Meeting of Ministers of Finance
Financing for Development in the Era of COVID-19 and Beyond
8 September 2020 — 8:00 am – 1:00 pm

On 8 September 2020, the Deputy Secretary-General, the Deputy Prime Minister and Minister of Finance of Canada, and the Minister of Finance and the Public Service of Jamaica virtually convened close to 40 Ministers and Vice-Ministers of Finance and 12 international organizations, as well as institutional partners, thought leaders, civil society organizations, and Senior Officials at a High-Level Meeting of Ministers of Finance. The Meeting was moderated by former BBC Journalist Nisha Pillai. The event marked a milestone after months of work following a High-Level Meeting convened by the Secretary-General and the Prime Ministers of Canada and Jamaica on May 28th, which launched the Financing for Development in the Era of COVID-19 and Beyond Initiative.

The objective of the Ministerial Meeting was to enable Finance Ministers to discuss and provide feedback on a menu of policy options to identify people-centered solutions to the global economic fallout from the COVID-19 crisis and to lay the groundwork for a sustainable, resilient, and gender-responsive future. The menu of policy options represented the culmination of the work of six discussion groups on the following interconnected topics: external finance, remittances, jobs, and inclusive growth; recovering better for sustainability; global liquidity and financial stability; debt vulnerability; private sector creditors engagement; and illicit financial flows.

Deputy Secretary-General Amina Mohammed stressed in her opening remarks that the “world has yet to show the unity and solidarity required for a global response unparalleled in recent history”, while H.E. Chrystia Freeland, Deputy Prime Minister and Finance Minister of Canada, stated that in today’s “interconnected global world” the global health system and the ability to ensure a sustainable economic recovery “relies on the strength of all of us.” Kristalina Georgieva, Managing Director of the IMF, in setting the scene, pointed to some signs of economic recovery in advanced economies, but warned that we must “make sure we can keep the support until we can turn the economy around” for the global community. “We project a recovery that is only partial and is uneven,” she added.

While echoing the calls for a global, coordinated response to the crisis, H.E. Nigel Clarke, Minister of Finance and the Public Service of Jamaica urged that targeted action be taken to assist developing nations. Underscoring that developed countries were the most affected, he noted that today “the epicenter of the pandemic has shifted to the developing world, where over 80% of the global population lives, but where fiscal space remains limited”.

These opening remarks set off the discussion among participants, who emphasized that while COVID-19 was the catalyst for this meeting, the pandemic has laid bare vulnerabilities that were endemic to our global economic system, and has disproportionately impacted vulnerable countries, and vulnerable groups. Due to the pandemic, this year global growth is expected to drop by 4.9%; world merchandise trade by 18.5%; and global remittances and FDI by 20%, and 40%, respectively. Meanwhile, global debt rose to a record US$258 trillion in the first quarter of 2020. As the Special Envoy for Financing the 2030 Agenda put it, “as a result of the COVID-19 crisis, almost every indicator that we were hoping to go up is down, and every indicator we were hoping to go down, is up.”

Additionally, while US$11 trillion has been spent globally on the fiscal response to the crisis, 88% of this was disbursed by, and for investment within, high-income countries, while less than 2% was disbursed by Least Developed Countries demonstrating that we are far from the solidarity needed for a comprehensive global response.

The effects on the real economy have been disproportionately felt by vulnerable groups in the developing world. While progress on poverty reduction had been steadily increasing, the pandemic is expected to push 70-100 million people back into extreme poverty, the first such reversal since 1998. Meanwhile, an additional 265 million people could face acute food shortages by the end of 2020. 400 million jobs are estimated to have been lost in the second quarter of 2020, exacerbating precarious work conditions and already high rates of informality in the developing world.

To arrest these trends, participants highlighted the need for a strong and urgent global response in areas related to global liquidity, debt, and private sector creditor engagement. Underscoring that the pandemic threatens to push the world into another great recession, the OECD called for a massive Marshall Plan to provide necessary liquidity to developing economies, while Ghana called for the “world to come together in a coordinated fashion to ensure we can mitigate… a disaster waiting to happen next year as countries begin to default.”

Several countries, including France, Japan, Pakistan, Senegal, China, Rwanda, Ethiopia, Saudi Arabia, Germany, and Norway, joined the IMF and World Bank in a call to extend the DSSI initiative to the 73 poorest countries. Germany and the Netherlands, however, underscored that the DSSI extension addresses liquidity but not solvency issues, and advocated for a case-by-case basis for countries that have solvency issues. Several participants urged widening the scope of participation in the DSSI to include vulnerable Middle Income Countries and Small Island Developing States that do not currently meet the eligibility criteria. The African Union, Senegal, Nigeria and the Gambia asserted that certain countries will need a complete debt cancellation, while the IMF and Oxfam called for greater debt restructuring and debt sustainability analyses, with Oxfam proposing the creation of a sovereign debt restructuring mechanism.

The IMF, China, the EU, France, the Netherlands, Pakistan, Spain, the World Bank, and the US supported greater participation of the private sector in debt relief initiatives, while the US urged developing countries that have access to markets to borrow from the private sector. Senegal, however, stressed that private sector engagement in the DSSI does not suit everyone, and should be looked at on a more case-by-case basis. Pakistan and China and a number of other countries called for multilateral development banks to join this initiative. Pakistan underscored that participation in the DSSI should not affect country’s credit ratings, while ECLAC proposed the creation of an independent, public credit rating agency. Several participants, including the IMF, the World Bank, and the USA, also called for greater debt transparency. Both developed and developing countries, including Ghana, Pakistan, China, Rwanda, Italy, Senegal, Nigeria, as well as ECLAC and the ICC, called for a new issuance of Special Drawing Rights and the reallocation of the roughly US$176 billion unused Special Drawing Rights currently held by developed countries. The IMF reiterated that it is already expanding the use of existing SDRs and shifting them towards developing economies on concessional terms.

Several participants proposed the creation of new Funds and Facilities to provide targeted financing to vulnerable countries. Costa Rica called for a Fund Against COVID-19 Economics (FACE) to provide financing to developing economies through concessional finance and investments from multilateral development banks, while the Economic Commission of Africa (ECA) recommended a Liquidity and Sustainability Facility to bring down interest rates for developing countries. The Economic Commission of Latin America and the Caribbean (ECLAC) called for a Caribbean Resilience Fund to link debt relief with economic and climate resilience, while the Maldives called for the creation of a Global Trust Fund to help Tourism-Dependent States. Spain proposed a Global Fund to support public and private investment for localization, as part of the existing UN Joint SDG Fund.

The need to recapitalize local, national, and regional multilateral development banks was also echoed throughout the discussion, with the IDFC urging participants to attend and contribute to the Finance in Common Summit—the first ever global meeting of public development banks—to be held in Paris in November 2020.

Linking the financial sector to the real economy, policy options related to external finance, remittances, jobs, and inclusive growth were discussed. Several participants, including Rwanda, Fiji, Indonesia, Sri Lanka, and the European Union, noting the interlinkages between health and the entirety of the 2030 Agenda, supported the Deputy Secretary-General's call for an equitable and widely available vaccine to end the COVID-19 pandemic. The United Kingdom also underscored the importance of implementing strong and resilient health systems underpinned by universal health coverage.

UNCTAD, among others, stressed that public financing should be channeled more effectively to help support vulnerable groups. Participants including Egypt and ECLAC, called for greater use of diaspora investments to complement lost revenue from plunging remittances and for the reduction of remittance transaction costs. Highlighting the high rates of informality in developing and emerging economies, Egypt proposed providing cash transfers for emergency relief, implementing employment guarantee schemes, and reducing high taxes on formal work, while Spain, Denmark, and the EU supported scaling up social protection and decent jobs, with Spain lending support to the promotion of decent jobs, such as the ILO's "100% Decent Work Initiative." ITUC also called for the creation of a global protection fund for the most vulnerable to help build a new social contract going forward. Several countries, including Bangladesh, China, and the Gambia, called on countries to achieve the 0.7% of GDP ODA target in line with the Addis Ababa Action Agenda.

Bearing in mind the inevitability of an increasingly digitalized future, UNDP underscored the potential of digitalization to create algorithms to approve loans, bolster social protection, and reduce the cost of remittance transactions, to help narrow the inequality gap that COVID-19 has so evidently laid bare. The United Arab Emirates noted that digitalization can increase financial inclusion and facilitate combatting illicit financial flows, but it needs to be managed properly to counteract the risks.

Sustainability and the need to align recovery policies with the SDGs and the Paris Agreement to create a more resilient, inclusive, and sustainable future emerged as a cross-cutting theme across all groups and all timelines. Pakistan, The African Union Commission, and ECLAC supported debt-for-SDG and debt-for-climate swaps, to help create breathing room for vulnerable countries including Small Island Developing States. The UK, the Netherlands, Denmark, Italy, the EU, Côte d'Ivoire, and others supported the need to align private and public investment initiatives, as well as public spending, with the SDGs and the Paris Agreement, and to incorporate climate risks in financial risk disclosures. They also called upon governments to update national plans, including nationally determined contributions, disaster risk reduction strategies, and integrated national financing frameworks, in line with sustainability goalposts. Spain called for the development of budgets aligned with the SDGs, as a means of advancing the achievement the 2030 Agenda and achieving coherence between public policies. They noted that this is in an initiative currently implemented at the national level in Spain.

Egypt and the European Union supported the use of green bonds to help maintain the environmental gains created by COVID-19 and reset economies going forward. The World Bank underscored that they have increased IDA resources by 50 percent, and will be scaling them up to around 70 billion this year to support poverty reduction, human capital development, and combatting the long-term threat of climate change. The IMF added that "we need to make sure the other crises in front of us – like the climate crisis – are well integrated and addressed. And we need to prevent inequality and poverty – including gender inequality – from raising their ugly heads again.

While illicit financial flows have long been regarded as a global problem, the urgent need for liquidity in the current context has pushed them into the limelight. In order to free up much-needed resources, groups proposed creating a rapid transparency response mechanism to prioritize anti-corruption and anti-money laundering solutions. Elaborating upon UNDP's work on digitalization, several participants, including Nigeria, FATF, and Oxfam underscored the importance of using digital technologies to strengthen automatic exchanges of tax information, boost anti-money laundering systems in line with FATF standards, improve tax compliance, and combat tax evasion and illicit financial flows. Nigeria called upon destination countries of illicit financial flows to fully participate in combatting them and returning stolen assets, while Oxfam called upon the UN to organize a Global Tax Convention.

In closing, the Minister of Finance of Jamaica, H.E. Nigel Clarke, expressed his hope that political will and momentum would help translate the options discussed at the meeting into action. He also underscored that women have disproportionately borne the brunt of the effects of the COVID-19 crisis and urged stakeholders to incorporate a gendered element into response plans.

Ambassador of Canada to the UN, H.E. Bob Rae, speaking on behalf of the Minister of Finance of Canada, H.E. Chrystia Freeland, underscored that the pandemic is “not a leveler, but a revealer”, which could become a magnifier for inequalities systemic in our system unless urgent steps are taken to counteract that possibility today.

In conclusion, the Deputy Secretary-General appreciated the renewed sense of urgency to deliver a set of ambitious yet realistic policy headlines to Heads of State and Government on September 29th. She took note of the need for policies to create breathing space for vulnerable countries by ensuring that resources are available, while also highlighting the need for bold proposals such as universal basic income and universal health care to lay the groundwork for a more resilient future. Lastly, she urged participants to emerge from this crisis as a united front, noting “there is no vaccine which can quickly and simply solve the socioeconomic crisis facing us today.”