Statement by

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Minister for Economy, Finance and the Recovery

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(VIRTUAL)

The Covid-19 pandemic, beyond its direct health consequences, exacerbates the challenges the world was already facing: inequalities between countries and within countries, poverty, fragility, instability and food insecurity. The pandemic puts under stress the resilience of health systems, economies and societies: by disrupting trade, curtailing the movement of people, disorganizing supply chains and discouraging investments, this crisis has created an unprecedented global recession. It particularly affects the most vulnerable countries and people, even more than the financial crisis. Sub-Saharan Africa is expected to experience its first recession in more than 25 years.

The Covid-19 crisis threatens decades of progress in reduction of poverty and inequality, socio-economic inclusion of women, fight against epidemics, access to public services, education and basic health services. The loss of millions of jobs will lead to a massive increase in the level of poverty, after nearly a quarter century of steady global declines.

This economic shock is so severe that it hampers the capacity of developing countries to react. Their public finances are constrained by lower tax revenues, while tighter external financing conditions impact countries with access to financial markets. Public debt sustainability is now in jeopardy in some countries, particularly those already facing a high level of debt vulnerability before the crisis.

I commend the World Bank Group and the other multilateral development banks for their swift actions to tackle this unprecedented situation. In particular, the World Bank reacted swiftly with an initial emergency response of USD 14 billion to address health needs while preserving the functioning of the economy and the private sector and then through a broader exceptional USD 160 billion financial program over 15 months to support a sustainable, green and inclusive recovery in emerging and low-income countries. The World Bank has already provided significant support to its client countries to fight the pandemic and tackle its economic and social impacts. Its interventions have saved lives by strengthening health systems and supporting the poorest and most vulnerable communities through the development of social safety nets. The Bank has also assisted its private sector clients, by providing liquidity and working capital solutions. It has supported governments, including through budgetary assistance, to strengthen their institutional capacity and help them address the crisis. The World Bank’s response is being implemented swiftly, with nearly USD 45 billion disbursed between March and June and we must continue in this direction. In particular, I welcome the World Bank's commitment to promote access to Covid-19 vaccines for developing countries and its decision to take part in the ACT-A initiative, which brings together the WHO and other major players in global health, with a common goal: supporting the development, production and fair, safe and universal access to diagnostic tests, treatments and vaccines against the Covid-19, as well as strengthening vulnerable countries’ health systems. It is essential that the World Bank's action remains fully in line with this approach and well-coordinated with the health sector international actors on the ground.
This ability to respond to the economic crisis by substantially increasing the World Bank commitments owes much to the strong support of its shareholders. By finalizing the IBRD and IFC capital increases two years ago and the ambitious replenishment of IDA-19 last year, they demonstrated their confidence in the institution and more broadly their ambition for the development of beneficiary countries. Considering the growing needs in the poorest countries, it is now crucial to ensure the transfer of a share of the IBRD’s net income to IDA effective as soon as possible, as agreed when the capital increase was finalized in 2018. In addition, I welcome the work carried out as part of the IBRD’s shareholding review and now call for the conclusion of the review to focus energies on the response to the crisis.

After the emergency response phase, the recovery phase should be supported by the World Bank in a way consistent with a green, sustainable and inclusive recovery, in line with the Agenda 2030 and the Paris Agreement. The short-term response to the crisis, which is urgent and critical, should not divert us from our long-term structural objectives. ‘Building back better’ implies that financing and commitments will support a development model compatible with low greenhouse gas emissions and resilient to the consequences of climate change and exogenous shocks. We must encourage low-carbon sustainable development strategies that create local jobs, have positive spillovers effects on the economy and help countries achieve energy self-sufficiency. A key focus should be to help countries reach their climate change and biodiversity protection objectives, as expressed in Nationally Determined Contributions within the Paris agreement and in National Biodiversity Strategy and Action Plans and help them increase the level of ambition of their initial targets. The recovery phase should be an opportunity to build together a new development model that is fairer, more sustainable and that enables the mobilization of the resources needed to finance development while ensuring a fair and progressive taxation system. The international financial institutions have a leading role to play in defining this new model. In particular, the World Bank, in coordination with the other multilateral and national development banks, should develop a set of proposals to further crowd-in private finance in developing countries, in particular in relation to sovereign bonds issuances, project and infrastructure financing and SMEs financing, and to ensure these resources effectively contribute to the sustainable development goals. The IFC and MIGA should tighten their policy of lending to investors using intermediaries domiciled in non-cooperative jurisdictions listed by the European Union, and deepen their due diligence on the excessive tax-optimization schemes implemented by some of them.

Thanks to the efforts from official bilateral creditors, the G20 and Paris Club Debt Service Suspension Initiative (DSSI) has provided much-needed liquidity to the most vulnerable countries with significant short-term financing needs, complementing the additional financial resources deployed by the international financial institutions. It is critical that multilateral development banks continue to provide positive net flows of financing to DSSI eligible countries during the suspension period. We have now to move progressively to a more structural approach, including addressing debt sustainability issues and debt treatments where necessary, on a case by case basis and through a multilateral, coordinated approach as set forth in the common framework agreed by the G20 and the Paris Club, whose terms have been finalized and which is now under internal approval procedures in each G20 countries.

Financing needs of developing countries will obviously keep increasing over the next few years. In this context, we should have a more holistic approach and go beyond the question of debt in order to reflect on a new model of sustainable financing for development, particularly in Africa. This approach should be discussed in a multilateral framework to provide global, effective and sustainable solutions to these unprecedented challenges.

I welcome the measures taken by the World Bank to respond to the significant irregularities observed in the Doing Business report data. The review process of these irregularities should be conducted transparently and in close cooperation with the Board of Directors. I support the idea of an external review
of the ranking methodology. The World Bank's commitment to effectively address the sources of these irregularities and correct the methodological biases of the Doing Business ranking will be key to maintain the credibility, significance, and relevance of the report.