Statement by

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On behalf of Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay
The magnitude of the global crisis triggered by Covid-19 is unprecedented in modern times. The pandemic is causing a massive economic shock and humanitarian crisis that could result in the first increase in global poverty since 1998, with over 100 million additional people pushed into extreme poverty in 2020. This sudden, persistent and globally synchronized crisis has put millions of jobs and livelihoods under threat, hitting the poor and vulnerable the most.

The pandemic has highlighted our fragilities, but it has also created an opportunity to rebuild our economies in a more inclusive, resilient and sustainable way. To come out better, instead of worse, from this crisis we need to act together and strengthen our multilateral cooperation based on the principle of solidarity.

Rebuilding better and more inclusive societies will require international solidarity and substantial resources. We congratulate the World Bank Group’s (WBG) leadership and staff for putting in place a fast and large crisis response, by committing to channel support of $150-160 billion over 15 months. These swift and broad actions were key to help developing countries strengthen their pandemic emergency response, improve public health interventions, and help the private sector continue to operate and sustain jobs.

The recently announced initiative to provide additional financing of $12 billion to developing countries for vaccines’ access and deployment is also welcomed. In the same spirit of solidarity, we hold that the vaccine to prevent the Covid-19 should be a global public good accessible to all nations in an equitable manner. In this line, we are pleased that the WBG is making progress with the implementation of the Capital Increase Package and its focus on global public goods, including actions to tackle climate change and to promote regional integration and gender equality, fundamental challenges of our time.

To address the severity of this unprecedented dual health and economic crisis, more needs to be done. This is the time to step up the counter-cyclical firepower of regional and multilateral development banks. At the WBG, we need to come up with a menu of innovative ideas in order to increase the institutional capacity to support countries, including by rethinking ratios and optimizing the balance sheet. We also have the responsibility to deepen our dialogue regarding the size of the WBG financial capacity beyond FY21, when we will have to cope with the full impact of the pandemic in rebuilding our economies.

Evidence shows that the impact of Covid-19 has not been equal across the world, particularly affecting developing countries with pre-existing vulnerabilities and challenges. More than 60% of the
poor live in middle-income countries (MICs), many of which are being dramatically affected by the pandemic and its economic and social consequences. The WBG should foremost put an emphasis on those countries being hit the hardest, regardless of their income level, and of course considering our institutional priority towards Low-Income Countries (LICs) and countries affected by Fragility, Conflict and Violence (FCVs).

Our home region, Latin America and the Caribbean (LAC), has been so far the worst hit, with a GDP drop estimated at 7.9% and risks of additional 45 million people falling into poverty. The current crisis is exacerbating previous situations of vulnerability: three-quarters of Latin Americans are low or lower-middle income and 60% are employed in the informal sector. Our region remains the most unequal in the world and inequalities are at risk to get even deeper due to the pandemic. As a long-standing partner of the region, the fast and flexibly support being provided by the WBG across LAC has been key to support health interventions, provide social protection, and work towards recovery.

The challenges governments had to face to mitigate the effects of the pandemic and economic crisis have required substantial increases in public spending, in a context of limited financing and mounting needs. We need to ensure that public resources are invested efficiently to save lives and livelihoods, to support the most vulnerable, preserve jobs and sustain businesses. Resources channeled to the private sector need to be properly regulated to ensure transparency and accountability. Also, since the crisis is already causing an increase in poverty and inequality, reforms should be carefully considered in order to preserve social cohesion. For us, rebuilding better means embedding the 2030 Agenda for Sustainable Development in our recovery policies.

If we truly aim to come out better, this crisis is also an opportunity to rethink the role of the state in the Covid-19 era: we need to achieve public-sector institutions capable of designing and implementing inclusive and innovative policies and able to partner with the private sector to create long term value and serve the public interest.

The current crisis has also deepened pre-existing debt vulnerabilities in many developing countries. We cannot underscore enough the importance of debt sustainability for development. In the LAC region we know too well that debt crises are major setbacks to our efforts to end poverty and boost shared prosperity, with their adverse impacts transcending several generations. Addressing the debt vulnerabilities exacerbated by the pandemic should remain a top World Bank priority to mitigate the damage to our Twin Goals and the Sustainable Development Goals.

The Debt Service Suspension Initiative (DSSI) has proven to be an adequate tool to provide some relief to the poorest countries during the emergency. Considering that more breathing space will be essential beyond December 2020, we welcome the proposed extension. However, efforts to engage private sector creditors into providing comparable debt relief must be strengthened. Otherwise, more than a solution the DSSI could become a problem. We agree on the relevance of enhancing debt transparency and understanding the debt structure of the relevant participating countries. To make the system more balanced and have access to reliable debt information, this call should also involve the creditor side.

By now it is clear that these efforts will not be enough for many countries, since solvency concerns are imminent. To avoid a looming debt crisis, we believe it would be critical for the Bank and IMF to jointly establish a framework to facilitate debt resolution for countries with unsustainable debts, including for countries beyond the DSSI perimeter. Our own experience shows that sovereigns with unsustainable debt levels should not delay restructuring and, instead, need to begin good-faith negotiations with creditors before it is too little and too late. We also look forward to a concrete agenda to address the unfair imbalance in the global system between wealthy creditors and the world’s poorest countries, which has been highlighted by President Malpass.
We would also like to take this opportunity to share the view of our constituency regarding two relevant processes taking place at the WBG: the International Development Association (IDA) Voting Rights Review and the 2020 Shareholding Review.

First, regarding the IDA Voting Rights Review, we would like to reaffirm three general principles: i. The goal of this process is to ensure that IDA serves all shareholders, and all shareholders serve IDA, reflecting the voice of all shareholders in a fair, balanced and inclusive way; ii. The principle of gradualism should be embodied in order to provide incentive and ensure comfort for countries to transit; and, iii. It is extremely critical to preserve the voluntary nature of IDA’s framework as explicitly reflected in the Articles of Agreement.

Second, regarding the 2020 Shareholding Review, we endorsed in 2015 a timeline for future work on a dynamic formula to serve as a benchmark for International Bank for Reconstruction and Development (IBRD) shareholding that takes the GDP as the main indicator. However, the global circumstances have changed significantly since then, particularly considering that the Covid-19 pandemic is having an unbalanced impact across economies, in addition to several developing countries which were already performing below expectations in terms of economic growth. Therefore, we want to raise awareness regarding the implementation of the dynamic formula for a future shareholding review, since it might add unwarranted changes in voting rights because of the effects of the pandemic.

The time has come for us to join forces to tackle problems endemic to our world: unsustainable sovereign debt, extreme poverty, access to water, gender violence, natural disasters, and corruption. At the same time, and as necessary means to development, we need to promote an overreaching agenda of cutting-edge issues: the future of education and work, telemedicine, 4.0 productive chains, digital inclusion, women’s empowerment, green infrastructure, and e-democracy.

A new, open, innovative approach towards development needs to be built. This goal can be achieved by creating four bridges to fill existing gaps to take the World Bank into the future: i. A bridge between the current emergency and the strategic building of development; ii. A bridge between finance and solidarity; iii. A bridge between 19th century living conditions and 21st century 4.0 challenges; and, iv. A bridge between social and political diversity that will allow us to build a better and common home for all.