable, administratively simple option for developing countries to raise revenue. Developing countries should evaluate all options for addressing digitalization, including revenue impacts, distributional implications, administrative capacities, and the likelihood of successful treaty negotiations.

**Conclusion**

I encourage the G24 finance ministers to make use of the analysis and recommendations of the *2022 Financing for Sustainable Development Report*. It is my hope that this analytical work can help to address the economic and financial challenges of the COVID-19 crisis and the conflict in Ukraine, and translate global commitments into concrete action.

These issues will be taken up next week at the ECOSOC Forum on Financing for Development in New York and at the SDG Investment Fair. I hope to see you and your national leaders at these events at the United Nations Headquarters – which will be held at least partially in person for the first time since the start of the pandemic. 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.