



GROUP OF G77 & CHINA

**Statement of the Group of 77 and China at the 110th Meeting of
Ministers and Governors of the Group of 24.
Tuesday, 10 October 2023
09:30 a.m. - 11:30 a.m.**

Mr. Chairman, Excellencies, Ladies and Gentlemen,

I am honored to speak on behalf of the Group of 77 and China.

Allow me, at the outset, to thank you for the kind invitation to participate in this important meeting, as part of the efforts of maintaining coherence and coordination between our Groups in the interest of representing, as best as we can, the interests of developing countries in this complex global scenario.

The note on the reform of the Multilateral Financial System for the Challenges of the 21st Century, distributed as “issues for discussion” for this meeting, raises a number of questions of utmost importance for the Global South, particularly when leaders of the world just adopted the Political Declaration of the Summit on the Sustainable Development Goals (SDGs) at the United Nations General Assembly in New York, a couple of weeks ago.

During the long and complex negotiations that we held with developed countries to arrive to consensus on that Political Declaration, the questions related to the reform of the

international economic and financial system were among the most difficult ones, since from the very beginning it became very clear the lack of interest of the North to engage in a serious exercise to change the *status quo* and undertake the fundamental reforms the system needs.

In our view, even if the language achieved on issues such as debt, trade, reform of the international financial architecture, Special Drawing Rights and Multilateral Development Banks, does not reach the level of ambition defended by our Group, yet it serves the purpose of keeping these concerns alive and at the center of the development agenda, while stressing the role of the United Nations as a setting for these discussions, something that was all along resisted by developed countries.

For us, the inclusive participation of all countries in the shaping of a new global financial system is crucial if we want to ensure that the views and concerns of our countries are duly taken into account in a reform anchored on development, something only possible at the United Nations. In that regard, some important questions would have to be discussed in any serious reform effort that take into account the seven policy priorities outlined in the “Issues for discussion” at hand.

First, the question of representation linked to the voting power at the International Financial Institutions (IFIs), which according to its current functioning, limit the effective participation of developing countries in the decision-making and standard setting processes within these institutions and

restrict their access to their resources. The thorough review of the shareholding system, including a new quota formula and data update, would be essential for the very much needed power rebalancing within the IFIs and to incorporate global South perspectives in the shaping of development strategies at all levels, considering that the current IMF quota formula creates distortions and tends to favor developed countries. Building on this, it is important that we push for a review of the IMF's surcharge policy, which is regressive and pro-cyclical, and increases the vulnerabilities of countries in a debt distress situation.

Second, the question of Special Drawing Rights. These are currently issued and allocated according to countries' quotas within the IMF, meaning that developing countries could only receive under two-fifths of these resources. One of the key transformations that could be addressed to correct this situation is the issue of the double accounting per which the Fund distinguishes between "general resources" and SDR accounts, a system that turns unused SDRs into a virtually non-accessible resource for countries most in need among developing countries. Under the current quota system, developed countries receive 26 times more SDRs than the Least Developed Countries and 13 times more than all African countries combined. An SDR contingency mechanism should be created to ensure that in future crises, these resources are issued quickly and automatically, including through Multilateral Development Banks. An additional SDRs allocation should be approved to facilitate public investments of developing countries to achieve the SDGs.

Third, the question of external debt. It is essential to move towards improved international debt mechanisms with meaningful participation of developing countries, to assist in managing over-indebtedness problems. In 2022, 25 developing countries dedicated more than a fifth of their total revenue to servicing external public debt, a situation which constrains their ability to invest in recovery and sustainable development and raises the risk of future debt crises. The new mechanisms should include measures from cancellation to alleviation of debt burdens as appropriate, promoting debt sustainability, finding a balance between the interests of debtors and those of creditors and establishing clear transparency standards for both. That balance could include the strengthening of contractual provisions to minimize economic disruption when debtors experience difficulties, such as in the case of natural disasters and other large economic shocks, when automatic suspension of debt service should be applied. Similarly, it would be important to develop mechanisms to encourage private creditors to participate, along with official creditors, in debt treatment exercises.

We also recall the commitment to continue to assist developing countries in avoiding a build-up of unsustainable debt and in implementing resilience measures so as to reduce the risk of relapsing into another debt crisis, while recognizing the importance of new and emerging challenges and vulnerabilities in regard to developing countries' external and domestic debt sustainability, as stated in the Political Declaration of the SDG Summit. While

recognizing that they do not replace debt management solutions, debt swaps for SDGs, including for climate and nature, should be escalated, where applicable, to allow developing countries to invest in sustainable development.

Fourth, the role of the Multilateral Development Banks (MDBs). These institutions are uniquely positioned to help governments achieve the SDGs. They must embrace and drive the new growth paradigm for the 21st century, one based on innovation and investment in new technologies, including environmentally sound technologies, as well as in adaptation and resilience to accelerated climate change. MDBs can also create a new avenue for private financing by partnering with the private sector, reducing the cost of capital through blended financing and increasing their own direct financing for large complementary public investments in physical and social infrastructure. Their role in assisting all developing countries in formulating financing innovative mechanisms in concessional terms should be enhanced.

Fifth, the question of the global tax architecture. We should address the challenges posed by tax evasion, as Governments around the world lose \$483 billion USD each year to tax evasion and avoidance. We stress that appropriate emphasis must be placed on an enabling global environment and global partnership for development. We should reiterate the commitment to working to strengthen regulatory frameworks at all levels to further increase transparency. These efforts would be also crucial to enhance domestic resource mobilization in support of advancing the SDGs and the development agenda as a

whole. United Nations should also serve as a platform to harmonize different initiatives in this regard, and to ensure a universal and inclusive approach to global tax cooperation.

The decisive advancement towards a meaningful reform along the lines of what we have discussed is no longer an option, it is an imperative, a question linked to the very survival of countries and peoples. Developing countries must continue leading up the fight towards a more just, equitable, sustainable and development-oriented international economic order, including through a strong call for the lifting of all unilateral coercive measures that hamper the ability of the countries of the South to achieve sustainable development. That would also be essential to build a common future for all and a better world for current and future generations.

I thank you.