January 27, 2021

Ambassador Munir Akram's statement at the Fourth Session of the Intergovernmental Group of Experts on Financing for Development: Session 5: Towards a more coherent and consistent multilateral system: Priority policy proposals

First of all let me thank Ambassador Hashmi for presiding over this session, and to you Courtney for moderating the session and inviting me to intervene.

As you have mentioned yourself, together with Canada and the Secretary General, you have been leading very ambitious and bold effort to respond to the COVID pandemic to find ways in which we can finance a recovery. So much of what I have to say will not be news to you, Courtney, and I am sure to other participants.

We are in one of the greatest economic crisis that the world has faced. And the statistics speak for themselves: at least a 5% contraction in global GDP is forecast and it can go higher.

The impact in the response is unequal: the greatest impact has been on the poorest countries and the poorest people. It is a fact that we are looking at the possibility of almost 100 million people falling back into poverty but equally important in the response, we have seen that the countries, which have reserve currencies, have been able to inject almost $20 trillion. And I think with the recent US announcements, we will come up to about $20 trillion injected versus developing countries who are estimated by UNCTAD need between $2 to $3 trillion. They have been able to secure only a small fraction of the liquidity and fiscal space that they require.

The COVID vaccine may not be an instant panacea. But its equitable access and distribution will be vital, both for the health crisis, as well as for a quick economic recovery.

If the vaccine is not available to a large part of the developing world, the virus will roam and return, triggering periodic shutdowns. It will, therefore, further impede the economic recovery in the developing countries and slow down global recovery. Therefore the COVAX facility and ACT Accelerator must be fully supported and the $20 billion shortfalls that they face must be funded, as soon as possible.

To revive the global economy in the developing countries we need to provide fiscal space and significant additional liquidity urgently. This needs action on the five points that are proposed by the Prime Minister of Pakistan in the sessions.

The managing director of the IMF has stated that countries should spend as much as they need to but keep the bill. It is hoped that the IMF will provide the fiscal space, especially to developing countries that are under its programs.

Addressing the debt issue can be both a short-term answer as well as a long-term solution to the perennial fiscal and payments problems of many developing countries.

Clearly, the DSSI from the G20 is welcome, but not enough. It needs to be extended and expanded to cover all those developing countries including the SIDS who are facing debt distress.

A large part of the debt is owed to the private sector, so far as I know, there are no solutions in sight for the participation of the private sector in the debt suspension. Some sort of an understanding should be reached with the credit rating agencies to enable the private sector to participate. And this understanding may need to be combined with legislative action at the national and international level to cater for the challenge from holdout creditors and vulture funds.

I believe work should also be initiated quickly to develop new guidelines for debt resolution. The G20 has set out a framework but I believe that a more universal framework is required in the shape of an international debt authority, as has been discussed in UNCTAD.

Much has been said about transparency and we understand the rationale. But such requirements should not become a precondition to help the developing countries.

A debt solution may be a slow process. And we need some accompanying urgent actions. This can be provided through larger concessional financing to the MDBs and the IMF.

But the mobilization of domestic resources also can contribute through national capital markets and support for issuing national bond. The central banks of the reserve currency countries have a critical role, both in the creation of new SDRs, the redistribution of unutilized SDRs, and in recapitalizing some of the MDBs if it is so needed.

The mobilization of the 100 billion annually in climate finance is now both a financial and a political condition for the global implementation of the Paris Agreement.

For the medium term, proposals have been floated to create a new financial architecture. The structure and content of this architecture are as yet in discussion, but the potential strategy should be worked out to secure the construction of such an architecture, some of the elements that need to be included in such a new architecture can be readily identified.

I think the first one should be a fair international taxation system, which brings in all the big corporations, which often resort to profit shifting and location in tax friendly environments.

Second is the issue that was just mentioned, which is the digital economy and the taxation of the digital economy.

Third is the prevention of illicit financial flows and the return of stolen assets, which are impeded by various legislative and other conditions.

And the fourth is the unequal investment treaties, and the unequal adjudication of investment disputes, to the detriment of developing countries.

My own country has faced an award of $6 billion against an investment of a mere $300 million. This has been termed by my friend Jeffrey Sachs, as a highway mugging.

Finally, let me say that one area for early action must be investment, investment in sustainable infrastructure, in particular, such investment has declined dramatically in the aftermath of the COVID crisis, from already low levels.

An estimated $1.5 trillion is required annually in infrastructure investment, especially in the developing countries. There is need to energize the several investment platforms that have been created, both in the World Bank, under the G20, and in other forums.

I believe that a public - private facility under the United Nations' umbrella could be utilized to facilitate infrastructure investment. If this could utilize the United Nations' country offices, and the convening power of the UN, to help in sourcing sustainable infrastructure projects, especially in developing countries, which presently do not have access to the investment market where considerable money rests earning low or negative interest rates.

Finally, we should not forget the international trading system. Sustainable recovery will be impossible unless international trade revives to levels that are well above GDP growth. The tariffs and barriers that violate the WTO agreements must be dismantled. Regional arrangements too must not defeat the aim of international trade liberalization and fair trade, nor should they leave out the majority of developing countries.

The trade regime must encompass all transactions being consciously aligned with the SDGs. This is, off course, an extensive agenda and will require coherent multilateral, regional, and national actions, and the political will to achieve them.

The United Nations and its family of organizations together with the Bretton Woods institutions have the potential to propel the world towards such political decisions. Under ECOSOC, We will convene a high level segment on April 12 to generate and secure support from heads of state for such a plan of action to finance development in the era of COVID, and the era of a climate catastrophe.

I thank you very much for giving me this opportunity.

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