

Trade and Development Board
Intergovernmental Group of Experts on Financing for Development
Fourth session
Geneva, 25-27 January 2021

H.E. Ambassador Federico Villegas (Argentina)

Opening plenary meeting

Monday, 25 January 2021, 10 a.m

Excellencies,

Distinguished experts,

Ladies and Gentlemen,

At the outset, allow me to extend my warm congratulations to His Excellency Ambassador Khalil-ur-Rahman Hashmi of Pakistan on his election as Chair of this fourth session of the Intergovernmental Group of Experts on Financing for Development, and His Excellency Minister Plenipotentiary of the Mission of the Kingdom of Morocco, Mr. Abderrahim Ait Slimane, on his election as Vice-Chair-cum-rapporteur.

This fourth session of UNCTAD's Intergovernmental Group of Experts on Financing for Development addresses systemic issues in the global economy, such as rising inequalities, high financial instability and volatility, rising debt burdens in developing countries and wider issues of systemic macroeconomic imbalances that negatively affect development prospects. Many of these issues have been at the centre of recent deliberations of the Initiative of Financing for Development in the Covid-19 Era and Beyond, co-convened by the governments of Canada and Jamaica and the UN, and form a regular part of discussions in the FfD Forum at the ECOSOC. And of course, UNCTAD, has provided in-depth analyses of the impact of systemic and structural weaknesses in the current system of international global governance on the developing world for many years and decades.

Excellencies,

Distinguished experts,
Ladies and Gentlemen,

Developing countries are, at this moment, experiencing an enormous fallout from the pandemic. This is the case not only in terms of heightened demands on their health and social protection systems. Strong pressures on fiscal budgets also reflect unprecedented capital outflows in the initial months of the pandemic, alongside a steep reduction in remittances, the virtual collapse of tourism – a core industry in many developing countries - as well as large reductions in export earnings from slowed international trade, heightened commodity price volatility and growing difficulties in attracting long-term and productive foreign direct investment.

This deep economic crisis is set to last long beyond the eventual end of the pandemic in most developing countries whose own resources are insufficient to allow them to orchestrate a speedy recovery of their own. Thus, for instance, many developing countries have seen already fragile external debt positions turn into unsustainable debt crises in the course of the pandemic. Without concerted further efforts by the international community to provide more substantive debt relief to the most stricken countries than is currently the case, as well as more consistent and unconditional liquidity support, the likely scenario is one of serial sovereign defaults across the developing world.

These unsustainable debt burdens are, however, also an example of deeper underlying issues in the global economy. Well before the pandemic, rising debt mountains in many developing countries were driven by sluggish and volatile global economic growth following the 2008 global financial crisis, limited or no access of many poorer and middle-income countries to concessional financing and their growing exposure the vagaries of international financial markets and investor sentiments. Moreover, the current international debt architecture lacks coherence and efficacy in

resolving debt crises in the interest of speedy and inclusive economic recovery in the afflicted economies. The ongoing G20 Debt Service Suspension Initiative has shown how difficult it can be, under current circumstances, to bring all creditors -bilateral, private and multilateral – to the table to find equitable solutions. This is a long-standing problem in a debt architecture that is marked by creditor bias rather than by a balanced approach to both creditor and debt interests, and one that requires urgent reform. At the same time, while the IMF and the World Bank have made strenuous efforts to provide concessional emergency funding to the poorest economies, this financing comes at a cost and with policy conditionalities, such as strict fiscal austerity, that risk resulting in long-term debt traps for many countries.

Excellencies,

Distinguished experts,

Ladies and Gentlemen,

This is only one example of the difficulties we face, and of the need for deeper more structural reforms on the international monetary and financial system. As the Secretariat's background report points out, other areas of great importance include further progress on international taxation reforms to stem illicit financial outflows from developing countries, more coherent and more strongly development-oriented trade and investment policies, as well as the facilitation of technology transfer to developing countries.

These interrelated systemic issues, and coherent and consistent reforms in all these areas, will be essential to finally stepping up our efforts to close the current development financing gap and to reinforce our commitment to timely achievement of the 2030 Agenda. A final core ingredient to ensure the efficacy and inclusiveness of such reforms is the need to systematically strengthen the voice of developing countries in the relevant international fora. UNCTAD, of course, is the primary forum

to further promote this goal, also.

Excellencies,

Distinguished experts,

Ladies and Gentlemen,

I look forward to what promise to be interesting and important deliberations over the next couple of days and I wish you all the best for this meeting.