AFRODAD
AFRICAN FORUM AND NETWORK ON DEBT AND DEVELOPMENT

Financing for Development Mechanism Submission

United Nations High-Level Political Forum

10th to 19th July 2023, New York, USA

Session Description – Financing our crisis response and investing in the SDGs.

(How can the SDG Summit build on the recommendations of the ECOSOC FFD Forum? What can we achieve at the SDG Summit and the GA dialogue on FFD in September 2023?)

The health, cost-of-living, geopolitical and climate crises have exacerbated inequalities within and between countries, and driven millions of people into poverty and food insecurity. The cascading effects of these global shocks have highlighted the urgent need for financing for development to be at the forefront of global efforts towards building back better, as SDG financing needs are growing, but development financing is not keeping pace.

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, echoing the Secretary-General's call for a SDG Stimulus to tackle the crippling debt, massively scale up affordable long-term financing for development and expand contingency financing to countries in need.

In preparation for the SDG Summit and the High-Level Dialogue on FfD in the fall, this session will build upon the FfD Forum takeaways to identify actions that need to be prioritized to shift away from a "business as usual" approach and to embrace bold, transformative change to ensure that recovery efforts are aligned with the overarching goal of leaving no one behind.

Proposed guiding questions:

- **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?**

Chair:

- H.E. Mr. Maurizio Massari,Vice President of ECOSOC (Italy)

Highlights of the report of the Secretary-General (special edition) on progress towards the SDGs – SDG 17 on partnerships for the Goals

- Ms. Yongyi Min, Statistics Division of UNDESA

Interactive panel discussion

Moderator:

- Ms. Sarah Cliffe, Executive Director, Center for International Cooperation, New York University

Panellists:

- Mr. Ferid Belhaj, Vice President for the Middle East and North Africa, The World Bank
- Mr. Jay Collins, Vice Chairman, Corporate & Investment Bank, Citi

Lead Discussants:

- Mr. Jason Rosario Braganza, African Forum and Network on Debt and Development, Kenya (MGoS)
- Ms. Mayada Adil, Co-Founder of La Loupe Creative, Young Leader for the SDGs

Interventions of Ministers and other participants (3 minutes each)

- The COVID-19 pandemic, impacts of the war in Ukraine on rising food and energy prices, rising inflation, and unsustainable debt burdens have significantly reduced countries' fiscal space, undermining their ability to invest in recovery efforts. Despite increased support from the international community to ADVANCE UNEDITED VERSION 37/43 developing countries, these efforts have remained inadequate, exacerbated by an international financial system that is not fit for purpose and that remains plagued with systemic and historic inequities.

- endorse and deliver an SDG Stimulus to the tune of $500billion per year between now and 2030. This calls for immediate action to (i) tackle the high cost of debt and rising risks of debt distress, including by converting short-term, high interest borrowing into long-term (more than 30 year) debt at lower interest rates; (ii) massively scale up affordable long-term financing for development, especially through multilateral development banks (MDBs), rechannelling Special Drawing Rights and aligning all financing flows with the SDGs; and (iii) expand contingency financing to all countries in need.

Thank you, Mr Chair. Representatives from Member States, Comrades from Civil Society, and Members from the Fourth Estate, my name is Jason Rosario Braganza, and I am talking today on behalf of the African Forum and Network on Debt and Development, a member of the Civil Society Financing for Development Mechanism, including the women's working group on FfD.

Allow me to begin with some statistics that are Africa specific but indicative of what is indicative of what is happening across the entire developing world:

- ***22 African countries are identified by the IMF as either already in debt distress or at high-risk of debt distress. While, 37 out of 69 of the world's poorest countries were either at high risk or already in debt distress, while one in four middle-income countries, which host most of the extreme poor, were at high risk of fiscal crisis***
- ***Public debt in Sub-Sahara Africa has more than tripled since 2010. Total African external public debt stood $726bn in 2021.***
- ***The fiscal deficit widened to 5.2% of GDP in 2022, up from the estimated 4.8% of GDP in 2021.***
- ***African countries owe US$644.9 billion to external creditors as of 2021.***
- ***African countries will pay US$68.9 billion in debt service in 2023.***
- ***Debt owed by African countries is equivalent to 24.0% of their combined GDP in 2021***
- ***Between 2019 and 2020, SSA countries transferred $10.5bn and $1.04bn to their private and Chinese lenders, respectively.***
- ***World Bank data, with adjustments by Fitch to expand the data set, indicate that total external debt service payments due next year among Fitch-rated SSAx sovereigns will reach USD22.3 billion, up from USD21.4 billion in 2022[1]***
- ***Eighteen million more people fell into poverty in 2022 as COVID-19, Ukraine war, and climate change lock millions of poor people in vulnerable situations. There are approximately 546 million Africans living in extreme poverty.[2]***
- ***Of the global approximate of 388 million women living in extreme poverty, 244 million are from Sub-Saharan Africa***

[1] *Fitch Ratings – SSAx = Sub-Saharan Africa excluding South Africa. These figures exclude Zambia (Restricted Default) and Ghana (CC) from these figures, due to uncertainty over how debt restructuring will affect their service payments.
[2] Un Women https://data.unwomen.org/features/poverty-deepens-women-and-girls-according-latest-projections

- ***Africa as a continent, loses approximately, $90 billion annually to illicit financial flows leaving the continent to tax havens in the global north[3]***
- ***There are more LDCs in the world today than there were when the term was coined fifty years ago, increasing from 25 in 1971 to 46 countries in 2021.***

With these numbers in mind, it is no surprise when we then refer to a poly crisis that threatens the Sustainable Development Goals under Agenda 2030, and why then the Secretary General is calling for an additional $500 billion annually to meet these Goals.

Let’s put some perspective on some of these statistics and some of the key findings from SDG Progress Report.

First, the poly-crisis is hindering domestic resource mobilisation efforts. At present, governments are being forced to make trade-offs that prioritise commercial interests, creditors, and a broken system at the expense of investments in public services, social protection, and reducing economic and social inequalities. At the national level, citizens are subsidising private interests through extremely regressive tax policies that are squeezing every penny from them to pay off external international lenders. In the part of the world where labour is largely informal, you have a tax system that is severely extractive and punitive. Households who survive on day-by-day basis are being asked to the pay extra for basic needs and public services.

Second, the narrative of leveraging private finance continues to gather momentum in an architecture that promotes and perpetuates the generation and movement of illicit financial flows from developing countries to the tax havens located in the global north. How then do we talk about leveraging private finance when the system is set up to ensure this very same private finance can find its way back from where it originates and leaves countries worse-off than before. This is because the tax system that is designed to attract this ‘private finance’ is the same tax system that is not allowed to tax this private finance to generate tax revenue mobilisation. Thus, what are we exactly advising developing countries? There is something counter intuitive about the system. It is for this reason the call for reform of the international tax system by the Africa Group is most appropriate. Its call for a UN Resolution on a Global Tax Convention is the most systemic and systematic way to ensure the rules of taxation facilitate prioritising people and not profits.

Third, if we are to have a constructive debate on leveraging of private finance, then we need to ask ourselves, how do we leverage finance from a sector that is responsible for the generation and movement of approximately $100 billion annually in illicit financial flows? There is something perplexing about this phenomenon and narrative. The reason for the perplexing idea is that we then turn around from the same group and their shareholders and ask them to provide concessional financing through channelling resources via the multilateral system that itself is responsible for the advice given to developing countries to create an

[3] *Various UNCTAD Reports*

enabling environment for private finance. The maths nor the politics here does not add up. Something needs to give. $100 billion lost to just illicit financial flows (only from Africa) is one-fifth of what the Secretary General is asking for in annual additional financing for the SDGs, to put that into perspective.

My two concluding points on this issue.

We need to be cautious in the use of the English language and especially the terminology that is being put before us. Many of what we consider progressive terms are synonyms for private finance or debt finance. None are really about genuine domestic resource mobilisation by developing country governments. That is why initiatives that were introduced during the pandemic by developing countries are not sustainable, because there is no space to finance them through taxation. Instead, tax revenues are being used to service debt and subsidise losses through illicit financial flows. And while citizens and some advocates get excited by terms such as ‘concessional financing’, it is important to note this still means debt or loan financing albeit cheaper; it means finance that needs to be repaid; it means tax policy is being designed to pay back this ‘concessional finance’.

During the keynote this morning, we heard that it is half-time in match towards the Sustainable Development Goals (SDGs). In keeping with the sports metaphors, at half-time, we could make fundamental changes to how the result of the game will turn out at full-time. The referee cannot be a player in the match; one team cannot have access to all space and resources to decide who gets to play, officiate, substitute. The fans (citizens and member states of the Global South) are calling foul play in the economic governance of the global financial architecture. The technical bench (UN, IMF, WB, WTO, and others) are calling foul play to a global financial architecture that is not fit for purpose, non-inclusive, and discriminatory. It is half-time! Give the fans what they are calling for: an overhaul of the global financial architecture that puts people first; a UN Tax Resolution that gives **ALL** players in the game an equal voice; and a complete reversal in this idea that market-based solutions are the panacea for the Sustainable Development Goals.

Thank you very much.

Jason Rosario Braganza

Executive Director – African Forum and Network on Debt and Development (AFRODAD)

On behalf of the Civil Society Financing for Development Mechanism, including the women’s working group on FfD