High-level Dialogue on Financing for Development

## Key Facts

- The COVID-19 pandemic, war in Ukraine, sharp increases in food and energy prices, and rapidly tightening financial conditions have increased hunger and poverty and reversed progress on the SDGs.

- More than 50 per cent of SDG targets have seen weak or insufficient progress while 30 per cent have stalled or gone into reverse.

- However, both the SDG targets and financing for the implementation of the SDGs were off track prior to the COVID-19 pandemic. The annual SDG funding gap has risen from $2.5 trillion before the pandemic to over $4 trillion today, by some estimates.

    - Almost 40 per cent of all developing countries suffer from severe debt problems and extremely expensive market-based financing. Developing countries face borrowing costs up to eight times higher than those of developed countries.

    - Half of developing countries devote more than 1.5 per cent of GDP and 6.9 per cent of government revenues to interest payments, a sharp increase over the last decade. 3.3 billion people – half of humanity – live in countries that are spending more on debt servicing than on health or education.

    - Official Development Assistance flows are well below the long-standing commitment to 0.7 per cent of gross national income (GNI).

- To boost liquidity during the pandemic, in 2021 the International Monetary Fund (IMF) allocated $650 billion in Special Drawing Rights. However, developed countries received 26 times more than the least developed countries (LDCs), and 13 times more than all the countries of Africa combined.

- The Secretary-General has proposed two pathways for course correction. The first is the SDG Stimulus, an immediate response aimed to offset the challenging market conditions that many developing countries are currently facing. It calls for swiftly scaling up financing and investment in the SDGs by at least $500 billion per year.

    - The SDG Stimulus has three main areas for immediate action: tackle the high cost of debt and rising risks of debt distress; massively scale up affordable long-term financing; and expand contingency financing to countries in need.

- The second proposal by the Secretary-General focuses on long-term structural reforms to the international financial architecture. Over three-quarters of today's countries were not present at the creation of the Bretton Woods institutions—the World Bank and the International Monetary Fund. The proposed reforms outline how the financial system could be redesigned and updated to bolster the global safety net, provide access to affordable long-term finance, and support an equitable international system for all.

    - The Secretary-General's policy brief on reform of the international financial architecture sets out concrete proposals in six areas: global economic governance; debt relief and the cost of sovereign borrowing; international public finance; the global financial safety net; addressing short-termism in capital markets and sustainable finance; and a global tax architecture.

- The Governments of the largest developed countries continue to hold veto powers in the decision-making bodies of these institutions, and changes to voting rights at the international financial institutions are difficult.