Statement in the Development Cooperation Forum

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Let me start by celebrating this opportunity to speak in the closing session of this year's Development Cooperation Forum. Let me say that I feel particularly proud because the idea of creating this Forum was actually mine when I was Under-Secretary General for Economic and Social Affairs. This Forum should play a much more active role, and the current pandemic and the post-pandemic years should be an opportunity to do so.

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As Chair of the Committee for Development Policy, let me start by saying that our Comprehensive Study on the Impact of Covid-19 on LDCs indicates that the socioeconomic fallout of the pandemic may be more devastating for these countries than the health shock. Limited fiscal space in LDCs has also meant that their fiscal response to the pandemic has been broadly inadequate.

Among several impacts, the most relevant for the Development Cooperation Forum to analyze is the fact that the financial situation in LDCs has become more challenging, with a fall in export revenues, FDI and remittances. Almost half of LDCs are at high risk of, or already are, in debt distress. In fact, many LDCs spent more in 2020 on debt servicing than on health. The G20's Debt Service Suspension Initiative (DSSI) has alleviated financial pressures in some LDCs but is clearly insufficient.

A partial rebound of GDP growth in LDCs is forecasted in 2021, but nearly all LDCs will experience a weaker medium-term growth than projected before the pandemic, leading to a setback in the improvement of living standards.

Considering the vulnerabilities of LDCs exposed by the COVID-19 crisis and the longer-term implications, international support will be essential not only for responding to the health crisis and the immediate recovery needs, but also for accelerating the structural transformation of their economies.

The forthcoming fifth United Nations Conference on the Least Developed Countries will provide a timely opportunity to advance such support, but efforts are needed in all relevant international platforms. In the short term, the crucial issue is, of course, access to vaccines, which must be seen as a global public good, available and affordable to all; LDCs should have access to vaccines at zero or minimal costs. In the long term, as the CDP has emphasized, it is essential to undertake renewed efforts towards the sustainable and inclusive transformation of their economies, particularly building productive capacities – the theme that we suggest should be at the center of the next decade of action for LDCs.

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In order to stabilize financial conditions in LDCs and to foster the achievement of the SDGs, additional external financing should include, first and foremost, additional official development assistance in the form of transfers rather than new loans. Last year's overall increase in ODA was welcome, but fell far short of what is needed. In particular, it was very disappointing that almost half of the members of OECD's Development Assistance Committee actually reduced their ODA.

More resources for multilateral development banks are also needed, to bolster their financial capacity, for both concessional and non-concessional lending. In this regard, IDA 20 should be replenished, as has already been agreed. Lending from regional development banks serving LDCs, particularly the African and the Asian Development Banks, should also be significantly increased.

Blended finance, combining private interests but supporting public goals, can play a complementary role to traditional aid. It is essential that donors could use below market rates in their non-concessional loans for blending.

IMF concessional financing should also be expanded, and the resources of the Poverty Reduction and Growth Trust (PRGT) that it manages should also be increased.

The agreed allocation of $650 billion in IMF's Special Drawing Rights would supplement countries' official reserves, help restore confidence, and support a resilient and lasting recovery of the global economy. Countries with strong external positions should reallocate their SDRs to help countries most in need, notably by lending them to the Poverty Reduction and Growth Trust (PRGT).

Donations of SDRs are unlikely, as countries that donate them would have to continue paying interests to the IMF on their allocations. An alternative could be that when SDRs are donated to funds that support low-income countries, the interest payments due on the donated SDRs be paid by the general IMF budget. A discussion should also start on desirable changes in the allocation formula, to increase the proportion that developing countries receive when allocations are made, as they have a much larger demand for foreign exchange reserves.

Finally, given the weak debt conditions of many LDCs, the provision of effective debt relief must be part of enhanced financial support for them.

As pointed out, the G20 DSSI provided short-term relief and more fiscal space in LDCs. It has also created a new mechanism to renegotiate debts, but only three countries have used it so far. Full participation of private creditors in the DSSI process is also essential. Finally, debt swap initiatives could be expanded, including state-contingent elements in public debt when crises occur.

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Let me celebrate again this opportunity to participate in the Development Cooperation Forum.

Thanks a lot for your attention.