DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND SIXTH MEETING
WASHINGTON, DC – OCTOBER 14, 2022

DC/S/2022-0056
October 14, 2022

Statement by

Achim Steiner
Administrator of the United Nations
Development Programme

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106th Meeting of the Development Committee

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"A cost-of-living crisis is raging. Trust is crumbling. Inequalities are exploding. Our planet is burning. People are hurting… We have a duty to act. And yet we are gridlocked in colossal global dysfunction".[1]

UN Secretary General, Antonio Guterres

We are at a make-or-break moment for the 2030 Agenda, which remains a blueprint for a global recovery and a sustainable future for all. The COVID-19 pandemic, impacts of the war in Ukraine on the cost-of-living, tightening financial conditions and unsustainable debt burdens are threatening a synchronized global recession – in the backdrop of an escalating climate crisis wreaking havoc across the globe.

Food and energy crisis: weathering the storm

While still struggling with the lingering economic impacts of the COVID-19 pandemic, high food and energy prices have hit the world, strongly exacerbated by the war in Ukraine, and are leaving already vulnerable countries unable to protect their citizens. The international community cannot let the current food crisis escalate deeper into a food catastrophe.

In 2021 levels of hunger globally already surpassed all previous records with 193 million people estimated to be acutely food insecure and in urgent need of assistance in the 53 countries/territories assessed in the annual Global Report on Food Crisis.[2] The situation has worsened considerably this year driven by conflict, weather extremes and economic instability. Recently FAO and WFP called for urgent humanitarian action to save lives and prevent starvation in 19 hunger hotspots where food insecurity is expected to worsen from October 2022 to January 2023.[3]

While FAO's food price index has come down from its peak in March 2022 - helped on by the Black Sea Grain Initiative in July which allowed for commercial food exports from three Ukrainian ports in the Black Sea - food prices remain elevated and a number of factors could still severely worsen food security in coming seasons. Continued weather extremes and violent conflicts are disrupting agricultural production and high energy and fertilizer prices are raising input costs and negatively affecting crop production and yields adding upwards pressure on already high food prices.

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[1] https://gadebate.un.org/en/77/secretary-general-united-nations

[2] Global Report on Food Crises 2022. At the time of publication, in 41 out of the 53 countries/territories included in the report, as well as Cabo Verde, between 179 million and 181 million people were already forecasted to be acutely food insecure (crisis or worse) in 2022.

[3] Hunger Hotspots, FAO-WFP early warnings and acute food insecurity – October 2022 to January 2023 Outlook.

UNDP has estimated the potential effects of food and energy price inflation on household welfare with the devastating result that 71 million people could be pushed into poverty in 2022 with clear hotspots in the Caspian Basin, the Balkans, and Sub-Saharan Africa (particularly the Sahel).[4]

Time is short to prevent the food crisis from escalating in 2023. The UN Global Crisis Response Group[5] calls on the international community to bring stability to global markets, reduce volatility, and tackle the uncertainty of commodity prices.

The same goes for energy markets where prices remain highly elevated and volatile, especially hurting energy import-dependent developing economies many of which are already in or near debt distress. Vulnerable countries need urgent financial assistance to deal with soaring energy (and food) prices so they can protect their low-income and vulnerable populations and maintain hard won gains in access to energy and reductions of energy poverty. Part of the funding needed for this assistance should come in the form of windfall taxes levied on the large profits of oil and gas companies in developed countries, and funds should also go to countries suffering from losses and damages caused by the climate crisis and towards financing the sustainable energy transition.[6]

At this critical juncture, the international community needs to find ways to circumvent these dynamics and avoid a potential "scramble for fuel" [7], in which only those countries paying the highest price can gain access to energy, and jointly take stock of how to manage the energy crisis in a way that addresses the climate crisis and contributes to achieve the goals and targets of the Paris Agreement on Climate Change. This will require heavy, especially public, investments in renewable and non-carbon energy sources.

Standing for the Sustainable Development Goals

The current set of interlocking crises jeopardize our common agenda for sustainable development. For the first time in 32 years, the Human Development Index (HDI) has declined globally for two years in a row. Human development has fallen back to 2016 levels, reversing much of the progress towards the SDGs since the 2030 Agenda was adopted in 2015. This reversal is nearly universal as over 90 percent of countries registered a decline in their HDI score in either 2020 or 2021, and more than 40 percent of countries registered declines in both years, signaling that the crisis is still deepening for many.

"Great peril threatens our world that is in deep trouble - and so too are the Sustainable Development Goals that are issuing an SOS", said the UN Secretary General at opening of the 77th UN General Assembly. We must rescue the 2030 Agenda and get back on track to building a better world that leaves no one behind. No one should turn their back on development, nor the 2030 Agenda.

Developing countries, grappling with depleted fiscal space and high levels of sovereign debt as well as rising interest rates on global financial markets, and coping with disastrous climate-risk events, face challenges that cannot be solved without urgent attention by the global community.

The World Bank Group, IMF, G20, and the international community at large have an obligation to revitalize the 2030 Agenda, accelerate implementation of the Addis Ababa Action Agenda on Financing for Development, and contribute to close SDG gaps. We have the knowledge, science and technologies and the financial resources to reverse the trajectories that have led us off track in this Decade of Action. The world has a long to do list and the task before us is immense.

[4] https://www.undp.org/germany/publications/cost-living-report

[5] UN Global Crisis Response Group Brief, No2, Global impact of the war in Ukraine: Billions of people face the greatest cost-of-living crisis in a generation, 8 June 2022

[6] UN Press Release: Calling record profits from oil and gas amid global energy crisis "immoral", UN Secretary-General urges support to most vulnerable, and transition to renewables, 3 August 2022.

[7] UN Global Crisis Response Group, Brief No 3, Global Impact of war in Ukraine: Energy Crisis, August 2022.

The multilateral system must set in motion a push for SDG financing to address immediate needs and ensure a sustainable and inclusive global recovery. We call for a large-scale SDG Stimulus Plan that directs public sector commitments towards sustainable development, humanitarian assistance, and climate mitigation and adaptation at an annual rate of 2 percent of global GDP –$500 billion per year by 2025.

We must act now.

An SDG Stimulus Plan

An SDG Stimulus Plan would include the following actions:

Action 1: Provide liquidity to support recovery efforts in the near-term

A global economic recovery involves providing liquidity to struggling developing economies and injecting a large SDG stimulus to kickstart recovery and sustainable investments at scale. To date, the response of the G20, alongside International Financial Institutions and other key stakeholders, have played an important role in creating fiscal space, including through the Debt Service Suspension Initiative (DSSI) and the historic issuance of $650 billion worth of Special Drawing Rights (SDRs). However, many of these solutions have not reached their full potential, or, in the case of the DSSI, have not been renewed beyond the first phase of the COVID-19 pandemic, despite the clear need for continued relief.

Liquidity has dried up in both short-term and long-term sovereign debt markets. The multilateral system needs to step up. The IMF and major central banks should be encouraged to substantially expand liquidity facilities and central bank currency lines and accelerate the re-channeling of all unused Special Drawing Rights (SDRs) to countries in need, including through the Resilience and Sustainability Trust (RST) and Multilateral Development Banks (MDBs). If needed, the IMF should prepare for a new allocation of SDRs, ideally targeting vulnerable economies that need financial resource the most.

Action 2: Enhance debt relief for vulnerable countries

About 60% of low-income countries, and close to 30 percent of emerging market economies, are in or near debt-distress and running out of fiscal space.

To supplement new sources of liquidity support and help avoid a developing economy financial crisis, the adoption of a new enhanced Debt Service Suspension Initiative (DSSI-E) is needed. The objectives of a DSSI-E should be to free up resources by suspending debt service payments falling due between 2023-2025 including automatically (with the possibility to "opt-out") recapitalizing maturing debt into medium term loans, and by deploying various debt reduction operations such as Debt-for-SDG swaps especially important for countries with solvency problems. A DSSI-E should apply to all bilateral official creditors while urging other creditors to join in, and all vulnerable developing economies should be eligible.

Debt relief will have to go beyond additional liquidity support and debt rescheduling to involve comprehensive restructuring for countries dealing with unsustainable debt. The Common Framework for Debt Treatments (CF), introduced in response to the Covid-19 pandemic, is an attempt to apply practices and approaches of the Paris Club onto the G20. But it has so far not proven effective and will have to change. Only three countries - Chad, Ethiopia, and Zambia - have signed up for debt treatments under the CF and still no country has concluded a restructuring after more than 18 months of initializing the process.

Action 3: Better leverage lending from Multilateral Development Banks (MDBs) and Public Development Banks (PDBs)

Developing countries, particularly Least Developed Countries and Small Island Developing States, face too many obstacles in accessing the finance they need to invest in their people and future.

Multilateral Development Banks (MDBs) – such as the World Bank and regional counterparts – and other Public Development Banks (PDBs) must increase long-term funding to developing countries linked to investments in the recovery and SDGs. MDBs themselves need more finance, to expand their borrowing capacity, so they can assist all countries in need. An SDG Stimulus Plan of $500 billion per year by 2025 could be achieved by implementing the recommendations of the G20 Capital Adequacy Framework Panel Report[8], in combination with a boost of annual paid-in capital to MDBs. PDBs could also leverage their portfolios to finance high-quality growth-oriented investments in human capital and resilient infrastructure. New concessional lending should prioritize attaining the SDGs including climate resilience and sustainability in climate-vulnerable countries.

Action 4: Align financial flows with the SDGs and Paris Agreement, according to country-level priorities and needs

All official creditors—including bilateral donors, the IMF, MDBs, and others—need to coordinate their actions as part of country-led and country-owned Integrated National Financing Frameworks (INFFs) that are aligned with the SDGs and Paris Agreement. These efforts should also ensure that all financial flows are invested in long-term sustainable development and resilience, that populations are prepared for future crises, and can benefit from impending technological, demographic, and climate-related transitions.

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The multilateral system has all the resources needed to implement an SDG Stimulus Plan, and to support an immediate recovery while laying the groundwork for achievements, acceleration, and realization of the 2030 Agenda. What is needed is political will and a developing and repurposing of existing tools at our disposal. We must act now, before it is too late, before the global economy tips into a recession, before the world becomes more fragmented, and our common future unsustainable.

[8] https://g20.org/wp-content/uploads/2022/07/CAF-Review-Report.pdf