UNCTAD G24 Statement – Springs 2024

The global economy is projected to grow by a mere 2.6% in 2024, a stark contrast to the pre-pandemic average growth rate of 3.2%. This slowdown, in the face of continuing cascading crises – inflationary pressures, climate catastrophes, restrictive monetary policies, worsening inequalities, a deepening debt burden, and a perplexing divergence between global growth and global trade— mean that developing countries continue to be left behind in the current global economic system.

UNCTAD's latest Trade and Development Report Update underscores the urgency of the moment. The debt and development crisis faced by many developing countries continues to worsen. The increase in public resources and export revenues that must be channelled towards public and publicly guaranteed debt repayments is a clear manifestation of this. Taken together, recently released data show that, in 2022 (the last year for which comprehensive data exist), the disbursements of the private and official sectors to developing countries fell, leaving multilateral institutions holding the fort, with 52 countries paying out more than they received. Making matters worse, as interest rates stay higher for longer, this year's public debt servicing costs will grow by 10 percent for all developing countries —and by nearly 40 percent for low-income countries according to the World Bank. These crippling debt burdens translate into severe constraints on public spending – a fiscal crunch - curtailing vital investments in infrastructure, healthcare, and education – the very foundations of sustainable development.

An alarming divergence between global output growth and global trade further destabilizes the economic landscape. For the first time in four decades, we have witnessed a simultaneous one per cent contraction of global merchandise trade accompanied by positive global economic growth. This contraction of trade, unusual outside of severe downturns, disproportionately harms those developing countries most reliant on global trade for growth and development. In a context of rising protectionism, entrenched low investment rates, and retreating capital flows from the global south, this emerging dynamic represent a worrying challenge.

The economic hardships of these crises also fuel persistent and worsening inequalities both within and between countries. While monetary tightening policies in developed economies have brought inflation slightly lower, evidence from the Trade and Development Report Update underscores that real wages remain stagnant in many advanced economies while developing countries' capital flows and currency markets continue to suffer from negative spill-over effects related to highly restrictive monetary conditions.

Commodity markets are a case in point. They remain a source of volatility for developing countries, demonstrating the need for structural reforms. Following the price spikes in the wake of the war in Ukraine, commodity markets saw a broad-based and sustained price decline in 2023. Despite this decline, prices of most food and commodities remain significantly above their pre-pandemic levels, hindering economic recovery in developing nations. A major cause is the continued depreciation of developing countries' currencies in a context of higher for longer interest rates. This elevated price environment disproportionately harms developing countries that are net importers of these products, especially low-income countries.

In combination, these trends underline the fact that the current international financial architecture is unfit to deliver on the sustainable development goals.

The G24, representing a substantial constituency of the world's nations, holds a unique position to advocate for urgent and decisive action. UNCTAD calls for a coordinated global effort grounded in multilateralism, with specific measures to address the interconnected challenges of debt, liquidity, and underinvestment.

First, a commitment to boosting public sector investment is paramount. This includes targeted fiscal support to drive growth, employment, and resilience, as well as prioritizing investments in climate action, healthcare, and education to achieve the Sustainable Development Goals. To create this fiscal space a fast multilateral response to growing debt distress will be paramount.

Second, enhanced international liquidity is essential. Improved access to existing Global Financial Safety Net (GFSN) instruments with a focus on fairness and increased quotas for developing countries can provide crucial support – recent efforts in this direction are welcome but insufficient. The IMF surcharges bill to 17 countries will amount to a combined bill of over 2.1 billion dollars this year. In a world of global cascading crises, the surcharges are pro-cyclical and counter-productive.

Third, increased capital provisions and technical assistance are needed to strengthen regional and multilateral development banks, recognizing their role as vital sources of countercyclical and development financing. The need to deliver on the promise of the September 2023 SDG Summit, where world leaders agreed to a bold SDG Stimulus of at least $500 billion a year in financing for developing countries to get the Goals back on track and invest in the systems people need. This pledge needs to be fulfilled at the upcoming Summit of the Future. In this light, UNCTAD calls for an ambitious support to the proposals of some of MDBs to recycle SDRs through hybrid capital instruments.

Finally, and most fundamentally, we need structural changes within existing multilateral institutions to provide them with the necessary resources and flexibility to respond effectively to the needs of developing countries. This includes a greater voice and fairer quota representation for developing countries within the governance of these institutions. These reforms, outlined in the UN Secretary-General's SDG Stimulus, are essential to align the international financial architecture with the commitments of the 2030 Agenda.

The G24 must reaffirm its commitment to cooperation, unity, and bold reforms. We stand ready to work with our development partners to address the challenges we share, and we urge all nations to participate in the upcoming Summit for the Future with a sense of urgency and a commitment to realignment. Only through coordinated action and systemic change can we pave the way for a more sustainable, equitable, and inclusive global economy for all.