

# **25** In my view: Restoring dialogue and global unity behind co-operative solutions are critical for people and the planet

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We are caught between two pressures. On one side, there is the risk of global economic fragmentation driven by the emergence of regional blocs favouring protectionist policies, shortening value chains, reducing investments and increasing isolationism. A more fragmented world means abandoning co-operative approaches and lacking consensus on the way forward to achieve common goals such as combating climate change and resolving debt issues.

On the other side, now more than ever, we need co-ordination to finance the fight against climate change and growing inequalities. The combined effects of the COVID-19 pandemic, conflicts, climate change and biodiversity loss crises leave us today in a world where poverty and inequality are rising and progress on the Sustainable Development Goals (SDGs) is derailed. The annual funding gap for achieving the SDGs has significantly increased, reaching USD 4.2 trillion. Meanwhile, to achieve carbon-neutrality by 2050, global investments in clean energy will need to triple on a global scale, and USD 2 trillion will be needed for the energy and climate transition in emerging and developing countries.

While the scale of financing needs is huge, the capacity of many developing countries to mobilise financing for development and climate is highly constrained. Today, more than half of low-income countries are heavily indebted. Developing countries face high borrowing costs, and many governments must allocate a high share of revenue to debt service payments instead of investing in health, education and social protection. Large variations also persist in countries' access to liquidity in times of crisis. Countries should not have to choose between climate, development and debt.

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There is an urgent need for global co-ordination. We must rethink the functioning of the international financial system and the Bretton Woods institutions. We need a fairer system that enables the mobilisation of more and rapid funding to the countries that need it most. Multilateralism remains the best form of engagement and dialogue to address common issues that impact the global economy and our lives.

There is also an urgent need to restore dialogue between the Global North and Global South. Southern countries are the first to be impacted by climate and economic crises. To design a more effective and fairer

international financial architecture, we must ensure their fair representation in global economic forums such as the Group of Seven (G7) and G20. The allocation of one seat for Africa in the G20 and the creation of a third African chair on the International Monetary Fund's board are promising steps forward in this direction.

Strengthening this dialogue was the core ambition of the Summit for a New Global Financing Pact, which brought together about 40 heads of state, including from major emerging countries, and international financial institutions in June 2023. The summit aimed to find solutions so that emerging countries would not have to choose between development and climate. It served to recognise the urgent need for reform of the international financial architecture and to create momentum.

First, this momentum was reflected in the numbers. We exceeded the USD 100 billion climate finance goal for developing countries for the first time in 2022, reaching USD 115.9 billion. By May 2024, we had secured USD 260 million in commitments towards the USD 300 million target for the Alliance for Green Infrastructure in Africa to finance green and climate-resilient projects and programmes. At the Clean Cooking Summit, USD 2.2 billion was pledged for financing and investing in clean cooking initiatives in Africa.

However, this is still not enough. We need more systemic changes and to agree on clear mandates. We must go further in redirecting special drawing rights through multilateral development banks, in mobilising more substantial private flows effectively directed to the countries that need them most, and in reassessing the evaluation criteria of rating agencies.

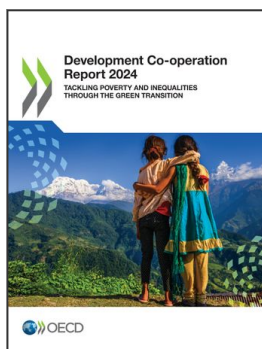
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We need a dialogue between multilateral development banks, development finance institutions, regulators, credit rating agencies and other partners to look at financial regulations and any unintended consequences that prudential frameworks may have on investments in developing countries. This dialogue should also address longer standing rules and practices on country risk assessments and credit risk ratings that may inadequately reflect country realities. It is urgent to hold an international consultation on the rating criteria of evaluation agencies to make them fairer and more transparent. And we should strengthen the deployment of just energy transition partnerships, which can provide a consensual framework for energy transition.

Second, this momentum has created a new lab of multilateralism and political impetus. The Paris Pact for People and the Planet was created to ensure that developing countries can make their voices heard and participate equally in discussions that traditionally are held in forums where these countries have limited access and influence. The platform brought together country coalitions on debt, biodiversity credits, international taxation, carbon markets and clean cooking – the main concerns that need to be addressed and considering all aspects of development and transition. The Paris Pact for People and the Planet platform also provides a space for developed countries to demonstrate their commitment to enhanced financial mobilisation and more representative and effective financial governance.

Only together will we succeed in adapting our international institutions to face common challenges. But we need to move from awareness to action for the sake of our lives, the planet and future generations.

I strongly support the work undertaken by the OECD in producing more transparent and detailed data and promoting co-ordinated action in the fight against poverty and inequalities. This enables better country assessments, unlocks investments, and assists governments in developing credible and ambitious long-term policies to reduce poverty and inequalities.



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