Statement by

H. E. Guy Parmelin
Minister and Head of the Federal Department for Economic Affairs, Education and Research
Switzerland

On behalf of Azerbaijan, Kazakhstan, the Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan
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(VIRTUAL)

We commend the swift and comprehensive action taken by the World Bank Group (WBG) to support countries in responding to the COVID-19 crisis. The WBG remains at the forefront of international efforts by multilateral development banks, UN Agencies, and the IMF to tackle immediate and long-term effects of the pandemic. A strong and well-coordinated multilateral response, based on efficient institutions, is essential for the success of efforts to contain the crisis, safeguard development progress and reaching the Agenda 2030. These priorities should not be compromised and the Bank should counter fiduciary risks.

World Bank Group COVID-19 Crisis Response Update

Under very difficult working conditions, the WBG has provided rapid financial support as well as critical knowledge to over 100 countries. While we must acknowledge that neither the health challenge nor much less the social and economic impacts are yet contained, we welcome the early indications of successful implementation. In the ongoing crisis response, it is essential to balance short-term needs with longer-term objectives of the Bank’s support to its clients, as reflected in the twin goals, Country Partnership Frameworks and in the Bank’s sectoral policy priorities. We generally welcome the WBG’s consideration to support countries in vaccination but underline the need for coordination with other partners and respect of the Group’s mandate and comparative advantage. We also welcome IFC’s ongoing efforts to develop new approaches and programs in response to the COVID-19 crisis and we expect the current and future projects and programs to contribute to longer-term private sector-led development.

Building back better, greener and more inclusive economies and systems as well as steering them on a path towards sustainability, resilience and efficiency is essential. Rebuilding greener implies reinforcing efforts on climate mitigation and adaptation, protecting biodiversity, grasping opportunities for transformative reforms, and aligning investments and policies systematically with the Paris Agreement. Saving local and good jobs is essential for recovery. Addressing the looming food crisis should be used as a catalyst for investments in climate-friendly, resilient and sustainable agriculture and food systems. Protecting and enhancing human capital achievements by strengthening public education and healthcare systems and skills-based training, complemented by private initiatives that are under public oversight and fill gaps is essential to protect the short- and longer-term perspectives of today’s children and youth and mitigate the risk of a lost generation. As women are disproportionately affected by the crisis, efforts to tackle gender gaps gain additional urgency. The Bank’s targeted support is also crucial in addressing fragility and containing related spill-over risks, including new dynamics of displacement and migration. In line with the new FCV Strategy, response projects in fragile and especially prevention contexts should be designed with
conflict-sensitivity tools and based on joint diagnostics, to identify and address potentially aggravating drivers of fragility and instability. We reiterate that the Environmental and Social Safeguards and the zero-tolerance policy with regards to corruption are of utmost importance in all bank operations.

While the financial implications of the crisis are severe and demand is peaking, we underline that the Bank Group must work with the resources provided by the recent IBRD/IFC Capital Increases and the record IDA19 replenishment. We support the frontloading of IDA19 resources, reallocations in existing portfolios, and further explorations of balance sheet optimization measures. Additional shareholder/donor contributions should not be the focus at this time. To ensure an equitable and effective response for all clients in light of available resources, we call on the Bank to manage its financial capacities carefully and avoid a first-come-first-served approach by strictly adhering to allocation frameworks and anticipating demand. It will be necessary to take stock and re-assess options at the Spring Meetings next year.

The Debt Service Suspension Initiative - DSSI

We commend the Bank and the Fund for their leadership on debt transparency and welcome the implementation of the DSSI, which has provided urgently needed fiscal space to some of the poorest countries. We call on the WBG and the IMF to continue to produce valuable data and analysis for increased debt transparency, to strengthen debt management and to play a key role in any actions aimed at debt sustainability beyond the DSSI horizon. Both institutions should expand and intensify their joint Debt Sustainability Analysis work to serve as key actors of any future international debt restructuring efforts. In addition, the utilization of this information must be better integrated into revenue and expenditure decisions by Governments and better reflected in the dialogue between them and Multilateral Development Banks.

We strongly support the DSSI and welcome progress as well as the continued coordination of the implementation process. However, the implementation of the DSSI is only partially satisfactory and needs further clarifications and improvements: (i) a coherent approach and consistent application by all official creditors, (ii) clarity on the participation of all official bilateral creditor institutions, (iii) further efforts to increase debt transparency on both, the debtor and creditor, sides, and (iv) rigorous efforts to bring in commercial lenders. We urge the Bank and Fund to work together with the G-20 and the Paris Club to strengthen the framework of the DSSI before it goes into an extension.

We see incomplete DSSI participation also as an indicator that the debt-related needs of IDA countries are diverse in nature and will require a case-by-case approach in the future. The DSSI is an important emergency response providing rapid debt service relief and additional fiscal headroom to respond to the crisis. It is however, a coarse measure that does not take individual country circumstances into account. It will therefore be necessary to move rapidly towards a more holistic and at the same time tailored approach to respond to the increasing indebtedness and countries’ needs. Such approach warrants coordinated debt treatments, case by case, in the context of dedicated IMF programs. Furthermore, appropriate conditionality, including on Public Finance Management, carefully designed to protect the poor and vulnerable from further repercussions, will be essential, as will be the comparability of treatment, also of private creditors.

We support the six-month prolongation of the DSSI that could be extended for another six months after review. Therefore, it seems also important to reach an agreement on both elements: the extension of the DSSI as well as a common framework for debt treatments. The Spring Meetings of next year could serve as a review point to assess progress and related developments. In the meantime, we welcome that the Bank and IMF will work on a draft Action Plan for debt treatment by end of this year. This should be closely coordinated with the G20 as well as the Paris Club. It should include commercial creditor participation and reflect emerging creditor’s role for debt-distress.
Meanwhile, we call on the World Bank to protect its proven business model and focus on the continuing provision of net positive flows while being mindful of already existing unsustainable debt levels. A longer-term health, social and economic crisis of such proportions makes it more necessary, not less, for the Bank to maintain its capital adequacy and to protect its AAA rating and Preferred Creditor status.

**Updates on the IDA voting rights and the IBRD and IFC 2020 Shareholding Review**

We take note of the progress reports about the ongoing shareholding review and IDA voting rights review. We welcome the progress made in exploring options for the IDA voting rights review and expect work to continue with view of closing the review at the IDA19 mid-term review.