



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Fourth Meeting October 14, 2021**

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**Statement by Mr. Steiner  
United Nations**



**United Nations Statement to the IMFC**  
(International Monetary and Financial Committee)

Global decision-making is fixed on immediate gain, ignoring the long-term consequences of decisions — or indecision...[...] As a result, we risk a future of serious instability and climate chaos. Humanity faces a stark and urgent choice: breakdown or breakthrough.<sup>1</sup>

UN Secretary General, Antonio Guterres

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The global outlook has deteriorated –with the rapid spread of the COVID-19 Delta variant, supply chain constraints, a rise in energy and food prices and inflationary pressures all driving further divergence in the global economy. The following actions are urgent to ensure this divergence does not become systemic, hampering the achievement of the 2030 Agenda for Sustainable Development:

- **On vaccines:** The UN system supports urgent action to extend vaccine coverage to 40% of the population by end of 2021 and 70% by next year. The Multilateral Leaders’ Task Force (MLTF), comprised of WHO, WTO, WBG and IMF heads, has made specific recommendations for releasing supply, distributing vaccines, and addressing financing gaps in favour of developing and emerging economies; the WHO provides further implementation guidance in its “Strategy to Achieve Global Covid-19 Vaccination by mid 2022”;
- **On debt and SDRs:** Debt distress in developing economies is increasing and threatening to derail global recovery prospects. The DSSI should be extended through 2022, and include all liquidity-constrained countries that request assistance; the Common Framework, focused on solvency and debt restructuring, is also welcome but needs to include private creditors on equal terms to succeed and should provide for standstills for countries that approach it once the DSSI is expired; finally, SDR voluntary channeling by advanced economies should aim to leverage SDRs for maximum impact on health, debt and climate challenges; Middle-Income Countries should be included in all liquidity and debt relief efforts, with the acknowledgement that GDP remains an insufficient metric of vulnerability;
- **On climate commitments and financing:** COP 26 is at our doorsteps and the most recent IPCC report puts humanity on ‘code red’: the \$100bn a year climate financing target for climate mitigating and adaptation in developing countries is within reach; the UN welcomes raised ambition on Nationally Determined Contributions, but calls for more work on financing and technological transfers to accelerate green and just transitions in

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<sup>1</sup> <https://www.un.org/sg/en/node/258971>

developing countries; the UN Secretary General has called for ending subsidies on fossil fuels and seeing more progress on carbon pricing, as appropriate to country circumstances.

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## **1. State of the world: COVID-19, growth divergence and SDG reversals**

From the climate crisis to geo-political tensions and the persisting effects of COVID-19, the current prognosis seems bleak, amplified by a stark divergence in recovery from the pandemic due to unequal access to vaccines, and the fiscal constraints that many countries were under even before the pandemic, which have now intensified severely.

Advanced economies are expected to have fully recovered their economies by 2022, but many emerging and developing economies are still expected to have lower than 2019 GDP per capita levels by 2025. As many countries are still fighting to contain the spread of the virus, no one can feel safe before vaccination rates come up everywhere, and while the vaccination rate in high income countries will soon surpass 70%, it is only slightly above 2% in low-income countries.

Over the past year, developing economies have experienced the devastating development consequences of these inequalities in terms of preventable deaths, job and income losses, rising poverty, social unrest and worsening health and educational outcomes.

While global economic growth forecasts have been revised downwards slightly, the risk outlook has deteriorated sharply. Many developing economies are in a highly precarious situation. They have contributed very little to global warming but face the highest physical costs of climate change, the highest transitory costs of global decarbonization and have the weakest fiscal and financial balances to manage both types of shocks, not to mention their own decarbonization. Rising global energy and food prices are putting further strains on distressed households and several countries have felt forced to raise interest rates during still weak economic recoveries. Rising interest rates at home and abroad is adding worse to already unsustainable debt levels and many countries risk moving closer to a default or face a prolonged period of debt-overhang that will arrest any hopes of making progress on the SDGs.

As highlighted in the [UN Secretary General's SDG Report 2021](#), COVID-19 has led to the first rise in extreme poverty in a generation. Estimates suggest that in 2020, approximately an additional 120 million additional people were pushed back into extreme poverty. Worldwide, up to an additional 160 million people are likely to experience hunger because of the pandemic. COVID-19 has wiped out 20 years of education gains, with an additional 100 million or 9% of children grades 1-8 falling below minimum reading proficiency. Violence against women intensified with 243 million women and girls experiencing sexual and/or physical violence by an intimate partner in the last year. The pandemic has led to the loss of the equivalent of 255 million full-time jobs (about four times more than during the financial crisis). Meanwhile, the climate crisis continues unabated and progress towards safeguarding key biodiversity areas has stalled.

However, our future can be better with collective action, political will, and scaling up investments in a green, equitable and just post-COVID world. The SDGs can still be achieved and reversals due to the COVID-19 pandemic can be undone. As the global community, we must urgently do more to help the most vulnerable countries remove vaccination and fiscal constraints, including more effective ways of dealing with unsustainable debt. And we must do more to understand in detail the size and distribution of potential negative social and economic effects linked to the global low carbon transition and the resources needed to mitigate them.

## 2. A Call to Action: On Vaccines, Debt and Climate

The UN calls for solidarity, trust, and a unified response to ensure the world emerges better than before from the pandemic.

- **Vaccine equity / distribution / financing:** The world urgently needs to stop the rising tide of COVID-19 transmission. In the UN Secretary General's words "Global health security until now has failed, to the tune of 4.5 million lives, and counting."<sup>2</sup> Vaccine equity is vital to safeguarding development gains and preventing the world from falling behind in our collective goals for an equal, fair, green, and just recovery from COVID-19. No one is safe until everyone is safe. The UN Secretary General is calling for a global vaccination plan to at least double vaccine production and ensure 2.3 billion doses are equitably distributed through COVAX to reach 40 per cent of people in all countries by the end of this year and 70 percent in the first half of 2022, in accordance with WHO recommendations.
- As the Secretary General suggests, this plan could be implemented by an emergency team made up of the countries that produce or have the potential to produce vaccines, the World Health Organization, COVAX partners and international financial institutions and the World Trade Organisation, working with pharmaceutical companies, to double vaccine production and ensure equitable distribution<sup>3</sup>.
- The UN supports the work of the Multilateral Leaders Task Force on COVID-19 to this effect (led by the IMF, World Bank, WHO, and WTO). Leveraging multilateral finance and trade solutions is crucial, particularly for low- and middle-income countries, as are the Task Force's calls to release excess vaccine doses, ensure timely production and transparency of supply, free up exports, and to create a consistent regulatory environment.
- **SDRs / debt relief:** The \$650 billion Special Drawing Rights (SDR) allocation has become perhaps the most important source of fresh international liquidity for struggling economies. But it is not enough. A large re-distribution of SDRs is critical towards countries struggling with the socio-economic consequences of the COVID-19 pandemic – better enabling them to play a full part in the global green recovery. The UN welcomes the proposals made by the IMF on expanding the Poverty Reduction and Growth Trust (PRGT) as well as structuring a new Resilience and Sustainability Trust (RST); and hopes that access to recycled SDRs can reach all vulnerable economies (including Middle Income Countries and Small-Island Developing

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<sup>2</sup> <https://www.un.org/sg/en/node/259742>

<sup>3</sup> Idem.

States). The UN also supports channeling SDRs through prescribed holders of SDRs (including Multilateral Development Banks) and calls on MDBs to raise their ambition and propose ways of tackling some of the toughest health, debt and climate financing at present. In parallel, it will be important to extend the DSSI initiative which is set to expire at the end of this year and to find ways of better incentivizing debt restructuring with private creditor participation for countries with solvency problems, and to build on the Common Framework to create an effective mechanism to restructure unsustainable debt.

- This should include, as a first step, additional measures to facilitate equitable treatment of commercial creditors, and provision of debt service standstills for countries that approach the Common Framework once DSSI has expired. Efforts are also needed to ensure funding that does exist, and additional liquidity received by countries, is aligned with the SDGs and supports a just transition, including by scaling up SDG-budgeting and the use of Integrated National Financing Frameworks (INFFs).
- **Tackling climate change:** The latest IPCC report is a “code red for humanity” in the words of the UN Secretary-General. UN Member States have a long way to go to make COP26 a success and ensure that it marks a turning point in our collective efforts to address the climate crisis. Based on the present emissions reduction commitments of UN Member States, the world is far off the mark of the 1.5C temperature increase, and rather on a catastrophic pathway to 2.7 degrees of heating. We need decisive action by all countries, especially the G20, to go the extra mile and effectively contribute to emission reductions.
- We must use the trillion-dollar pandemic recovery to ensure all actions are fair, just and green. Developed nations need to implement their promise to mobilize \$100 billion a year for climate action in the developing world from 2021 to 2025. They did not in 2019 and 2020, and, according to OECD calculations, there is a shortfall this year of around 20 billion dollars. What is more, adaptation must not be the forgotten component of climate action. At least half of climate finance should be committed to helping countries adapt to climate change but currently it represents only 21 per cent of the total. Additional support must also be provided to countries that are highly dependent on revenue from extractive industries, particularly fossil fuels, to ensure they can benefit from a just transition. That is \$16.7 billion a year, yet adaptation costs in the developing world are \$70 billion dollars a year, and they are projected to rise to as much as \$300 billion by 2030. Developing nations need access to adequate and predictable funding. Time is running out.

### **3. Multilateralism for Our Common Agenda**

As highlighted by the UN Secretary General in his recent report *Our Common Agenda*, we are at a critical juncture. There is no other viable option than a strengthened, inclusive and networked multilateralism while we are globally off-track to achieve the Sustainable Development Goals by 2030. What we need is better global governance of public goods and global commons in a way that distributes costs and burdens in accordance with basic principles of equity, social justice and shared responsibility.

A High-Level Advisory Board led by former Heads of State and Government will be established by the UN Secretary General to identify global public goods where governance improvements are

most needed, and to propose options for how this could be achieved. This work will pave the way for a Summit of the Future to forge a new consensus on the way forward for our common future. Also, a biennial UN-G20 Summit at the leaders' level of G20 and ECOSOC members, the Secretary General and heads of International Financial Institutions will be organized to address global financial gaps and better integrate the global financial system with global development challenges.

Time has come to significantly improve global governance for "we the peoples", for the sake of humanity and future generations. Nothing less.