FFD4 PREPCOM 1 – MULTISTAKEHOLDER ROUNDTABLE 1: “CROSS-CUTTING ISSUES”

July 24, 2024 (Addis Ababa, Skylight Hotel)

- Good morning, everyone. Thank you for the invitation to set the scene for the discussion today.

- The outlook for the world economy is gradually improving, including for Low Income Countries. Yet the prospects for the next 5 years remain weak by historical standards. The **macroeconomic vulnerabilities faced by Low Income Countries** are persisting and will continue to persist, coming on the back of difficult conditions of the past few years. A major concern for many of these countries is the **liquidity challenge** and high debt servicing squeezing out development spending.

- Against this backdrop, significant effort is needed to achieve the more **inclusive growth and resilience** that is essential to accelerate the path of convergence between the developing and developed worlds and to support SDG progress. For low-income countries particularly, **<u>social safety nets</u>** are crucial, not just for poverty eradication but also human and physical capital accumulation and to build socioeconomic resilience against shocks.

- These conditions necessitate **strong <u>domestic</u> and <u>international</u> actions**.

- It is hard to overemphasize the centrality of **domestic resource mobilization (DRM)** to our work. Let me put some numbers on that statement. We have heard repeatedly over this week of the **$3-4 trillion funding needed** annually to make progress on the SDGs. To complement official assistance and private capital inflows, **around $2 trillion will need to come from <u>domestic resource mobilization</u>**, according to IMF estimates. That's more than half. Helping developing countries raise their tax-GDP ratios – by 4-6 percent or more - is critical to the success of FfD. Many emerging market countries could finance the additional spending needed to achieve the SDGs by domestic actions.

- Of course, that's not enough for many low-income countries. So equally important to recognize that **global innovation and coordination** among *all* development partners will be required when domestically generated resources alone simply cannot get us pass the goal line. This means all relevant institutions – including the IFIs – **adapting to meet the evolving challenges** and the needs of countries through policy advice, technical assistance, and financial support (especially grants and highly concessional financing for LICs) and leveraging further collaboration on innovative approaches based on our comparative advantages.

- I will conclude by highlighting some **key cross-cutting issues** that I believe should be given treatment in the updated FfD agenda.

- First, **climate finance**. We cannot ignore the risks posed by climate change to macroeconomic and financial stability, and mitigating these risks means substantial scaling up of climate finance. We need a robust climate information infrastructure. And implementing **carbon pricing** is critical as it provides signals for redirecting private investment to clean technologies.

- Second, **gender**. As we face down the weakest medium-term global growth outlook in decades, we need all solutions fully utilized to promote inclusive growth and stability. **Economically empowering women** is key. It is a very efficient way of boosting growth and stability, especially for emerging and developing economies, in addition to being an important goal in its own right.

- Third, the **economic and social impact of Artificial Intelligence** and other emerging issues. The updated Financing for Development agenda should be firmly forward-looking and consider the implications of new emerging issues. AI, for example, will transform the global economy and potentially affect 40% of jobs around the world, according to latest IMF research. How these new disruptions will impact our economies and labor markets, how countries can prepare for them, and what kinds of investments are needed to harness them for sustainable development are matters critical for the updated Financing for Development agenda.

- Thank you.