

Joint Bank-Fund high-level event on low-income countries
“Rising to the Challenge: Policy Action in Low-Income Countries
and the Role of the International Community”

3 April 2024 (virtual)

Keynote Speech by Ambassador Tatiana Rosito – Brazil

Thank you.

At the outset, let me salute the IMF and the World Bank for the organization of this event and greet all participants who are with us on-site or online.

It is a pleasure and an honor to do this keynote representing Minister Fernando Haddad and the Brazilian G20 Presidency. I am encouraged by the previous remarks from Kristalina Georgieva and Ajay Banga and also by the host of high-level speakers in the two sessions.

Let me start by saying that the very premise of this event – the necessity of a particular focus by the International Community on Low-Income Countries – is very timely and welcome.

As we know, LICs have disproportionately suffered in the aftermath of the pandemic. In many cases, growth remains well below pre-pandemic trends, while debt levels have risen substantially, announcing a looming debt crisis. At the same time, the world is seriously lagging behind on the SDGs, and sustained progress in LICs is crucial if we are going to meet our goals by 2030.

Furthermore, LICs typically lack adequate representation in decision-making forums. Their views and perspectives are often not adequately reflected in key policy documents. The relatively optimistic

message of the most recent WEO, for instance, which identified broadly balanced risks and an open path towards a soft landing, does not apply to several LICs. Instead, they are facing debt crises or heightened risks of debt distress, combined with the challenge to re-ignite growth and accelerate progress towards the SDGs.

My brief talk today will thus focus on two crucial topics: debt challenges and the way forward for the international community to support LICs in delivering on the SDGs agenda. In both cases, the Brazilian G20 Presidency has put some ambitious proposals on the table. I will present them in turn and offer some concluding remarks on the way forward.

First, regarding debt, let me tell you that this issue is very close to the heart of President Lula and Minister Haddad. The situation of Low-Income Countries is, of course, of particular concern. There are a number of policy measures that LICs could pursue to enhance domestic resource mobilization, and Brazil continues to be fully supportive of World Bank and IMF initiatives in these areas. Nevertheless, no matter the size of the domestic fiscal effort, structural debt issues will only be properly addressed through international policy cooperation and coordinated action among official creditors, private creditors, debtors, and multilateral institutions.

IMF and World Bank figures leave no doubt about the magnitude and the urgency of the situation. Presently, 54% of LICs are either at high risk or already in debt distress. Debt service is projected to increase significantly when compared to the past decade, which will create difficult trade-offs, jeopardizing investments in crucial areas like climate resilience, poverty reduction, health, and education. This, in turn, can have serious social and political consequences, in some cases undermining hard-won political stability and still young democratic institutions.

Reflecting the central importance we give to the topic, the Brazilian Presidency convened two high-level discussions in Sao Paulo and Brasilia in the context of G20 meetings of both vice-ministers and ministers. Overall, our effort is to galvanize political momentum, unblock difficult issues, foster political consensus, and move to action.

At a more technical level, in the International Financial Architecture Working Group, we are committed to supporting, improving, and continuing the implementation of existing initiatives, as well as exploring new solutions. In particular, our focus goes beyond promoting well-functioning debt restructurings; we believe that in many cases it is still possible to prevent imminent debt distress from materializing. Therefore, we are keen to support initiatives for coordinating efforts among stakeholders, in particular the design of mechanisms to prevent countries from sliding into debt distress due to temporary liquidity challenges.

We will also prioritize policy-related issues linked to the implementation of the Common Framework. Regular updates will be provided throughout the year, and new transparency initiatives are being discussed, enabling interested parties to access crucial information and learn from past cases. Together with the IFA co-Chairs, France and Korea, we are working towards a G20 Note on lessons learned from the first Common Framework cases. By drawing from these experiences, and further refining the Common Framework, we aim to facilitate transparent, orderly, and timely implementation of debt restructuring, while promoting efficient information sharing among relevant parties.

We are also happy to co-lead the Global Sovereign Debt Roundtable, which has provided valuable insights for enhancing the debt restructuring process. This year, the workshops have covered topics like sovereign ratings and debt distress; CDRCs and Swaps; revisited the Comparability of Treatment

and debt perimeter; the impact of non-resident holders, and SOE debt in restructurings.

Going further, we have planned candid discussions on climate-resilient debt clauses (CRDC) and the possible use of innovative mechanisms such as debt-for-climate, debt-for-nature, and debt-for-health swaps. Although we know full well that these are not panaceas, we believe well-designed swaps can have very promising side effects, by creating the right incentives and the means to implement high-quality public policies. We have also been working towards new initiatives such as an Africa-led debate on debt, which will amplify the voices of debtor countries and their perspectives on the matter, helping to remedy the issue of insufficient representation that I mentioned earlier.

Heightened debt vulnerabilities are not the whole story, however. Before I finish, let me briefly turn to the second key issue I mentioned at the beginning of this talk, namely the necessity of stepping up international efforts towards achieving the SDGs.

Indeed, Brazil's number one priority in the G20 is to fight hunger, poverty, and inequality, which have also an inextricable relationship to climate and other challenges. Both in the Finance Track and the Sherpas Track, we are fully committed to focusing the G20 attention on, bringing the SDGs back on track.

This involves several initiatives in almost all G20 working groups, from a new debate on macroeconomics and inequality to progressive international taxation initiatives, to inclusive infrastructure debates.

In the interest of time, I will expand here only on the Task Force for the Establishment of a Global Alliance Against Hunger and Poverty proposed by President Lula in the beginning of the Brazilian G20 Presidency. As the

name suggests, this task force will aim to boost global progress towards SDG 1 and 2 by creating a Global Alliance, which will make possible the adoption of effective poverty alleviation policies in countries most in need. The alliance will provide both political commitment, technical support, and a basket of tested policies that can be readily implemented by the LICs adhering to it. In the Finance Track, we will seek ways to efficiently mobilize existing poverty alleviation funding and new resources to finance this initiative.

The commitment of Multilateral Development Banks and other IFIs will be of the essence. Therefore, I invite you to seek more information about the Alliance and study ways your organizations can contribute to it. Together with the World Bank, we will host a high-level event during the Spring Meetings, on the 17th, to present the Alliance to the broader international financial community. Several other events will follow during the year. For those of you interested in hearing more, we are happy to facilitate contact with the Task Force teams at the Brazilian G20 presidency.

To conclude, let me once again commend the IMF and the World Bank for organizing this very important event. We should act now to prevent the debt difficulties in some countries from becoming a full-blown debt crisis, which would make the SDGs unachievable. But addressing debt issues is just one side of the coin. The International Community must join efforts to offer a positive development perspective for LICs, including the eradication of hunger and extreme poverty. Count on the Brazilian G20 Presidency to foster international consensus to address these pressing challenges.

Thank you.