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by Dr. Mukhisa Kituyi, Secretary-General of UNCTAD

External financing is facing severe duress in all developing countries. We expect a decline this year in foreign direct investment of 45% in developing economies and 50% in the LDCs. We also see a devastating impact on developing countries external debt sustainability. This threatens not just the half of all LDCs and other low-income countries that had pre-existing high or unsustainable debt burdens, but also now endangers hitherto <u>sustainable</u> debt burdens across the developing world.

There have been immediate real consequences to this duress, including job loss, business failure, drying up of foreign remittances, compounding the hurried migrations of workers back to rural communities engendered by the health emergency. These are very real consequences, especially for the hundreds of millions people falling back into poverty – for whom notions like "essential workers" or "tele-working" have little or no meaning.

Redressing this situation first requires fast action: lowering the costs of sending and receiving remittances; renewing emergency packages to include support to relief efforts in developing countries; making every effort at meeting the 0.7% ODA target, keeping a sharp focus on LDCs; prioritizing public financing for jobs and income support, esp. for vulnerable women and the informally employed.

Immediate action on debt moratoria and towards debt relief are also required. The G20/Paris Club Debt Service Suspension Initiative (DSSI) has been at the forefront of debate and will be on the agenda again at a G20 Working Group meeting in a couple of days' time. The co-Chairs of Discussion Group IV have called for a substantive extension and expansion of this initiative, including a wider coverage of creditor types and of recipient countries, to cover multilateral and private creditors and to cover more middle-income countries and SIDS.

Covid-19 has highlighted the structural shortages and pitfalls of the current ad hoc system for sovereign debt restructuring. This cannot be remedied immediately, but it is critical that it remain on the agenda with a view to improve crisis prevention and resolution soonest. And while debt relief can help to bridge liquidity shortages, alone it will be insufficient to provide the kind of liquidity needed at present, which IMF and UNCTAD both conservatively estimate is around USD 2.5 trillion for now.

Beyond debt, we also need to work on smart solutions for longer-term recovery, and we need to start doing so now. Nowhere does the need for this become clearer than in the area of private investment, where the pandemic has only augmented an already ongoing dramatic transformation in global value chains brought about by the new industrial revolution, growing economic nationalisms and the sustainability imperative of greening the economy.

Sowing the seeds for recovery and sustainable reconstruction requires global coordinated action for joint trade and investment promotion and mobilizing all investment-development stakeholders to the table, including pension funds, sovereign wealth funds, private equity funds, impact investors, business small and large. And promoting private investment in the SDGs whilst safeguarding public goods requires mainstreaming the SDGs into national and international investment policies, fostering new partnerships and sustainability-themed financial instruments, and deepening ESG integration into capital markets and international direct investment.

UNCTAD stands ready to provide the institutional back up to all countries that wish to avail themselves of any of the policy options raised in the discussion groups, and looks forward to continued engagement across the entire United Nations on these important issues.