Statement by

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European Commissioner for International Partnerships

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(VIRTUAL)

Just over a year since the COVID-19 pandemic triggered an unprecedented crisis, we are at a critical juncture. With the progressive rollout of vaccines, the outlook is positive. However, the depth of the economic shock, especially for low-income countries, is such that decisive and coordinated action is needed for recovery to pick up and put the Sustainable Development Goals (SDGs) back on track.

The challenge is to ensure that the rollout is rapid, equitable and that we “build back better” by making sure the recovery is inclusive, sustainable, green, and takes into account the new digital paradigm.

The World Bank Group (WBG) and the International Monetary Fund (IMF) play a crucial role, given the scale of their response, their catalytic role to leverage financing, their strength in providing evidence and setting standards. Their capacity to facilitate policy dialogue and forge partnerships that help the recovery needs to be mobilised.

Partnership is the driving force behind the EU’s recovery work. The “Team Europe” approach of the Union and its Member States, along with European financial institutions, mobilises skills, networks and financial resources to support partner countries.

We see three priorities ahead.

First, ensuring rapid access to vaccines for all, whilst building resilient health systems for the future.

The EU has been at the forefront of efforts to develop safe and effective vaccines for the world, investing close to EUR 3 billion in pre-finance production and is among the main global exporters of vaccines. Team Europe is also leading in supporting their distribution to low- and middle-income countries providing more than EUR 2.2 billion to the COVAX Facility. We are also working on a crucial bottleneck – vaccine development and manufacturing capacity in partner countries, with a focus on Africa.

We welcome the World Bank Group COVID-19 response, including IFC’s Global Health Platform, to help low-income countries purchase and distribute vaccines, tests, and health products. We look forward to stronger World Bank Group cooperation with the COVAX Facility. We also see strong potential for partnerships with the IFC in support of vaccine manufacturing.

At the same time, we cannot ignore the need to build health systems delivering universal health coverage. We call on the Bank to address building sustainable and resilient health systems, including pandemic prevention and risk mitigation, as a priority, building on the Bank’s longstanding experience. This includes strengthening World Bank cooperation and coordination with key health agencies such as WHO, GAVI and the Global Fund within the SDG3 Global Action Plan. We look forward to discussing this at the Global Health Summit.
Second, global recovery requires investments using the 2030 Agenda as a guiding compass, ensuring debt sustainability and maximum alignment with the Paris Agreement.

The EU has been shaping a Global Recovery Initiative, linking debt relief and investment to the SDGs to promote a green, digital, just and resilient recovery. The Global Recovery Initiative is about shifting to policy choices at country level in support of green and digital transitions, social inclusion and human development while enhancing debt sustainability.

We welcome the World Bank’s “Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development” (GRID) framework and how it promotes sustainable recovery across the full range of World Bank instruments and programmes. We will seek to build common strategic objectives between the GRID and the Global Recovery Initiative.

The financing needs of low-income countries will remain high in 2021 and beyond. Especially debt burden and its consequences (in terms of lacking fiscal space for investment and potential default) represent a critical risk for an uneven recovery. We, therefore, welcome progress on the G20-Paris Club Debt Service Suspension Initiative (DSSI), including consideration for its extension at these Spring Meetings, and on the operationalisation of the Common Framework for Debt Treatments beyond the DSSI. We call on the private sector to take part on comparable terms. To provide further liquidity, we support the new general allocation of Special Drawing Rights (SDRs) in 2021, accompanied by a mechanism for voluntarily re-allocating SDRs to vulnerable and low-income countries.

Team Europe has been a crucial driver of these discussions. The EU has mobilised considerable resources to support relief on IMF debt service beyond April 2021, including its recent contribution of EUR 183 million to the IMF Catastrophe Containment and Relief Trust.

We welcome the report by the IMF and the World Bank providing an analysis of external financing needs in low-income countries and proposing sustainable financing options. We also welcome the multilateral efforts to strengthen debt data transparency and improve debt disclosure, including the update of the IMF/WBG multi-pronged approach to address debt vulnerabilities and the implementation of the Institute of International Finance’s Voluntary Principles for Debt Transparency.

The EU sees potential to develop a strategic partnership with the World Bank Group on Public Finance Management, by working together on the Public Expenditure and Financial Accountability (PEFA) as the basis of reform of fiscal policies, taxation, good governance and anti-money laundering. This alignment should help develop common criteria for international compliance. We call on the World Bank to work more closely with the EU, the United Nations and the IMF on Integrated National Financing Frameworks.

Finally, COVID-19 demonstrated the consequences of failing to address systemic risks, and no systemic risk is bigger than climate change. It has impacts at all levels of society and across all sectors of the economy. But it hits the most vulnerable populations hardest.

The recently adopted EU Strategy on Adaptation to Climate Change sets out the pathway to prepare for the unavoidable impacts of climate change. The goal is to make sure Europe’s climate change adaptation policies match its climate change mitigation efforts.

As the largest lender to low- and middle-income countries, for both mitigation and adaptation, the World Bank Group’s role is fundamental. We welcome the recent rise in the Bank’s climate target to 35%, but we see potential for the World Bank Group to do much more. The forthcoming Climate Action Plan 2021-2025 is an opportunity to embed greater ambition in the Group’s policies and partnerships.

The World Bank has an important role to play in assessing and addressing the economic and financial impacts of COVID and climate change. We need the countries that benefit from improved fiscal space to
commit to reforms that align their policies and budgets with the SDGs and the Paris Agreement. World Bank dialogue with partner countries is critical, in consultation with all development partners.

The ambition should be to mainstream climate and environment in all Bank operations and policy frameworks, and move faster toward Paris alignment, including ending funding for fossil fuels. The EU also urges the World Bank Group to engage with ambition in the forthcoming Conference of the Parties (COPs) at Kunming and Glasgow, the Summit on Financing African Economies, the Finance in Common Summit and other international occasions.

The EU looks forward to partnering closely with the World Bank and International Monetary Fund on this transformational agenda.