GROUP OF 77 & CHINA
G E N E V A

(Revised 29 November 2022)

Statement by Ms. Amina Khamis Shaaban, Deputy Permanent Secretary at the Ministry of Finance and Planning of the United Republic of Tanzania, on behalf of the Group of 77 and China at the 6th session of the Intergovernmental Group of Experts on Financing for Development

30 November to 2 December 2022

Chair of the 6th Session of the Intergovernmental Group of Experts on Financing for Development, Ambassador Federico Villegas, Permanent Representative of Argentina to the United Nations Office and other international organizations in Geneva,
Vice-Chair Ms. Emmanuelle Lachaussée, Deputy Permanent Representative of France to the United Nations Office in Geneva and other international organizations in Switzerland,
Secretary-General of UNCTAD, Ms. Rebeca Grynspan,
Deputy-Secretary General Mr. Pedro Manuel Moreno,
Excellencies,
Distinguished delegates,
Ladies and gentlemen,

1. The Group of 77 and China would like to start by congratulating you, Mr. Chair, as well as the Vice-Chair, for your election to preside over this important meeting.

2. Our Group would like to reiterate its view that the creation of this Intergovernmental Group of Experts during UNCTAD 14 was a recognition of the need to ensure that the critical mass of expertise in Geneva could contribute to the relevant processes in New York. We therefore remain committed to ensuring a strong outcome of this meeting and to supporting the continued role of UNCTAD as the voice of developing countries in this area. This role becomes more important than ever in the current context of cascading crises.

3. Indeed, Financing for Development has been a core concern of UNCTAD since its inception in 1964, with “external debt problems” and “the need and means for increasing the flow of financial resources to developing countries” being highlighted in the outcome of UNCTAD I, and the resulting efforts focused on promoting ways to improve the international monetary system with a view to ensuring developing countries’ affordable access to external financing for developmental purposes.

4. The topic for this session *Financing for development to respond and recover in an era of interrelated and global crises* is a timely response to the interrelated crises impacting developing countries including the LDCs and the resulting need for a reliable, adequate, and affordable “flow of financial resources to developing countries” foreseen by UNCTAD I and still relevant today.

5. Throughout 2022, the developing world has been suffering the stark economic and social consequences generated by the combination of an uneven post-pandemic recovery, of the cost-of- living crisis, emanating from supply chain issues and financial speculation in international markets for food, energy, and fertilizers, and of the worsening climate crisis.The United Nations Global Crisis Response

Group (GCRG) on Food, Energy and Finance, co-led by UNCTAD, has called our attention to alarming aspects of the combined impact of the crises in developing countries of the increase in poverty , chronic hunger and malnutrition, despite the positive impact of the Black Sea Grain Initiative. The extreme climate calamities of the recent months have added to an already delicate and urgent situation. As a result, for the first time in its history, the UNDP Human Development Index has declined for two consecutive years.

6. In addition, monetary tightening in advanced countries, throughout 2022, and concerns about a possible global recession in 2023, add further pressure on many developing countries' external balances, leading to wide-spread currency depreciations, reduced access to international financial markets and a weakened ability to service our external debt. This situation is much worse for countries under unilaterally coercive measures.

7. At the same time, and at least to some extent because of this conjunction of exogenous global shocks, the development finance gap has widened and is still widening, as highlighted in recent publications by the OECD and in UNCTAD's Secretariat note for this session. Shrinking fiscal spaces and reduced access to international financial markets mean that developing countries' ability to meet investment requirements for the implementation of core SDGs is waning.

8. An apparent obstacle to freeing up domestic resource mobilisation and facilitating access to international development finance is the increasingly costly external debt burdens of developing countries. These have mounted over the last decade, with often expensive and high-risk external sovereign indebtedness to private creditors prevailing. This has indeed become a common mechanism through which to fire-fight short-term fiscal and monetary responses to crises, as well as to channel development finance in the absence of suitable alternatives. In the context of deepening global crises, these debt burdens have, in many cases, become unsustainable with main creditors unwilling to roll-over existing debt obligations.

9. The Group of 77 and China takes strong note of the Bridgetown Initiative document championed by the Government of Barbados and other likeminded countries which calls for the provision of emergency liquidity to arrest the debt crisis, expand multilateral lending to governments by 1 trillion dollars, and activate private sector savings for climate mitigation and fund reconstruction after a climate disaster through new multilateral mechanisms.

10. The Group of 77 and China would therefore like to reiterate its calls for an international framework to oversee sovereign debt restructurings on existing debt obligations. There is an urgent need to resolve these equitably and in a manner that maintains the debtor countries' ability to grow and meet its debt obligations in the future, not least while also meeting its commitments to the SDGs. It is of equal importance for future debt obligations to be issued on a footing that provides affordable and long-maturity development finance to developing countries.

11. In this context, our Group takes positive note of the recent efforts by the G20 to provide temporary debt relief to the poorest developing economies in the form of its Debt Service Suspension Initiative (DSSI), between May 2020 and December 2021. Yet, according to the G20[1] itself, the DSSI has covered 12.9 billion dollars in rescheduled debt payments, which translates to 13.7% of the 94.2 billion dollar of debt service payments due on all public and publicly guaranteed long term external debt in 2020 and 2021 in DSSI-eligible countries.

[1] Communiqué of the G20 FMCBG Meeting of 17-18 February 2022

12. Turning to the issue of increased access to concessional emergency financing, as of the latest data available of March 2022, the IMF had provided debt relief to 31 countries for 965 million dollars and crisis-related financial assistance to 90 countries for 170.5 billion dollars. The World Bank also provided 150 billion dollars in response to the Covid-19 crisis through various financing facilities and has mounted a 170 billion dollars lending programme to respond to food insecurity and the cost-of-living crisis.

13. These efforts are indeed appreciated by our Group, alongside the new general allocation of IMF Special Drawing Rights (SDR) of August 2021. Yet again, in turn, it is important to note that developing countries have already spent an estimated 379 billion dollars of reserves defending their currencies this year, almost double the amount of new SDRs allocated to them in the 2021 new general allocation. Moreover, UNCTAD has estimated that some of this year's interest rate increases are set to cut at least 360 billion dollars of future income for developing countries[2]. Furthermore, efforts must be redoubled to ensure a strong and effective Global Financial Safety Net with a strong, quota-based and adequately resourced IMF at its center. In this regard, advancing with the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, is paramount. There is also an urgent need to revise the IMF surcharge policy, which puts an unduly heavy burden on countries at precisely the most challenging times.

14. To sum up, as it has been expressed in various fora, the direction is positive, but the quantum is insufficient. Our Group considers that the response by relevant international financial institutions and other international bodies to the shortage of international liquidity as well as affordable long-term development finance has been inadequate. Our Group further agrees with UN Secretary-General calls to G20 Finance Ministers and Central Bank Governors for an *Enhanced Debt Service Suspension Initiative to refinance and write down bilateral debt due between 2023-2025* and for the involvement of *private bondholders and sovereign debtors in debt relief efforts*".

15. Our Group continues to support the need for the United Nations to be at the centre of a scaling-up of development finance in the magnitudes necessary to achieve the SDGs in the current context of multiple global crises. Such an effort must be supported by the coordinated action of public and multilateral international institutions and authorities. Rather than developing countries being left at the mercy of international financial markets, our Group foresees public international finance acting as a helping hand, by stepping up to guide private finance to be more effective towards long-term development projects.

16. In this regard, we welcome the adoption of last week, by the United Nations General Assembly of a resolution on the "Promotion of inclusive and effective international tax cooperation at the United Nations" that can lay the groundwork for the establishment of a UN Tax Convention. The adoption of the resolution opens a new door for a global intergovernmental engagement to establish international tax standards while allowing developing countries to fully participation in the process.

17. We furthermore consider that many of the issues raised in previous sessions of this Intergovernmental Group of Experts remain valid, including:

- Calling on donor countries to meet the agreed ODA targets fully. Over the last 50 years, the systemic failure to meet ODA targets means that developing countries have lost over 5.7 trillion dollars in developing financing.[3]

[2] UNCTAD Press Release of 03 October 2022

[3] OXFAM (2020). 50 years of Broken Promises: The $5.7 trillion debt owed to the poorest people. Briefing note. https://bit.ly/3yLgeDp.

- The need to increase the capitalisation of multilateral, regional and public development banks, which play a crucial role in providing development finance on concessional terms. Developed countries should use their shareholder power to increase the capitalisation of multilateral development banks, while also seeking new members to raise capital bases. The role of multilateral and regional development banks should also be enhanced in the re-channelling, for development purposes, of unused SDRs from the 2021 general allocation.

18. More generally, we should consider ways to unlock the potential of SDRs as a key mechanism, not only to provide unconditional international liquidity, but also to deliver development finance. UNCTAD has advocated for this approach since the creation of SDRs in the late 1960s, and current debates about the re-channeling of unused SDRs has given new impetus to these original debates.

19. Before we conclude, we would like to stress that new and old avenues to deliver affordable development finance, both through domestic resource mobilisation and through scaling-up public international efforts, need to take full account of the need to combat the climate crisis, in particular in developing countries who are at the receiving end of a crisis they did not cause. While reminding our developed partners of their commitments enshrined in paragraph 60 of the Addis Ababa Action Agenda we also very much welcome the agreement, reached at COP 27, to establish a loss and damage facility to this effect, but we are aware that details are still to be determined. More generally, combatting the climate crisis we all face, should become an integral part of international initiatives to scale-up development finance; accounting for common but differentiated responsibility, for robust implementation of the 2030 Agenda and meet the Paris Agreement.

20. We look forward to the discussion and expert advice at this 6th session of the Intergovernmental Group of Experts on Financing for Development, as well as to the productive engagement of all member States in addressing the highly relevant and timely topic of this session. We hope to be able to identify clear options as to how to finance and pursue economic development in the current global economic circumstances.

I thank you, Mister Chair.