Statement by

H. E. Mohammed A. Al-Jadaan
Minister of Finance

The Kingdom of Saudi Arabia
Statement by
H.E. Mohammed A. Al-Jadaan
Minister of Finance
The Kingdom of Saudi Arabia
102nd Meeting of the Development Committee
October 16, 2020
Washington, DC
(VIRTUAL)

This Development Committee is being held for the second time this year during challenging times as countries struggle to address the COVID-19 crisis. Despite the unprecedented liquidity and policy response, the global economy is expected to contract this year due to severe demand, supply and trade shocks triggered by COVID-19 lockdowns. Livelihoods and wellbeing of innumerable people are under threat and the pandemic is pushing millions into poverty, reversing the hard-earned gains in reduction of extreme poverty. Commodity exporting countries are particularly facing dual challenges suffering from the disastrous health impacts and the sharp losses in revenues, severely undermining their capacity to finance health, social and other development expenditures.

Global growth is beginning to show signs of recovery; however, the pace of recovery will depend among other things, on controlling the virus and continued strong fiscal, monetary and financial support. The situation remains fluid and uncertain, underscoring the need for vigilance and preparedness to mount an agile and effective response.

We congratulate the WBG for the unprecedented response to the pandemic crisis, and the good progress made thus far in assisting countries meet the health, social and economic challenges. Despite signs of flattening infection rates, risk of the virus resurging, with all its deleterious impacts, remain. As the situation unfolds, the role of the WBG, together with other MDBs and IMF, will be crucial in helping countries manage impacts and navigate recovery. Particular attention needs to be devoted for transparent, cost-effective procurement and deployment of vaccines to all on equal basis. In this respect, the G20 Finance and Health Ministers meeting held on 17 September 2020 under the Saudi G20 Presidency emphasized the need for a global response and the importance of taking forward our collective action to accelerate the research, development, manufacturing and distribution of COVID-19 diagnostics, therapeutics and vaccines, including through the Access to COVID-19 Tools Accelerator (ACT-A) initiative and its COVAX facility and voluntary licensing of intellectual property, with the aim of supporting equitable and affordable access for all, which is key to overcoming the pandemic and supporting global economic recovery. They also asked the Multilateral Development Banks (MDBs) to swiftly consider ways to strengthen the financial support for countries’ access to COVID-19 tools.

Policy support will assume even greater importance in the post COVID-19 period, especially for countries that are struggling with mounting debt repayments and limited fiscal space. We thus, welcome the emphasis on rebuilding better and see this as an opportunity for the Bank to further capitalize on the momentum provided by this platform.
This global challenge provides the world with an opportunity to act based on the lessons learned from the crisis, enhance resilience against future shocks and advance work on pre-existing structural challenges. The COVID-19 pandemic has indeed underscored the importance of remote connectivity and technology infrastructure, and we urge the Bank to find ways to capitalize on their synergies by supporting innovation, technology and digitalization. We encourage the WBG to utilize the G20 Riyadh Infratech Agenda in its operations, which was endorsed by the G20 Finance Ministers and Central Bank Governors in July 2020, with the aim of promoting the use of technology in infrastructure, improving investment decisions and enhancing quality infrastructure investments.

We want to also highlight the importance of energy as a backbone for growth and poverty reduction and encourage the WBG to facilitate the development and deployment of carbon capture, storage and utilization technologies to make fossil fuels environmentally friendly and contribute to bridging the large energy gap with reliable and sustainable energy supplies. There is also a need for scaling-up support for the long-term drivers of productivity and potential growth, through enhancing investments in human capital, and engagements that support economic transformation, value chain integration and the development of labor markets. We also urge greater attention to gender inclusion and supporting women entrepreneurship. In addition, support to IDA countries is central to pursuing the WBG’s twin goals and the SDGs, and efforts are needed to rekindle economic growth and mitigate the risk of social unrest and fragility that could wipe out a generation of economic progress and poverty reduction.

We would like the WBG to shift gears from crises mode towards rebuilding and recovery support. The IBRD and IFC capital increases and the strong IDA19 replenishment provide the necessary resources to support WBG operations beyond FY21. We encourage management to find innovative ways to stretch and optimize its balance sheet more effectively while also looking for means to leverage the range of guarantee and risk mitigation instruments at its disposal to mobilize private capital, especially in countries at high risk of debt distress. At the country level, domestic resource mobilization and private financing will be critical, as well as strengthening macroeconomic policy to enhance capital inflows, in addition to reforms that improve the enabling environment for the private sector. We urge the WBG to reinvigorate support for the development of domestic capital markets and their integration with the global capital markets where feasible. Finally, partnerships and mobilization will be critical to support clients’ through coordinated and integrated recovery strategies.

As the G20 President this year, Saudi Arabia continues to play a critical role in addressing the global challenges posed by COVID-19 and supporting recovery globally. The G20 has made substantial progress since the endorsement of the G20 Action Plan in April 2020 – supporting the global economy through the COVID-19 pandemic. The G20 has helped mobilize resources to address the financing needs in global health to support equitable and affordable access of vaccines for all once they are licensed and approved. As the pandemic knows no borders in today’s interconnected world, equal access will be key to overcoming the pandemic and supporting global economic recovery. In this context, Saudi Arabia has pledged a total of $500 million so far to relevant international organizations to support global efforts in combatting the COVID-19 pandemic. This pledge will support emergency and preparedness response, developing and deploying new diagnostics, therapeutics and vaccines, fulfilling unmet needs for international surveillance and coordination, and ensuring sufficient supplies of protective equipment for health workers.

From the G20 Presidency perspective, we are pleased to note that the DSSI has provided valuable fiscal space to the poorest and most vulnerable countries at a time it was needed the most. It has allowed these countries to redirect resources towards healthcare, social, and economic spending to strengthen the fight against the virus. The G20 therefore supported a six-month extension of the initiative to help ease countries’ ongoing liquidity pressures. Nonetheless, the Saudi G20 Presidency also recognizes that critical debt vulnerabilities persist, and the liquidity pressures some countries face could turn into deeper solvency issues. The extension envisaged must carefully plan the liquidity support to better assist growth and provide
a solid foundation for longer term structural reforms. Any permanent reduction in nominal debt stock to achieve sustainable debt burdens in the hardest hit low income countries during the extension of the DSSI, must be done informed by IMF-World Bank DSAs and on a case-by-case basis. And, a successful DSSI requires adequate private sector participation, including that official creditors incentivize debtors to seek comparable treatment from their private creditors.

We agree with the view that all official bilateral creditors should participate in the DSSI on uniform terms and take all steps needed to ensure fair burden sharing and maximize support for the most vulnerable countries. Furthermore, the G20 is encouraging efforts to enhance cooperation among development partners, focusing on financial resilience and efforts to further develop risk insurance and catalyze private sector investment, especially in LICs. We call on all MDBs to maintain net-positive flows to DSSI-eligible countries during the suspension period, including any extension period. Going forward, we need to have a common agreed framework beyond the DSSI for countries whose debt is deemed unsustainable.

The G20, through the development of the G20 Menu of Policy Options to Enhance Access to Opportunities for All, continued to support efforts to reduce inequalities, addressing the disproportionate impact of the crisis on the most vulnerable and supporting an inclusive recovery. The G20 has also advanced financial inclusion and harnessing of digital technologies and endorsed the G20 High-level Policy Guidelines on Digital Financial Inclusion for Youth, Women, and SMEs that are so critical to creating jobs. Furthermore, through working with the FSB, the G20 is coordinating the development of regulatory policies to promote global financial stability.

We appreciate the Board and Corporate Secretariat’s work on the 2020 Shareholding Review. In this regard, we would like to note that the 2015 Shareholding Review was completed just 2 years ago, and the capital package for IBRD and IFC approved by Governors in 2018 is still under implementation. In view of this and given that COVID response has caused unprecedented strain on the fiscal positions of shareholders, we urge concluding this review without realignment of shareholding and propose delaying it for consideration as part of the next 5-yearly review in 2025. Any realignment of IFC shareholding, as part of the 2025 review, should be guided by the well-recognized principle of convergence with IBRD shareholding.

We agree with the two-phase approach for the IDA Voting Rights Review and appreciate the range of views across the membership on the building block options. While these discussions have been enriching, the focus now should be on reaching a consensus. We urge management to further explore means and options for the remaining building blocks that ensure fairness across the membership. We commend the Bank’s continued commitment to sustain voice reforms and, in this regard, emphasize the need to follow the principle of gradualism and take a constructive approach for both reviews with flexibility and the understanding that “nothing is agreed until everything is agreed”.