

## Poor nations urge private creditors to help cut debt

Anwar Iqbal | Published October 13, 2022



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**WASHINGTON: Pakistan and other members of G24 nations have urged private creditors to back efforts to lessen the debt burden on developing economies.**

The G24 — officially, the Intergovernmental Group of Twenty-Four — was established in 1971 to help coordinate the positions of developing countries on monetary and development issues. The members — who are more than 24 now — include those nations as well who are seeking debt restructuring to avoid a possible collapse.

“Addressing worsening sovereign debt distress requires urgent globally coordinated actions,” they said in a statement issued in Washington while calling for “a timely, orderly and coordinated” implementation of the G20 Common Framework for Debt Treatments for eligible low-income countries (LICs).

The framework requires private creditors to participate on comparable terms to overcome collective action challenges and ensure fair debt-burden sharing. The IMF’s LIC list includes 69 countries, including Pakistan, that are considered most vulnerable to higher prices because food accounts for 44 per cent of their consumption on average, compared with 28pc in middle economies and 16pc in advanced economies.

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The G24 statement noted that while progress has been made, a comprehensive debt treatment will remain limited without comparable treatments from private creditors within the common framework.

“As we advance, we recognize the need to accommodate the unique needs of eligible LICs. We, therefore, stress the importance of private creditors’ commitment to providing debt treatments to ensure fair burden sharing and meet the principle of comparability of treatment,” the statement added.

The G24 nations pointed out that rising debt distress in several middle-income countries (MICs) also “highlights the importance of supporting their necessary debt treatments, when sought, through concerted efforts.”

“We welcome the IMF’s revisions of its policies on sovereign arrears to reflect changes in the sovereign creditor landscape, strengthen debt transparency, and facilitate creditor coordination,” the statement added.

The G24 called for strong engagement of the IMF and the World Bank Group (WBG) in providing technical and financial support to countries that seek to restore debt sustainability.

“We look forward to the continued support of the IMF and WBG to improve debt transparency and build capacity in public expenditure and debt management,” they added.

In another statement issued in Washington, the IMF said that global government debt is projected to be 91pc of GDP in 2022, which is 7½ percentage points above the pre-pandemic levels.

IMF’s Director of the Fiscal Affairs Department Vítor Gaspar said at a briefing on Wednesday that “the biggest risk emphasized” in the Fund’s Fiscal Monitor is debt. “Recent market developments show increased sensitivity to weak or deteriorating fundamentals. That raises the spectre of frequent or widespread fiscal crisis,” he said.

In a joint piece, they wrote for the IMF, Mr Gaspar and three other IMF officials noted that governments across the globe confront difficult trade-offs amid sharp increases in food and energy prices.

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