



Bridging the Financing Divide

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Summary

- Very rich, informative report – emphasizes the widening gap in financing for sustainable development between rich and poor countries.
- 3 key take-aways
 1. Crippling cost of debt financing for developing countries has hamstrung their recovery from COVID-19.
 2. Rich countries able to support recovery with high borrowing at ultra-low interest rates.
 3. Poor countries spent billions servicing debt, stopping them from investing in sustainable development.

Comments

- 3 main comments
 1. SDRs as a tool for addressing systemic risk
 2. Taking action on debt
 3. Revenue mobilization challenges and opportunities

Comment 1

- Debt/GDP ratios were already high before the pandemic, exacerbating the risks of debt distress
- Special Drawing Rights (SDRs) provided to countries to boost liquidity and combat the pandemic effects. Some countries used SDRs to pay down their debts while others used it for government spending

Comment 2

- Debt stocks of developed countries increased and peaked in 2019-2021 but servicing costs reduced.
- MICs saw sticky increases in debt/GDP ratios while their service costs are U-shaped
- LDCs have lower debt stocks when compared to more developed countries but their debt servicing costs are higher.
- SIDs almost never have access to capital markets so they rely on non-concessional and short-term expensive debt.

Comment 3

- Many revenue mobilization challenges in developing countries:
 - Weaknesses in revenue management
 - Widespread tax exemptions
 - Shortfalls in the capacity of tax and customs administrations.
- Potential to mobilize more in taxes in African economies:
 - Better tax administration
 - Broadening the tax base
 - Plugging the tax loopholes

Tax data for Revenue

- Tax data analysis can provide knowledge for better policy-making and inclusive development
- Can help us understand how to improve compliance and mitigate the potential harmful effects of taxation on enterprise growth and job creation.
- Improving capacities for tax and other domestic revenue collection is a key target of [SDG 17](#).



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