U N I T E D N A T I O N S N A T I O N S U N I E S

Statement by
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More than one year into the outbreak of the COVID-19 pandemic, the world is still struggling with the immense human, economic and social cost of the crisis. COVID-19 has thrown the world economy into its worst recession in 90 years, with the most vulnerable segments of societies disproportionately affected. Around 120 million people have fallen back into extreme poverty; 114 million jobs have been lost; tax revenues, foreign direct investment, trade and remittances have dropped; and debt vulnerabilities have increased along with a rise in debt levels.

This is despite a large-scale, if highly uneven, policy response. Unprecedented fiscal and monetary measures—USD 18 trillion in fiscal stimulus, and emergency measures by central banks—have cushioned the socio-economic impact of the pandemic in developed countries in particular, even when they could not prevent a heavy death toll. Yet many developing countries faced tight fiscal constraints, limiting their response, and creating a heterogeneous global response. And while widespread access to vaccines is imminent in rich countries, in the majority of countries it remains many months (and for some of the most vulnerable countries years) away. The fight against the pandemic is far from over.

The international community has stepped up in support of developing countries' efforts to mitigate the health crisis and its social and economic impacts, and has provided emergency financing, along with debt service suspension for the poorest countries. However, external financing needs are expected to remain elevated throughout 2021, and many developing countries, including middle income countries not covered under the G20's debt suspension initiative, continue to face debt and liquidity pressures.

The United Nations system has been taking coordinated actions in support of national and international efforts to address all aspects of the crisis and lay the foundations for a better recovery. The global health response, led by the World Health Organization, includes the Access to COVID-19 Tools (ACT) Accelerator that aims to accelerate the development, production, and equitable access to COVID-19 tests, treatments and vaccines. The United Nations is also providing immediate humanitarian support to the hardest-hit populations in the most vulnerable countries through its Global Humanitarian Response Plan, and supporting the socio-economic response for over 120 countries, guided by the UN development system framework. At the global level, it has been moving forward the policy agenda, including on debt relief and increased liquidity.

The Secretary-General, together with Canada and Jamaica, convened a series of high-level events on Financing for Development in the Era of COVID-19 and Beyond, to address the socio-economic fall-out from the pandemic and its potential to derail progress towards the Sustainable Development Goals. Through this process, Member States came up with a menu of options that can provide guidance on concrete actions for individual countries, international financial institutions, regional organizations, and the global community at large.

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 *2021 Financing for Sustainable Development Report* which contains policy recommendations and calls to action across all relevant areas of national and international finance.

The report notes that the COVID-19 crisis has dramatically set back progress towards the SDGs, just as we have entered the Decade of Action for their implementation. While more advanced economies are beginning to see signs of economic recovery, many developing countries are sinking deeper into a cycle of poverty, hunger, unsustainable debt and austerity – potentially facing another lost decade for development. The report calls for both immediate action by the international community, and longer-term solutions to rebuild better.

We need immediate action to avoid a lost decade for development

The immediate focus must remain on containing the pandemic and addressing its socio-economic fallout for all. Donor countries must meet their commitments on *official development assistance* and provide fresh *concessional financing* for developing countries, along with replenishing the capital of multilateral development banks (MDBs). They must also *fully fund the ACT Accelerator* to ensure rapid and equitable access to tests, treatments and vaccines.

A new allocation of *Special Drawing Rights*, along with a voluntary reallocation from countries in strong external positions to countries most in need can supplement countries' reserves and provide liquidity. While several countries have already reallocated their existing unused SDRs to strengthen the lending capacity of the IMF's Poverty Reduction and Growth Trust (PRGT), this would only benefit low-income countries eligible for concessional financing from the PRGT. The IMF should implement a more general reallocation mechanism that includes support for middle income countries facing persistent external deficits or emergency situations.

To rebuild better, we must invest in a sustainable recovery and fix the system

The COVID-19 crisis has underlined the systemic and interlinked nature of risk in a tightly intertwined world, where a health crisis disrupts global trade and financial flows, and where climate-related risks loom increasingly large. The crisis has also accelerated digitalization of economies and societies, creating new opportunities but also increasing concerns about inequalities in access to and use of digital technologies.

Crisis response packages are an opportunity to address underlying risks and redesign the social contract. By ***investing in people***, Governments can reduce household vulnerability. For example, social protection systems, which can be scaled up in times of crises, can strengthen household resilience. Investments in *human capital*, including digital skills, will be key for developing a workforce for the 21st century. And modernized labour market policies and fiscal policies will be needed to reflect the realities of an increasingly digitalized world and changing global economy. ***Investment in sustainable and resilient infrastructure***, along with increased investment in innovation can help combat climate change, create employment, stimulate growth, and reduce risks and build resilience to future crises. Productive investments in the capital stock should also improve debt sustainability in the long-run, even while raising debt levels in the near term.

Yet, while a sustainable and resilient infrastructure push, along with investment in human capital, is entirely feasible in most developed countries (in part due to extraordinarily low interest rates), many developing countries do not have fiscal space for such investments. Providing access to relatively short-term market finance alone is not the answer—as in some countries this will exacerbate risk of debt distress; nor is relying on private finance to fill all the gaps, which is suitable in some but not all SDG contexts. Solutions will need a multi-pronged approach.

First, official lenders should make *very long-term sustainable finance* available to developing countries, by providing grants or ultra-long term (e.g., 50 years) financing for investment in long-term growth and sustainable development. Debt swap initiatives can increase fiscal space for SDG investment. State-contingent elements should be included in public debt to 'automatize' moratoria in times of crisis, and to set a precedent for private markets.

Second, we must better leverage *public development banks* as a tool for sustainable development investment. The international community can help strengthen the *system* of development banks (including multilateral, national, and sub-national) through cooperation and capacity-building, and continued research on appropriate capital, risk management and SDG reporting frameworks.

Third, *blended finance* can play a role, but needs to focus on where it can add the most value, including using non-concessional official lending to support commercial finance. For example, loans that include equity-like elements could support investment in digital technologies in developing countries. This would allow public actors to share in the possible financial upside, and not divert concessional resources from social sectors.

Fourth, the private sector has a critical role to play. However, the current business model – often focused on short term financial returns for shareholders—is not conducive to support business' contributions to the SDGs. Policy makers can help facilitate *a new business model* that works for everyone, not only for shareholders, by accounting for the effects of private activity on environmental and social outcomes, reorienting capital markets toward investing in sustainable development-aligned priorities, and encouraging the removal of short-term incentives along the investment chain, as called for in the Addis Ababa Action Agenda.

Fifth, by improving enabling environments and developing project pipelines, governments can mitigate investment risks; such national efforts should be supported by capacity development as needed.

Beyond mobilizing investment, we must also move forward on ***reforming the global financial and policy architecture*** to overcome gaps and inconsistencies that undermine financing for sustainable development. This entails updating tax policies, capital market rules, development cooperation, trade, debt, financial sector regulations, and competition policies to reflect new realities, including an increasingly digitalized economy and interconnected systemic risks.

We must work together to strengthen the *global financial safety net*, and close gaps that were highlighted in the last 12 months. We must continue our efforts towards responsible lending and borrowing, and build on the G20 Common Framework for debt treatments to improve the international debt architecture, toward a permanent *more efficient framework for sovereign debt resolution*.

The international community must build public trust and more effective revenue systems by *strengthening financial integrity for sustainable development*. The High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel) has made recommendations for addressing illicit financial flows for Governments to consider.

In all areas, we must continue efforts to *strengthen the voice and representation of developing countries* to ensure that global reforms – e.g., for the taxation of the digitalized economy, and a revamping of the multilateral trading system – address the concerns and needs of developing countries. A renewed and strengthened multilateralism is the only way to achieve the transformation called for in the 2030 Agenda.

Conclusion

I encourage the G24 finance ministers to make use of the analysis and recommendations of the *2021 Financing for Sustainable Development Report*. It is my hope that this analytical work can help to address the immediate challenges of the COVID-19 crisis, 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 for such events at the United Nations Headquarters in the 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.