

**Report of H.E. Mr. Khalil Hashmi, Ambassador and Permanent
Representative of Pakistan and Chairman of the Intergovernmental Group of
Experts on Financing for Development at its 4th session
to the 68th Annual Session of the Trade and Development Board
Geneva, 24 June 2021**

*Madame President,
Excellencies,
Distinguished delegates,
Ladies and Gentlemen,*

I have the honour to report on the work of the Intergovernmental Group of Experts on Financing for Development at its 4th session that took place in hybrid format from 25 to 27 January of this year. This session of the Group provided a timely opportunity to discuss how systemic issues in the global economy affect development finance, macroeconomic stability and structural transformation in developing countries, and to consider necessary reforms to current global economic governance from a development perspective. As per practice, the Intergovernmental Group of Experts on Financing for Development focused on the substantive items of the agenda. However, as for other meetings, it was agreed that, under the current circumstances, informal consultations to negotiate Agreed Policy Recommendations would not be feasible. With this in mind, the Group of Experts successfully completed the task assigned to it and it is with great pleasure that I represent to the Board the Report of the Intergovernmental Group of Experts on Financing for Development on its 4th session, as contained in the document TD/B/EFD/4/3.

During the opening plenary, the President of the Trade and Development Board and the Acting Secretary General of UNCTAD highlighted the relevance of the topic, in particular in the context of the Covid-19 pandemic. This had brought to the fore the impact of long-standing and interrelated systemic weaknesses in the current international financial, trade and production architecture on developing countries' ability to leverage their growing

integration into the global economy for sustainable development. Concerted efforts, by the international community were needed, to enhance international development-oriented policy coherence and coordination across these areas and to strengthening the voice and participation of developing countries in this regard.

Under agenda item 3, in-depth discussions by the Group of Experts on specific aspects of current global economic governance and systemic issues were opened by the Prime Ministers of Pakistan and Barbados and by the Vice-President of the Plurinational State of Bolivia. They highlighted the disastrous social and economic impact of the pandemic in developing countries, and warned of the dangers of inaction on international cooperation to address the current crisis as well as underlying systemic issues, such as rising wealth and income inequality and mounting unsustainable debt burdens, not least for the delivery of the 2030 and the Addis Ababa Action Agendas.

Subsequent panels, under this item, provided detailed overviews and analyses of systemic issues in the global economy and of the impact of the Covid-19 crisis on developing economies, discussed current deficiencies, from a developmental point of view, of the international trade and production architecture and of the international financial and monetary system. Building on previous discussions, the experts then suggested a number of policy and reform priorities.

A common theme throughout the deliberations was the risk of developing countries having to return to fiscal and monetary consolidation prematurely, thus nipping their economic recovery from the Covid-19 crisis in the bud. Given their already much smaller fiscal and monetary policy spaces, compared to developed economies, to respond to the crisis, and their still limited access to affordable vaccines, premature contractionary adjustment policies would imperil not only sound economic recovery from the crisis, but also the prospects of achieving sustainable development in the longer run.

For this reason, unsustainable external debt burdens across the developing world – in many cases pre-dating the pandemic but substantially worsening under its impact - and how to address these in the current context ranked high on the Groups' agenda. Without

constructive ways forward to resolve current debt overhangs soon and to put developing countries' external debt sustainability on a more stable footing for the future, fiscal spaces in many developing countries will remain heavily constrained by rising debt servicing costs. And without an international framework for orderly, fair and equitable sovereign debt workout mechanisms in place, eventual defaults on sovereign debt obligations will result in costly and lengthy debt restructurings that are likely to worsen rather than mitigate fiscal constraints.

As the Group's deliberations made clear, unsustainable external debt burdens in developing countries arise not only from their often-premature integration into international financial markets, but also from the failure of the current system of global economic governance to ensure that developing economies' integration into global trade and production dynamics and chains enhance, rather than hamper, their ability to prioritize domestic financial resource mobilisation over continued reliance on external sources of development finance. The Group referred, in particular, to deficiencies in regard to development-oriented international regulations to govern intellectual property rights (beyond waivers for Covid-19 vaccines), the necessity to further strengthen international tax cooperation to effectively combat illicit financial flows from developing countries, as well as the need to reform the current international trade architecture so as to facilitate developing countries leveraging trade more effectively, and in fairer ways, as an engine for their own growth and development. Tackling these issues would also be a welcome start in remedying rising income and wealth inequalities that have largely been driven by rising market concentration and a predominance of corporate over wider public interests in recent decades.

Building on extensive and detailed discussions of these issues, the Group proposed a number of priorities for development-oriented policies with a focus on addressing the current crisis and enabling a speedy and full economic recovery in developing countries. These included:

- Strengthening efforts to ensure full and affordable access to vaccines in the developing world through waivers on patents for vaccines and increased funding for the COVAX facility

- New allocations of Special Drawing Rights to ease liquidity constraints in developing countries alongside wider reforms to make more expansive use of Special Drawing Rights in the future
- Coordinating and delivering substantive one-off debt relief for post-Covid-19 recovery in vulnerable developing countries beyond debt service suspensions
- Developing an international statutory framework for sovereign debt restructurings and workout mechanisms to avoid disorderly, delayed and costly restructuring processes on a case-by-case basis in the future
- The recapitalization of multilateral development banks to promote public investment into long-term developmental projects and to oversee public-private partnerships in this regard more stringently, as well as the creation of a public-private investment facility under the auspices of the United Nations
- Further efforts to enhance and improve international tax cooperation
- The reversal or review of unequal bilateral and regional trade and investment agreements and adjudication procedures and the promotion of a more development-oriented multilateral trading system aligned with the Sustainable Development Goals.
- The fulfilment of existing commitments to mobilize both public and private funding for climate change action in developing countries.

It was made clear that without some progress in these directions, there would be little hope of avoiding another lost decade for sustainable and inclusive development. As we now know, in at least one area – a new allocation of Special Drawing Rights in combination with re-allocations of existing Special Drawing Rights from some developed to developing countries – progress has, in fact, been achieved, but progress in other areas will require strengthened political leadership and continued efforts to advance intergovernmental consensus-building, as many of the contributions by experts and delegates pointed out.

The Groups' work and deliberations at its 4th session greatly benefited from close links with discussions on the impact of the Covid-19 crisis on financing for development in other UN fora, such as the Initiative on Financing for Development in the Covid-19 Era and Beyond, co-convened in 2020 by the Prime Ministers of Canada and Jamaica, and the UN Secretary-

General, as evidenced by the active participation and important contributions of the President of the United Nations Economic and Social Council and of the Ambassador and Permanent Representative of Jamaica to the United Nations.

In concluding my report on the important and very timely work of the 4th session of the Intergovernmental Group of Experts on Financing for Development, I would like to express my sincere appreciation and thanks to all member States for their proactive engagement with this work and their invaluable contributions to the success of this meeting. Madame President, may I command to the Board the Report of the Intergovernmental Group of Experts on Financing for Development at its 4th session. Thank you, Madame President.