

IMF, World Bank to hold sovereign debt round table

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In a statement on the eve of the G20 meeting of Finance Ministers and Central Bank Governors (FMCBG), which begins in Bengaluru on Thursday, International Monetary Fund (IMF) Managing Director Kristalina Georgieva said the IMF, World Bank and India's G20 presidency will convene a new Global Sovereign Debt Roundtable to find lasting solutions to the stressed sovereign debt levels of low income nations.

"This week in Bengaluru, we will meet in-person for the first time — and pave the way for creditors, both public and private, and debtor countries to work together, assess the existing shortcomings and best ways to tackle them," she said.

Georgieva said about 15 per cent of low-income countries are in debt distress and another 45 per cent are at high risk of debt distress. Among emerging economies, about 25 per cent are at high risk and are facing "default-like" borrowing spreads, she said.

"In this more shock-prone world, some emerging and developing economies will also require additional financial support. So, a well-resourced global financial safety net, with the IMF at its centre, is more important than ever," she said.

Georgieva said while 2023 will be another challenging year, it could represent a turning point — with inflation declining and growth bottoming out. "Indeed, while our latest projections show global growth slowing to 2.9 per cent this year, we anticipate a modest rebound to 3.1 per cent in 2024. Look behind the headline numbers and we see developing economies providing much of the momentum. We expect them to account for about four-fifths of global growth this year, with India alone expected to contribute more than 15 per cent," she stated.

She, however, warned that the reality is that growth is still subpar and price pressures are still too high, and after three years of shocks, too many economies and people are still hurting badly.



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Georgieva said bringing inflation back to target should remain imperative for central banks. "To get there, policymakers need to stay the course on monetary tightening. Aligning fiscal and monetary policies will help. Clear communication of these policy goals is vital to avoid a sudden repricing in financial markets."

While the global tightening cycle is necessary to ensure price stability, policymakers must be mindful of adverse spillovers to emerging and developing economies, including through a stronger US dollar and capital outflows, Georgieva said.

She said as nations transition to green energy and technologies, they should not slide into protectionism, as this would make it even more difficult for poorer countries to access new technologies and support green transition.

Georgieva called India's Unified Payments Interface "an excellent example of technology boosting financial inclusion" and said most IMF member countries are now actively evaluating central bank digital currencies (CBDCs) that could bring substantial benefits.