HIGH-LEVEL POLITICAL FORUM
ON SUSTAINABLE DEVELOPMENT

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Financing our crisis response and investing in the SDGs

Monday, 10 July 2023, 3:00 PM -4:30 PM

Secretariat Background Note

The world is facing complex crises that stem from interconnected and mutually reinforcing shocks which have severely hindered the implementation of the Sustainable Development Goals. Countries continue to grapple with the consequences of the COVID-19 pandemic amid soaring food and energy prices, worsening climate events, tightened financial conditions, and geopolitical tensions and conflicts.

The confluence of global shocks since 2020, has substantially deteriorated the fiscal situation and pushed many countries over the edge: 9 least developed countries and other low-income countries are currently in debt distress, and another 27 are at high risk. Almost 40 per cent of all developing countries (a total of 52 countries) suffer from severe debt problems and extremely expensive market-based financing. In response to the latest crises, the international community has taken steps to enhance the global sovereign debt architecture – principally, the establishment of the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative. However, these steps have not had the desired results.

Furthermore, countries have shown a staggering heterogeneity in their capacity to respond to crises. While high income countries were able to provide generous fiscal stimulus packages financed at ultra-low rates, developing countries faced significantly higher costs of borrowing – on average, the poorest developing countries pay 14 per cent of revenue for interest on their debt, almost 4 times higher than developed countries, at 3.5 per cent. If left unaddressed, this financing divide will become a development chasm.

The UN system has responded to these crises through numerous initiatives to help countries mitigate and build resilience for future shocks. For example, the Secretary-General has put forward the SDG Stimulus that lays out three areas for immediate action: 1) Tackle the high cost of debt and rising risks of debt distress; 2) Massively scale up affordable long-term financing for development; and 3) Expand contingency financing to countries in need.

Addressing this dire situation will require new policies, capacity building and institutional support. The 2023 ECOSOC Financing for Development Forum follow-up (FfD Forum) zeroed in on key actions needed to respond to the multiple interlinked crises and increase investment towards the SDGs. Member States, in the outcome document of the FfD Forum, agreed to take a comprehensive set of actions, which include the following:

- Expand investment in social protection floors as a percentage of national budgets and extend social protection for all;
- Call upon the United Nations system to advance innovative solutions that can unlock SDG investments;
- Urge MDBs to bring forward actions to mobilize and provide additional financing within their mandates, to support developing countries to achieve the SDGs and deliver the scale of finance needed;

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- Encourage the international community to consider multidimensional vulnerability, including the potential of a multidimensional vulnerability index, as criteria to access concessional finance;
- Improve international debt mechanisms to support debt review, debt payment suspensions, debt restructuring, as appropriate, with an expansion of support and eligibility to all vulnerable countries in need;
- Scale debt for SDG swaps, including debt for climate and nature and debt for food security swaps;
- Expand regional mechanisms to increase liquidity in crisis situations.

Proposed questions for discussion

- How to ensure the prioritization of investments in the most vulnerable communities, including women and girls, food insecure communities, people with disabilities, and marginalized groups?
- What can we do to enhance the capacities of developing countries to respond to humanitarian, food, economic, and climate crises? What role can the UN system play to support these efforts?
- How can we encourage that the allocation of concessional finance and crisis relief funds accounts for all dimensions of vulnerability and not merely national income?