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**Statement by Mr. Steiner
United Nations**

**United Nations Statement to the International Monetary and Financial Committee (IMFC) of the Board
of Governors, Marrakech, October 2023**

“The SDG Summit Declaration is a ringing endorsement of strong financing measures to rescue the Sustainable Development Goals.”

Antonio Guterres, High Level Dialogue on Financing for
Development, 21 September 2023

A Global Plan to Rescue the SDGs

The SDGs are off track. We need to urgently correct course to rescue them. At the midpoint of the implementation of the 2030 Agenda, we face a development emergency. Multiple reports demonstrate that the cascading crises of recent years have erased decades’ worth of development progress. Only 15 percent of SDGs targets are estimated to be on track.

The world has been moving from global crises to multiple shocks over the last years with worrying consequences for developing countries and the most vulnerable people. After decades of growth and economic convergence, the threat of global divergence and inequality, rather than shared prosperity and sustainable development, is now growing. We must tackle the structural imbalances in the global economy and in the international financial architecture and avoid the high costs of fragmentation in the global economy and multilateral system.

Geopolitical and economic fragmentation threatens an already fragile global growth outlook and the global energy transition by pushing up its costs and further postponing already long overdue climate action. The same goes for the continued high levels of debt and fiscal vulnerabilities across developing economies.¹ A combination of inadequate means of effectively dealing with comprehensive debt problems, fiscal consolidation, and increasing borrowing costs are forcing many countries to forego critical development spending such as climate mitigation and adaptation, education, health, and social assistance expenditure. These unfortunate trends also come at a time when many countries are, and will continue to be, hammered by natural disasters at a frequency and severity made worse by climate change.

The World Bank has recently warned that Asian economies face the worst growth outlook in five decades as growth in China is expected to slow substantially and as countries fight heavy debt-burdens. The IMF has also issued a set of domestic policy recommendations to Sub-Saharan African governments on how to avoid a looming debt crisis, - a crisis already believed to have arrived by many others -, as the average debt ratio has almost doubled, and interest payments to revenue more than doubled, over the past decade.

¹ Developing economies here refer to all low- and middle-income countries as per World Bank income classification.

It is the poorest countries and most vulnerable populations that suffer the most from the cascading global crises and fragmentation. Millions of people have already been thrown back into extreme poverty, and existing inequalities, including gender inequalities, have been exacerbated. Achieving shared prosperity and the SDGs will require a refocus of policies and actions on expanding opportunities for the poorest and most vulnerable first.

Bridge SDG Financing

Between 2020 and 2023, 165 million additional people are projected to have fallen into poverty because of the cost-of-living crisis and debt distress. Debt servicing is crowding out social protection, health, education, and other critical development expenditures.² The SDG financing gap has become a chasm, estimated at more than \$4 trillion US dollars per year.³ Over 40 per cent of people living in extreme poverty live in 52 countries in debt distress or at risk of debt distress.⁴

Developing countries need to augment resilient social protection systems, transfers, social insurance, provision of basic services, and universal health coverage, whose long-term benefits outweigh the immediate costs, while many of them critically lack fiscal space and means of implementation.

Plugging the SDG financing gap will require immediate steps to rescue the SDGs: A stimulus, an enabling environment, and an international financial system which provides the equitable, affordable, and stable financing for responding to immediate crises and for long-term sustainable development.

The international community can build on the wide range of unprecedented actions taken over the last years – mobilize all sources of finance, develop innovative instruments, address debt vulnerabilities, increase liquidity for countries in need, support country-owned integrated financing frameworks, advance towards a more inclusive and SDGs oriented international financial system – and support the UN Secretary General's proposal for an SDG Stimulus of at least \$500 billion per year.

Tackle the debt problem

More effective action is needed on the growing and persistent sovereign debt problem. We need solutions that alleviate countries of their heavy debt-burdens while allowing them to continue making progress on the SDGs. Poor economies that sign up for debt treatments can and should not have to wait years to reach agreements that ultimately provide only little or highly uncertain debt relief. Countries need debt service suspensions and access to an effective debt workout mechanism. Crucially, and because of the tightening in capital market access and pricing for DEs, countries must be offered more and better access to official sector funding at longer maturities and at affordable and fair rates.

More than half of the poorest⁵ countries are today either rated in or at high risk of debt distress according to their latest debt sustainability assessments, and only 19 percent of developing economies with a credit rating are considered investment grade. Forty-eight developing economies (including 20 least developed countries - now have net-interest payments higher than 10 percent of government revenue up from 28

² <https://www.undp.org/publications/dfs-human-cost-inaction-poverty-social-protection-and-debt-servicing-2020-2023>

³ https://unctad.org/system/files/official-document/wir2023_key-messages_en.pdf

⁴ <https://www.undp.org/publications/dfs-building-blocks-out-crisis-uns-sdg-stimulus-plan>

⁵ Poorest here refers to countries evaluated under the WB-IMF debt sustainability framework for low-income countries (LIC-DSF).

developing economies a decade ago. Measured based on total external debt servicing relative to either revenue or export earnings, the number of developing economies paying more than 20 percent is now at levels last seen during the start or beginning phases of past major debt relief initiatives. The IMF estimates that in SSA, the ratio of interest payments to revenue is now close to four times higher than in advanced economies.

Debt servicing is crowding out critical development spending. Analyses from the UN show that the average low-income country spends 2.3 times more on servicing net interest payments than on social assistance, 1.4 times more than on domestic health expenditures or 60 percent of what it spends on education. UN's Global Crisis Response Group (GCRG) estimates that in total, 48 countries are home to 3.3 billion people whose lives are directly affected by underinvestment in education or health due to large interest payments.

Next Steps for the SDG Stimulus

The United Nations will continue to work with the IMF on these issues, by following up on the SDG Stimulus plan presented earlier this year. An SDG Stimulus Leaders Group will be shortly established by the UN Secretary General to carry forward this initiative and deliver a set of clear steps that enable \$500 billion to start flowing before the end of 2024. We propose three specific actions:

- Re-channel Special Drawing Rights, including to MDBs. We need your support to seize the opportunity originally conceived by the African Development Bank and Asian Development Bank to re-channel unused Special Drawing Rights to strengthen their balance sheets and expand lending capacity. Building on the AfDB initiative, we urge SDR holders to re-channel an additional \$100 billion worth of unused SDRs overall.
- Address both debt overhang and debt restructuring in developing economies: We must focus both on insolvent economies undergoing debt restructuring, and the much broader set of countries saddled with large repayment schedules that are crowding out SDG investments. For the first group, there is an urgent need to step up implementation of the Common Framework by speeding up the process and changing the eligibility criteria so that more countries can access it. For the second group, we need new solutions, recognizing that the global community has yet to offer a response to their ongoing struggles.
- Mainstream state-contingent clauses: Third, now is the time to mainstream climate-resilient debt clauses in all official lending, to make borrowing for the future a more predictable and just endeavour. We estimate that if state-contingent debt clauses were available to the Kingdom of Morocco during the current earthquake, a 2-year pause could have freed up to \$ 9.9 billion dollars in debt service payments for 2024-2025, to reconstruction work.