Statement by

H.E. Dag-Inge Ulstein
Minister of International Development

Norway

on behalf of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden
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(VIRTUAL)

At the time of the World Bank/IMF Annual Meetings six months ago we faced a global economic situation characterized by looming uncertainty. We issued a Development Committee Communiqué pointing to “downside risks”, and we listed some of them: Slow growth, trade tensions, financial volatility, rising debt vulnerabilities.

In October, we were reminded of the urgency to intensify our efforts to reach the Sustainable Development Goals (SDGs) and deliver on the Paris agreement, which we have committed to. We were reminded that we are behind schedule on our way to 2030; that on current trends many SDGs will not be met; that poverty reduction is going too slowly; that many are at risk of being left behind; that action on climate change is woefully inadequate. We called for collective action and emphasized the imperative of strong multilateral cooperation in a world of uncertainty.

In the DC Communiqué last fall pandemics were mentioned in passing only. Six months later we have been hit with a setback of dimensions we have yet to grasp, with dire consequences, the full force of which we have yet to experience. COVID-19 has hit the whole world brutally. It entails a dramatic health crisis, a threat to the social fabric, and economic upheaval and development setbacks, most worryingly for poor countries and fragile states.

The economic impact of COVID-19 will surely outlive the health emergency phase. Predicting the full range of consequences is a monumental task. Multilateral and national policy action is needed to support growth, staving off downside risks and increasing policy preparedness for a sharp downturn. The negative impact on the people and businesses most affected must be mitigated with timely and targeted measures. Bolstering economic activity today, and re-igniting it in COVID-19 aftermath mode, will be challenging. The Bank, in close cooperation with the IMF and other MDBs, should assist client countries to evaluate potential impact on the economy and help them develop and implement the right policy response to cope with crisis, restore growth and sustain development progress.

Sustained and sustainable poverty reduction has surely become an even greater challenge. We are impressed by the speedy turn-around and extraordinary effort by the World Bank Group to step up to the task, again taking a lead role in addressing a global public bad. The rapid mobilization of the Fast-Track COVID-19 Facility is forceful disaster risk management in practice. For this, we thank management and the dedicated staff of the Bank. We urge you to be even more ambitious, to raise the bar, and to focus on the most vulnerable members.
In COVID-19 response going forward we stress the importance of coordination and cooperation with the World Health Organization, other UN agencies, humanitarian actors, regional development banks, the IMF, and civil society. We need multi-purpose responses with multi-partner efforts. We need one joint pull, with many at the rope. And we need to make sure that it is done in a manner that leaves no one behind.

At this crucial point in time, with only nine years to 2030, it is extremely important that the World Bank Group sustain and leverage its operations across the spectrum. Fortunately, the Bank is well equipped to do so. With the Capital Increase, IBRD has potent financial gunpowder. We warmly welcome the coming into effect of the IFC Capital Increase, which will allow a strong push on private sector development and jobs creation. With financial innovations in IDA and two impressive replenishments in a row – both with very good policy packages – IDA is also in good shape. In fact, we see the World Bank Group as a beacon in solid and ambitious multilateral cooperation.

Going forward, it is extremely important that we use recovery support to align with the SDGs. We call on the Bank to be at the forefront in ensuring sustainable and green recovery. This includes a stronger focus on green investments, for example in sustainable infrastructure, creating new jobs and many more social and economic benefits in the future. We also need to ensure that recovery efforts include addressing prevention in a comprehensive manner, as well as financing for preparedness. Otherwise, we will once again not be ready when we face future crises.

As always, we stress the crucial importance of fully including and mobilizing both men and women in pursuing our common goals. Gender must be a part & parcel of everything and anything the Bank does. Not least in the response to the COVID-19 crisis, as women risk being hit the hardest by the health, economic and social impacts of the outbreak. Women represent the majority of caregivers, both at home and in our communities, and will therefore be at the core of response efforts. This calls for analyzing the gender impacts of the outbreak, both direct and indirect effects, and ensuring that all response actions are adjusted so that women and girls are not disproportionately and negatively affected. The more we apply the gender lens, and the sharper its focus, the better chance we will have in our common work to eliminate extreme poverty and boosting shared prosperity.

In the multilateral financial architecture, no other institution is better placed than the IFC to push the private sector development agenda. What the world needs now, and will need even more urgently in the aftermath of COVID-19, is private sector led economic growth with massive job creation – not least in poor countries and emerging economies. As has been said by IFC’s CEO, we must now put development at the heart of IFC – and IFC at the heart of development. With the Capital Increase secured, we expect the IFC to engage significantly more in difficult markets and fragile states.

In mobilizing private sector investment, development and job creation, the Multilateral Investment Guarantee Agency (MIGA) also has an important role to play, in close cooperation with the IFC. COVID-19 is seriously affecting financial markets and volatility can be expected for quite some time. The availability of long-term capital is crucial to keep businesses going and avoid jobs being lost. We hope to see a new MIGA strategy with higher ambitions than those presented to the Board in February. We believe MIGA should further broaden its client base, especially in IDA and FCV countries, with new and innovative insurance instruments. This will mean more risk-taking, which we believe must be accepted. It is also important that MIGA continue to expand its climate finance portfolio.

COVID-19 has demonstrated our ability – and willingness – to act and, to act fast and in unison, when faced with a crisis. Global challenges require global answers and international cooperation. This attitude is something we should all carry with us in our common fight against the biggest crisis of our time: climate change. Climate change poses not only long-term but also an immediate risk to stability and progress in all countries, affecting lower-income countries – with less resilience and scope for
adaptation – in particular. The threat of climate change becoming a development destroyer is real and imminent. As in faster-onset crises, we first and foremost need to work to prevent climate change. We also need to be better prepared. Large-scale investments to boost the development, deployment and integration of clean energy technologies – such as solar, wind, geothermal, hydrogen, batteries and carbon capture – should be a central part of the response to the crisis. This will bring the twin benefits of stimulating economies and accelerating clean energy transition.

**We are pleased to see the ambitious targets in the Action Plan on Climate Change, Adaptation & Resilience.** The Bank must take urgent action to help client countries mitigate and adapt to climate risks in order to deliver on the goals of the Paris Agreement. **The World Bank’s engagement on climate change, including Trust Fund financing, should be fully aligned with the Paris Agreement.** It should support client countries in developing and implementing even more ambitious Nationally Determined Contributions (NDCs). We look forward to an updated and concise Climate Change Action Plan 2021-25 and for the MDBs to present their framework for Paris alignment well in advance of COP26.

**The WBG must strengthen its advocacy work and “thought leadership” on transitioning to a zero-carbon and climate change-resilient development.** Integration of the external costs of carbon emissions in all assessments of funding proposals should be made mandatory. New investments based on fossil fuels should gradually be phased out; as a first step investments in coal should be terminated. We strongly urge the Bank to further its work on carbon pricing and the phasing out of fossil fuel subsidies. Greater attention should also be paid to the social and economic aspects of climate change.

**We must also work quickly towards achieving access to sustainable energy for all, and energy security.** The World Bank Group has a key role to play in helping client countries reduce energy poverty through access to modern and clean technology. We also underline the **importance of World Bank Group support to counter the loss of biodiversity and work for sustainable oceans, and in helping developing member countries scale up efforts in this area.** We look forward to strong WBG involvement in the UN Biodiversity Conference in Kunming next year.

**Debt remains a serious concern, indeed a more acute concern than six months ago.** There is high incidence of yellow or red traffic lights in both middle- and low-income countries, leaving many with little space to respond to the impact of COVID-19. **On top of everything else we must urgently address, we simply cannot afford another global debt crisis.**

**What we must afford, though, is quick, flexible and targeted debt relief to those who need it the most.** The Nordic-Baltic constituency fully supports the debt service moratorium for all IDA countries, as agreed between the Paris Club and G20. This is as a helping hand in dire circumstances. We expect the freed up resources, in effect budget support by proxy, to be fully allocated to COVID-19 response. That must be our “contract”.

**In the current situation, when re-payment capacity will surely be further reduced in many countries, great care should be taken to avoid unsustainable borrowing.** As for the questions on debt posed to us in the DC document, we certainly think that public borrowers and lenders should complete due diligence processes before considering public debt financing. Careful assessment of project returns is paramount.

We fully support further work to establish sound contracting principles for public debt, for both public borrowers and creditors. **We reiterate that the World Bank and the IMF should take on a co-lead role in establishing and promoting principles on responsible and sustainable borrowing and lending.** There are plenty of building blocks for such a set of principles, but the task of putting them together in a cohesive global framework remains. The World Bank and the IMF have the push & pull to do so, as normative powerhouses.
The many effects of COVID-19 amplify the crucial importance of domestic resource mobilization. The Bank must support governments that need to make immediate, short-term adjustments in their tax systems to cope with the economic and social impacts of COVID-19. In the longer term, effective domestic resource mobilization will be critical to the world’s economic recovery, and to avoid a long-lasting depression.

The World Bank should promote fair, equitable, transparent, and efficient tax systems. Tax policy choices should be much more pronounced in the discourse on equality, inclusive growth and prosperity. The Bank must cooperate with clients and international partners to reduce losses from corporate tax avoidance, along with income and wealth disparities between the rich and the poor. We need a stronger effort to counter illicit financial flows (including tax evasion and corruption) that drain developing countries of much-needed resources. Strong governance and accountable institutions are critical for resource mobilization, public financial management, debt sustainability and effective service delivery. We underscore the importance of full implementation of commitments made in IDA18 and IDA19.

We applaud the World Bank Group for the launch of the strategy on Fragility, Conflict and Violence (FCV), endorsed by the Board in February. We are fully behind the aim to increase support to countries addressing the drivers and impacts of fragility. We welcome the overall focus on prevention and a more people-centred and participatory approach, as well as the guiding principles and pillars of engagement.

The World Bank Group should build on its comparative advantages and deepen its work in FCV settings, in close cooperation with other multilateral and bilateral actors in the peace-humanitarian-development nexus. Clear steps to implement the strategy are necessary. We stand ready to support the bank in finding solutions to operational issues, to become more effective in FCV settings.

With the great uncertainty and daunting tasks ahead, the Nordic-Baltic Constituency stands ready as a consistent partner in strong and effective rules-based and value-based multilateral cooperation, in which the World Bank Group and the IMF are centerpieces.

In this respect, we take the opportunity to congratulate Somalia on multilateral arrears clearance and re-establishing its access to concessional support from international finance and development institutions; on reaching the HIPC decision point; and on the March 31st debt relief agreement with the Paris Club of creditor countries.