



60 International Agencies Urge Rapid, Coordinated Response as Pandemic Threatens to Destabilize Poor Countries' Finances

Full copy of the report at: bit.ly/fsdr2020

NEW YORK, 9 April 2020 – Governments must take immediate steps to prevent a potentially devastating debt crisis and address the economic and financial havoc wrought by the COVID-19 pandemic – says a new report from the United Nations-led Inter-Agency Task Force on Financing for Development.

The UN System's 2020 Financing for Sustainable Development Report outlines measures to address the impact of the unfolding global recession and financial turmoil, especially in the world's poorest countries. Its recommendations are based on joint research and analysis from the UN System, the International Monetary Fund, World Bank Group, and more than 60 UN agencies and international institutions.

Even before the outbreak of COVID-19, one in five countries – home to billions of people living in poverty – were likely to see per capita incomes stagnate or decline in 2020. Now, billions more are likely to be affected as governments struggle to cope with the pandemic.

“The global community was already falling behind in efforts to end poverty, take climate action and reduce inequalities,” said Deputy Secretary-General of the United Nations Amina Mohammed. “COVID-19 is the first of its kind development emergency and all countries must rise to the challenge to save lives and safeguard livelihoods in our response and recovery. We have one chance to build back better together for people and for the planet.”

Due to the COVID-19 crisis, global financial markets have witnessed heavy losses and intense volatility over the last month. Investors have moved around \$90 billion out of emerging markets - the largest outflow ever recorded.

Particularly alarming is the prospect of a new debt crisis, compounded by tumbling prices for oil and other key commodities. Many Least Developed Countries (LDCs) were already at high risk of debt distress -- and the fall-out from the current crisis could significantly increase the number.

The 2020 Financing for Sustainable Development Report calls for the following urgent actions:

- Prevent a debt crisis by immediately suspending debt payments from LDCs and other low-income countries that request forbearance. Official bilateral creditors must lead, and others should consider similar or equivalent steps to provide new finance;
- Reestablish financial stability by providing sufficient liquidity, and strengthening the global financial safety net, especially for emerging markets;

- Contain the sharp fall in economic activity and support countries most in need through a globally coordinated response: expanding public health spending; social protection; keeping small businesses afloat; government transfers; debt forbearance and other national measures – and significantly increasing access to concessional international financing.
- Promote trade and stimulate inclusive growth by eliminating trade barriers that restrict supply chains.

Despite enormous domestic pressures, donors should immediately reverse the decline in official development assistance (ODA), particularly to LDCs, who may be hard hit by both social and economic impacts of COVID-19, and for whom ODA remains essential. In 2018, ODA declined by 4.3 per cent and ODA to LDCs fell by 2.2 per cent in real terms.

“We are far from having a global package to help the developing world to create the conditions both to suppress the disease and to address the dramatic consequences in their populations,” said UN Secretary-General, António Guterres, during the recent launch of his Report on the Socioeconomic Impact of COVID-19.

“What is needed is a large-scale, coordinated and comprehensive multilateral response amounting to at least 10 per cent of global GDP,” he added.

Beyond the immediate crisis response, the COVID-19 pandemic should be the impetus to sustain the gains and accelerate implementation of long-overdue measures to set the world on a more sustainable development path and make the global economy more resilient to future shocks.

- The 2020 Financing for Sustainable Development Report contains key actions needed for this purpose:
accelerate long-term investment in resilient infrastructure for sustainable development, through public investment and incentives for the private sector;
- increase investment in risk management and preparedness;
- strengthen social protection;
- enhance regulatory frameworks, e.g. to discourage excessive private borrowing when debt is not intended for productive investments (vs. increasing shareholder returns);
- strengthen the international financial safety net and framework for debt sustainability.

The report also provides policy options to harness the potential of digital technologies. These technologies have come to the forefront amid the COVID-19 outbreak, with lockdowns and physical distancing becoming the norm. Digital communication tools have also helped sustain interaction and continuity in vital economic and educational activities. However, access to digital technologies remains highly unequal within and between countries. Almost half the global population (46.4 per cent of people) does not have access to the Internet.

The COVID-19 crisis provides a timely example of the potential of digital technologies, but also highlights gaps and new challenges and risks. Many workers in the platform or ‘gig economy’

are poorly protected against massive income losses in a recession, with social protection systems often ill-equipped to address their needs. The report addresses these gaps and other opportunities and challenges of digital finance.

These and other policy responses should be sustained, sustainable and equitable, to avoid a rerun of the protracted and slow recovery from the 2008 crisis -- and ensure implementation of the Addis Ababa Action Agenda, Paris Agreement and achievement of the Sustainable Development Goals.

“Only a collective response, inspired by shared responsibility and solidarity, will suffice to address the unprecedented challenges of the COVID-19 pandemic,” said Liu Zhenmin, Under-Secretary-General for Economic and Social Affairs and Chair of the Task Force that issued the report. “Governments, development partners, the private sector and other stakeholders must work together to combat COVID-19 and support every effort to address its social and economic impacts,” he added.

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Background: The report is a joint product of the Inter-agency Task Force on Financing for Development, which is comprised of more than 60 United Nations Agencies and international organizations. The Financing for Sustainable Development Office of the UN Department of Economic and Social Affairs serves as the substantive editor and coordinator of the Task Force, in close cooperation the World Bank Group, the IMF, WTO, UNCTAD, and UNDP. The Task Force was mandated by the Addis Ababa Action Agenda and is chaired by Mr. Zhenmin LIU, Under-Secretary General for Economic and Social Affairs. The full copy of the report and the annex will be uploaded to: <https://developmentfinance.un.org/>

This report is the basis for discussions at the ECOSOC Forum on Financing for Development where Member States agree on measures necessary to mobilize sustainable financing. This is year, the Forum process has been modified, while the SDG Investment Fair, which brings together government officials and investors, has been cancelled. More information on the Forum is at: <https://www.un.org/esa/ffd/ffdforum/>