DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND TWO MEETING
WASHINGTON, DC –OCTOBER 16, 2020
(VIRTUAL)

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Statement by

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Eswatini

For Africa Group 1 Constituency
1. We welcome the timely discussion of the update on the World Bank Group (WBG) response to the COVID-19 crisis, on account of the unprecedented toll on human lives, livelihoods, and economies. We commend the WBG’s efforts during the 4th quarter to expedite the support and response to the needs of client countries to address and mitigate the effects of the pandemic through the COVID-19 Fast-Track Facility. We acknowledge the collaboration with the G20 to facilitate the Debt Service Suspension Initiative (DSSI). We also support the three stages of relief, restructuring, and resilient recovery as well as the four pillars of the WBG’s approach to the COVID-19 crisis response.

Leaning Forward to Save Lives, Scale-up Impact, and Get Back on Track World Bank Group COVID-19 Crisis Response Update

2. We are disheartened that despite the laudable efforts undertaken by individual countries as well as the WBG, and other international organizations to address the needs of clients, the virus continues unabated, with 80 percent of new infections being registered in developing countries. We are aware that laying a good foundation for resilient recovery and rebuilding better requires the effective containment of the pandemic. In this respect, we call on the WBG to adopt a differentiated approach which recognizes the uniqueness in the levels of economic development, human and institutional capacity to deal with the health and economic effects of the pandemic. We therefore urge the WBG to strategically address the varying needs of LICs/MICs and in particular, in relation to the availability, access, and affordability of vaccines.

3. While the effects of the pandemic are still unfolding, available statistics indicate that the COVID-19 crisis has not spared any country. In Africa, due to limited capacity, the public health and economic response has not come close to matching the scale of the COVID-19 crisis. We, therefore, urge the WBG and IMF to fully assess its impact and determine the needs and scale of support needed for the survival of countries whose economies have been disrupted by the dislocation of regional and international commerce and trade, in addition to internal economic pressures on jobs. We also encourage the IFC to expand its reach beyond its existing clients in the bid to support sustainable recovery for all.

4. Recognizing that the prevalence of the pandemic has shifted more towards developing countries, we appreciate the focus of the WBG’s response to FCS and the Small States due to the unique circumstances already faced by these countries. However, to leave no one behind, we implore the WBG to mobilize more resources to support the increasing needs of developing countries, including through the effective use of digital technology as well as addressing food insecurity. We further emphasize the need for increased
support to countries in non-accrual status who are part of the regional value chains, especially in instances where previously allocated resources were diverted from other crucial activities to address the pandemic.

**Implementation and Extension of the Debt Service Suspension Initiative**

5. We commend the progress made in implementing the Debt Service Suspension Initiative (DSSI), benefiting 43 countries of the 73 eligible countries with an estimated US$5 billion in temporary debt service suspension. We are, however, concerned with the slow implementation of the initiative as only 9 DSSI-eligible countries have so far had their requests executed. Given the urgency of responding to the COVID-19 crisis, we urge the Bretton Woods Institutions, in collaboration with the G20, to urgently address outstanding concerns that have deterred some eligible countries from participating in the initiative, despite apparent need to do so.

6. We also firmly support the proposed extension of the DSSI until the end of December 2021 to provide additional resources to support developing countries’ response to the unfolding pandemic’s impact. It is critical to acknowledge that developing countries are responding to the pandemic from a disadvantaged position with limited fiscal space, as more than half of these countries are either at high risk of debt distress or are already in debt distress. Timely support is urgently needed to help these countries circumvent the double epidemic of debt and inflation crises. To reap the full benefits of DSSI, we call for the participation of more private creditors since many economies will be struggling with the effects of the COVID-19 pandemic for years to come. To this effect, developing countries will not be able to provide emergency fiscal support on the scale that most advanced economies. We call on the IMF and WBG to be a stronger voice in this regard.

7. We recognize the merits of including a contingency clause on bonds and loans that would trigger an automatic suspension of debt service payments to private creditors in the event of a disaster. Bearing in mind that the current pandemic is an indication of disasters to come, we encourage the full assessment of the implications of this proposal on the risk premium that borrowing countries must pay.

8. We take note of the recommendations designed to make the DSSI effective and serve its intended purpose. We would particularly like to stress the need for flexibility on the existing DSSI repayments due in 2022–24 as most countries would have to repay at a time when their debt services are at peak. We, therefore, endorse the proposal to extend the grace period of the existing debt moratoria for up to four years or repayment schedule for up to six years.

9. We also note the need for the Development Committee’s request to the IMF and World Bank to develop a joint debt reduction action plan for IDA countries in debt distress by the end of 2020. We expect a joint plan to be developed after extensive consultations with borrowing countries to ensure ownership and accountability of the needed reforms. We however, wish for clarity on what the additionality of this joint action plan, given the current IMF-WB multi-pronged approach to address debt vulnerabilities in low-income countries as well as the Bank’s Sustainable Development Finance Policy (SDFP).

10. Finally, we recognize the merits of monitoring non-concessional borrowing under DSSI. However, funding from DSSI along with the MDBs and IMF will not be enough to close Africa’s pandemic-response funding gap, estimated at $100 billion a year over the next three years. In this respect, other means to bridge the financing gap, including but not limited to the flexible application of non-concessional borrowing policies should be explored. We acknowledge that the WBG’s ability to address the COVID-19 crisis depends on its financial capacity. Consequently, we appeal for robust donor support to strengthen IBRD and IDA’s finances to enable them to support clients to weather the impact of the pandemic for years to come. We take this opportunity to encourage and call upon the Shareholders to
consider the leadership role that the WBG must play in future global health crisis, such as the next pandemic.

IDA Voting Rights Review

11. We welcome the Interim Progress Report on the Review of IDA Voting Rights. We are pleased with the Working Approach and Building Blocks that aim at achieving successful outcomes — maximizing development funds for the poorest countries and ensuring an inclusive and equitable approach among the shareholders. We urge Executive Directors to ensure the protection and enhancement of the voting power of IDA recipients. All voices are important for strengthening IDA as an inclusive global co-operative and financial institution. In this regard, we expect this first phase of the review to strike the right balance by acknowledging the contributions of both traditional and new donors and in incentivizing new donor contributions. We encourage Executive Directors to continue the discussions of the remaining building blocks, openly and constructively for the achievement of better outcomes.

2020 Shareholding Review

12. The 2020 Shareholding Review takes place two years after the conclusion of the 2018 capital increase exercise when subscriptions and payment of shares for IBRD and IFC are due. Coupled with addressing the COVID-19 pandemic, which requires additional resources from member countries, this poses daunting challenges. In line with the 2010 agreements on Voice Reforms and the Lima Principles, we support this review as it provides an opportunity to take stock of the shareholding structure and address current misalignments against the agreed benchmarks. We, therefore, take note of the report and commend the Executive Directors for their tireless and constructive efforts in undertaking the review.

13. Regarding IBRD, we request further technical work on options for a gradual adjustment of shareholding using unallocated shares. We support the use of IBRD shareholding as a benchmark for the next review of the IFC. Further technical work will be required to explore this option in detail.