

SECOND GST FOCUS DISCUSSION, 10 NOVEMBER 2022

In response to the request by Ms Rachel Kyte to address big picture finance and international cooperation issues:

South Africa is of the view that to meet challenges of such magnitude and to truly scale-up global ambition, a fundamental transformation and modernisation of the global financial architecture is required. We need a systematic reform of the multilateral development banks to make them fit-for-purpose in supporting Sustainable Development and Just Transitions. The key is to address risk aversion in investing in developing countries, to prioritise debt solutions and to dramatically lower the cost and conditionality on borrowing money that places multilateral support out of reach of the majority of the world's population, in particular 70% of the world's poor people. In reality, most of the multilateral funding goes to developed countries and not to developing countries.

To tackle the debt crisis that many developing countries face, we call for a climate focused Debt Suspension and/or Restructuring Initiative (DSSI) for countries experiencing loss and damage events. We call for reform of the World Bank re-payments process and the International Monetary Fund surcharge system. We need to increase the risk appetite of the Multilateral Development Banks to focus on the economic costs of transition risk, by taking first loss risks on investments in technologies that are not yet commercially available, and to facilitate scaling-up through interventions that help bridge the gap to commercial project viability, mitigate risks, finance first-of-its-kind projects and support technical assistance work.

We further call to mandate a new and urgent round of capital increases for the Multilateral Development Banks, increase the MDB private sector

leverage ratios, and deploy new financial instruments, particularly non-debt instruments, policy-based guarantees, and options that do not require sovereign guarantees, and to increase sector-specific direct budget support as one of a range of financial instruments to support the development of national just transition pathways.

Global Commitments for climate finance should be amended to reflect the true opportunity cost of climate change in Africa and other developing regions, and thus contribute to climate justice.