United Nations A/76/79–E/2021/68

# General Assembly
# Economic and Social Council

Distr.: General
21 May 2021

Original: English

**General Assembly**
**Seventy-sixth session**
Item 19 of the preliminary list*
**Follow-up to and implementation of the outcomes of the International Conferences on Financing for Development**

**Economic and Social Council**
**2021 session**
**12–15 April 2021**
Agenda item 6
**High-level political forum on sustainable development, convened under the auspices of the Economic and Social Council**

## Summary by the President of the Economic and Social Council of the forum on financing for development follow-up, including the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 12–15 April 2021)**

## I. Introduction

1. The sixth Economic and Social Council forum on financing for development follow-up was held from 12 to 15 April 2021. The forum included the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development. As the first full-fledged forum in the era of the coronavirus disease (COVID-19), the 2021 forum featured unprecedented high-level political engagement as part of the special segment on financing the recovery from the COVID-19 pandemic, with the participation of seven Heads of State and Government and some 50 ministers and other high-level officials.[1]

* A/76/50.

** The present document was submitted late in order to allow for a wide consultation process.

[1] The following countries and institutions delivered statements in the special segment: Malawi (on behalf of the Group of Least Developed Countries), Costa Rica, Botswana, Colombia, Antigua and Barbuda (on behalf of the Alliance of Small Island States), Cuba, Lesotho, European Union (on behalf of its Member States), Lithuania, Egypt, Canada, Philippines, the Gambia, Portugal, Mauritius, Honduras, Sweden, Denmark, Tajikistan, Kenya, Bhutan, El Salvador, Tunisia, Belgium, Luxembourg, Jamaica, Malaysia, Bangladesh, Liberia, Panama, Zimbabwe, Madagascar, Indonesia, Guyana, Venezuela (Bolivarian Republic of), the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development, Trinidad and Tobago, the Netherlands, Norway, Argentina, Bolivia (Plurinational State of), Guatemala, China, Austria, Barbados, the Russian Federation, the Republic of Korea, Japan, Sri Lanka, Mexico, Spain, Burkina Faso, Italy, Germany, Qatar, Nicaragua, the United States of America, the Congo (on behalf of the African States), Guatemala (on behalf of the Like-Minded Group of Countries Supporters of Middle-Income Countries), Fiji, Cambodia, Kyrgyzstan, Nepal, Morocco, South Africa, Angola, Ethiopia, Nigeria.

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2. The outcome document of the 2021 forum on financing for development follow-up (E/FFDF/2021/3), adopted by consensus, represents a significant milestone for financing for development. It sets out a series of ambitious yet concrete actions to support countries and populations in overcoming the pandemic and to ensure that recovery programmes advance the 2030 Agenda for Sustainable Development and the goals of the Paris Agreement. The document will be fed into the overall follow-up and review of the implementation of the 2030 Agenda at the high-level political forum on sustainable development convened under the auspices of the Economic and Social Council in July 2021.

# II. Key messages

3. Unprecedented policy actions were needed to match the scale of the COVID-19 crisis. Priority actions included advancing early and equitable access to vaccines for all, a global initiative for debt relief, an end to illicit financial flows and unconditional and urgent return of stolen assets, a new general allocation of special drawing rights and the reallocation of existing unutilized special drawing rights to countries in need, mobilizing $100 billion annually for developing countries for climate action.

4. There was a serious risk of a rapidly diverging world, with countries in special situations such as the least developed countries, landlocked developing countries and the small island developing States hit the hardest by the crisis. The divergence could lead to a lost decade for development, unless bold and transformative actions were taken to finance the recovery for all countries.

5. Inequality had been exacerbated by highly uneven access to vaccines, with some countries yet to receive their first COVID-19 vaccine dose. Vaccines must be treated as a global public good. The COVID-19 Vaccine Global Access (COVAX) Facility was a decisive first step, but it was far from sufficient. It would be critical to support developing countries in the deployment and access to vaccines and invest in building up vaccine manufacturing capacity in developing countries.

6. To finance the recovery and implementation of the Sustainable Development Goals, developed countries should honour the commitment of 0.7 per cent of gross national income (GNI) for official development assistance (ODA) to support the most vulnerable countries from the devastating effects of COVID-19. The multidimensional vulnerabilities of countries should be considered in development assistance in order to expand the most vulnerable countries’ access to concessional finance.

7. The global debt crisis faced by an increasing number of countries threatened the recovery. The Debt Service Suspension Initiative and the G20 Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative were welcome steps, but were not enough, especially in view of the absence of the private sector. Developing countries required urgent support, including through existing and innovative instruments, such as debt swaps and debt cancellations. Long-term approaches to debt relief should be a key part of the solution. A fundamental rethink was needed for sovereign debt restructuring to achieve long-term debt sustainability.

8. The new special drawing right issuance was a welcome step to enhance liquidity, but should be followed by an ambitious special drawing right reallocation, which was urgently needed to support middle-income and vulnerable countries. Other initiatives to enhance liquidity should also be explored to unlock financing for developing countries and catalyse investments in the Sustainable Development Goals.

9. New and innovative measures, such as the Fund to Alleviate COVID-19 Economics and the Liquidity and Sustainability Facility could also be deployed to significantly enhance access to liquidity for the developing countries.

10. There was an urgent need to leverage private sector funding, including for investments in sustainable and resilient infrastructures in developing countries, where the infrastructure financing gap hampered achievement of the Sustainable Development Goals.

11. The private sector should also be engaged in debt restructuring and provide countries with breathing space to finance the response and recovery. The role of credit rating agencies must be explored in this regard, as ratings downgrades had been disproportionally targeted at developing countries, despite less severe declines in fundamentals there.

12. Financing the sustainable recovery needed to be climate-responsive and people-centred, including through policies that empowered women and girls, who had been disproportionately affected by COVID-19.

13. Illicit financial flows were detrimental to the recovery and the achievement of the Sustainable Development Goals. Tackling illicit financial flows required determined leadership and bold actions to curb vested interests. It would be urgent to unconditionally return the stolen assets of the developing countries. The report of the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda laid out a vision and concrete policies for building a better financial system characterized by financial integrity for sustainable development.

14. The path towards recovery must be fully aligned with the 2030 Agenda, with the aim of adapting to climate change, creating jobs related to the transition towards sustainable economic growth, resilient infrastructure and poverty eradication and ensuring food security. The 2030 Agenda and the Paris Agreement provided the blueprint for effectively targeting areas for investment aligned with the Sustainable Development Goals and would enable an equitable, resilient and sustainable recovery.

# III. Summary of the discussions

15. The summary reflects the discussions on financing the 2030 Agenda and implementing the Addis Ababa Action Agenda, which were focused on six priority areas: infrastructure, debt, private creditors and rating agencies, liquidity, illicit financial flows and rebuilding a resilient and sustainable economy.

## A. Accelerating infrastructure investments for a sustainable and resilient recovery and restoring trade

16. The effects of the pandemic had severely impacted investment, with project infrastructure in developing countries declining by 40 per cent in 2020. The lack of infrastructure, particularly in the areas of information and communications technology, health, education, transportation and energy, had been acutely felt during the pandemic, especially in developing countries. Two thirds of the funding gap was in developing countries, which lacked sufficient resources to finance infrastructure or the capacity to borrow like advanced economies. Sustainable infrastructure faced two key challenges: a lack of scale and quality projects; and a lack of mobilization of financial resources for investment in sustainable infrastructure. Multilateral institutions, particularly development banks, had a key role in closing this funding gap. The United Nations could act as a trusted intermediary, bringing together

investors, Governments and other stakeholders to facilitate the financing of bankable projects and promote sustainable infrastructure. It also needed to support capacity-building for developing and managing infrastructure projects.

17. To improve private sector participation, access to bankable projects that attract long-term institutional investors must be strengthened. The Secretary-General's Global Investors for Sustainable Development Alliance was supporting these efforts by advancing the establishment of a blended finance fund focused on sustainable infrastructure that included a focus on the development of project pipelines and risk mitigation. Moreover, the Alliance was working on the Sustainable Development Goal Investor Platform to provide public and private sector investors with country-level market intelligence and local investment landscape insights. De-risking tools such as blended finance could also be used to improve transparency. Governments could create the legal frameworks that reduce risks for investors and help structure public-private partnerships to ensure that projects offered returns on investments over the entire life cycle and attract investors. Mobilizing private capital should however not be seen as a panacea. Public investment would continue to dominate infrastructure spending in many areas.

18. Resilient infrastructure has played a positive role in dampening the impact of the pandemic. The pandemic revealed the importance of digital infrastructure in providing vital services to people. With a view to the future, disasters and climate change effects must be fully integrated into infrastructure proposals to build resilience against an adverse impact of climate change and future shocks. To achieve the 17 Sustainable Development Goals and net-zero carbon emissions by 2050, global transformations in infrastructure, energy, transportation, housing and communications, as well as industrial and agricultural production, were required.

## B. Developing durable solutions to recurrent debt crises

19. Many developing countries were facing severe debt distress as a result of the pandemic. At a time when Governments must increase spending on health, social protection and recovery, the economic shock reduced government revenue and increased debt as a share of revenue. While many developed countries were able to finance their response and recovery expenditure by borrowing at historically low interest rates, developing countries were unable to do so. This divergence – between countries that can borrow their way out of the crisis and those that cannot – divided global growth prospects and could result in a lost decade for development.

20. The Debt Service Suspension Initiative was a needed first step, but many middle- and even high-income countries – for instance, small island developing States and recently graduated middle-income States – were also affected and required support. The Initiative and the Common Framework for Debt Treatments should remove income-based criteria and make eligibility dependent on debt vulnerability and financing needs alone. The issuance of special drawing rights would be vital to unlock financing, but a reallocation of existing special drawing rights to countries with high financing needs would also be critical, as the current amount was insufficient to cover even the immediate needs of vulnerable countries.

21. The international community must not forget to deploy a more permanent solution comprising debt cancellation and restructuring, alongside reforms to the sovereign debt architecture. Urgent reforms were needed to increase debt transparency, embed resilience in financing terms such as State-contingent debt instruments and facilitate restructuring. Together, these initiatives could significantly reduce the risk and severity of future debt crises.

## C. Strengthening private creditor and credit rating agencies contribution to pandemic response and recovery

22. The pandemic recovery had been highly uneven, with many developing countries suffering from a lack of access to liquidity and a simultaneous increase in the debt repayment burden. Although borrowing rates were considered low relative to historic numbers, debt servicing costs were going up for many developing countries. Many countries faced a dilemma as requests for debt restructuring could lead to instant credit downgrades and prevent countries from accessing markets in the future. Eliminating the fear that there was no return to markets after default was essential in enabling countries to consider different approaches to debt restructuring.

23. There needed to be a clear mandate for regulators to ensure that rating agencies' methodologies were applied uniformly, particularly since developing countries had seen the bulk of the downgrades in response to COVID-19, despite facing less severe declines in economic fundamentals compared with developed countries. The Common Framework for Debt Treatments was useful in helping countries approach private creditors without fear of future repercussions. There was a need for an inclusive dialogue to address the role of rating agencies and private sector creditors, including at the United Nations, to ensure that countries were able to recover from the pandemic.

24. In response to the economic crisis, developing countries had been downgraded at a far higher rate than advanced economies. Increased support must be provided to such countries, as downgrades and market inaccessibility could jeopardize the recovery. To make progress, there was a need for regulators and agencies to level the playing field, including through a mechanism that would enable more effective debt restructuring.

## D. Unlocking liquidity to support sustainable development, especially for the most vulnerable countries

25. The uneven response capacities of developed and developing countries in terms of access to liquidity was causing an increasing divergence between countries. To enable a recovery for all, global liquidity needed to be unlocked and access to liquidity provided more equally and at reasonable rates. Concrete actions to bridge the gap between advanced and poorer countries included debt service relief, domestic resource mobilization, concessional finance, private financing and special drawing rights.

26. Additional resources should be made available beyond the new issuance of special drawing rights, including a possible reallocation of special drawing rights. Options included lending special drawing rights to the International Monetary Fund (IMF) Poverty Reduction and Growth Facility to channel special drawing rights to strengthen support for low-income countries. However, such a reallocation to the Poverty Reduction and Growth Facility or the IMF Catastrophe Containment and Relief Trust would continue to exclude middle-income countries in need from an equal and inclusive recovery.

27. The Liquidity and Sustainability Facility put forward by the Economic Commission for Africa and the Fund to Alleviate COVID-19 Economics proposed by the Government of Costa Rica represented two concrete proposals on how to provide developing countries with the funds needed for recovery. Political will in advanced economies would be essential to mobilize the international community to contribute to solutions in addressing the divergence. It was not only morally right to support developing countries in their recovery, but also in the self-interest of advanced

economies, since widened disparities and a prolonged recession in developing countries would impact all countries.

## E. Walking the talk on illicit financial flows: actions to achieve tangible progress

28. Illicit financial flows benefited neither the source nor the destination countries and actions needed to be taken at both the national and international levels. Illicit financial flows not only slowed development but undermined democracies, as tax-paying citizens lost confidence in institutions and became disillusioned with public institutions. As long as secrecy and misuse of markets persisted, democracies would not thrive. Illicit financial flows, and the measures to combat them, were more often than not a matter of political will, rather than of technical solutions. There was an urgent need to thwart all forms of illicit financial flows and immediately and unconditionally return the stolen assets of developing countries.

29. In follow-up to the recommendations of the High-level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, the widest possible range of legal tools should be considered to address cross-border financial crimes, such as creating centralized registries for holding beneficial ownership information, collecting and disseminating data on enforcement of money-laundering standards and creating the legal foundation for an inclusive intergovernmental body on money-laundering. A United Nations tax convention could set global standards and establish an inclusive intergovernmental body on tax matters in the United Nations. Developing countries should be included in the tax norm setting discussions through a United Nations intergovernmental tax body and a United Nations tax convention.

30. There was a need for the establishment of an inclusive and legitimate global coordination mechanism at the United Nations to address financial integrity at a systemic level.

31. International cooperation and collaboration, including in capacity-building, were key in combating the transnational nature of financial crimes. The United Nations General Assembly special session on corruption would provide an opportunity to galvanize global efforts in addressing corruption. Combating illicit financial flows and money laundering under the umbrella of the United Nations ensured an inclusive, transparent and multilateral framework.

## F. Building an economy of the future that is climate-resilient and aligned with the Sustainable Development Goals

32. Building the sustainable and climate-resilient economy of the future would require alignment with the Sustainable Development Goals and the Paris Agreement at all levels, including for actions taken in response to COVID-19. In the light of the pandemic and other risks, such as climate change, resilience and adaptive capacity against future shocks and crises must be strengthened. Integrating the Goals and climate resiliency into national strategies and long-term planning were a key pillar of such efforts. There was an urgent need to meet commitments under the Paris Agreement and on ODA to support developing countries with the implementation.

33. Meeting the $100 billion pledge for climate finance by the developed countries was urgent.

34. Political leadership was needed for setting clear targets to address climate change, for example on the transition to net-zero greenhouse gas emissions. Climate

change represented a major material risk to prosperity and economic growth in both developed and developing economies. The shift to a low-carbon economy could result in higher costs for businesses and necessitated government action to enable a smooth transition. There was a need for enhanced international cooperation to realize the transformation to a sustainable and resilient economy, as many physical and transitional risks were shared globally. Multilateral development banks, by setting up sustainable projects, were essential in attracting public and private investors.

35. There were no one-size-fits-all solutions to transitioning to a carbon-neutral economy. Developing countries required transition periods that would allow them to gradually implement the necessary reforms without curtailing financing flows. Carbon pricing and other instruments were helpful in levelling the playing field vis-à-vis developed economies in moving towards a green economy and attracting investments. The green transition could support the economic recovery from the COVID-19 pandemic, as it had the potential to unlock new opportunities and create jobs. Factoring future risks into development planning was key for the realization of sustainable development.

36. Overall, the discussion at the forum underlined the vital voice of the United Nations on financing for development as a universal platform for the advancement of the 2030 Agenda and response and recovery from the COVID-19 pandemic.