



STATEMENT BY DR ABDULHAMID ALKHALIFA
DIRECTOR-GENERAL OF THE OPEC FUND FOR INTERNATIONAL
DEVELOPMENT

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

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One year after the first wave of the pandemic swept across the world, both developed and developing countries continue to face multiple health and economic challenges. Despite improved global growth projections of 5½ per cent in 2021 and 4% in 2022, there are increasing signs of divergence across countries and sectors. Benefits from effective public health policies, faster vaccine deployment, and strong policy support along with rigorous containment measures offset the prospects for growth in some countries and service sectors in the near term. Meanwhile prospects for recovery remains subdued for many countries as output and income are expected to remain below pre-pandemic levels. As recently mentioned by IMF Managing Director Kristalina Georgieva (*Meeting of Heads of State and Government on the International Debt Architecture and Liquidity*), by 2022 emerging and developing countries will face cumulative per capita income losses as high as 20 percent, as compared to 11 percent, in advanced economies. The disadvantages and inequalities resulting from loss of income will continue to push poorer people towards poverty, hunger and loss of homes. After two decades of growth in many low- and middle-income countries, the economic crisis resulting from the COVID-19 pandemic threatens profound long-term impact, particularly childhood malnutrition and delayed educational development.

The pace of global economic recovery hinges on the continued and effective vaccines rollout, particularly across developing countries. The equitable distribution of vaccines requires a wider global co-operation and funding to ensure their adequate and timely availability. The COVAX Facility is a major step towards vaccines access for the poorest countries. Increased financing is still required for vaccinations to be made available to all. More than 180 countries have joined the COVAX Facility; this supports the goal of amplifying the geographic reach as well ensuring a diverse portfolio of COVID-19 vaccine candidates. We are encouraged by the progress reached so far, as several developing countries have benefitted from the initial supplies of vaccines, under this scheme. We also consider that the WHO “Access to COVID-19 Tools Accelerator” (ACT-A) established to promote equal access to tests, treatments, vaccines and support health systems across the globe, has also delivered on many aspects. We have noted that regional initiatives such as the African Union vaccine program to complement the COVAX allocations. Several MDBs have also embraced programs to ensure the procurement, delivery as well as the manufacturing of vaccines in developing countries. The OPEC Fund is committed to contribute to these programs. Enhancing the production and deployment of vaccines would facilitate the move towards lifting restrictions and encourage people and goods mobility, both essential for the economy and trade to pick-up. The global elimination of the virus is a necessity to limit the surge of threatening mutations, which could well reverse the progress achieved.

The COVID-19 pandemic has exposed the global financial vulnerability resulting from policy strains, volatile capital flows, climate shocks. A major challenge for developing countries is to safeguard a comprehensive global financial safety net (GFSN) that could provide liquidity, in cases of balance of payments instabilities. We wish to join our voice to the G-24 call towards securing effective liquidity support and development resources. A comprehensive approach including grants and concessional lending, among others, to support vulnerable countries and people is needed. We consider also essential to enhance private and public support to ensure a durable exit from the pandemic. We also wish to express our concurrence with the G-24 request for a flexible adaption of the IMF emergency financing toolkits, specifically the Rapid Financing Instrument (RFI), for all emerging market and developing countries (EMDCs), and the Rapid Credit Facility (RCF), for low-income countries eligible for concessional financing. We also support the G-24

advocacy for mechanisms that encourage countries with strong external positions to channel unused SDRs, including resources from the new allocation, to help vulnerable countries suffering from the impact of the crisis in need of liquidity.

The pandemic continues to place additional burdens on the debt situation of developing countries, in particular for those with high debt-levels prior to the crisis, which are now at higher risk of debt distress. The extension of the Debt Service Suspension Initiative (DSSI) to June 30, 2021 and the Common Framework for Debt Treatments (CF), is a welcome initiative of the G20. This will allow participating countries to lower the strain on fiscal space and channel resources to manage the health and economic impact of the pandemic. Implementation of the CF in combination with adequate credit rating agency reactions may provide an incentive for countries to apply for debt treatment.

The IMF reports that, as of today, more than half of low-income countries eligible for relief under the DSSI remain either in debt distress or at high risk. As endorsed by the G-24, coordinated solutions including innovative instruments will be required to achieve a sizeable debt reduction. These solutions should allow the extension of debt relief without compromising the ability of major donors to continue providing ongoing and future support for all developing countries. Sustained multilateral efforts to improve the architecture for sovereign debt resolution to facilitate expeditious debt treatments are required. This would ensure that the cost of debt relief for a debt-distressed country is not borne by other developing countries.

We consider that ensuring a renewal of economic activity and setting the pathway for the economy of tomorrow that promotes equity, ensures sustainability and supports climate friendly activities in developing countries, enhancing private and public financing, is essential. It is necessary to focus on strategies that catalyze finance from both public and private sectors to resilient projects that create sustainable jobs. The post COVID-19 economic recovery offers opportunities for inclusive environmental sustainable packages that support economic growth and employment security. The recovery provides a window of opportunity for “Building Back Better” (BBB), focusing on physical, social, environmental, and economic vulnerabilities. Restoring growth, creating jobs with the achievement of environmental goals and objectives, in line with SDGs is imperative. Strong international support is required to ensure that emergency response measures do

not intensify existing environmental challenges. As endorsed by the G-24 scaling up of concessional resources and finance for climate adaptation, including adequate financing and technical assistance from MDBs and climate-related funds will be crucial to support sustainable investments, especially infrastructure and energy.

The OPEC Fund has activated a dynamic and agile approval mechanism to respond to the increased financing requirements of our fellow Emerging Markets and Developing Countries (EDMCs). In coordination with the governments and peer institutions, the OPEC Fund has provided urgently needed assistance to partner countries both through public and private investments, in crucial sectors. We will continue our engagement and expand our support in response to redefined client and country priorities.

In concluding, we take this opportunity to restate OPEC Fund solidarity and commitment to strengthen the preparedness and readiness of our partner countries to address global, social, and environmental hazards. We consider that strengthening the foundations of international cooperation is fundamental to achieve the sustainable development goals and overcome future challenges.