United Nations TD/534

United Nations Conference on Trade and Development

Distr.: General
19 October 2021

Original: English

Fifteenth session
Virtual Barbados
3–7 October 2021

Ministerial round table: Scaling up financing for development

UNCTAD XV

Summary prepared by the UNCTAD secretariat

1. This round table addressed the areas of disparity revealed during the coronavirus disease (COVID-19) pandemic that prevented developing countries from being able to "build back better". These included the following: distribution and delivery of vaccines; available fiscal space to respond to the pandemic; and consequent economic and social shocks. In each of these areas, developing countries were in a far worse position than developed countries, and recovery was further undermined by conditions already existing in developing countries prior to the pandemic, including high and unsustainable debt burdens, high debt servicing burdens and disadvantageously high interest rates when accessing international finance. The need for a reform of external debt treatment and greater financial resources became the focus of the discussion.

2. The panel was composed of the following: Minister of Economy, Argentina; Prime Minister, Barbados; Professor, Columbia University, and Nobel Laureate; First Deputy Prime Minister and Minister of Economic Affairs and Digital Transformation, Spain; and Secretary-General, UNCTAD.

3. During the discussion, all the panellists noted that, while welcome, the Group of 20 debt service suspension initiative was insufficient overall and inadequate in coverage as it covered only bilateral official debt and not multilateral institutional debt or private debt. For this reason, most of the debt held by the poorest countries eligible under the initiative was not covered.

4. Many panellists stressed the need to reform aspects of the international debt system, including the power imbalances and information asymmetries in debt restructuring processes, as well as to reconsider the debt-to-gross domestic product threshold for sustainability; re-evaluate the debt sustainability assessments that anchored the negotiations between debtors and creditors with regard to debt restructuring; and revisit General Assembly resolution 69/319 on basic principles on sovereign debt restructuring processes. One panellist highlighted the post-war recovery precedent of issuing long-term bonds of 50 or 100 years to treat green and pandemic-related debt differently in future.

5. With regard to new sources of finance, noting that blended finance had failed to deliver as expected, the panellists provided views of how best to channel the unused share of

the recent special drawing rights allocation of $650 billion by the International Monetary Fund from developed to developing countries, noting the following two main channels: the resilience and sustainability trust proposed by the International Monetary Fund; and regional and national development banks. All the panellists expressed support for both channels, yet many panellists noted concerns about the narrow conditionality under the trust, which was linked only to climate change expenditures and could undermine the link between special drawing rights and development and the ability of developing countries to direct this liquidity to where it was needed most, including education and other developmental needs. Many panellists expressed a preference for special drawing rights to be channelled through development banks, which had specialized and regional and local knowledge and which did not have the reputation as lender of last resort associated with the International Monetary Fund. One panellist expressed support for the narrow conditionality linked to climate change and for an annual allocation of special drawing rights for developing countries, to support climate adaptation and mitigation, given that developed countries were not meeting climate change commitments of $100 billion per year.

6. In addition, with regard to domestic resource mobilization, one panellist emphasized that developing countries had opened up their markets to multinational corporations yet, in the absence of a global framework to raise the taxes that corresponded to the economic activities occurring in these countries, the countries were not receiving a fair share of the revenues generated by these activities; and an international tax agreement was pending, yet was tilted in favour of developed countries.

7. In closing, the panellists commended the role of UNCTAD in providing technical and research assistance, to enhance understanding of the disparities in financing for development, including greater costs and disadvantaged access, as well as in providing new approaches and a much-needed voice on the reform of debt restructuring processes to help support debtor countries to address power imbalances.