UNITED NATIONS NATIONS UNIES

Statement by
MR. LI JUNHUA
UNDER-SECRETARY-GENERAL FOR ECONOMIC AND SOCIAL AFFAIRS
TO THE MINISTERIAL MEETING OF THE GROUP OF 24
Marrakech, Morocco, 10 October 2023

When the General Assembly held its quadrennial High-Level Dialogue on Financing for Development on 20 September 2023, the message from the heads of state and government, ministers, and stakeholders was clear: the present global financial architecture is not fit for today's political and economic reality and must be transformed. If it is not, we risk further geopolitical fragmentation, with no hope to address the myriad of global challenges we face.

At the halfway point for implementing the 2030 Agenda, progress on almost 85 per cent of SDG targets is insufficient, stalled or regressing. The world economy faces the risk of a prolonged period of low growth as the lingering effects of the COVID-19 pandemic, the ever-worsening impact of climate change and macroeconomic structural challenges remain unaddressed.

The pandemic and its fallout revealed a "great finance divide". Developing countries were unable to raise sufficient affordable resources for crisis response and long-term investment. The situation was compounded by rapid tightening of monetary policies in developed countries and the continued strength of the US dollar. The 2023 *Financing for Sustainable Development Report* emphasized that if left unaddressed, this finance divide will translate into a lasting sustainable development divide, putting the 2030 Agenda for Sustainable Development, including poverty eradication and climate targets out of reach.

For this reason, the Secretary-General has proposed an SDG Stimulus, with 3 key elements: a significant increase in long-term affordable financing, tackling the high cost of debt, and a strengthened global financial safety net.

Governments have recognized the importance of action. In the political declaration of the SDG Summit in September, UN Member States welcomed the Secretary-General's efforts for an SDG Stimulus and committed to advance the proposals in discussions at the UN and other relevant forums. The Secretary-General announced his intention to convene an SDG Stimulus Leaders Group to sustain momentum and deliver actions to enable $500 billion to start flowing before the end of 2024. At the ministerial level, the members of the G-24 have a strong role to play to ensure delivery of reforms at the Washington-based institutions and beyond.

Strengthening public development banks to deliver more resources

The SDG Stimulus calls for a bigger and better multilateral development bank (MDB) system. It includes a combination of better leveraging existing capital, selective and general capital increases, re-channelling SDRs through MDBs, and better and more impactful leveraging of private finance. As countries call on the MDBs to finance global public goods, such as in the World Bank Evolution

Roadmap, there is a risk that limited capital headroom will require trade-offs between financing climate change mitigation and financing other national sustainable development priorities. Additional capital is essential to leverage greater volumes of resources for developing countries to balance both global and national priorities. Given that negotiations on capital increases take significant time, shareholders of MDBs shouldn't delay talks on capital increases.

MDBs also need to fully align their operations with the SDGs and work more effectively as a system. This should include risk-sharing instruments that can leverage diversification across the entire MDB balance sheet. MDBs should also work with national development banks, building on local knowledge of the national institutions.

Addressing the risk of widespread debt crisis

While some progress has been made in sovereign debt resolution, in the form of the G-20 Common Framework, debt restructurings have remained slow, and relief provided has generally been too small. Improvements are needed on multiple fronts. Mechanisms are required to achieve more sufficient and speedier solutions, comparable treatment among all creditors in restructurings, and to prevent free riding by uncooperative creditors. And middle-income countries also need access to an improved debt restructuring framework. The UN can be a useful neutral venue for multistakeholder discussions on politically feasible mechanisms to improve the operation of the Common Framework, e.g., through a debt workout mechanism as proposed by the Secretary-General in his *Policy Brief on Reforms to the International Financial Architecture*.

At the same time many countries with debt burdens deemed sustainable, spend too large a portion of domestic revenues servicing debt, impeding investment in sustainable development and growth. Bilateral creditors should work together to implement debt swaps, to create fiscal space for investment in sustainable infrastructure, climate adaptation and the energy transition. Risk sharing clauses need to be introduced in all sovereign debt instruments; the MDBs can lead the way in making such clauses a reality for market participants. Major sovereign issuers should also include such clauses in their bond contracts to support widespread uptake in markets. And the international community should explore new mechanisms for incentivising private creditors to participate debt restructurings, including through legislation in key jurisdictions.

Enhancing liquidity in times of crisis

The unprecedented issuance of special drawing rights (SDRs) in 2021 was a milestone in strengthening the global financial safety net. We welcome re-channelling pledges made to date, which need to be fulfilled. There is also ample scope for developed countries to re-channel another $100 billion worth of SDRs, including through hybrid capital instruments at MDBs, making use of the pioneering work of the African Development Bank. However, there also remains a need to find ways to target SDRs more automatically to countries when they need them. Short of changes to the original allocation mechanism, standing agreements for re-channelling can help speed up the process for the future.

Reforms to the international financial architecture

As action is taken in the short term to deliver on the SDG Stimulus, the world also seems ready to finally undertake the structural transformations and institutional reforms needed to make the international architecture fit to deliver on the ambitions of the 2030 Agenda for Sustainable Development. The Secretary-General published proposals in 6 areas in his policy brief on the reforms to the international financial architecture (IFA): global economic governance, a lasting solution on debt, massively scaling up development and climate finance, strengthening the global financial safety net, ensuring sustainable financial systems, and the global tax architecture.

In the SDG Summit political declaration, all Member States agreed to support reform of the international financial architecture. Many of your countries stressed that discussions on IFA reform should be held at the UN as a universal forum, paving the way for discussions in other relevant venues and forums for achieving consensus on how to make global governance and international institutions more fit for purpose, equitable and responsive to the financing needs of developing countries. The G-24 should consider how to use upcoming international events, such as the Summit of the Future in 2024 and the potential Fourth International Conference on Financing for Development in 2025, to adopt the far-reaching reforms needed.

Ensuring fully inclusive and more effective international tax cooperation

In December 2022, the General Assembly decided by consensus to begin critically important intergovernmental discussions at the United Nations on ways of making international tax cooperation fully inclusive and more effective. The discussions during this 78th session of the General Assembly are informed by a Secretary-General's report, requested by Member States, that identifies additional options and next steps. The options include different types of conventions and outcomes. They differ mainly in their degree of establishing legally binding obligations. Yet, they all reflect the deeply intertwined nature of inclusiveness and effectiveness.

Fully inclusive and more effective international tax cooperation can, if successful, significantly support efforts to fight illicit financial flows, increase domestic resource mobilization, and achieve the SDGs and climate action. The opportunity for forward-looking discussion and decision during this session should encourage active engagement by the G-24 and all Member States in the UN process.

Conclusion

As we look ahead to the United Nations Summit of the Future in 2024, and a potential 4th International Conference on Financing for Development in 2025, countries must deliver a renewed inclusive and networked multilateralism.

The United Nations is a critical venue for delivering change because of its inclusive design and equality of all Member States. It is imperative that political leaders leverage the spaces for dialogue and decision making that the United Nations provides, such as the ECOSOC Financing for Development Forum in April 2024. I look forward to continuing the close working relationship between the United Nations and your countries.