UN High Level Political Forum on Sustainable Development, July 6, 2021
MD's Speaking Points

(COM, FAD, SPR)

Thank you, Mr. President. It is a great pleasure to join you today at the UN High-Level Forum on sustainable development.

Over the last 18 months we have been grappling with loss and hardship. In the words of the young American poet Amanda Gorman: "When day comes we ask ourselves, where can we find light in this never-ending shade?"

The good news is "light" is coming. The global economy is recovering. And there is a path to end the pandemic.

At the IMF, we <u>raised</u> our global growth forecast to **6 percent** in 2021 and **4 percent** in 2022. And we recognize the contribution exceptional and synchronized fiscal and monetary actions by policymakers around the world has made to cushion the impact of the crisis. Without them the global contraction last year would have been **three times worse.**

But the overall growth picture masks dangerously uneven developments. After a crisis like no other comes a recovery like no other — countries with strong capacity to support their economies *and* high rates of vaccinations are seeing bright prospects and are powering ahead; those with limited policy space and delayed vaccinations are still in the "shade", and are falling behind. For the first time in 20 years, global poverty is significantly increasing. It is an economic calamity—and a human tragedy.

We know the path forward. **Policymakers must take the necessary actions now to vaccinate** at least 60 percent of the population of all countries by mid-2022. Together with the World Bank, WHO, and WTO, we have formed a "war room" to track, coordinate, and advance delivery of COVID-19 health tools to developing countries and mobilize relevant stakeholders to remove roadblocks.

IMF staff estimate that the actions needed to accelerate vaccinations would cost around **$50 billion.** And the benefits are overwhelming—boosting global output by **$9 trillion** between now and 2025. This would be *the* **best public investment of our lives.**

As we work to beat the pandemic and **safeguard the recovery**, we must also work to **give everyone a fair shot at a future** that is sustainable, more resilient, and more inclusive.

We must stay the course on the **Sustainable Development Goals**.

IMF staff recently presented **new research on how the crisis has set back the path to the SDGs**. We analyzed the financing gaps to achieve the SDGs in five key sectors: **education, health, roads, electricity, and water & sanitation**.

We applied this framework to **four country case studies**—Rwanda, Nigeria, Pakistan, and Cambodia. **Not surprisingly, achieving the SDGs will be even more challenging after the pandemic.**

The pandemic increased the financing needs to meet the SDGs by an average annual 2½ percentage points of GDP, or almost $60 billion per year for all low-income developing countries.

The challenges are enormous. **In Nigeria, for instance because of the pandemic the country faces a six-year delay** in achieving its SDGs. In Rwanda it is five years.

The IMF has outlined a plan for mobilizing ***all stakeholders*** to overcome delays, accelerate development, and achieve the SDGs.

First, we want countries to focus on pro-growth structural reforms, supported by more fiscal capacity through domestic resource mobilization.

Growth starts a virtuous circle. It enlarges the pie. And a larger pie can help provide the resources needed to finance development, in turn further spurring growth.

Cambodia is a good example. Over the past two decades, it has grown, on average, by more than 7 percent per year, driven by investments in infrastructure, health, and education.

To finance investments in human and physical capital countries need to collect more in taxes. LICs taxes are less that 15 percent of GDP, limiting their growth enhancing capacity. The situation is even worse in sub-Saharan Africa, where countries on average collect only 12½ percent of GDP in taxes.

Increasing the tax-to-GDP ratio by an average 5 percentage points over the medium-term is an ambitious but achievable aspiration for many countries.

Second is private sector engagement.

Reforms that support a favorable business climate can help spur private sector investment in development.

In *Rwanda*, private sector investment in the water and energy sectors increased from virtually nothing in 2005-09 to over 1½ percent of GDP per year during 2015-17.

Pursued in tandem, these reforms can be transformative. But it may still not be enough to meet the SDGs by 2030.

This is why **the international community ought to step up.**

We estimate that gradually increasing official development assistance towards the long aspired UN target of 0.7 percent of GNI would generate some USD 200 billion annually in additional financing for development — this will make a huge difference in countries' to meet their SDGs by 2030 or shortly thereafter.

At the IMF we recognize our responsibility and are doing our part. Just in a couple of days we will provide a crucial boost of global reserves through a $650 billion new allocation of Special Drawing Rights. And we are working with our members to find a way to amplify the impact of this allocation by having voluntary on lending of SDRs from countries with strong reserve positions to our most vulnerable members.

Let me conclude with how Ms. Gorman answers the question posed at the beginning.

"There is light. Only if we are brave enough to see it. Only if we are brave enough to be it."

To be it we can — if we work together and we stay focused on achieving the Sustainable Development Goals. Together, we can turn this crisis into opportunity to build greener and more resilient economies in all countries and for all people.

Thank you.