Statement by

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Federal Minister for Economic Cooperation and Development

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(VIRTUAL)

In 2020, we witnessed how the COVID-19 pandemic turned into a polypandemic. The health crisis has not only led us into a deep economic crisis but also into a hunger and poverty crisis. Years of development progress could be reversed. Developing countries and emerging economies are hardest hit.

The World Bank’s response was quick and appropriate. This provides a huge opportunity to use the immense resources made available for acute crisis management and long-term recovery to fund targeted investment in sustainable development. We need to set the stage for that investment at these Spring Meetings. Our crisis response must make a substantial contribution to meeting the global challenges; we need to Recover Forward. The 2030 Agenda for Sustainable Development and the Paris Agreement should serve as a compass in all that.

This is about combating the polypandemic with concrete measures, mitigating its social and economic impact, in particular in developing countries and emerging economies, and improving the fiscal and debt situation of these countries. Above all, we need to enable investment that promotes green, resilient and inclusive development.

We need a sustainable and comprehensive response to the surge in funding needs and increasing debt levels. The G20 Common Framework for the poorest countries must be implemented as quickly as possible. The role of the Bank is, in particular, to provide reliable forecasts together with the International Monetary Fund as a basis for designing robust reforms and, where necessary, debt relief. Aligning the economic and fiscal policies of applicant countries with the 2030 Agenda and the Paris Agreement is especially important. In addition, we expect the Bank to present convincing proposals for countries with higher income as well. The Bank can and must ensure that climate- and nature-damaging subsidies amounting to 500 billion US dollars are finally dismantled and that funds are instead invested in sustainable development.

It is increasingly clear that we will either beat COVID-19 worldwide or not at all. Ensuring that all people are offered a vaccine, medication and tests is an imperative of worldwide solidarity – and it is also the only way to prevent the emergence and spread of dangerous virus variants. The best way forward is through the global initiative Access to COVID-19 Tools Accelerator, for which Germany is making some 2.1 billion euros available for 2021 and 2022. This will benefit, in particular, the multilateral platform COVAX. It must be our common goal to increase the share of vaccines made available under COVAX and the production of vaccines in the poorest countries as quickly as possible.

In the long term, we need to strive for smart and sustainable investment to ensure that we do not end up with a lost decade of sustainable development; we need Green, Inclusive and Resilient Development (GRID). The Bank needs to define clear criteria for assessing the transformative impact of the GRID approach in country strategies and projects, and it also needs to provide the right internal incentives. Last but not least, I expect the Bank to establish a monitoring system to prove the impact of its actions.
The proposal made by the Bank to link the two agendas on **development and climate** is consistent and coherent. Concrete and ambitious goals will now have to be defined; in particular the Bank’s operations need to be aligned with the 2015 Paris Agreement. It is a good signal that the World Bank has announced a concrete date, July 2023, for that. However, there is no time to lose and I call on the Bank to accelerate this process even more, especially in the case of IFC and MIGA, which are only talking about 2025.

The World Bank needs to assist its clients in implementing their Nationally Determined Contributions. It is its task, in particular, to contribute to ensuring that national efforts are in line with the efforts to limit global warming to well below 2°Celsius, ideally to 1.5°Celsius. Wherever there are gaps, the World Bank needs to help to fill them. To do so, the Bank should make much more use of development policy operations. Germany is supporting the Bank via the Green Recovery Initiative. The Bank should set itself a clear goal: increasing the share of climate co-benefits in Development Policy Financing and Programs for Results to at least 30 per cent by fiscal year 2022.

The World Bank and the International Monetary Fund need to work together to help countries marry financial stability with climate protection and social acceptability. That is why the Bank needs to integrate the climate risks involved in CO₂-intensive investment as well as the economic potential of green investment in its macro-economic forecasts and include these issues in its next Global Economic Prospects. And finally, I expect the Bank to explain to its stakeholders just when and how it intends to include climate risks in its balance sheet.

We know that we will only achieve the Sustainable Development Goals if we take forward investment in **preparedness and resilience**. Whatever is invested in preparedness now, will save spending many times that amount on recovery in the future. The Bank needs to create incentives for this kind of investment, in particular in the poorest countries, especially in fragile environments, so as to successfully achieve the pivot to prevention. I expect IDA to serve as a powerful engine in this regard, in particular by focusing the Crisis Response Window on prevention.

After all, the current situation is showing us that investments in **social cohesion and inclusion** are essential with a view to mastering crises successfully together and maintaining prosperity. With the COVID-19 pandemic millions of people are slipping back into poverty. Global inequality is growing, putting increasing pressure on social and public structures. Fair taxation in particular can play an important part in strengthening the latter; especially if the tax system is progressive, if anti-competitive tax benefits are eliminated, and if tax evasion and aggressive avoidance are countered. The Bank needs to take the issue of inequality very seriously in order to live up to its second key goal: shared prosperity. The Bank’s next World Development Report, in particular, should focus on this issue.

If all these expectations are met, Germany is prepared to contribute to such a – sustainable and “green” – agenda.