Statement on Behalf of the Group of 77 and China by H.E. Mr. Adonia Ayebare, Ambassador, Permanent Representative at the G-24 Ministers and Governors Spring Meeting 2024

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 partnership to advance the interests of developing countries in this complex global system.

During the pandemic, many developed countries enacted massive fiscal stimuli to protect their economies and societies, supported by aggressive monetary policy. Most developing countries, especially least developed countries (LDCs), have been unable to respond at a comparable scale.

At this very moment, great "finance divide" is curtailing the ability of many developing countries to invest in recovery and sustainable development. Progress in the achievement of SDGs has slowed or reversed and the SDG Financing Gap currently estimated to be between USD 2.5 and 4 trillion annually· [1]Financing gaps were already large before 2020, and they have widened significantly since, with developing countries' financing gap increasing by 56 per cent since the pandemic.[2]

In fact, as of November 2022, 37 out of 69 of the world's poorest countries were either at high risk or already in debt distress, while one in four middle- income countries, which host most of the extreme poor, were at high risk of fiscal crisis.

The impact of these compounding shocks on developing countries is aggravated by an unfair global financial system that is short-term oriented and crisis prone. Unfortunately, this further exacerbates inequalities.

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[1] FSDR 2024 Report (Advance unedited version)

[2] Bottlenecks to access SDG Financing for Developing Countries, OECD

Mr. Chairman,

The Group of 77 and China recognize that achieving the Sustainable Development Goals (SDGs) is intrinsically linked to the successful implementation of the Addis Ababa Action Agenda on Financing for Development. We emphasize that without additional, timely and sustained financing, the SDGs will remain out of reach by 2030. In this regard, we stress the urgent need for adequate mobilization of resources for the effective implementation of the 2030 Agenda, especially through a comprehensive reform of the international financial architecture.

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 all developing countries are duly considered. Therefore, a reform anchored on development needs is imperative now than ever before. In that regard, the following important aspects would have to be discussed in any serious reform effort.

First, the question of representation linked to quotas and 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. On this basis, we demand for a review of the IMF's surcharge policy. This policy is regressive, pro-cyclical, increases the vulnerabilities of countries in a debt distress situation and leads to diversion of scarce resources from development needs.

Second, while we welcome ongoing efforts to re-channel Special Drawing Rights to countries most in need, we note with concern that progress in re-channelling has been slow. We call on all countries to urgently redeem their unfulfilled pledges to re-channel $100 billion in SDRs in a timely manner, including through MDBs, and encourage developed countries to make additional commitments. We call for the urgent voluntary rechannelling of additional

special drawing rights for countries most in need, including through multilateral development banks.

The Group wishes to point out that, the IMF financing is limited in volume, and notes that while SDRs were effectively allocated in crisis periods, the mechanism for allocating SDRs in proportion to countries' IMF quota shares, means developing countries received only about one third of the 2021 SDR allocations.

We therefore recommend the exploration of further voluntary options related to special drawing rights that could serve the needs of developing member countries of the International Monetary Fund and will explore ways for future allocations of special drawing rights to benefit those countries most in need. We stress the importance of catalysing the potential of special drawing rights as a source to finance sustainable development.

Third, developing countries are faced with significantly worse terms of access to both long-term and contingency financing. Prior to the recent rise in interest rates, least developed countries that borrowed from international capital markets often paid rates of 5 to 8 per cent, compared to 1 per cent for many developed countries. Higher sovereign borrowing costs are also mirrored in higher costs of capital for private investors.

The debt challenges of developing countries remain elevated. We are concerned that debt service burdens crowd out vital investments and constrain progress towards the achievement of Sustainable Development Goals due to the reduction of available fiscal space for development financing.

We therefore call for concrete steps to finding solutions to the challenges of high borrowing costs and debt service burdens and address gaps in finance for development to strengthen debt crisis prevention, support countries that face severe fiscal constraints and enhance capacity in debt management.

We recognize the important role, of debt relief, debt swaps, including debt cancellation and debt restructuring as debt crisis prevention, management, and resolution tools.

The Group calls for strengthened multilateral actions and coordination by all creditors to improve international debt management mechanisms that help developing countries to avoid build-up of unsustainable debt and in

implementing resilience measures to reduce the risk of relapsing into another debt crisis.

We take note on the recent developments made in the ongoing implementation of the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative. We encourage the Group of 20 and Paris Club creditors to discuss options for implementing comparability of the treatment of private and other official bilateral creditors, expanding support to highly indebted developing countries, considering the provision of temporary debt standstills on a case-by-case basis, through negotiations and facilitating rapid recovery of capital market access following restructuring.

We call to step up efforts to improve and implement the **Common Framework (for debt treatment)** in a timely, orderly predictable and coordinated manner, including to increase the fiscal space of developing countries in debt distress including through considering specific and appropriate measures, that encourage greater private debtor participation through more clarity in assessing compatibility of treatments. We also note that more needs to be done, including to respond to the needs of countries not covered by current initiatives, including middle-income countries.

Additionally, we reaffirm the urgent need for scaling up debt swaps for SDGs, including debt swaps for climate and nature, and debt swaps for food security, as appropriate, and taking multilateral measures to standardize the use of these mechanisms, while recognizing that debt swaps cannot replace broader debt treatments in unsustainable debt situations, to allow developing countries to use debt service payments for investments in sustainable development. We stress the importance of enhancing capacity building for developing counties for them to be able to benefit from their use.

We acknowledge that State-contingent debt instruments could further strengthen borrower resilience and encourage the consideration of their use where appropriate, with a view to providing breathing space to countries hit by shocks with direct impact on its GDP growth prospects such as natural disasters or macro-economic shocks. We welcome the development of climate-resilient debt clauses, where appropriate, and further note that clauses that consider other catastrophic external shocks could also be developed.

We reiterate the need to reduce mechanistic reliance on credit-rating agency assessments, including in regulations and to promote increased competition as well as measures to avoid conflict of interest in the provision of credit ratings,

underlining the importance that credit rating agencies ensure that their ratings are objective, independent, forward-looking, and based on accurate information and sound analytical methods.

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. They should **explore lending in local currencies to address currency volatility and lower** the LDCs debt risk profile.

The Group noted that while lending by multilateral development banks (MDBs) has grown, the size of MDB lending has not grown commensurate with the global economy's expansion nor with their anticipated contributions to the global goals and country outcomes.

Fifth, we acknowledge that globalization and digitalization have fundamentally altered the taxation landscape, motivating more focus on international taxation in the financing agenda. We reiterate that international tax rules must respond to the needs, priorities and capacities of all countries and appropriately address the ways in which modern markets operate and business is done, as part of the reform of the international financial architecture.

We emphasize that promoting inclusive and effective international tax cooperation remains a critical prerequisite to the achievement of the SDGs, since it enables countries to effectively mobilize their domestic resources. We stress that the current international tax governance structures need considerable improvements. We welcome the adoption by consensus of the outline and modalities of the work of the Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation. We look forward to the successful completion of the process towards developing a United Nations framework convention on international tax cooperation and call upon all countries to continue engaging constructively.

We stress the importance of international tax and financial transparency instruments and mechanisms, while highlighting that many developing countries are still not benefiting from international tax cooperation, including taxes on profits made by MNCs/businesses and the exchange of tax information instruments. We call for the timely adoption of tools that can assist all countries in preventing and combating illicit financial flows, including beneficial ownership registries or alternative mechanisms.

Mr. Chairman,

While donors have responded to growing global challenges by increasing official development assistance, with ODA reaching an all-time high of US$211 billion in 2022, more than doubling in real terms compared to two decades ago, nonetheless, most donors fall significantly short of the 0.7 per cent of GNI commitment. A more crisis-prone world has put pressure on concessional financing, with country programmable aid (CPA) declining as a share of total ODA compared to its peak in 2009[3]

The Group is therefore calling for:

1. Fulfilment of the ODA Commitment of 0.7% of GNI as well as a commitment to enhance the amount of ODA designated for country programmable aid.
2. Re-channeling of Special Drawing Rights (SDRs), including through the RST and MDBs.
3. Additional Allocation of Special Drawing Rights as this could play a pivotal role in mitigating balance of payments and fiscal crises, while also effectively reducing borrowing costs for nations. At the same time, it would provide additional liquidity to address climate action, which is becoming more frequent for many countries.
4. Recapitalization of MDBs (US$100 billion-US$150 billion) accompanied with balance sheet optimization efforts.
5. Improved terms of lending by MDBs. This could include lowering the cost of borrowing, longer loan maturities, flexible repayment schedules, lending in local currencies and reducing exposure to exchange rate volatility.
6. Scaling up of climate finance through fulfilment of US$100 billion in annual climate finance, or significantly increasing adaptation finance,

[3] FSDR 2024 Report (Advance unedited version)

beyond doubling from 2019 levels, or enhanced pledges to the Loss & Damage Fund and or the development of new collective quantified climate finance goal to respond to the needs and priorities of developing countries.

7. Mobilization of private sector investment through innovative mechanisms and platforms.
8. Reviewing the Resilience and Sustainability Trust (RST), and Poverty Reduction and Growth Trust (PRGT) as Longer-term programs from the access is limited by underfunding, program preconditions, long application and disbursement processes, and high unsustainable debt burdens of prospective applicants. A review of the requirement of prior Upper Credit Tranche facility for the RST, the scope as well as access limits should be undertaken to enhance their effectiveness.

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.