STATEMENT

October 16, 2020

Statement by

H.E. Felix Moloua
Minister of Economy, Planning and International Cooperation

Central African Republic

On behalf of the Group II African Countries
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102nd Meeting of the Development Committee
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(VIRTUAL)

This written statement on behalf of the Africa Group II Constituency addresses the four topics appearing on the Development Committee’s agenda, namely: (1) Leaning Forward to Save Lives, Scale-up Impact and Get Back on Track: World Bank Group COVID-19 Crisis Response Update; (2) Joint IMF-WBG Staff Note: Implementation and Extension of the Debt Service Suspension Initiative; (3) IDA Voting Rights Review: Interim Progress Report to Governors, Annual Meetings 2020; and (4) 2020 Shareholding Review: Report to Governors at the Annual Meetings.

We thank and commend the World Bank Group (WBG) on the significant progress made with implementation of the COVID-19 crisis response. We applaud the work done, which facilitated the rapid deployment of a record level of financing of US$45 billion during the fourth quarter of FY2020, a sum that accurately reflects the scope of the crisis. We reaffirm our support for the global approach that encompasses responses in the health, social, and economic areas so as to strengthen the impact and better rebuild a world transformed by the coronavirus. We would like to express our appreciation in particular for:

- **The emphasis on fragile and small States** and view the World Bank Group’s interventions in this regard as particularly commendable given the unique circumstances facing these countries. We encourage the WBG to strengthen its technical and financial support and to use its influence to rally the development partners to achieve leverage, with the aim of maximizing access to resources.

- **The focus on the Jobs and Economic Transformation (JET) program.** In this regard, we commend the inclusion of digital solutions in the economic response, which will facilitate the emergence of more competitive economies when growth is restored. We urge the WBG to scale up this work and accelerate implementation of its digital agenda in developing countries.

- **WBG support for global partnerships and regional cooperation** as essential complements to the response to national crises. We take note of and welcome the assistance provided to the African Center of Excellence for Genomics of Infectious Diseases, the Africa CDC, and the West African Center for Cell Biology of Infectious Pathogens. These regional interventions have made an effective contribution in Africa to strengthening public health preparedness and intervention mechanisms.
• **Support for the purchase and rollout of COVID-19 vaccines.** We note in particular that IFC is collaborating with vaccine manufacturers to boost production capacity and that the World Bank is working on options to allow countries to use IDA and IBRD resources to fund the purchase of vaccines. We strongly urge the WBG to guarantee inclusive access to vaccines, ensuring that no country or person is left behind. To this end, we encourage the WBG to lend its full support to the large-scale and coordinated global action in the form of the COVAX initiative.

As the crisis continues to spread, we note with great concern its geographic shift toward developing countries, with the attendant loss of human lives and productivity at a time when the extraordinary expenditures undertaken at the start of the crisis have already considerably reduced budgetary margins. The pandemic continues to exact a particularly heavy economic and social toll on the poor and most vulnerable, including women, who outnumber men in the informal sector, thus exacerbating the root causes of fragility and inequality. Given the prospect of reversal of development gains facing our countries, it is imperative not only to strengthen but also to accelerate the WBG’s crisis response in a context of global coordinated action.

The food insecurity threat in developing countries is a source of great concern to us, and we urgently call on the World Bank Group to closely monitor this situation. We think that much remains to be done to reach the neediest through social protection programs, including in communities that work in the informal sector and do not have access to the banking system. We therefore encourage the establishment of community-based mechanisms that target identification of underserved persons and reach a greater number of beneficiaries, while working closely with the development partners to ensure long-term financing and technical assistance with the implementation of social programs.

Given the depth and duration of the crisis, we think that despite the uncertainty surrounding the need for additional financing in the medium term, the odds will remain extremely high that it will be required given the global economic outlook, which points to a decline in economic growth and a rise in extreme poverty, particularly in Sub-Saharan Africa, where poverty spawned by COVID-19, conflicts, and climate change are converging. We therefore see the need for an appropriate level of financing in the medium term. Consequently, the critical problem of the WBG’s limited financing capacity beyond FY2021 should be diligently addressed. For this reason, we support starting discussions on the adequacy of the World Bank Group’s capacity and would like to give the institution the mandate of undertaking these discussions as quickly as possible, in consultation with the shareholders and IDA deputies. We view any action aimed at exploring possibilities for financing a prolonged recovery of our economies as critical, so that they can get back on track to achieve the Sustainable Development Goals (SDGs), the target fulfillment date of which is only ten years away.

We applaud the progress made with implementation of the **Debt Service Suspension Initiative (DSSI)** launched by the G20 in April 2020 on the recommendation of the President of the World Bank Group and Managing Director of the International Monetary Fund (IMF) and thank the WBG and IMF staff for the technical support provided to the 21 countries in our constituency that are eligible for the Initiative, which will result in potential savings of US$1.4 billion between May 1, 2020, when it took effect, and December 31, 2020. We take note of the challenges faced with implementation of the DSSI and support the application of measures aimed at improving the implementation process so as to permit participating countries to take full advantage of this Initiative.

To date, 19 of the 21 DSSI-eligible countries in our constituency are benefiting from a temporary suspension of debt service payments. This 90 percent participation rate attests to the importance of this Initiative to our countries’ crisis recovery strategy. The savings achieved under the DSSI have created some fiscal breathing space in our countries and these savings, along with the financial support from the World
Bank Group and the IMF, have freed up funds that have helped significantly with efforts to address the health, economic, and social consequences of the COVID-19 pandemic.

However, the external financing needs of DSSI-eligible countries remain substantial and are projected to average between 7 percent and 10 percent of GDP in the medium term, given the more severe impact of the COVID-19 pandemic on the poorest countries. Our countries will need scaled-up support from the international community to meet these needs and ensure the most effective fiscal response in the current crisis context. We therefore look forward to a swift decision to extend the DSSI for at least one year to December 31, 2021. A one-year extension would enable us to make informed decisions during the 2021 budget planning process and use the released resources to increase social, health, and economic spending in response to the protracted crisis.

We note with concern that the COVID-19 pandemic has triggered both a liquidity and a solvency crisis in DSSI-eligible countries. Indeed, the deterioration in solvency indicators has been particularly pronounced over the past six months, that is, since the start of the crisis. The debt sustainability analysis prepared by IMF and World Bank staff reveals that more than half of DSSI participants are assessed to be at high risk of debt distress or already in debt distress. Faced with increasing debt vulnerabilities, an extended suspension of debt service would help contain distress that could impair their capacity to address the crisis. The uncertainty surrounding a short-term economic recovery underscores the need to ensure that the debt burden remains sustainable in order to avoid undermining the conditions for economic recovery in the longer term.

We therefore urgently call on the World Bank and the IMF to develop a joint action plan by end-2020 to reduce the debt of DSSI beneficiary countries that have been assessed to have unsustainable debt. The immediate extension of the DSSI would provide the time needed to support this step. We note as well that dealing with the solvency problem, which is critical to a swift and sustainable global economic recovery, will require the adoption of a proactive and holistic approach to assessing the debt situation in DSSI participant and non-participant countries in distress, with a view to restructuring their overall public debt, including through private sector participation and the implementation of WBG- and IMF-supported recovery programs with no preconditions other than debt transparency.

We thank the World Bank Group for preparing the IDA Voting Rights Review–Interim Progress Report, which presents the main conclusions of the discussions on this topic and highlights the areas in which broad consensus has already been achieved.

We commend the progress made during this first phase of the review, including the agreement reached to use a two-tiered membership structure as the starting point for developing the other building blocks. We recommend that future discussions continue to explore other options that would encourage and boost contributions from traditional and new donors alike.

We are pleased with the proposed phases and the roadmap for concluding this review by the IDA19 Mid-Term Review. In light of the important work that remains to be done, it is our hope that the spirit of open collaboration and inclusive discussion that has prevailed to date will continue during the next phases.

Lastly, with respect to the Shareholding Review Report, we reaffirm our support for the Lima principles, the balance of voting power, and the protection of poor small States from dilution of their voting power. We welcome the historical perspective provided in the Report and the clear explanations of the concepts and methodology.

We welcome the Report’s candid assessment of the current distribution of IBRD shareholding. We thank Management for all the simulations that helped improve understanding of the current distribution and the
possible options for adjusting shareholding. We reiterate our support for the dynamic formula, its structure, and all the data used, and applaud the fact that IDA remains an important benchmark for this formula. We also take note of the adjustment options presented in the Report.

*With regard to the review of the distribution of IFC shareholding*, we thank Management for its meticulous presentation of the areas of convergence during discussions, namely, the importance of establishing a reference point for future IFC shareholding reviews; adopting a simple and transparent baseline based on available data; and implementing a gradual process while avoiding any option that could dilute the voting power of already under-represented members.

We would like to take this opportunity to reiterate our support for the use of the IBRD framework as a baseline for IFC. It is our hope that the technical discussions will continue at the World Bank with a view to determining the extent to which developing countries would be in a better or worse position under this option.