2021 FfD Forum

Panel IV: Unlocking liquidity to support sustainable development, especially for the most vulnerable countries

Lead Discussant: Input by Patricia Miranda, Advocacy Coordinator, Red Latinoamericana por Justicia Económica y Social (LATINDADD) on behalf of the Civil Society Financing for Development Group (including Women's Working Group on FfD).

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Thanks to all the panelists for the remarks shared on this crucial issue, exposed as a serious limitation in this crisis: the lack of access to liquidity, deriving in a High human toll and reverting the few advances that developing countries had before the pandemic; in other words, what we just saw in forecasts in the past days, an unequal recovery.

Besides being a matter of reserve assets needs, it is also a matter of fiscal gaps, due to a tax incomes fall with no precedents, to be able to tackle urgent social protection investment and to improve the precarious health care systems including the access to vaccines.

An SDR allocation will definitely contribute to finance the urgent liquidity needs of developing countries, including MICs, who have been left out from current recovery treatments towards reducing debt burdens and then a general SDRs allocation translates into the only "no debt" resources so far that they can have access to in this crisis.

Some remarks around this:

1. 650 bn USD is very welcome but enough. We, as CSOs, sent a letter to the G20 and the IMF, calling for a 3 Tn USD issuance. UNCTAD called last year for a 2.5 tn USD package for developing countries. Whether we expected that these needs are covered by different channels, the fact is that current initiatives on reducing debt service or ODA flows are significantly below that.

2. As some countries did, based on the 2009 SDR guidance note, an SDR allocation may allow for the possibility of a larger fiscal deficit and/or greater use of reserves for budgetary financing, especially where fiscal financing constraints are binding, a decision that would depend on individual country circumstances in the context of a medium-term framework to ensure that fiscal sustainability and credibility are maintained. Therefore, each developing country, if needed, would be able to define the right mechanisms between their Central Banks and Finance Ministries to cover urgent financing needs.

3. As other sources of financing are taking time to materialize in the short term, an SDR reallocation will be absolutely needed, where no used SDRs from developed countries are assigned to countries in need. Reducing the scope of the reallocation to PRGT or CCRT initiatives is to keep failing into the same mistake of excluding other countries in need from an equal and inclusive recovery.

4. Our countries need and will need concessional financing. But it is important to carefully identify the vehicle to do that reallocation, the no debt no conditional nature of SDRs must be maintained and not be converted into another way to increase debt conditional burdens.

Living a multiple crisis with no precedents, liquidity measures are key to let our countries breath, while global community takes systemic reforms and bold decisions are taken for a sustainable recovery. Access to concessional financing, immediate debt cancellation, i.e. for countries severely hit by hurricanes IOTA and ETA; we need the establishment of a debt restructuring mechanism; we need that illicit financial flows are seriously tackled and we need progressive taxation. Otherwise, recovery will remain uneven and unsustainable, carried on most vulnerable people’s shoulders, increasing inequalities particularly against women, and millions of people will be left behind.