Statement by
Abdulhamid Alkhalifa
Director-General
of the
OPEC Fund of International Development (OFID)
In a globalized world characterized by high levels of interdependence, rapidly disseminating pandemics such as COVID-19 have manifold downstream effects on societies and the world economy. From a public health point of view, we have to recognize that our collective success in containing this major global health threat will be contingent upon the success achieved in reversing the spread of this deadly virus in each and every single country.

In this regard, we stand ready to support, within our means, the coordinated efforts spearheaded by the World Health Organization (WHO) and other specialized agencies of the United Nations system to curtail the spread of the disease and help developing countries mitigate the health effects of the pandemic. On a related longer timeframe, it should be recalled that the WHO estimates that countries with fragile health care systems will require spending at least 8.6 per cent of GDP on health care by 2030 in order to meet SDG 3. Adequate resource allocations still lag desperately far behind in too many low-income countries, and we recognize that these liabilities are a real threat in the circumstances.

In our early response, we have thus focused on providing financial assistance to partner countries on a fast-track approach in order to cater for their immediate requests. Ensuring access of all citizens to affordable quality health services is paramount now, and substantive resources are being earmarked to address the most pressing investments required in strategic sectors, including achieving universal health coverage. The OPEC Fund also stands ready to swiftly reallocate already approved funds towards redefined country and client priorities.

According to our mandate, higher precedence is accorded to low-income countries, which have received more than one-half of the institution’s cumulative commitments to date. Today, we are very concerned about the growing debt vulnerabilities of low-income developing countries, especially in Sub-Saharan Africa. Countries with fragile health systems and less resilient economies are already struggling with a high burden of debt. After a steady improvement in the sustainability of external debt since the 1990s, public debt has indeed increased at a faster pace since 2013. The profile of government liabilities has also become riskier with private and commercial debt now accounting for a significant share of many African countries’ external debt. This poses an additional threat to debt sustainability in the region due to the comparatively higher interest rates charged by private lenders.
The freeing-up of fiscal space is critical for governments to be in a position to adopt countercyclical policy measures in support of economic activity and to adopt emergency measures to fight the COVID-19 epidemic. Emergency financing hence needs to be mobilized quickly to respond to the unfolding crisis, but high debt servicing could jeopardize mitigation efforts exerted at national levels. Priority investments in health, water and sanitation, and infrastructure indeed are at risk of being crowded out by a high spending of shrinking revenues on debt service.

This calls for a concerted, timely, and bold action to come up with a thorough debt-sustainability assessment, and the OPEC Fund fully supports the joint World Bank and International Monetary Fund’s call for all official bilateral creditors to suspend with immediate effect, debt payments from low-income countries requesting forbearance. Ultimately, a viable debt-crisis resolution mechanism will have to be defined for the post-COVID-19 era in front of us. Sovereign debt restructurings, where they become unavoidable, will have to be addressed within comprehensive international frameworks safeguarding the debtor country’s protracted ability to repay its debt.

It should be recalled on this occasion, that the OPEC Fund had joined previous global efforts and contributed its share in the Heavily Indebted Poor Countries (HIPC) Initiative by providing relief for USD 279 million in end-2017 PV terms in favour of 35 debtors who achieved completion point.

In view of the magnitude of the problems laying ahead, all our facilities are therefore mobilized to make the most effective use of available financing instruments, but also to consider introducing new and innovative mechanisms. In this regard, I wish to inform that the comprehensive institutional reforms we have embarked on are well advanced, and we are confident that the OPEC Fund will be in an even stronger position to make use of the leveraging effects of strategic partnerships, and to participate fully alongside like-minded institutions in the global coordinated efforts underway.