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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Norway
on behalf of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden
COVID-19 has swept the globe in a matter of months, jeopardizing lives, upending businesses and setting off a worldwide economic downturn of historic proportions. The global death toll has passed the one million mark. While researchers work hard to develop a vaccine, societies and consumers are strongly refocused on health and safety. This crisis may erase years of development gains, for many countries perhaps even decades. Low-income countries and the poorer segments of countries are the most severely affected. In this strained situation, efficient resource utilization is key, so that limited resources are used where they are needed the most.

We thank the World Bank Group and the IMF for your immediate response, joint action and leadership in addressing the pandemic and its dire consequences. We are encouraged by the recent announcement to mobilize up to 12 billion USD to ensure global access to covid-19 vaccines. We look forward to further discussions on the design of mechanisms for health systems strengthening, vaccine preparedness and vaccine access while minimising the risk of increased indebtedness. We urge Management and staff to keep up the very good work, fully trusting that you will. Going forward, a continued close coordination and strong partnerships, especially with other MDBs and the UN system, are crucial to tackle the challenges we are faced with. We welcome the ACT-A collaboration to accelerate development, production and equitable access to COVID-19 tests, treatments and vaccines, and urge the World Bank to align and collaborate closely with COVAX.

At the time of our Spring Meetings, we were all focused on containing the pandemic and addressing its economic consequences. Six months have passed. It goes without saying, but nevertheless: The World Bank Group should not only address immediate health and economic needs, but also support long-term development priorities. Although the pandemic is far from over it is time to focus on Post-COVID-19 and calibrating our policy responses to “the next normal”. We must focus on how to Build Back Better and Greener. This effort must be aligned with the Sustainable Development Goals and the Paris Agreement.

The effects of COVID-19 will only reinforce the importance of both mitigating and adapting to climate change. The World Bank Group should take on a global leadership for a sustainable, inclusive recovery, with substantially reduced carbon intensity of economic growth. The Bank should be a driver in speedy reduction of fossil fuel components in the overall energy mix and avoid lock-in investments in fossil-based assets. An ambitious updated Climate Change Action Plan, including time-bound goals for implementation, would be a good start.

World Bank Group lending and investments should support the transition to sustainable energy for all and climate neutrality by 2050. We call for a further strengthening of bank investments in renewable energy
and energy efficiency. We urge the Bank to set an energy access target in line with SDG7. The Bank is uniquely placed to provide leadership in the energy transformation, promoting cost-effective and inclusive green energy solutions rather than prolonging dependence on fossil sources. Here, World Bank support for policy development, reforms and institution building is indispensable. We urge the Bank to strengthen cooperation with partner countries on creating and implementing ambitious NDCs in alignment with the Paris Agreement.

The Nordic-Baltic constituency is a staunch supporter of the WBG. As a group, we have been the fourth largest donor to IDA for several years. However, given the current scarcity of donor resources and other competing demands, and against the backdrop of the recent IBRD/IFC capital increases and the IDA19 replenishment, our view is that the WBG will have to rely, for now, on its existing and agreed resources. These resources must be used wisely so that the Bank can also meet the future needs of its members, and so that the Bank can deliver on its existing corporate commitments in the Forward Look, the Capital Increase Package and IDA19. We therefore request Management and the Board to turn every stone to optimize balance sheets before calling on shareholders and donors for more capital, or for a supplementary IDA replenishment, at this stage. In the context of scarcity of donor resources, it is essential that the WBG take determined steps to improve its work to mobilize more private capital both for the COVID-19 response and to address the long-term development challenges. In the same vein, the WBG should also increase its efforts to support client countries in improving domestic resource mobilization.

The global pandemic has led to major structural increases in public expenditure and low economic growth. Going forward, revenue generation will be essential. The economic burden must not fall disproportionately on disadvantaged groups. Fair and equitable taxation is a path to regain public trust, contribute to inclusive economic growth, and attack poverty. In the recovery phase, the tax base must be increased, and loopholes closed. Progressive taxes and rolling back corporate tax avoidance will be key. The Bank, the Fund, the EU, G7 and G20 should join forces. Also, during the outbreak of COVID-19 illicit financial flows (IFFs) will increase across the range of economic crimes related to procurement, corruption and the financial sector. Therefore, we urge to expand measures to curb IFFs.

The pandemic is not gender neutral. Women and girls face distinct risks, including increased exposure to the virus on health care front lines and potentially larger impacts to their livelihoods during lockdowns. Their sexual and reproductive health and rights are at increased risk of being violated. Sexual and gender-based violence has increased significantly along with heightened risk of domestic violence, unintended pregnancies and harmful practices such as female genital mutilation and child marriages. Gender disaggregated data and analyses are extremely important to ensure that the Bank’s efforts address the wider and longer-term gendered impacts of the crisis. Promoting and harvesting the benefits of gender equality, including through meaningful participation and leadership of women and girls, should be at the forefront in our efforts to re-ignite economic growth, reduce poverty and share prosperity. Women must participate on an equal footing with men when needs and actions to fight the effects of the pandemic are defined. Building Back Better and Greener is a window of opportunity for addressing gender inequality and discrimination by applying smart gender economics and gender disaggregated data. The Bank should aim for a quantum leap, as a major depository of knowledge on what works and what doesn’t.

COVID-19 has put new and acute emphasis on the need for social protection and safety nets as a way of addressing inequality. The World Bank Group has extensive knowledge on how to design social programs, including efficient cash transfers. The Bank should sharpen its tools, targeting the most vulnerable in partner countries and make every effort to counter rising inequalities. The pandemic is expected to have a significant negative impact on human capital accumulation, with disruptions in access to healthcare and education. The Bank should assist and guide countries in implementing necessary policies and designing effective interventions to help safeguard human capital and avoid reversal of progress.
After massive debt relief from the late 1990s, through the HIPC (Heavily Indebted Poor Countries) and MDRI (Multilateral Debt Relief Initiative), many poor countries should have been on a sustainable debt path by now. But once again, roads are rocky. This is a major setback. The grave economic consequences of COVID-19 has brought the need for debt relief back on the international development policy agenda. We welcome the extension of the Paris Club and G20 Debt Service Suspension Initiative (DSSI) into 2021. We call on all public bilateral creditors to participate. We call on private creditors, which have yet to deliver, to walk their talk. So far, their act has been a major disappointment. We call on all beneficiary countries to use every DSSI dollar on COVID-19 response.

By their nature, debt moratoria offer temporary breathing spaces. For some countries, this may suffice. For others, not necessarily so. At some point, debt service obligations will kick in again. Going forward, we must make sure that we do not just postpone debt problems that – for some countries – may be more fundamental. Debt vulnerabilities should be addressed on a case-by-case basis within a multilateral framework focusing on broad creditor participation, debt transparency, and sound macroeconomic policies. We look forward to continued coordinated discussions on debt resolutions post DDSI. We call on the Bank and the Fund to provide updated debt sustainability analyses and support for stronger public financial management. We welcome a joint World Bank/IMF action plan by the end of 2020 on debt reduction for IDA countries in unsustainable debt situations.

We appreciate the Bank’s leadership within the current window of opportunity for Sudan, turning every possible stone to be helpful. We support debt relief for Sudan within a HIPC arrangement, provided that the Government delivers on a high (Upper Credit Tranche) quality IMF Staff Monitored Program, and multilateral arrears be cleared. The Family Support Program must benefit populations in conflict affected and marginalized areas on the same basis as the urban population – if not, it can become a new driver of conflict. The Bank must make sure to have enough staff on the ground. This is a critical moment for Sudan and its people. We must get it right.

In the aftermath of COVID-19, private sector led, jobs-intensive, green economic growth will be ever more important. With special thanks to Philippe LeHouérou, we are pleased to see a significant shift in IFC operations. We continue to expect the IFC to engage more in fragile states, other low-income countries and difficult markets. We need a new MIGA strategy, with higher ambition and new and innovative products, to meet the challenges of bringing in more private investment. Private capital mobilization is highly relevant to achieving Agenda 2030, the goals of the Paris Agreement and the Twin Goals of the World Bank Group. The COVID-19 crisis and the scarcity of domestic public resources, foreign direct investment, remittances and ODA is making private capital mobilization ever more urgent. And more challenging. The Independent Evaluation Group (IEG) has observed that IBRD progress on PCM targets has slowed considerably since 2017. This is worrisome. The World Bank Group should reinforce its efforts to improve approaches to private capital mobilization. We call for an update on what has been achieved with the Cascade Approach, with sober analysis of any shortcomings.

Digital financial inclusion was a development priority before the COVID-19 emergency. Now it is indispensable, both for staying afloat in the short term and as a key element in broad-based, sustainable recovery. Digital innovation is in the process of transforming almost every sector of the economy by introducing new business models, products and services, and new ways of creating value and jobs. Investments in infrastructure that improve access to connectivity are necessary, the Bank should strengthen its role in helping countries create an enabling environment for private sector involvement. Proactive government policies to support women’s ownership of mobile phones can help close both technology and financial inclusion gaps. Strong focus on the poor and underserved groups is also essential. We call on fellow donors to support the bank in promoting this wave of innovation.
Concerning the 2020 Shareholding Review and the IDA Voting Rights Review, we request the Board of Directors to continue its deliberations to distribute shares fairly. We encourage an incremental and limited adjustment for all underrepresented countries, using already existing shares. We urge the Board of Directors to report to Governors after such deliberations have been completed.

Finally, we would like to emphasize the importance of these semi-annual DC-meetings, where we have the opportunity to discuss and take joint action on our common global challenges and efforts to implement Agenda 2030 and the Paris Agreement. As the current global situation is characterized by major financial uncertainties, we look forward to continued discussions at the Spring Meetings.