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
Washington, DC, 9 April 2024

Financing for development is at a crossroads. The world is running out of time to achieve the Sustainable Development Goals (SDGs) and prevent catastrophic climate change. Multiple crises, growing intensity and frequency of extreme weather events, tight financing conditions, and simmering geo-political tensions jeopardize progress towards the Sustainable Development Goals (SDGs). Although global economic growth has outperformed expectations, growth remain subdued. UN DESA projects average growth rates in developing countries to be around 4 per cent through 2025, well below average growth rates of over 6 per cent early in the millennium.

In this very challenging global macro-economic context, the ***2024 Financing for Sustainable Development Report: Financing for Development at a Crossroads,*** published by the Inter-agency Task Force on Financing for Development,[1] finds that financing challenges are at the heart of the global sustainable development crisis. An urgent, large-scale and sustainable investment push, along the lines of the SDG Stimulus, is critical to achieving the SDGs. Yet, despite efforts to advance development financing over the last two decades, unmet financing need continues to grow, with estimates of the financing gap in developing countries topping $4 trillion annually. There is broad recognition that the international financial architecture is no longer fit for purpose for the 21st century. The gap between our development aspirations and the financing dedicated to meet them has never been so large.

While financing challenges have played a central role in creating the sustainable development crisis, financing also holds the key to turning our fortunes around. Coherent reforms to the entire system of institutions and rules must take into account the SDGs and climate action, reflect the realities of today, and ensure adequate voice and representation for developing countries. Next year's Fourth International Conference on Financing for Development (FfD4), which will update the Addis Ababa Action Agenda and Monterrey Consensus, can be a catalyst for change. More than 80 years after the present international financial architecture was established, FfD4 has a mandate from all UN Member States to support reform of the architecture.[2] It presents an opportunity to translate aspiration into action.

The *2024 FSDR* identifies three critical actions: (i) an investment push to urgently close financing gaps; (ii) reforms to the international financial architecture to make it fit for purpose in a crisis-prone world; and (iii) steps to translate rhetoric and commitment into action to rebuild trust in multilateralism.

1. Scale up investments in the SDGs to close the financing gap

Achieving the large-scale transitions needed to avoid catastrophic climate change and achieve the SDGs will require investments at an unprecedented scale. Yet financing gaps pale in comparison to the costs of inaction. Last year, the United Nations Secretary-General called for an SDG Stimulus to massively scale up affordable long-term financing for development, especially by strengthening the system of public development banks. While some progress has been made, much more remains to be done.

---

[1] The Task Force, which is chaired by UN UNDESA, includes over 60 UN agencies and other institutions, with the World Bank Group, IMF, WTO, UNCTAD, and UNDP taking a leading role.
[2] UN General Assembly resolution A/RES/78/231mandates the conference to "*address new and emerging issues… and to support reform of the international financial architecture,*"

The UN sees three critical areas for action.

First, MDBs need more resources. The capital adequacy framework reviews, while important, will not provide resources at the scale needed, especially if the world is calling on MDBs to play a bigger role in financing global public goods. There is larger potential in developing hybrid capital instruments and rechannelling SDRs through the MDBs. Still, discussions should start now on general capital increases, as delivering a final agreement on more capital will take time.

Second, a bigger MDB system only enhances SDG progress if it accompanied by reforms for a better MDB system – focused on SDG impact and aligned with national plans. MDBs need to further update their business models and change internal incentives to better align lending with the SDGs. MDBs should also intensify efforts to lengthen the tenor of loans, include state-contingent clauses in loan contracts, and provide loans in local currencies (which would necessitate currency risk management across the MDB system). Partnerships between the MDBs and the private sector can also be more strategic so that blended finance investments are aligned with and maximize SDG impact.

Third, closer cooperation between MDBs and across MDBs and other public development banks (PDBs) should enable greater impact and higher lending. This can be achieved, and is already starting, through greater use of co-financing and other risk-sharing mechanisms, which can allocate risk across the PDB system and reduce risks on individual MDB balance sheets. MDBs should also strengthen their financial cooperation and technical assistance provided to national development banks. In turn, regional and global institutions can benefit from the local knowledge of national institutions.

2. Tackling the high cost of debt and rising risks of debt distress

Many nations are grappling with a daunting reality: crushing debt burdens crowd out crucial investment in SDGs and climate action, and trap countries in a vicious cycle of low growth, low investment, and unsustainable debt. If we do not address these debt challenges head on and with urgency, the divide between developed and developing countries will widen further.

Since 2020, multilateral efforts have played an important role in supporting countries in the face of debt sustainability challenges. The Debt Service Suspension Initiative and the G20 Common Framework for Debt Treatments were significant innovations but have not so far delivered on their promise. Too few creditors and debtors were covered, coordination took too long, relief arrived too late.

The international community must address these weaknesses and create a development-oriented debt architecture that better prevents crises, offers support to countries faced with very high debt service burdens, and resolves crises more fairly and effectively. Developing countries under tight liquidity pressure need more concessional financing, but when very high debt levels translate into high costs of capital for official and private borrowers, additional steps are needed. It is time to consider official sector mechanisms, instruments, and technical support to more systematically provide debt pauses for official debt and ease burden on servicing of commercial debt, e.g., through debt swaps, market-based exchanges, or buybacks. For countries facing solvency challenges, we must continue to improve the Common Framework to enable debt restructurings that deliver deeper and more rapid relief.

3. Creating fully inclusive and effective international tax cooperation

In the 2015 Addis Ababa Action Agenda, UN Member States committed to scaling up international tax cooperation and stressed that it should be universal in approach and scope, and fully consider different needs and capacities of all countries. The December 2023 decision by the United Nations General Assembly to establish an ad hoc intergovernmental committee, open to all Member States, to draft terms of reference for a United Nations framework convention on international tax cooperation is a crucial step in translating the Addis Ababa commitment into concrete action.

Aggressive tax avoidance and tax evasion have a corrosive effect on public trust, financial integrity, and the rule of law. They also drain needed public resources away from investment in sustainable development and social services. In drafting the terms of reference, the Committee will consider how a framework convention and its protocols can address these challenges. These could include commitments on developing-country priorities, such as tax-related illicit financial flows and taxation of income from cross-border services, as noted in the General Assembly resolution.

The Ad Hoc Committee will hold two substantive sessions at United Nations Headquarters in New York: from 26 April to 8 May 2024, and from 29 July to 16 August 2024. Modalities for multi-stakeholder engagement, including international and regional organizations, civil society, academia, and the private sector, are an important feature of the Committee's work – with the Committee receiving over 100 written inputs on elements for the terms of reference. The Committee will also take into consideration the work of other relevant forums, potential synergies and complementarities in the multiple institutions involved in tax cooperation at the international, regional, and local levels.

The outputs of the G-24 Working Group on Tax Policy and International Tax Cooperation have helped shape discussions on reforms to international tax norms. I urge G24 countries to take a leadership role in the UN discussions and engage actively, so that the design of a UN framework convention can effectively strengthen the inclusiveness and effectiveness of international tax cooperation.

4. The Road to the Fourth International Conference on Financing for Development

The series of shocks since 2020 have inflicted extensive damage on lives and livelihoods. But they also triggered a tremendous amount of creative policy work on options for financing reform. Academics, think tanks, national governments, international institutions, and other stakeholders have tabled ambitious proposals that have been discussed in the UN and beyond. Nonetheless, most of these new ideas still await adoption, with both technical and political hurdles to clear.

Next week, we will hold the annual ECOSOC Forum on Financing for Development follow-up in New York at UN headquarters, organized under the theme of "Embarking on the path toward the Fourth International Conference on Financing for Development." I hope to welcome you in New York to an FFD Forum that aims to secure a robust and ambitious outcome that will lay a foundation for discussions leading to FfD4, to be held in Spain in June 2025. The Summit of the Future, which will be held at Heads of State/Government level in September 2024, will provide a chance for Member States to make high-level political commitments to major reforms. Your engagement on its outcome, dubbed the Pact of the Future, will also set the stage and guide the level of ambition for FfD4.

The solutions Member States agree on at FfD4 need to meet the urgency of this moment – a moment that we all agree requires transformative change. The United Nations Secretariat aims to bring ideas to intergovernmental discussions that are both ambitious enough to change the unsustainable status quo but can also find political agreement. Discussions in informal settings can contribute to enhanced understanding of potential outcomes to support formal discussions and negotiations in FfD4 preparatory committee meetings. It is critical to have the engagement of your finance ministries in both the informal and formal global conversations. Working together to build consensus – as was done in the negotiations on the Monterrey Consensus in 2002, and the Addis Ababa Action Agenda in 2015 – is the catalytic element that can drive change. I look forward to working with all of you to ensure fruitful and effective discussions as we progress towards FfD4.