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)

Statement by
H.E. Gernot Blümel
Minister of Finance
Austria

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey
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102nd Meeting of the Development Committee

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First and foremost, we would like to express our appreciation to all staff of the WBG who are working hard under these difficult circumstances. We would also like to commend the WBG for its fastest and largest crisis response in history to help developing countries strengthen their pandemic response, increase disease surveillance, improve public health interventions, help the private sector continue to operate and sustain jobs, and prepare countries for resilient, inclusive and sustainable recovery. Enhanced cooperation across the WB, IFC and MIGA, applying the Cascade approach with a focus on speed, scale, and selectivity is the right way going forward.

We highly appreciate that the WBG’s crisis response builds on its knowledge, expertise and lessons learnt and is in line with the commitments made in the 2018 IBRD and IFC Capital Packages as well as the IDA19 replenishment. We also commend Management for being on track to deliver on the corporate targets and strategies including on Gender Equality, Climate Change and FCV, and for stepping up its support across the client spectrum. In our view, the COVID crisis is not only an enormous challenge but also provides opportunities to accelerate program delivery, to support transformative investments and reform policies, and to strengthen further our focus on the poorest and most vulnerable environments and countries. We acknowledge the importance of the WBG’s global footprint, especially in the current situation, and emphasize the need for adjusting the operational model to the new requirements in a fast, efficient way while maintaining quality and effectiveness.

The economic outlook and the prospects for recovery remain highly uncertain. The crisis has been hitting the poorest and vulnerable, including women, children and the disabled, the most. Therefore, the WBG as global leader of the development community should keep focusing on its mission and Twin Goals even during the most challenging times and in the toughest environments. Extreme poverty is rising and achieving the Sustainable Development Goals has become more difficult than ever. A coherent approach and enhanced cooperation at the global, regional, and country levels, including on mobilizing the private sector, are of utmost importance to mitigate the wider socio-economic impacts of the current crisis.

The 2018 IBRD/IFC Capital Packages and the IDA19 replenishment provided the WBG with significant firepower which enabled it to respond to the crisis. IBRD and IDA are currently adequately resourced to respond to the COVID-19 crisis, even under severely stressed downside scenarios. However, their resources are being stretched in unprecedented ways as continued high demand will exceed financing capacity as the frontloading of lending volumes in FY20-21 will require downward adjustments thereafter. Considering the limited financing capacity beyond FY21 to meet the high demand for IBRD/IDA lending, we call on Management to explore innovative ways to enhance the WBG’s financial capacities, such as risk sharing.
mechanisms, co-financing, balance sheets optimization across the WBG etc. In particular, we see significant potential to further leverage IDA’s equity and ask Management to explore and present options for consideration before initiating conversations on further capital injections by donors and shareholders whose fiscal capacities have also been hit hard by the current crisis. IDA deputies will need to be consulted when the WB considers adjusting any of the policy commitments agreed upon during the IDA19 replenishment.

We expect the WBG to maintain its leading role by developing the best projects, looking for the highest achievable development impacts and offering strong financial and non-financial additionality to all clients based on its unique experience, comparative advantage and global presence and expertise. In this regard we would also like to stress the importance of the knowledge agenda and encourage the Bank to step up its efforts to remain at the knowledge frontier and to develop high-quality knowledge products, e.g. on drivers of growth, new growth models, digital and green transformation etc.

We thank Management for the progress report on the IDA Voting Rights Review and look forward to its completion by the IDA19 mid-term review in 2021. We welcome the 2020 Shareholding Review Report and encourage further technical work on options for a gradual adjustment of IBRD shareholding using unallocated shares to improve the position of under-represented shareholders. Similarly, for IFC, we request and look forward to further work to explore the options for an IFC benchmark for the next shareholding review.

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

We welcome the focus on the most effective use of the WBG’s limited resources to promote a resilient, inclusive and sustainable recovery while supporting countries on their way to reaching long-term development goals including eliminating poverty and building shared prosperity. Even amid pressing short-term needs to address health, economic and social impacts, it is essential to maintain a focus on long-term development goals including on health, jobs, digital development, protecting the climate and biodiversity, and a green recovery in line with climate-smart and sustainable solutions. This includes supporting a recovery that embeds climate-friendly responses and policies facilitating countries’ climate change objectives as expressed in Nationally Determined Contributions. In this vein, we expect the WBG to make a sizable contribution to the first Finance in Common Summit which will take place in Paris on November 10-12.

Noting the disruptions in local food supply chains as one of the most devastating pandemic impacts, we encourage the WBG to step up its efforts in the areas of agriculture and food and nutrition security. We also note that the WBG is preparing to support countries in the purchase and deployment of COVID-19 vaccines. While supporting the new facility’s objective of enabling access to vaccines to the poorest countries, we would like to stress the importance of close cooperation with other institutions in financing such efforts, in particular the COVAX Facility.

More than 100 countries with around 70 percent of the world’s population are currently benefiting from the WBG’s emergency operations. And as the pandemic will have a long-lasting impact globally, we agree with the continuation of the WBG COVID-19 Crisis Response Approach operating across three stages – Relief, Restructuring, and Resilient Recovery aiming at the protection of the poor and most vulnerable. In our view, the framework is flexible and adjustable to evolving needs. However, we would like to see tailored approaches and sound assessment methods to identify countries’ needs amid the crisis. We need a more in-depth and nuanced analysis of financing requirements to ensure that resources are used most effectively and strategically through selectivity and systematic identification of transformative interventions. A sound monitoring framework is equally important to enable the appropriate tracking of results, and to ensure that resources are used with maximum efficiency.
We acknowledge and welcome the WBG’s commitment to building human capital, promoting an enabling environment for Jobs and Economic Transformation and facilitating private sector-led growth. In this regard, we applaud IFC for launching a $4 billion global health platform to mobilize private investment to close massive healthcare supply gaps faced by developing countries as part of its second phase COVID-19 response and its emergency economic response package to support existing private sector clients. IFC’s support is crucial for tackling the crisis, keeping the economy running, and strengthening and creating markets to generate jobs and foster economic growth. We commend IFC on the significant transformation it underwent and the successful implementation of the IFC 3.0 strategy and the Upstream agenda. We thank Philippe Le Houérou for his hard work and visionary leadership and wish him all the best in his future endeavors.

We would also like to acknowledge the role of MIGA in crisis response delivery with the $3.92 billion of new guarantee issuance in FY20 – including from the COVID-19 Fast Track Facility – supporting 47 projects in all the six geographic regions and with a strong focus on IDA/FCS. We strongly endorse MIGA’s efforts to better align with the WBG Gender Strategy. We look forward to future innovations as e.g. the upcoming Trade Finance Facility and we emphasize the need of the One World Bank Group approach with strong internal cooperation between our institutions.

As the WBG seeks to step up its work in fragile and conflict-affected countries, it will become even more critical that the Board has strong oversight and that the WBG’s independent accountability mechanisms are robust and in line with international best practice.

Finally, we request continued attention to domestic resources mobilization (DRM) efforts to help create the fiscal sustainability and revenue generation capacity urgently needed in many countries, but also to strengthen institutions and service delivery in essential sectors. The WBG has a key role to play in ensuring fair and equitable tax systems, in line with the shared prosperity agenda.

**Joint IMF-WBG Staff Note: Implementation and Extension of the Debt Service Suspension Initiative (DSSI)**

As the magnitude of the current crisis is causing liquidity concerns and a deterioration of fiscal space, we welcome the coordinated approach and joint work of WBG and IMF on the DSSI paper as well as their role in enhancing creditor coordination, debt transparency and monitoring the use of freed-up resources. In line with the discussions of the G20 and the Paris Club, we support the extension of the DSSI for six months, examining by the 2021 Spring Meetings if a further extension of 6 months is required. We also support the proposed modifications to the DSSI terms and conditions. Short-term liquidity issues would be addressed most effectively if all bilateral official creditors as well as private sector creditors participated on comparable terms. In this regard, we urge the WBG to use its convening power to achieve the participation of the private sector under a fair burden sharing.

As almost half of all least developed countries as well as other low and middle-income countries were at high risk of, or already in, debt distress prior to the outbreak of the pandemic, we acknowledge that some countries may need a partial reduction in their debt stock. We therefore call for more structural, long-term solutions and tailored approaches on a case-by-case basis. Adequate policy reforms within the framework of WB and IMF programs, supported by solid debt sustainability analyses could provide a way forward. These solutions and reforms should aim to strengthen long-term debt sustainability and address the issues underlying the international debt architecture, including debt and investment transparency as well as data monitoring. In this vein, the involvement of all stakeholders, including the private sector, and a close coordination with the other IFIs will be necessary. We encourage the IMF and WB to develop by the end of 2020 a joint action plan for debt reduction for IDA countries in unsustainable debt situations.
Lastly, we wish the World Bank Group institutions much success in the implementation of their emergency response programs and express our solidarity with all those who have suffered due to the pandemic and its consequences. We look forward to meeting with our World Bank Group partners in person again once we get over these very difficult times, hopefully in the near future.