THE SECRETARY-GENERAL

12 October 2022

Excellencies,

Allow me to begin by acknowledging the leadership of the Group of Twenty (G20) in the difficult context posed by the current state of world affairs. The COVID-19 pandemic, impacts of the war in Ukraine seen in the rising cost of living and tightening financial conditions and unsustainable debt burdens, along with the escalating climate emergency, are wreaking havoc on economies across the globe. The impact of these compounding shocks on developing countries is further exacerbated by an unfair global financial system that relies on short-term cost-benefit analyses and privileges the rich over the poor.

In the short term, efforts must be pursued to end the cost-of-living emergency and increase liquidity in developing countries. The United Nations Global Crisis Response Group, which I set up in April of this year, has provided policy results on this front, most notably, through the Black Sea Grain Initiative and the Agreement for the Unimpeded Access to Russian Grains and Fertilizers into World Markets.

Today, the G20 is at a crossroads: it can proceed with the status quo, or it can take a new course to steer a global economic recovery for all. I believe a new course is the right choice. To this end, the United Nations system and partners have proposed a Sustainable Development Goals (SDG) Stimulus to address deteriorating market conditions and accelerate progress towards the SDGs. The SDG Stimulus calls for a massive increase in public sector commitments towards development, humanitarian and climate mitigation and adaptation by just two per cent of global gross domestic product (GDP). I call on the G20 Finance Ministers and Central Bank Governors to reinforce an SDG stimulus to ensure that countries at all levels of development can respond to both immediate and long-term challenges. The SDG Stimulus consists of five recommendations.

Group of Twenty Finance Ministers
and Central Bank Governors

1. Immediately enhance debt relief for vulnerable countries

As part of wider efforts towards providing the world with a multilateral legal framework for debt restructuring and relief to facilitate timely and orderly debt crisis resolution with the involvement of all creditors, official creditors, in particular, should adopt an Enhanced Debt Service Suspension Initiative (DSSI-E) to refinance and write down bilateral debt due between 2023-2025. The DSSI-E would: (i) apply to all developing countries in need, not only International Development Assistance-eligible countries; (ii) apply to all bilateral creditors; (iii) postpone amortization payments for a longer time period of 10 years with a five-year grace period; (iv) automatically recapitalize debts for all developing countries while providing the option to opt out; and (v) encourage debt reduction operations by bilateral official creditors, including debt swaps.

2. Leverage better the lending from Multilateral Development Banks (MDBs) and Public Development Banks (PDBs) to support the SDGs

An SDG Stimulus of at least US$500 billion per year by 2025 is achievable, counting with an increased long-term lending by MDBs and PDBs at low interest rates. The scale of the needs is such that MDBs should act as a multiplier. By providing guarantees and acting as first investors and risk takers, they can leverage massive private finance and help shift the liquidity where it is needed most. To mobilize these resources, MDBs should more aggressively leverage their capital bases, along with a significant capital increase. The G20 Capital Adequacy Framework (CAF) Review provides solid first steps for this approach. PDBs also should leverage their portfolios to finance high-quality growth-oriented investments in human capital and infrastructure.

3. Involve private bondholders and sovereign debtors in debt relief efforts

I strongly urge you to continue to encourage private bondholders and sovereign debtors to agree on mechanisms to avoid defaults, including through the use of collective action clauses (CACs), and state-contingent debt instruments (SCDI), to refinance existing debts through exchange offers with improved terms, based on extended maturities and reduced interest rates. Legal instruments adopted in key jurisdictions could further reduce incentives for individual creditors to hold out and reject participation, building on similar laws adopted under the Heavily Indebted Poor Countries (HIPC) Initiative. All creditor countries are also urged to join the DSSI-E.

4. Structurally bolster liquidity support for vulnerable countries through an enhanced use of Special Drawing Rights (SDRs)

Developing countries have already lost almost US$390 billion of foreign reserves this year due to capital flight and currency depreciation, close to twice what they received in 2021 in SDRs. More efforts should be made towards reallocating unused SDRs, with speed and flexibility, including through MDBs, to the countries that need them as well as speeding the process of issuing SDRs in times of crisis. Consideration should also be given to increasing the scale of SDRs to total foreign reserves by agreeing to larger and more common allocations.

5. Align financial flows with the SDGs and the Paris Agreement

I call on all official creditors, including bilateral donors, the IMF, MDBs and others, to align financial flows with the SDGs and Paris Agreement on Climate Change, including by coordinating their actions as part of country-led and country-owned Integrated National Financing Frameworks.

Excellencies, now more than ever, the leadership of the G20 is needed to steer the world out of its deepest crises. I look forward to working with the G20 to develop a common strategy to advance the recommendations of the SDG Stimulus.

Please accept, Excellencies, the assurances of my highest consideration.

with my warmest regards

António Guterres