

UNITED NATIONS



NATIONS UNIES

**Statement by
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TO THE MINISTERIAL MEETING OF THE GROUP OF 24
Virtual Meeting, 14 April 2020**

The COVID-19 pandemic is causing wide-spread human suffering. It has thrown the global economy in recession and is causing turmoil on international financial markets. It has disrupted global production, trade and supply chains, and sharply reduced both investment and household consumption, amidst increased unemployment and high levels of uncertainty.

The related fall in commodity prices (particularly oil prices, aggravated by political tensions) is putting additional pressure on many commodity-exporting countries. At the same time, the pandemic is straining budgets, as countries struggle to meet the health needs of their population, address growing unemployment and support their economies.

As the economic crisis has fed through to international financial markets, high volatility and deleveraging have increased the demand for dollar liquidity and triggered unprecedented capital outflows from emerging economies. As of April, investors had removed over \$80bn from emerging markets since the start of the crisis. Weakening balances of payments have led to a dramatic decline in emerging market currencies and increased external debt servicing and refinancing costs for both corporations and governments.

Risks of debt distress in public and private debt were already at record-high levels relative to gross domestic product (GDP) in developed and developing economies before the crisis. Forty-four percent of the poorest countries were at high risk of debt distress or under debt distress. Additional oil-exporting least developed countries, as well as tourist dependent countries, are now at risk. Several middle-income countries (MICs), particularly those dependent on commodity exports, will also likely have to restructure their debts. In addition, many MICs witnessed a rise in private debt levels and an increase in the number of highly-leveraged corporations over the past years, rendering them particularly vulnerable to financing shocks, leading to a deeper and more protracted crisis.

In these challenging times, the United Nations is working to strengthen global solidarity and joint action and supporting country responses. In March, the Secretary-General launched a \$2 billion global humanitarian response plan to fund the fight against COVID-19 in the world's poorest countries. The Department of Economic and Social Affairs is supporting national and global efforts by promoting coordinated policy action by the international community, to address countries' immediate needs and set the world on a more sustainable development path.

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 *2020 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 prior to the outbreak of the pandemic, the slowdown in global growth, trade disputes, heightened risk of debt distress, and more frequent and severe climate shocks – combined with a backsliding on global commitments – already posed a serious threat to the implementation of the Sustainable Development Goals (SDGs).

It calls for both immediate and medium-term policy action to address the immediate economic crisis, avoid a potential debt crisis, and rebuild a more sustainable and resilient world. The report addresses the role that digital technologies can play in achieving the SDGs. These are coming to the fore during the COVID-19 pandemic, as digital communication has helped sustain interaction and continuity in economic and educational activities. However, access to digital technologies remains highly unequal within and between countries. The pandemic has also exposed the lack of protection of many workers in the platform or 'gig economy' against massive income losses in a recession, with social protection systems often ill-equipped to address their needs.

Priority policies to mitigate the COVID-19 crisis

Policy responses should be designed to help those most in need, so that the burden of the crisis does not fall on those least able to bear it. This includes large-scale concerted global action to help emerging and developing countries fight COVID-19 and safeguard their hard-won sustainable development gains. Since today's policy measures will affect future outcomes, even immediate crisis measures must be aligned with sustainable development.

At the national level, policies must consider all fiscal, monetary, macroprudential and related policies in the toolkit, in a coherent manner. This includes capital flow management where needed to address the effects of large, sudden capital outflows, as witnessed for example by several MICs in Latin America and the Caribbean. Integrated national financing frameworks (INFFs) can help countries assess and manage financial and non-financial risks and incorporate them into planning processes.

However, many countries, especially those with high debt burdens, will be constrained in their national policy options. The global community must support countries in need, both to ensure that no one is left behind and to effectively combat the pandemic.

At the international level, four main areas call for urgent action:

First, major economies should come together to launch a large-scale, coordinated stimulus package of at least 10 per cent of global GDP to help boost the world economy, as called for by the UN Secretary-General. This includes significantly increasing access to concessional financing for developing countries. As a first step, despite enormous domestic pressures in the face of COVID-19, donors should immediately reverse the decline in official development assistance (ODA), particularly to LDCs, for whom ODA remains essential. In 2018, total ODA fell by 4.3 per cent and ODA to LDCs declined by 2.2 per cent in real terms. There may be a need to consider reverse graduation options below income-thresholds that allow countries greater access to concessional finance.

Second, the international community must work together to prevent a debt crisis. This includes immediately suspending debt payments from LDCs and other low-income countries that request forbearance. Bilateral creditors must lead, and others must consider similar steps. Requests from middle-income countries that ask for relief must also be considered. An initial debt moratorium should be a starting point for discussions of a more comprehensive assessment of debt sustainability and SDG achievement, with a view to consider longer-term measures of promoting debt sustainability and debt relief, where needed, while allowing for necessary public investments in the SDGs.

Third, the global safety net needs to be strengthened to provide liquidity and emergency funding for emerging markets and developing countries. Countries should increase contributions to the IMF's Poverty Reduction and Growth Trust (PRGT) and Catastrophe Containment and Relief Trust (CCRT) to finance concessional help during this crisis, to complement increases in ODA. A sizable issuance of Special Drawing Rights (SDRs) by the IMF would provide international liquidity for all countries. Countries could enhance the liquidity impact of such an issuance by lending unused SDRs back to the IMF to increase its lending capacity. An increase in central bank bilateral swap lines can help countries manage foreign exchange needs, particularly for US dollar liquidity. While the US Federal Reserve has expanded the set of countries that are offered swap lines to 14 (mainly developed) countries, central

banks should consider extending such arrangements to additional countries in need.

Fourth, global governance must be enhanced to mitigate the impact of COVID-19 and to support the implementation of the 2030 Agenda. Throughout the *2020 Financing for Sustainable Development Report*, there are many calls for deepening international cooperation, strengthening global governance and improving inclusive international norm setting. Across these areas, more work is needed on broadening and strengthening the voice and participation of developing countries. This is true at all levels and in all institutions, including at the World Bank and IMF, as was committed in the Addis Ababa Action Agenda.

Medium-term solutions

Beyond such immediate measures, we need to build a more sustainable future through national and international actions. As part of the shared international responsibility and global solidarity during this crisis, we must also build back better to set the world on a more sustainable development path.

The current crisis provides a stark reminder of the importance of investment in public services and goods, including preparedness for economic and non-economic shocks. This includes: i) strengthening social protection; ii) accelerating long-term investment in resilient infrastructure for sustainable development, through public investment and incentives for the private sector; iii) increasing investment in risk management and preparedness; iv) enhancing regulatory frameworks, e.g. to discourage over-leverage when debt is not intended for productive investments (vs. increasing shareholder returns); and v) as noted above, strengthening the international financial safety net and the framework for debt sustainability. These and other policy responses should be sustained, sustainable and equitable, to avoid a rerun of the protracted and slow recovery from the 2008 crisis -- and ensure implementation of the Addis Ababa Action Agenda and the Sustainable Development Goals.

Conclusion

I encourage the G24 finance ministers to make use of the analysis and recommendations of the *2020 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 to translate global commitments into concrete advances in global and national policies and actions. These issues are usually also taken up by the ECOSOC Forum on Financing for Development in New York.

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.