Statement by

H.E Sigrid Kaag
Minister for Foreign Trade and Development Cooperation

Kingdom of the Netherlands

Representing the Constituency of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, the Netherlands, North Macedonia, Moldova, Montenegro, Romania and Ukraine
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Our constituency expresses its heartfelt sympathy and solidarity to all people affected by COVID-19. We are grateful to all those providing the first line of defence against the virus. These unprecedented times underline the vital importance of international cooperation in meeting the direct and indirect challenges arising from this health crisis. We highly commend the World Bank Group (WBG) for its strong and swift response in assisting those in need. The WBG has a key role to play, especially in delivering support to the most vulnerable countries and people. We are counting on the Bank to address this health crisis and its economic implications, and urge the Bank to move forward swiftly by presenting proposals for the second phase of the crisis, including to countries in our Constituency.

We also encourage the Bank to continue its valuable work towards its twin goals, the Sustainable Development Goals and the climate goals of the Paris Agreement. We greatly welcome the Bank’s Strategy on Fragility, Conflict and Violence and look forward to its operationalisation. In the run-up to COP26, we must deliver on preparations, partnerships and progress. Finally, we call on the Bank to employ its analytical and operational capacity to strengthen the link between the SDGs and the Bank’s country programmes in coordination with other organisations and agencies, such as the UN and the European Union. In the light of the present crisis in particular, we encourage the Bank to closely coordinate its work at country level with amongst others WHO, the United Nations, and other multilateral development banks (MDBs), by means of country platforms or in integrated national financing frameworks.

Update on World Bank Group Response to the COVID-19 Emergency

The WBG’s response in addressing the urgent health crisis under the umbrella of the World Health Organization’s Strategic Preparedness and Response Plan has been timely and adequate. A closely coordinated response across countries and between the Bank and partner organisations such as the IMF, the UN, the EU, the G20 and other MDBs is of paramount importance, at both country level and strategic level. This will ensure that synergies are created between the instruments, that optimum use is made of comparative advantages and balance-sheet space, and that countries’ absorptive capacities are not overwhelmed. The WBG is well positioned to play a leading role in combating this crisis, given its expertise, global reach and partnerships. We call on the Bank to keep reaching out proactively to countries in supporting the development of health (including mental health and psychosocial support) and economic response policies – all the while continuing its support to that other crucial part of human capital, namely education. In this respect, we encourage the Bank to explore which partnerships or financial instruments are the most appropriate and effective.
Our focus should be on dealing with the immediate health crisis, as well as on the economic impact of the pandemic in both the short term and the medium-to-long term. We therefore welcome both the WBG’s Fast Track COVID-19 Facility and the additional response to the COVID-19 crisis for addressing the economic and social implications, with a view to reinforcing economic resilience, fostering the private sector, and protecting the poorest and most vulnerable groups. We encourage the Bank to further prepare and implement plans to specifically address the issues of climate and sustainability, debt sustainability, equal opportunities for youth and gender sensitivity. We request the IMF and the Bank to continuously map the economic impact of this crisis and to design urgent responses to mitigate its effects as much as possible. As we learned in previous crises, a coordinated response with other international financial institutions, flexibility in shifting the focus towards the most severely affected countries, and strong leveraging of IFC’s anti-cyclical role are indispensable. The Bank should primarily focus on the most vulnerable and affected communities, but we encourage it to keep serving all clients during this crisis, including in the Europe and Central Asia region.

Together with the IMF, the WBG has an indispensable role to play in managing the economic shockwaves caused by this health crisis, given its reach, positioning and expertise. Our constituency believes that the experience gained in tackling the current crisis should be used to further enhance the WBG’s toolbox for addressing global vulnerabilities. Disaster risk management belongs to the core of the World Bank’s mandate in advancing global public goods and should encompass all aspects ranging from prevention, preparedness and surveillance to offering the right financing terms and incentives, as well as adequate mobilisation of the private sector. In this context, further engagement by the Bank on the adequacy of its business model is welcome.

We also encourage the Bank, in close coordination with the IMF, to assess the implications of this crisis for the most highly indebted countries and to design tailor-made responses. These countries are likely to be most severely hit by the economic consequences of this crisis and do not have sufficient fiscal space to take the necessary policy action. Global economic pressures in combination with health systems that are unprepared to deal with a pandemic create serious social risks. Finally, looking further ahead, we encourage the Bank to ensure that, in recovering from this crisis, additional funds are used to make economies more sustainable, equitable and resilient. By building back greener the Bank will strengthen the resilience to current and future effects of climate change.

The Covid-19 Debt Initiative: International Call for Action in Support of IDA Countries

Our constituency is highly concerned about the debt sustainability situation, especially in emerging market economies (EMEs) and low-income countries (LICs). This situation has already undermined these countries’ capacity to finance the efforts needed to reach their Sustainable Development Goals in 2030. We fear that the economic impact of COVID-19 will cause many countries’ debt situation to further deteriorate or even push more countries into immediate debt distress. We therefore support the call for a debt moratorium. We thank all the relevant parties (Paris Club, World Bank, IMF, G20) for their further and coordinated work and its proposal. We support opening the proposal to a broad group of IDA-countries and believes that the base of participating creditors needs to be as broad as possible to increase the effectiveness and ensure creditor solidarity. We therefore call upon all creditors, both bilateral and private to participate in this initiative on the basis of solidarity with the weakest and based on the term sheets, as agreed in the G20.

We see the World Bank as a crucial partner for these countries in providing support to prevent debt escalation and in implementing reforms leading to increased domestic resource mobilisation. In this regard, adopting an ambitious Sustainable Development Financing Policy (SDFP) for IDA19 is imperative towards enhanced transparency and sustainability. Ongoing efforts by the Bank, together with the IMF and the client countries, to strengthen debt management and debt transparency are even more crucial in times of global economic crisis. In this light, we underline the importance of debtor countries playing a leading role in designing appropriate response measures towards sustainable and inclusive economic recovery.
In light of the immediate economic consequences of the COVID-19 crisis, the capital flight from EMEs and LICs, and the corresponding drying up of hard currency reserves, such as USD, combined with appreciation of the USD, we believe that the high ratio of foreign-currency denominated debt has proven to be a serious vulnerability. We call on the Bank to address this immediate concern in its wider efforts to help countries deal with the economic impact of COVID-19. In the longer term, we encourage the Bank to analyse the role that could be played by more local currency lending and examine how developing local capital markets can contribute to tackling this vulnerability.