Statement by

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United Nations
102nd Meeting of the Development Committee
October 16, 2020
Washington, DC
(VIRTUAL)

“Everything we do during and after this crisis [COVID-19] must be with a strong focus on building more equal, inclusive and sustainable economies and societies that are more resilient in the face of pandemics, climate change, and the many other global challenges we face.”

UN Secretary General Antonio Guterres

Introduction: The Covid-19 Response

The health response

The COVID-19 pandemic continues to wreak havoc around the world. Over one million people have died, and 37 million have been reported infected.1 The real number is expected to be higher. Ten countries account for 70% of all reported cases and deaths; 3 countries account for half of all cases and deaths.

There is no choice between addressing the health impact and the economic and social fallout from this pandemic. Unless we control the spread of the virus, economies will not recover. That is why the United Nations system is taking action on multiple fronts, including a big push on vaccinations and treatment around the world through the access to COVID-19 Tools (ACT) Accelerator (ACT-Accelerator).

The ACT-Accelerator - with its COVAX Facility - is a collaboration between WHO and international partners to accelerate global access to tools that rapidly reduce risk of severe disease and help end the acute phase of pandemic. It has the world’s largest portfolio of vaccines, including those in the most advanced trial stages; some 170 countries have already joined the COVAX Facility. The timeline is uncertain, but the aim is for 2 billion doses to be delivered by end of 2021.2 Investing in the ACT-Accelerator, and its COVAX Facility, is the fastest way to end the pandemic and ensure a sustainable economic recovery. We must see a quantum leap in funding.

2 https://www.who.int/initiatives/act-accelerator/covax
The socio-economic response

COVID-19 has led to the deepest global recession since WWII; the broadest collapse in per capita incomes since 1870; negative growth is expected in 172 countries in 2020; a $9 trillion cost to the global economy over the next two years; a global loss of the equivalent of 400 million jobs; around 100 million people pushed into extreme poverty; hunger and famine of historic proportions; gains on gender equality risk being reversed by decades. The growth contraction is compounded by a drop of 40 percent in foreign direct investment and up to 20 percent in trade.

The UN is calling for a large-scale, coordinated and comprehensive relief package - amounting to at least 10% of the global economy. Developing countries need massive and urgent support.

The UN development system has responded swiftly to the socio-economic impact of the pandemic. In 135 countries, the UN is conducting assessments of impact (SEIAS) and helping to formulate response plans (SERPS). By September, these plans budgeted $34.7 billion towards the COVID-19 response, with an identified funding gap of $12.2 billion. To date, UN Country Teams have repurposed $2.9 billion and mobilized $1.9 billion in additional funding (from the Joint SDG Fund, the UN Response and Recovery Fund, as well as bilateral and private sector funding).

Throughout 2020, UN collaboration with International Financial Institutions (including the World Bank, IMF, regional and sub-regional development banks) has steadily grown especially on supporting countries to address the socio-economic impacts of COVID-19. The collaboration includes undertaking joint socio-economic impact assessments in the majority of countries as well as co-designing socio-economic response plans where feasible.

The key messages emerging from response plans and socio-economic impact assessments include a sharp focus on mitigating income, jobs and trade losses through social protection and business continuity support, and addressing shrinking fiscal space during the response. At the very time that expenditures are expanding, tax revenues in the developing world are shrinking, remittances are slowing, and commodity and oil prices are dropping.

Two encouraging patterns for better recovery are emerging: first, a strong commitment of countries to address pre-existing and underlying conditions (e.g. inequalities both horizontal and vertical), which is a sine qua non for sustained and sustainable recovery; and, second, the need to build in ‘accelerators’ – innovations that, with sufficient investment and capacities, can help fast-track solutions towards a more inclusive and sustainable society and economy (e.g. leveraging the opportunity for digital transformation).

The fiscal and financial response

In her remarks at the World Bank Group’s Board meeting (on July 30th), the Deputy Secretary-General highlighted the need for broad partnership to help national authorities to increase transparency and identify the means to increase tax revenue, improve spending efficiency, manage debt in a sustainable fashion, create enabling environments that promote SDG-aligned private sector development, and leverage development cooperation. The current crisis presents an opportunity to collaborate in co-designing response measures that reach the most vulnerable and marginalized, bringing in respective expertise in support of country-led processes, driven by integrated national financing strategies.

The momentum created by the Secretary-General’s global initiative on “Financing the 2030 Agenda for Sustainable Development in the Era of COVID-19 and Beyond”, as well as the support of the UN system to countries in designing and implementing Integrated National Financing Frameworks (INFFs) provide an
opportunity in this regard. Strengthening collaboration with the IFIs and building strategic partnerships in these areas will be important.

Understanding how to finance the COVID-19 recovery will be critical as countries grapple with further contraction of fiscal space and inflows of external resources, mounting liquidity pressures which may jeopardize short-term response as well as long-term recovery.

For many countries, developing an Integrated National Financing framework (INFF) platform to better harmonize the financing efforts at country level with the global and regional efforts is an important step. The UN is supporting governments in 58 countries to establish Integrated National Financing Frameworks, focusing initially on 16 Pioneer countries.

The INFF can facilitate the mapping of financing sources and non-financial means of implementation available to a country by improving data and diagnostics to find and fill financing gaps, which is an essential input to design a financing strategy to mobilize the needed resources, manage risks, and achieve priority sustainable development targets.

Alleviating crushing debt burden is absolutely crucial. UN welcomes the steps taken by the G20, including the suspension of debt service payments for the poorest countries, but this is not enough. Debt relief must be expanded to all developing and middle-income countries that really need it. UN is calling for a comprehensive debt framework: an across-the-board debt standstill for countries unable to service their debt; targeted debt restructuring; and a comprehensive approach to structural issues in the international debt architecture to prevent defaults.

Resources need to go directly into the hands of people to ensure support reaches those entirely dependent on the informal economy and countries less able to respond.

The Finance for Development (FfD) Initiative

The prime ministers of Canada, Jamaica and the United Nations Secretary General launched the initiative “Financing the 2030 Agenda for Sustainable Development in the Era of COVID-19 and Beyond” in May of this year. Six thematic issue-areas framed the initiative, each with an assigned discussion group: i) External finance and remittances, jobs and inclusive growth; ii) Recovering better for sustainability; iii) Global liquidity and financial stability; iv) Debt vulnerability; v) Private sector creditors engagement, and vi) Illicit financial flows.

The result of the work presented at a Heads of States Event on September 29, included 39 Heads of State and Government, 8 Ministers and 11 Heads of International Organizations and UN Entities, and presented an ambitious menu of policy options, with a call for urgent and bold multilateral action to avoid the looming humanitarian and development crisis. Some of the main proposed action points were:

- Providing concessional finance to developing countries in need, especially those in special situations, and adequately resource the ACT-accelerator;

- Addressing liquidity constraints, e.g. through reallocation of unused SDRs, or a Liquidity and Sustainability Facility;
• Ensuring *debt relief*, e.g. through extending and expanding the DSSI, engaging private creditors; providing targeted debt relief, using innovative instruments such as debt swaps, and increasing transparency;

• *Building back better* by aligning finance with sustainable development, e.g. through: mandatory reporting and reorienting the financial system; equitable digitalization; investment promotion and resilient infrastructure; and supporting remittances;

• Tackling *illicit financial flows (IFFs)* and other measures to expand fiscal space, e.g. through a fairer and more transparent international tax regime;

The UN will continue to harness the momentum from the discussion groups and the two high-level meetings held in September to ensure that policy options (contained in the Annex) with political momentum at the highest level are implemented.

Many of the topics raised at the Heads of State Meeting fall into one of the 3 following interconnected clusters: (i) finance: with a concomitant fall in FDI, ODA and other flows, developing economies could rely increasingly on debt to maintain fiscal space (ii) debt: which will only exacerbate the risk of a debt crisis, just a few months after the world reached unprecedented debt levels (US$258 trillion); and (iii) illicit financial flows: the acute need for fiscal space and liquidity has put illicit financial flows under the spotlight as a chronic cause of leakage.

All of these concerns are underpinned by the need to ensure sustainability for economies over the long run. How we respond to the current crisis will determine whether economies are viable in a rapidly changing environment. Reductions in fossil fuel subsidies, introduction of carbon pricing, new public investment and regulatory incentives must work smartly to accelerate a carbon-neutral transition. A fair and just transition will sit at the intersection of social, economic and environmental change for the foreseeable future.

**Conclusion: Next Steps**

For the first time in 30 years, poverty is rising. Human development indicators are declining. We are careening off track in achieving the Sustainable Development Goals. COVID-19 has laid bare the world’s fragilities - rising inequalities, climate catastrophe, widening societal divisions, rampant corruption - preyed on the most vulnerable and wiped away the progress of decades.

We take note of the global updates described this week. There are rays of light that point to partial economic recoveries and there are clouds on the horizon –mostly related to debt and restricted fiscal space: the need to extend debt relief (including with the engagement of private creditors and credit rating agencies), connecting debt restructuring with more forward-looking measures and instruments such as new SDR allocations, and adequate resources for IFIs to sustain net positive flows to countries.

The United Nations system’s focus, alongside humanitarian and emergency health assistance, is on the COVID-19 response and recovery trajectory:

• **The COVAX initiative**: Almost 170 countries and economies are covered by the COVAX initiative, currently supporting 9 vaccine development processes. The facility is speeding up the search for an effective vaccine for all countries. The timeline is uncertain, but the aim is for 2 billion doses to be delivered by end of 2021. Funding is not secured, there is a multi-billion dollar gap that requires multilateral action.
- **Debt relief and beyond**: The DSSI should be extended to all countries that need it, including middle income countries and small island developing states. Any comprehensive solution must include engagement with private creditors and credit rating agencies. At the same time, the multilateral system should prepare for targeted debt restructuring with more forward-looking measures and instruments, to avoid protracted fiscal paralysis. This includes preparing for debt workouts, debt buybacks, debt swaps and other innovative financial instruments linked to future green and inclusive investment portfolios.

- **International financial institutions**: IFIs must have the resources they need to increase funding to developing countries that are highly vulnerable and in debt distress. The objective should be to sustain net positive flows to countries during the pandemic response and recovery periods.

The pandemic has underscored the need for a strengthened and renewed multilateralism. The world must ensure that lessons are learned, and that this is a watershed moment for health emergency preparedness and for risk-informed investment in critical 21st century public services.
Annex: Highlighted policy options/areas under each discussion group the “Financing the 2030 Agenda for Sustainable Development in the Era of COVID-19 and Beyond” initiative

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<th>DG 1 - External finance, remittances, jobs and inclusive growth</th>
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<tr>
<td>• Establish a global coordination and cooperation mechanism for joint trade and investment promotion and mobilize all sustainability-themed funds.</td>
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<td>• Protect ODA levels, and optimize ODA allocation increase collaboration between different public finance institutions to scale up finance and guide it more effectively.</td>
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<td>• Ensure easier and expanded access to remittances services and link them to broader financial services.</td>
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<td>• Prioritize public financing to job and income support, including through implementing job-retention/creation programmes and scaling up and extending social protection</td>
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<th>DG 2 - Recovering better for sustainability</th>
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<td>• Global standards and norms: Alignment, disclosure and reporting, and carbon pricing to develop comparable frameworks aligning finance with the SDGs and the Paris Agreement; a sustainability-related disclosure framework for all public and private market actors; and establish common methodologies and guidelines for carbon pricing instruments.</td>
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<td>• Government should align national planning, spending and implementation, particularly Nationally Determined Contributions (NDCs); National Disaster Risk Reduction Strategies; Integrated National Financing Frameworks (INFFs);</td>
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<td>• Central banks and financial supervisors should integrate SDG-related risks into financial stability monitoring, macro and micro prudential supervision and integrate sustainability/climate factors in portfolio management.</td>
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<td>• Private sector should align investment portfolios with the SDGs and net zero carbon emissions; Strengthen scenario analysis to assess strategic resilience; Credit-rating agency regulators should devise common guidelines to progressively incorporate longer-term SDG-aligned indicators into agency ratings.</td>
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<tr>
<td>• International development and development finance institutions should strengthen the alignment of strategies and activities with the 2030 Agenda, the Addis Ababa Action Agenda, the Paris Agreement and the Sendai Framework.</td>
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<td><strong>Short-term policy options</strong></td>
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<td>• Special Drawing Rights: i) General Issue ii) Reallocation of existing SDR’s</td>
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<td>• Central Bank Currency Swaps and repos: i) Existing CB swaps ii) RFAs iii) IMF iv) FIMA</td>
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<td>• Enlarge access to loans and grants: i) FACE ii) IMF gold sales</td>
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<td><strong>Medium to long term policy options</strong></td>
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<td>• Capital account management</td>
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<th>DG 4 - Debt vulnerability</th>
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<td><strong>Debt Moratoria: Extension and Expansion of DSSI</strong></td>
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<tr>
<td>• Extending the DSSI term to at least end of 2021.</td>
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<td>• Broadening the scope of beneficiary countries to include vulnerable countries</td>
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<td>• Providing equivalent measures for multilateral debt</td>
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<td><strong>Debt relief</strong></td>
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<tr>
<td>• Cancellations write-downs for official debt</td>
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<tr>
<td>• Debt for COVID-relief/SDGs/Climate Swaps (for official and/or commercial debt)</td>
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<td>• Debt Buybacks</td>
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### DG 5 - Private sector creditors engagement

**Mechanisms to facilitate private sector creditors engagement**
- Voluntary Credit Facility to incentivize participation in standstills when needed.

**Debt for crisis support /development swaps/resilience funds**
- To channel debt service payments into investments.

**Legal support**
- To help navigate complex of legal issues

**Package to support vulnerable countries/SIDS**
- State-contingent instruments/risk management (along with swaps and legal support)

### DG 6 - Illicit financial flows

**Improve tax administration**
- Strengthen implementation of UNCAC and other international frameworks
- Intensify cooperation on recovery and return of assets
- Strengthen beneficial ownership information collection and transparency

**Develop a whole-of-government approach to tackling IFFs**
- Support corresponding banking relationships
- Provide advice on tax policy for COVID-19 recovery and on digitalized tax administration
- Develop the political consensus to address systemic shortcomings related to IFFs

*Source: Financing for Development in the Era of COVID-19 and Beyond – Menu of options for the Consideration of Ministers of Finance, Part 1, September 2020*