G-24 Ministers and Governors — Media Statement
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Pandemic Drives Intense Economic Crisis in Developing Nations

Developing countries face unprecedented economic crisis as a result of the COVID-19 pandemic. Sharp economic contraction is slashing trade, tourism, travel, remittances, employment and government revenue across the developing world just as governments must spend heavily on health and social protection. Wealthy countries have ample lines of credit, but many poorer countries — already in debt distress before COVID-19 — have further seen revenues dry up.

"Fighting the disease is imposing massive costs on poor nations just as severe economic slowdown drastically reduces revenues from all major sources and creates debt distress," said Kenneth Ofori-Atta, Ghana's Minister of Finance and Chair of the Group of 24 emerging and developing countries.

"We are being hit on every front simultaneously," Ofori-Atta told G-24 finance ministers and central bank governors today. "There clearly is a need for broad based effort — including all multilateral, bilateral and private creditors — to make sure that we prevent the liquidity crisis from becoming a solvency crisis. This will require significant new capital."

The G-24 gathered by teleconference to discuss priority areas where emerging and developing countries (EMDCs) need large-scale financial and technical support. Members commended the International Monetary Fund (IMF) and World Bank Group (WBG) for swift action in responding to EMDC needs.

They noted the importance of speed in disbursing funds and urged the WBG and IMF to "use all available instruments and facilities in a flexible and timely manner, including emergency financing and enhanced regular financing and technical assistance."

Greater Impact on EMDCs

The global toll of this pandemic is immense. For EMDCs, the impact is particularly severe and projected to get worse, with long-lasting effects on people's health, jobs, and livelihoods. More than 90 percent of EMDCs report coronavirus cases. Swift emergency public health measures and fiscal and monetary policy responses are needed. EMDCs need to upgrade fragile public health systems and gain access to critical medical supplies. Containing the outbreak is extremely difficult in densely populated poor areas with limited sanitation.

There is risk of food price increases with the emergency demand and supply chain disruptions. Reduced trade, tourism and disruptions in global value chains have led to heavy losses of jobs and income in many developing countries. Massive capital outflows and falls in remittances are eroding reserve buffers in EMDCs, while the sharp decline in oil prices has had a severe toll on some developing countries.

Rapid Global Response Needed

Efforts are underway to craft a globally coordinated response to include a temporary suspension of debt payments, balance of payment support and other forms of emergency loans and grants. "This is a global crisis and it needs a global response matching the magnitude of this crisis if we are to minimize the loss of lives, protect jobs and livelihoods, and pave the way for a rapid global economic recovery. We are confronted with a crisis beyond the scale of the Spanish Flu in 1918, the Great War, World War II and more recently, the 2008 Financial Crisis," Ofori-Atta said.

"Going forward, it is essential that we establish an inclusive global forum that can deal with global crises, such as the one we are facing now, in an equitable and balanced way," he said.

The G-24 underscored the urgency of strong financial and technical support for developing countries to contain the spread of the disease, protect economic activity and jobs, and alleviate liquidity constraints. The Group particularly called on the IMF, WBG and other MDBs to use all their available instruments and provide the flexibility necessary to accelerate support.

The WBG needs to use the full potential of its lending firepower to respond quickly and flexibly under these exceptional circumstances. The Bank Group's fast-track package is a commendable first step to support developing countries in containing the pandemic and assisting firms manage the economic downturn. The Bank needs to continue its work to secure fresh capital to support its members. The Bank Group needs to continue to streamline its operational processes and work collaboratively with other MDBs to maximize its ability to provide timely support to EMDCs.

The IMF is the main source of liquidity support for most EMDCs. Few have access to swap lines offered by major Central Banks and Regional Financing Arrangements. The IMF has taken commendable quick actions to increase countries' access to its emergency financing facilities and the Catastrophe Containment Relief Trust's response to alleviate debt pressures on the poorest countries. The G-24, however, recognizes that the IMF will require more resources from bilateral donors if they are to respond to major increases in emergency financing needs of low-income countries.

The IMF also needs to enhance its traditional lending toolkit, such as through a short-term liquidity line facility. The G-24 has urged the IMF to explore SDR allocations as a means to enhance the reserves of IMF member countries. More than 40 percent of the allocation will flow to emerging markets and developing countries.

African countries have recently asked for immediate debt relief through a debt standstill from bilateral and private creditors. The IMF and WBG have called on official bilateral donors to temporarily suspend debt payments from low-income countries so they can focus their resources on responding to the pandemic. Multilateral, bilateral and private creditors will need to explore further options to provide broad-based debt relief in order to avert a solvency crisis, as more developing countries develop liquidity problems.

ENDS

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