Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at March 17, 2021)

Based on FIEC's COVID-19 Construction Observatory, FIIC's, CIAN's and MEDEFI's and IFAWPCA's data

For more information go to the CICA Website: http://www.cica.net/cica-covid-19-overview/ and Dropbox: https://www.dropbox.com/home/Observatory%20COVID-19

International Financing Institutions: G20

Country/Region	General measures
G20	
Debt sustainability	The G20 in April 2020 backed the debt relief proposal, and a group of private creditors recommend their members participate. Of 77 countries that are eligible for such debt relief, only 22 had requested forbearance as of April 2020. The program was intended to ease the economic impact of the pandemic on the world's poorest countries, many of which lack good health system and have high debt levels. However, the terms of the G20 debt relief also limit the amount of non-concessional debt that countries can raise during the suspension period, potentially curbing access to capital markets (cf. Reuters). Paris Club creditors supported a coordinated time-bound suspension of debt service payments for the poorest countries that request forbearance. Under this initiative, Paris Club members and the G20 have agreed a common term sheet providing the key features for this initiative. Paris Club creditors underline that all bilateral official creditors will participate in this initiative. They call on private creditors to participate in the initiative on comparable terms. Paris Club creditors ask MDBs to further explore the options for the suspension of debt service payments over the suspension period, while maintaining their current rating and low cost of funding (15 April). If private creditors will be called upon publicly to participate in the initiative, this might have an impact on contractor's payments (what impacts on running projects, impacts on the contractors' treasury, ECAs coverage etc.). G20 Leaders announced their determination to provide a robust and coordinated response to the global Covid-19 crisis. They would be ready to inject US$5000 billion in the economy and to cooperate with all multilateral financial institutions: World Health Organization (WHO), International Monetary Fund (IMF), World Bank and multilateral and regional development banks (MDBs) (26 March). The G-20 debt suspension has begun on May 1 and continue until the end of the year and applies to countries of the World Bank's International Development Association (IDA) or countries that meet the United Nations definitions for least developed countries. The suspension of debt payments means that these countries will have access to an additional US$20 billion over 2020 that they can use to strengthen health services and adopt economic stimulus measures. However, repayments have not been cancelled completely and countries will only owe the money later and will continue to pay interests (cf. Overseas Development Institute). Some G20 leaders also consider issuing Special Drawing Rights (SDRs) which would provide countries with additional liquidity. The United Nations Conference on Trade and Development called on the IMF to issue about US$1 trillion in special

	drawing rights. The G-20 discussed SDRs and how to create a mechanism that would allow high-income countries to transfer their shares to low-income countries, but it could not reach consensus, largely due to objections from the United States. US lawmakers have raised financing concerns about World Bank's fund for low-income countries, the International Development Association (IDA). Rep. Maxine Waters, chairwoman of the House Financial Services Committee, and Sen. Patrick Leahy, vice chairman of the Senate Appropriations Committee, sent a letter in September 2020 asking that the office analyzes IDA's financing model, financial viability, and risk management. The question arises whether the IDA would be able to sustainably increase financing volumes to meet the greater needs of countries coming out of the global crisis. By using the money that donors contribute as leverage to issue bonds, IDA has been able — in its last two replenishment rounds — to significantly increase its resources, without significantly increasing its demands on donors. Raising funds in capital markets poses risks for IDA as well as for borrower countries particularly considering the devastating impact of the Covid-19 pandemic on the global economy. The letter does not criticize the bank's decision to raise funding for IDA through the capital markets but requests a review to generate more information that can help the U.S. Congress perform its oversight duties and to prepare for the upcoming negotiations over IDA's next replenishment. The lawmakers' concern is that if more countries experience debt distress due to Covid-19 and other financial pressures, they could struggle to repay their IDA loans. Since those repayments are part of IDA's resource base, and if donor contributions stagnate or even decline, they note that the fund could struggle to maintain its level of concessional lending to low-income countries. If IDA does not achieve its financing projections because recipient countries struggle to repay their IDA obligations, then member countries — including the United States — will likely need to increase their contributions in future replenishments simply to sustain lending volumes. The lawmakers added that this kind of increased demand on donors could conflict with the White House's plan to reduce U.S. contributions to replenishments at multilateral development institutions — which it justifies, in part, by pointing to IDA's ability to borrow from the markets instead (October 2020).
Recovery	The G20 meeting hold on February 26, 2021 points out, that there is a major risk that as advanced economies and a few emerging markets recover faster while most developing countries will languish for years to come. This would not only worsen the human tragedy of the pandemic, but also the economic suffering of the most vulnerable. • **Per capita income**: It is estimated that, by the end of 2022, cumulative per capita income will be **13%** below pre-crisis projections in advanced economies — compared with **18%** for low-income countries and **22%** for emerging and developing countries excluding China. This projected hit to per capita income will increase by millions the number of extremely poor people in the developing world. • **Income gaps**: The convergence between countries can no longer be taken for granted. Before the crisis, it was forecasted that income gaps between advanced economies and **110** emerging and developing countries would narrow over 2020–22. But it is now estimated that only **52** economies will be catching up during that period, while **58** are set to fall behind. This is partly because of the uneven access to vaccines. Even in the best-case scenario, most developing economies are expected to reach widespread vaccine coverage only by end-2022 or beyond. Some are especially exposed to hard-hit sectors such as tourism and oil exports, and most of them are held back by the limited room in their budgets.

	• **Fiscal measures**: In 2020, advanced economies on average deployed about **24%** of GDP in fiscal measures, compared with only **6%** in emerging markets and **less than 2%** in low-income countries. Cross-country comparisons also show how more sizable crisis support was often associated with a smaller loss in employment. • **Employment losses**: For G20 economies alone (excluding India and Saudi Arabia due to data limitations), total employment losses are projected at more than **25 million** this year and close to 20 million in 2022, relative to pre-crisis projections (cf. IMF) (26 February 2021).