Financing for Development in the Era of COVID-19 and Beyond: Menu of Options for the Consideration of Ministers of Finance Tuesday | 8 September 2020

Statement by H.E. Ato Ahmed Shide, Minister of Finance

- The COVID-19 pandemic and the social and economic crisis it triggered, will derail sustained economic growth and socio-economic progress many developing countries have achieved over the past decade. In particular, the sustainable debt management and debt servicing ability of countries have been highly challenged by the crisis.
- For economies like ours to survive the punishing fallout of the pandemic and ensure quicker economic recovery, we need to expand liquidity in the general economy and maintain financial stability to safeguard development gains and ensure continuity of growth for the benefit of current and future generations.
- Therefore, the resource requirement to tackle COVID-19 to effectively respond to the crisis is beyond what developing countries could afford to invest. Economic Commission for Africa estimated Africa requires $100 billion in immediate emergency financing for COVID-19 response. Ethiopia alone requires 5 billion US dollars in new investments during the emergency phase of the pandemic.
- African Finance Ministers called in March 2020 for debt relief from bilateral, multilateral and commercial partners with the support of the multilateral and bilateral financial institutions such as the IMF, the WBG, and EU, to ensure that countries get the fiscal space required to deal with the COVID-19 crisis. Furthermore, we called for a special purpose vehicle to be created to deal with all sovereign debt obligations.
- However, global response to availing the required resource to tackle the COVID-19 crisis and Restoring Sustainable Flows of Capital and Robust Financing for Africa has been nowhere near the required investment.

- The biggest flagship initiative, the G20's debt service suspension, while noteworthy, falls short of the dire needs of developing countries. Since the announcement, the initiative lacked clarity and a framework for requesting and negotiating the terms of debt suspension. The G20 communiqué left a broad and very ambiguous statement about multilateral and private financial institutions participating in the program. Our effort to engage with multilateral partners on the matter was sometimes taken as ill-advised to even request for the suspension of debt service payments. Similarly, despite our plan not to engage with private creditors, the very indication of private creditors participation in the initiative triggered a credit rating review for downgrade.
- Despite starting with so much expectation, the initiative has made little contribution to free up resource to manage the severe impact of the COVID-19 pandemic. As of today, despite several countries publicly announcement to be part of the G20 DSSI initiative, very few countries have concluded bilateral agreements.
- Before the crisis struck, the Sustainable Flows of Capital and Robust Financing for Development over the past decade was a result of solid economic performance and highly promising and evidence-based development programs envisioned and implemented by developing countries. That promise is now evaporating fast.
- As our Prime Minister Dr. Abiy Ahmed voiced on several occasions, under such extraordinary circumstances, there is no room for traditional arguments such as moral hazard. The challenges we are facing is not a result of bad policies, mismanagement or any other ill typically associated with developing economies. The financial crisis is a direct creation of the coronavirus outbreak.
- Given that the global economy has entered a period of a major recession, both bilateral and multilateral creditors should consider Debt Relief and forbearance of

Debt Service payments over a two to three year period for world's lowest-income countries, and other developing economies. Furthermore, multilateral and bilateral financial institutions must avail quickly disbursable financial resources that can match the required resource for emergency response and post crisis recovery.

- These steps need to be taken with a sense of urgency. Lessons should be taken from the current debt service suspension initiative and new debt relief and debt payment suspensions initiatives should be designed with a clear structure for developing countries to quickly request and conclude agreements with creditors.
- What we do now is important not just for the low-income countries but the world. It is in everyone best interest that the borrowers be allowed enough fiscal space to stir their economies to relative health. The benefits of sustained and pragmatic financing for Development to rehabilitate economies and restore the ability to effectively service debt will benefit all and helps to ensure the global COVID-19 will not lead to across-the-board defaults and insolvencies in case of a sluggish recovery.