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DEVELOPMENT

TO THE MEETING OF MINISTERS AND GOVERNORS OF THE
INTERGOVERNMENTAL GROUP OF TWENTY-FOUR (G-24)

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More than a year and half after the COVID-19 pandemic swept across the planet, the global economy is showing a solid recovery. Global growth projections slightly improved to 5.75% per cent for 2021 and 4.5% for 2022. Near-term drive is however imbalanced across countries and sectors, as a result of the Delta variant and supply limitations. Most developing economies continue to face multiple health and economic challenges. The recovery is constrained by the resurgence of the variants, uneven vaccination and reduction of government stimulus measures.

In the near term, low- and middle-income countries confront a COVID-19 reappearance with more contagious and relatively “vaccine-resistant” variants. In addition, the progress in vaccinating the population of low- and middle-income countries is slower than anticipated. The recent waves of infections have affected younger populations, devastated public health capacity, and restrained economic activities. Sustained economic recovery will be determined by the effective vaccines rollout, particularly across developing countries. The production, supply and equitable access to vaccines for low- and middle-income countries remains contingent on the concerted efforts of the international community. Adequate funding for the “Access to COVID-19 Tools (ACT) Accelerator Initiative” and the COVAX Facility is required in order to develop and distribute COVID-19 tests,

treatments, and vaccines just in 2021. We subscribe to the G-24 call on MDBs to support the vaccine manufacturing capacities in Emerging Developing and Market Economies (EDMEs), along with the lifting of trade restrictions and supply-chain obstacles that deter the effective distribution of vaccines. The OPEC Fund is committed to participate to these programs to support the elimination of the virus and limit the surge of threatening mutations, which could well reverse the progress achieved.

As a result of the socio-economic consequences of the COVID-19 pandemic, MDBs are confronted with the challenge of maintaining financial sustainability while increasing lending to meet the increased financing requirements of low- and middle-income countries. In this respect, the WBG's enhanced COVID-19 response and proposed financing for the Green, Resilient and Inclusive Development (GRID) is considered a welcome initiative. We wish to join our voice to the G-24 call towards securing support for low-income countries as well as fragile and conflict affected states, small states and countries facing migration challenges. We also wish to express our concurrence with the G-24 request for the development of a strategy that supports middle-income countries, in particular with regards their evolving challenges.

The recent approval of the largest SDR allocation in the history of the IMF, equivalent to US\$650 billion (about SDR 456 billion), will provide countries with liquidity cushions and help address policy compromises. These resources will also provide additional concessional financing under the Poverty Growth Reduction trust (PRGT). In addition, the proposed new IMF facility, the Resilience and Sustainability Trust (RST), will also help emerging and developing economies in addressing the challenges of climate change while building resilient economies.. We support the G-24 advocacy for the mechanisms that encourage countries with strong external positions to voluntarily channel SDRs to support the recovery of vulnerable low-and middle-income countries, suffering from the impact of the crisis. We welcome the G-24 call for collective assistance and other sources of donor support, to promote growth and deliver the resources required for investments in health, education, infrastructure and social expenditure in developing countries. The dependable use of these resources is essential to ensure an effective and sustainable response to the pandemic needs.

These challenges are particularly important for low-income countries, half of whom faced debt distress or were at high risk of it even before the pandemic struck. The resources required to service debt—due to high interest rates and elevated debt levels divert funds from investment in health, nutrition, education, and other critical development needs. COVID-19 exposed an irregular sovereign debt restructuring architecture. The Debt Service Suspension Initiative (DSSI), extended through the end of 2021, has freed up US\$5.7 billion so far, below half of the projected total. The implementation of the G20 Common Framework for Debt Treatments beyond the DSSI (CF) may provide a favourable opportunity, embracing all countries with pressing debt exposures to obtain the necessary debt relief. In addition, the IMF Catastrophe Containment and Relief Trust will allow providing debt relief for the vulnerable countries hit by catastrophic natural or public health disasters. It has been noted that the CCRT is providing grant-based debt service relief to the 29 most vulnerable LICs with outstanding credit to the IMF, until mid-October 2021. As noted by the G-24, additional efforts are underway, to secure grants from a broad range of donors and to extend the duration of grant-based debt relief to these members for another six months until April 2022.

Economic inequities within and among countries have intensified as a result of the impact of COVID-19. Firm global cooperation, including participation by the private sector, is required to finance investments that foster and sustain longer-term growth. *“The pandemic not only reversed gains in global poverty reduction for the first time in a generation but also deepened the challenges of food insecurity and rising food prices for many millions of people. This is particularly prevalent among the poorest countries and populations, where higher prices of food can devastate discretionary incomes”* (WB Global Economic Prospects, June 2021). Expanding social safety net programs has been identified as an efficient measure, to address some of these challenges. Food security could be improved with international coordinated efforts in logistics, along with fostering climate resilience of improvement of local food supply. The post-pandemic recovery offers opportunities for setting the pathway a future that promotes equity, ensures sustainability and supports climate friendly activities in developing countries. Scaling-up the combination of private and public financing continues to be essential. Focusing on strategies that catalyse finance from both public and private

sector will promote opportunities for the creation of sustainable jobs. Strong international support is required to ensure that emergency response measures do not intensify existing environmental challenges. As endorsed by the G-24, tailoring support to the specific circumstances of countries, while ensuring a “just” energy transition, and scaling up adequate financing and technical assistance will be crucial to upkeep the required sustainable investments, especially infrastructure and energy.

Since the onset of the Pandemic, the OPEC Fund has provided urgently needed assistance to partner countries both through public and private investments, as well in crucial sectors. The OPEC Fund will sustain its solidarity and engagement in response to redefined client and country priorities. Our support, extended through dynamic and agile mechanisms, responds to the increased financing needs of our fellow Emerging Markets and Developing Countries (EDMCs).

In concluding, we seize this occasion to reaffirm OPEC Fund commitment to strengthen the preparedness and readiness of our partner countries to address global, social, and environmental hazards. We consider that consolidating international cooperation is fundamental to support the progress towards achieving the sustainable development goals and prepare for adverse future challenges.