

G-24 urges extending G20 debt service suspension initiative beyond FY2020 amid COVID-19 crisis

Doaa A.Moneim, , Wednesday 14 Oct 2020

Egypt's Minister of International Cooperation Rania Al-Mashat, participated in the meeting, and raised the alarm about the pandemic's impact on economies in Africa and the Middle East



The Intergovernmental Group of 24 (G-24) urged the extension of the G20 Debt Service Suspension Initiative (DSSI) beyond FY2020, asking the G20, International Monetary Fund (IMF), and the World Bank Group (WBG) to work on putting in place a framework and mechanisms to foster timely, orderly and adequate debt resolution to involve all public and private creditors.

The G-24 call came during a meeting held on Tuesday as a part of the IMF and the WBG's Board of Governors annual meetings that kicked off on Monday.

An estimated 100 million people have been thrown into poverty in developing countries, and workers in lower-middle income countries have lost 15 percent of their income, G-24 said in a statement.

"We are being squeezed in an economic vise as a consequence of COVID. Real productive capacity has been lost. Revenues and remittances are down whilst capital flight has increased, but we must spend to fight this pandemic and vigorously restart our economies. Sovereign debt distress is growing while International Markets are constraining. The prospect of a lost development decade is very real," said Ken Ofori-Atta, Minister for Finance of Ghana and Chairman of G-24.

G-24 meeting stressed that recovery from the pandemic's impacts depends on the timely distribution of affordable vaccines to all countries on the basis of need.

Meanwhile, recovery could be set back by the continuous surges of infections as social distancing measures are eased, in addition, risks to financial stability remain, which present potential headwinds for recovery, according to the statement.

Extraordinary fiscal measures to invest in health, protect jobs, and provide social protection in emerging markets and developing countries (EMDCs) has significantly increased deficit to GDP ratios, and public debt levels have surged, G-24 said in the statement.

It added that despite the international financial institutions responding with emergency support, external financial assistance still falls short of what is needed in the ongoing extraordinary times.

"We need to see a fierce urgency for change from all actors, with all options on the table. Now is not the time for the world's great economic powers to turn inward. We must use this opportunity to build back better and greener and effect a tectonic shift of the global financial architecture," said Ofori-Atta.

Impact on Africa and Middle East

Egypt's Minister of International Cooperation Rania Al-Mashat, participated in the meeting, as well as Egypt's governor at the World Bank

Group.

In her speech, Al-Mashat raised the alarm about the pandemic's impact on economies in Africa and the Middle East, and increasing debt because of the economic downturn.

To manage the debt crisis and reconcile the financing needs of developing economies, Al-Mashat called for efforts in international institutions to be streamlined and coordinated in order to support developing countries in their quest to build a sustainable economic recovery, as well as for an increase in blended financing to support implementation of national development plans.

Blended financing includes a combination of public concessional official development assistance (ODA) with private or public resources to support sustainable development goals, in terms of poverty alleviation, economic development, and action on climate change and gender equality, according to Al-Mashat.

Al-Mashat referred to Egypt's success in the execution of major national projects, particularly in the infrastructure sector, which was supported through innovative methods in financing, such as blended finance, helping Egypt achieve positive growth at a time when all economies are shrinking.

According to recent reports of the World Bank and the European Bank for Reconstruction and Development (EBRD), Egypt is expected to attain growth of three percent and two percent, respectively, during 2020, and around 2.1 percent and five percent in 2021.

For his part, David Malpass, president of the World Bank Group, highlighted the World Bank's support for developing countries in their emergency response to the Covid-19 pandemic, adding that it deployed a \$160 billion loan programme for 100 countries to protect the vulnerable and bolster economic recovery.

The pandemic has increased deficit-to-GDP ratios by 5.5 percentage points between 2019 to 2020, and public debt levels by 6.8 percentage points, according to the IMF. Emerging and developing countries need an estimated \$2.5 trillion to meet their needs, according to the IMF.

During the meeting, governors of the IMF and the World Bank referred to the need to adapt their traditional lending instruments to adequately meet the needs of member countries beyond 2021, and to undertake governance reform to enhance the role and voice of developing countries.

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