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TAKING ACTION TO IMPROVE LIVES

Remarks by H.E. Ms. Rhonda King, President of ECOSOC, at the UNCTAD 2nd session of the Intergovernmental Group of Experts on Financing for Development

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Excellencies, distinguished delegates, ladies and gentlemen,

It is a pleasure to address the second session of the Intergovernmental Group of Experts on Financing for Development. The Group has chosen a most timely topic – addressing debt vulnerabilities in developing countries, and ensuring that sovereign financing is available for investments in sustainable development.

Debt challenges are increasing across a wide range of countries. Global debt stocks continue to rise. Corporate debt doubled over the last 10 years, with two-thirds of this increase taking place in developing countries. Many low-income and least developed countries are again facing debt distress – among them a significant number that had previously benefited from debt relief under the HIPC initiative. Countries in my region, and other small island developing States, have been caught in debt difficulties for many years.

While idiosyncratic factors related to domestic financial, economic and other challenges play a role, deteriorating global conditions are important drivers of these trends. Among them are rising global interest rates and volatile capital flows. tightening global financial conditions triggered financial distress in several emerging economies in the first half of 2018.

Climate change is leading to more frequent and more intense disasters, further exacerbating the long-standing debt challenges in small island developing States. They also limit these countries’ ability to invest in climate adaption and sustainable development.

Finally, the composition of debt has changed. Developing countries have increasingly tapped international financial markets, and non-Paris Club countries play a larger role among official creditors. This has unlocked welcome new financing. At the same time, it poses new and very difficult challenges for countries that are facing debt distress, and that have to deal with a diverse and difficult-to-coordinate creditor base. The current global architecture is not well positioned to facilitate timely, orderly, effective, and fair restructuring.

This raises two important questions – first, how can countries meet large unmet public investment needs for achieving the 2030 Agenda without further exacerbating their debt challenges; and second, how can we, as an international community, support countries in meeting these financing needs, and in resolving debt crises when they do arise.

In the ECOSOC Forum on Financing for Development follow-up, held earlier this year in New York, Member States pointed to a number of options to advance this agenda.

They noted that it was helpful to differentiate how borrowing resources are used in debt sustainability analysis, since effective public investment in infrastructure and productive capacity can have a positive impact on fiscal space.

They committed to further explore innovative instruments to lessen financial stress in times of crises. And they committed to exploring how existing official creditor cooperation mechanisms can address the potentially more complicated future insolvencies more effectively.

Excellencies,

I trust that discussions of the Intergovernmental Group of Experts over the coming three days can pick up on these issues and further explore policy options to address rising debt challenges. We all understand the seriousness of this challenge – if we cannot find a solution now, it could derail achievement of the 2030 Agenda. I look forward to your findings, which will be an important input to the deliberations at the 2019 FfD Forum.

Thank you.