Statement by the Secretary-General of UNCTAD for the Sixth Session of the Intergovernmental Group of Experts on Financing for Development, 2022

Your excellency, Federico **VILLEGAS**, Permanent Representative of Argentina and chair of this Intergovernmental Group of Experts on Financing for Development,

Your excellency, Emmanuelle **LACHAUSSÉE,** vice-chair,

Your Excellency, Ahmed Salama Elsayed Mohamed **SOLIMAN,** Deputy Permanent Representative of Egypt,

Excellencies, Distinguished delegates,

Ladies and gentlemen, Dear friends,

- It is an honour to have you here at this sixth session of the Intergovernmental Group of Experts (IGE) on Financing for Development.
- I would have wished that this Intergovernmental Group of Experts would have come at a better time for the world. But it hasn't.
- We meet in context of cascading crises, cascading inequalities, and chronic instability. COVID, climate change and the cost-of-living crisis are all increasing poverty and hunger at alarming speed.
- Geopolitics, not economics, is now at the driving seat of globalization.

- And financing for development, the issue that brings us all together today, is nowhere to be seen.

- When the twenty thirty (2030) Agenda was approved, UNCTAD estimated the yearly SDG financing gap in developing countries at two point five (2.5) trillion dollars. Today, seven years later, that gap is closer to four (4) trillion dollars.
- So we have gone the wrong way. And still, this gap is further widening as we speak. Due to rising interest rates, capital is flowing from the south to the north at record pace.
- To illustrate, developing countries received two hundred and thirty billion dollars in IMF Special Drawing Rights (SDRs) last year. This year, their reserves have declined by twice as much – four hundred and seventy (470) billions dollars. And despite this, their currencies are still tumbling, their financial flows are still heading out, and their bond markets are becoming more punishing by the day.
- Against this background, countries are being left to fend for themselves to protect their people from forces that are beyond their control.
- Faced with pressing external financial conditions, high inflation and insufficient multilateral support, developing countries are raising

interest rates and cutting spending with an unprecedented degree of synchronization.

- The number of central banks simultaneously increasing interest rates increased from ten developing countries in April, to forty developing countries in September.
- And according to the latest IMF World Economic Outlook, at least ninety-four (94) countries are expected to reduce their spending next year.

- In sum, countries are running out of resources, debts are under distress, and governments are being forced to cut down spending at the worst possible time, at a time where SDG investments should be ramping up, and where vulnerable families are in dire need of fiscal support, to pay their electricity bills, to feed themselves, and to not fall again into extreme poverty.
- As we learned too crudely with the global financial crisis, forced austerity is a vicious cycle of slowing growth, arrested development and social discontent. We need to break this vicious cycle. This IGE provides us with a unique opportunity to do so.

Chair,

- The background note prepared for this IGE by UNCTAD outlines six concrete proposals that can empower us to change the tide of financing for development.

- First, we need to boost development finance commitments. Scaling up public-led finance will require donor countries to meet and proceed to exceed existing Official Development Assistance (ODA) and climate finance commitments.
- Second, the potential of Special Drawing Rights must be unlocked. On Friday at a special event commemorating the fiftieth anniversary of our third UNCTAD conferenced, I emphasised, how both then and now, UNCTAD has called for the alignment of SDRs with longer-term developmental purposes, something which has become even more important with the demands of climate change finance. Finding this so-called 'development link' requires two things – first, delinking the issuance of SDRs from the IMF quota system, which just perpetuates the asymmetries in global finance; and second, expedited re-channeling of SDRs from the countries that don't need them to the countries that do.
- Third, Multilateral Development Banks must scale up their financing. MDBs must be capitalized, including with re-channeled SDRs to beef up their balance sheet. MDBs should also implement the G20's Independent Review of MDB's Capital Adequacy Framework.

- Fourth, we must establish a publicly accessible registry of debt data for developing countries. Following the UNCTAD Principles on Responsible Sovereign Lending and Borrowing, such a registry would greatly increase debt transparency. This would strengthen debt management, reduce the risk of debt distress, and facilitate debt restructuring processes. This is a key issue in the current context, where sixty percent of all low-income countries, and a third of all middle income countries, are in debt distress.
- Fifth, we must call for an Independent Debt Review of the G20 Debt Agenda, which is stuck with a Common Framework which is progressing at a glacial speed, and a debt service suspension initiative which is entirely frozen. An Independent Debt Review can allow to unlock the difficult political process the G20 is in, to advance in an issue which is becoming increasingly important.
- And six, we call for a multilateral approach to sovereign debt restructurings, for timely and orderly debt crisis facilitation, with comprehensive participation by all creditors, building on the G20 Common Framework. Participation in this framework should be incentivized by a debt sustainability assessment that incorporates long-term finance needs, including the SDGs and the Paris Climate Commitments.

Chair,

- We acknowledge that this is an ambitious agenda. But unless we come together to agree on multilateral solutions to our global problems, the financing for development gap will only increase. And a gap that keeps getting wider is not a gap, it is an abyss.
- So my message to you is this. United, we have a chance. Divided, the abyss will swallow us all, global south and global north together. Because never have our fates been so interlinked, never have we depended so much on each other, and never have the stakes been this high.
- This IGE is therefore extremely important. I wish you all very productive, engaging, and above all impactful, sessions ahead.
- Thank you.