STATEMENT BY DR. CARLOS CORREA, EXECUTIVE DIRECTOR OF THE SOUTH CENTRE, TO THE MINISTERS AND GOVERNORS MEETING OF THE INTERGOVERNMENTAL GROUP OF TWENTY-FOUR (G-24)

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Global recovery from the polycrisis is losing momentum, uneven and uncertain, with elevated downside risks for developing countries. While interest rate hikes have somewhat moderated inflation, the burden of financial tightening falls disproportionately on emerging market and developing economies, which have been facing macro-financial stability challenges, particularly stressful fiscal positions and escalating debt service burdens. Increasing geopolitical tensions have worsened geoeconomic fragmentation, narrowed global peace dividends and diverted resources including for development financing.

Unprecedented high debt levels in developing countries have been a persistent challenge. 60 percent of low-income countries and 25 percent of emerging market economies are in or at risk of debt distress. Debt-restructuring processes have been slow. Even though some progress has been made, the Common Framework for Debt Treatments has not lived up to expectations. To avoid widespread debt crisis, urgent actions need to be taken especially in light of the fact that low-income countries are paying eight times higher in borrowing cost than developed countries. Currently, private creditors hold about 62% of external public debt of developing countries, up from 47% a decade ago. Yet, there is no mechanism to leverage the private sector in times of debt crisis. For the poorest and most vulnerable countries whose creditors are mostly multilateral development banks (MDBs), durable debt crisis resolution would require support from MDBs including debt cancelation, as happened with the Multilateral Debt Relief Initiative. The global financial architecture is one of the main sources of dissatisfaction for developing countries. Meaningful reform is urgently needed to address its gaps and weaknesses. In doing so, it is necessary to speed up the IMF quota reform to make the IMF more representative, inclusive, and developmental.

The polycrisis has revealed systemic weaknesses of the world economy and significantly hampered progress towards the implementation and achieving the Sustainable Development Goals (SDGs). The United Nations has noted that half of the SDGs show moderate or severe deviations from the desired trajectory. Most worryingly, more than 30 percent of these targets have experienced no progress or, even worse, regression below the 2015 baseline. Poverty reduction, with its impressive progress prior to the pandemic, has been the pride of the international community since the time of the Millennium Development Goals (MDGs). Sadly, if the current trends persist, by 2030, a staggering 575 million people will remain trapped in extreme poverty. Instead of "leaving no one behind", we are now leaving more people behind than ever before. With only 7 years until 2030, countries and the international community must make extraordinary efforts to reverse this trend and bring the implementation of the SDGs back on track.

The marked and growing SDG financing gap at a time of regression in the implementation of the SDGs is worrisome. To reverse the decline and accelerate progress in implementing the 2030 Agenda, it is urgent to increase the provision of development financing to developing countries. To improve global liquidity supply, a new allocation of Special Drawing Rights (SDRs) could be considered and the voluntary rechanneling of the unused SDRs should be sped up. Meanwhile, we hope the discussion on charges and surcharges on IMF loans will lead to elimination of these charges.

It is concerning that commitments for climate change adaptation and mitigation are far from being met. Equally concerning is the trend by some countries to attempt to dilute the principle of 'Common but differentiated responsibility', ignoring the promises made to developing countries in the Paris Agreement. Scaling up climate financing is essential for addressing the existential challenge the world is facing with climate change. In view of the limited financial capacity that most of the developing countries have, as well as the looming debt crisis in many countries, the problems of the interphase between debt relief and climate change deserve further examination. It is a welcome proposal to set up a Global Expert Review panel that will assess debt sustainability and incorporate climate action needs.

Rising protectionism is hampering global trade and economic growth. Reforms are necessary to address the deep-rooted challenges confronting the multilateral trading system. In keeping with the core principles of the WTO, the reforms should be guided by transparent processes, consensus decision-making, and with the full and inclusive participation of developing including least developed countries. WTO reform should be carried out in a manner that safeguards the necessary policy space needed for developing countries for their structural transformation, industrial development, and economic recovery. We take note of the increased impetus to mainstream the UN SDGs across international fora, including the WTO. In keeping with the mandate contained in the Agreement Establishing the WTO as well as the Declaration on the Contribution of the WTO to Achieving Greater Coherence in Global Economic Policymaking, collaboration and cooperation with other multilateral institutions should be guided by the principle of coherence through respecting the mandate and competence of the relevant institutions and avoiding the imposition on governments of cross-conditionality or additional conditions. In the WTO, it is recommended that the core focus should be centred around meaningful and legitimate outcomes on the trade-related SDGs, and that such outcomes do not undermine the objectives or circumvent international commitments undertaken by industrialised economies across other international agreements.

Developing countries' need for tax revenues has greatly increased in the face of the global polycrisis. Effective international taxation of Multinational Enterprises (MNEs) is a key source of revenues and also helps to level the playing field. In this context, the Two Pillar solution for digital and minimum taxation that has been produced by the OECD Inclusive Framework is largely designed to benefit the developed countries and tax havens. Developing countries are unable to negotiate effectively in the OECD Inclusive Framework which is a forum with no statutory basis, no transparency, no democracy, no rules of procedure and accountability only to the G20 and OECD countries and that too without clear mechanisms of enforcement. The South Centre fully supports its Member States and other developing countries in the historic negotiation underway in the UN General Assembly for a more just and balanced international tax system centered in the United Nations. We also welcome the UN Secretary-General's report incorporating the proposal of a UN Framework Convention on International Tax Cooperation. The Conference of Parties (CoP) to such a Convention should have the power to set the global international tax agenda in a genuinely inclusive manner that reflects the priorities of both developed and developing countries. The CoP should also be able to decide whether or not to accept the final outputs prepared in this regard. This will create genuine, rules-based international tax multilateralism centered in the UN system. It will be a marked improvement over the asymmetries of the OECD Inclusive Framework that results chiefly in international tax rules that benefit developed countries and tax havens.

The United Nations Tax Committee has continued to play a major role in creating international tax standards favourable to developing countries. We welcome the adoption of the Subject to Tax Rule (STTR) into the UN Model Tax Convention at the March 2023 Committee session and advise developing countries considering the OECD STTR to first contrast it with the UN STTR before making a decision. We also advise developing countries to support the efforts in the UN Tax Committee to create a UN Multilateral Instrument which would disseminate the UN's international tax standards.