

Financing for Development in the Era of COVID-19 and Beyond Initiative

Meeting of Heads of State and Government on the International
Debt architecture and Liquidity

29 March 2021, 10:00 am – 12:30 pm EST

Remarks by IMF Managing Director. 3 mins.

Mr Secretary General, Prime Minister Holness, Prime Minister Trudeau, thank you for keeping up momentum on this critical agenda. Let me make **three points**.

First, the global economic outlook has improved—thanks to incredible efforts on vaccines, and unprecedented actions by governments and the international community.

But prospects for recovery are **dangerously diverging**.

Emerging and developing countries are at risk of languishing with weaker growth. Relative to pre-crisis projections and excluding China, this group is projected by 2022 to have cumulative per capita income losses as high as **20 percent** versus **11 percent** in advanced economies.

Which brings me to my **second** point: We need a **comprehensive approach** to support vulnerable countries and people. It must include domestic measures to improve revenue, spending efficiency, and the business environment, as well as **substantial international support**.

We will do our part through concessional financing.

And our Executive Board has advanced the consideration of an SDR allocation of US\$650 billion to address the long-term global need for reserve assets. I intend to **present a formal SDR proposal in June**, including measures to enhance transparency and accountability.

A new SDR allocation would support the global recovery, by **providing a substantial direct liquidity boost for all IMF members** without adding to debt burdens and freeing up resources for countries under pressure.

In parallel, we are **exploring options for members with strong financial positions to reallocate SDRs to support vulnerable countries**.

My **third** point: **action on debt is integral part of this comprehensive response.** The **DSSI** provided valuable relief to eligible countries - \$5.7 bln in 2020. It was rightly extended to June 2021 — we support a further extension **until end-2021, under consideration by** G20 members.

But the DSSI is not a solution to unsustainable debt. This is why we continue to strengthen the international framework for sovereign debt resolution. Timely implementation of **the Common Framework** for debt treatments is paramount, especially for initial requests by Chad, Ethiopia and Zambia. It is important that all creditors participate – to build confidence for countries to use this new tool to address debt challenges, and prevent delays in taking the necessary actions.

Throughout this crisis the IMF scaled up support for our members — we did it to ease the recession, and we will do again to secure the recovery.

382 words