Statement by South Africa in the General Debate of the Financing for Development Forum, 28 April 2022

Chairperson,

South Africa aligns its statement with that of the G77 and China and the Africa Group.

The combined impacts of COVID-19, rising conflict and climate risks are exacerbating extreme poverty, undermining growth, and jeopardizing the prospects of a resilient and inclusive future in low- and middle-income countries.

Recovery from the COVID-19 crisis has so far been uneven with advanced economies rebounding while many of the poorest countries are being left behind. An inclusive recovery and approach to ‘Building Back Better’ will be paramount in achieving the SDGs.

Chairperson,

I wish to highlight a few issues that we believe are important in addressing the needs of developing countries:

First, we must acknowledge that we have a broader systemic problem in financing climate change and SDGs. The situation is that “the global financial system is morally bankrupt” as stated by the UN Secretary General. Nothing short of an overhaul of the entire international financial architecture will suffice.
The global economy does not serve all people equally and achieving sustainable development, income convergence and development requires addressing the underlying structural challenges that create global inequality.

**Second**, the cost of finance for developing countries, continues to be a major challenge, with developing countries paying approximately five times more annually in principal repayments and almost double in interest on an overall external debt.

While we welcome efforts that have been made by the G20 through the DSSI initiative and the Common Framework, the implementation of the Common Framework needs to be stepped up.

The importance for private creditors and other official bilateral creditors to provide debt treatments on favorable terms, cannot be overstated. However, these measures will unlikely resolve the long-term debt crisis so and bolder measures must be considered.

Developing countries need access to scaled-up levels of new, additional, and predictable grant and concessional finance, which does not exacerbate debt burdens.

Concessional finance provided by Multilateral Development Banks need to be stepped up significantly with a particular focus on increasing grant allocations to the poorest of the poor.

**Third**, tackling illicit financial flows has significant consequences for resilient recovery. The opaque and often destabilising transfer of capital strips governments of much needed resources for financing their development priorities – Africa loses about US$88.6 billion in illicit capital flight annually – equivalent to 3.7 percent of the continent’s gross domestic product. This is almost equal to Official Development Assistance (ODA) and Foreign Direct Investment (FDI) flows to Africa combined. Faster and more tangible action is needed to combat these flows, as a matter of urgency. To this end the recommendation of the FACTI Panel for a UN Tax Convention is of paramount importance.
We need a radical change in the mindset of developed countries to honour their legal obligations and voluntary undertakings of support to developing countries. These commitments must become a reality.

**Finally**, Mr. Chairperson, we wish to reiterate that a fair, equitable and just global economy is a prerequisite for meeting the SDGs, climate goals, and eradicating poverty. The need for global economic reform cannot be more important than it is today.

We therefore call on all the relevant stakeholders and partners to pursue solutions to addressing the global financial crisis unfolding before us so that we can avoid more countries and peoples falling into hardship.

I thank you.