2021 FfD Forum

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

Statement by Chiara Mariotti, Eurodad on behalf of the Civil Society Financing for Development Group (including Women's Working Group on FfD).

14 April 2021

I will be brief, I will use my time to reinforce some of the points made by made colleagues.

The financing needs of developing countries were huge even before the pandemic started.

> IMF had estimated that an additional US$528 billion were needed to make substantial progress towards the SDGs in five areas (education, health, roads, electricity, water and sanitation) in low-income developing countries by 2030.

These costs can only have been increased following the devastation that Covid-19 has brought to already ailing public services.

> IMF estimates also show that low-income counties alone would need an estimated US$200 billion between 2021-25 to step up the response to the Covid-19 health crisis, build back financial buffers and make essential investment in infrastructure, and an additional US$250 bn to accelerate their income convergence with advanced economies.

Which is why civil society across the globe have been calling for an SDRs allocation in the range of 3 trillion. This seems the amount that is appropriate to the size of the challenges that we are facing.

So, **while an allocation of $650 billion is welcome and useful and will inject much needed resources in struggling budgets of developing countries, we cannot consider as sufficient to address the scale of the problem**.

This is especially the case in the context of the gravity of the global debt crisis.

> **External public debt service of developing countries is projected to reach US$ 345 billion in 2021; this is one-third more than what developing countries would get with a $650bn SDRs allocation.**
> **For example, in Sub-Saharan Africa, an SDRs allocation would amount to around US$22 billion and total public debt service would amount to US$37 billion.**
> **We can expect that most of these additional resources would end up being used to meet debt service instead of being invested in recovery**.

More broadly, the 650bn allocation is insufficient to compensate for the inequalities that underpin their distribution mechanism - and IMF governance at large and that mean that the countries most in need will receive just a minority of the overall allocation.

For this reason, we consider essential that:

- The new SDRs emission is accompanied by an urgent implementation of debt relief measures in order to ensure that the additional resources are not deviated towards external creditors.
- a mechanism for redistributing unused SDRs from developed to developing countries is created in a way that maintains their characteristics of being cost and conditionalities fre.
- more decisive steps are taken to reform the global debt architecture and the Bretton Woods Institutions (IMF and World Bank) quota system, towards building a more democratic, just and equitable system.