Statement by
H.E. Salman bin Khalifa Al Khalifa
Minister of Finance and National Economy
Kingdom of Bahrain

on behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, United Arab Emirates, and Yemen
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The GRID strategy must be viewed as a process, utilizing an integrated approach that incorporates sustainability, resilience and inclusiveness to accelerate our countries’ recovery from COVID-19. Given that inclusion, resilience and development are linked, employing the GRID approach, while integrating development, implies that the architecture of development must adapt and be recalibrated. We, therefore, urge the WBG to prioritize inclusive growth and equity, job creation, and poverty reduction, while tailoring solutions to each country’s level of development, context, and constraints. Supporting fundamental drivers of productivity and growth, including strengthening human capital will also be crucial.

The paper maintains that “complex and urgent just transitions to green, resilient and inclusive development – including expanded investments in people, communities and economies – are essential for promoting sustained, broad-based gains in prosperity and well-being.” We need to establish and elaborate on the direct link and causality between climate change and its finance on the one hand, which is the main driver behind GRID, and development, inclusive growth and poverty reduction. We would also urge a strong outcome focus where impact measurement will be key, including looking beyond climate co-benefits and emphasizing impact benefit. The resilience and inclusion elements of GRID must remain on equal footing with addressing climate change impacts.

While we appreciate the paper’s focus on a sustainable “just transition”, including a focus on job creation, building new skills, and poverty reduction, we don’t agree with the approach of “carbon pricing”. Carbon pricing has serious limitations as it may be regressive and overly burdensome for the poorest households. Consequently, we urge the consideration and mainstreaming in WBG operations of Carbon Capture, Storage, and Utilization technologies (CCSU) and the G20 endorsed concept of Circular Carbon Economy (CCE). The just transition approach must integrate NDCs and managing job loss and must propose practical solutions for our client countries. As stated in the Paris Agreement (2015), the just transition should consider the creation of “decent work and quality jobs in accordance with nationally defined development priorities ...”, meaning that Nationally Determined Contributions (NDCs) are critical. Achieving the appropriate balance between mitigation and adaptation, while also considering the complementarities and trade-offs involved in determining alternative ways to achieve climate objectives should also be taken into account. It is also essential to equip countries with measures to ease the transition, including social protection, skills training, labor market policies and community development and renewal. We look forward to seeing the analytics of the Country Climate and Development Reports (CCDR) that should establish a stronger link between climate issues, development and poverty reduction.

We believe that climate change actions should not come at the expense of reducing poverty and development, particularly in LICs and MICs. We would like the WBG to ensure that while adhering to the Paris Agreement as a framework, the GRID approach does not impose unnecessary additional constraints.
that either impede growth or narrow the range of solutions available to countries for accelerating their recovery and growth trajectory.

We encourage the Bank to link the GRID framework with its twin goals, hence, reducing poverty and boosting shared prosperity must be addressed systematically. The GRID approach should also be embedded in the SDGs and the WBG’s actions should aim at contributing to realizing the SDGs. Furthermore, we must determine and address drivers of debt and explore solutions for debt challenges facing developing economies. We would also caution against any form of linking climate financing to debt relief.

We would welcome more elaboration and support for the prevention of future debt distress, as well as building on lessons from past experiences of rapidly rising debt. Reducing pandemic intensified debt vulnerabilities should remain a top priority to alleviate the damage to achieving both the twin goals and SDGs. Addressing the adverse socio-economic impacts of the pandemic has demonstrated the need for providing concessional financing to countries vulnerable to shocks such as fragile and conflict affected situations (FCS) and Small States which have been forced to divert already limited resources towards immediate health and economic relief, and away from meeting the countries’ longer-term development challenges, thereby exacerbating pre-existing vulnerabilities. Subsequently, we would welcome and encourage scaled up support for managing tradeoffs between urgent spending needs and replenishing buffers to prepare for future shocks. The goal should be striking an optimal balance between attaining the main components of GRID.

The GRID paper estimates that 11 million students from primary and secondary schools will have dropped out when the pandemic slows down—a large portion will be girls and the most vulnerable. We must prevent permanent education and human capital losses as we recognize that the educational gaps that existed before the pandemic, in access, opportunities, achievement, and outcomes—are widening. We encourage utilizing this pandemic as an opportunity to build back stronger and more resilient, inclusive education systems, while developing clear targets for getting children back to school. Advancing the digital and mobile agenda can be one immediate solution but ensuring the urgency of these actions and proper targeting to households most in need will be critical.

Targeted support for vulnerable groups through development of risk-based safety nets to reduce permanent human capital losses due to the pandemic and positioning workers for the future will be essential. As boosting inclusion and reducing poverty can be strengthened through social protection measures, we must also address limitations posed by informality in terms of devising adequate and appropriately targeted safety nets. The adverse impacts of the pandemic on human capital and gender gaps are massive, and the policy agenda is broad and overwhelming, and we look forward to seeing how the framework will be translated into practical and action-oriented policies. Furthermore, improving gender outcomes will be integral to meeting the SDGs and is a main element of inclusion and resilience.

We feel the envisaged approach focuses disproportionately on the post-pandemic response for scaling-up WBG support, when in fact, emerging markets and developing economies (EMDEs) are still in the midst of the pandemic and facing new virus mutations, plus obstacles to vaccine rollout—therefore there is no ‘clear end’ to the pandemic. Long term resilience will depend on support towards developing well-functioning primary health systems and health services, particularly in developing economies. It is evident that recovery is mainly advanced economy driven and that EMDEs are lagging behind and this divergence is widening. Subsequently, we believe the uncertainty of the duration of the pandemic should be integrated into the mounting financing needs for these countries.

We would also like to reiterate the need to further leverage global partnerships and the ‘Multilateral Leaders Task Force on COVID-19 Vaccines, Therapeutics, and Diagnostics for Developing Countries’ to support all stages of the vaccine chain.

Furthermore, fragile and conflict affected situations (FCS) are faced with escalating challenges that are intensified due to the pandemic. The pandemic has also disproportionately impacted women, girls and the
most vulnerable, including the forcibly displaced. As stated in the paper, “humanitarian needs in FCS have surged, with an estimated 34M people, predominantly in IDA FCS, at risk of famine in 2021”. How the WBG creates the incentives to increase and leverage funding for preparedness in a fiscally constrained environment with weak institutions, especially when countries are still responding to COVID19, which poses uncertainties, will be a massive challenge that necessitates an evidence-based argument for devising a crisis preparedness strategy.

We must acknowledge the multiple negative shocks that have devastated already weak and fragile systems in MICs and develop clear solutions. The paper makes a case for the new poor and describes the different poverty profiles of these new entrants into poverty, around 100 million who live mostly in MICs. This in addition to the fact that the majority of the existing poor live in MICs. Moreover, strengthening equity and inclusion need to be at the forefront of an effective response.

These are areas which the WBG must prioritize as well as operationalize. Additionally, the situation in MICs has worsened since we negotiated the capital package, and we need to review the challenges and revisit how to optimize use of available resources through a fresh perspective and devise creative solutions. Moreover, as EMDEs are facing multiple competing demands, in addition to crisis related reduced domestic resource mobilization (DRM) and private capital mobilization (PCM), particularly in MICs, we encourage the Bank to review the needs of MICs and expect an integrated strategy and accompanying instruments to be developed to meet these growing challenges and ask for a clear action plan on how to undertake this. In addition, we believe that resources for MICs should be prioritized and targeted on achieving country outcomes.

We should reconsider how we can maximize IBRD’s internal resources. One of the main comparative advantages the WBG has, but is yet to optimize, is its ability to provide more innovative platforms and instruments that would allow it to leverage financing for prevention and preparedness of crises through partnerships. This is particularly important in terms of using the private sector and creation of incentivized de-risking instruments. Furthermore, while it is true that there has been a hiatus in achieving targets for PCM due to the pandemic, the institutions were not well prepared nor incentivized from the outset. Nevertheless, we welcome the scaled-up private co-financing and PCM through investment platforms under the Cascade and strongly believe that donor trust funds are not only vital for de-risking or blending, but also for capacity building and technical assistance in order to qualify companies and projects, that would otherwise be rejected, to become eligible for WBG-led finance.

Given the magnitude of post pandemic financing needs, the WBG will require a paradigm shift in its collaboration with development partners, which surely necessitates a collective effort, of which the Bank is well-situated to spearhead. Collaboration with the UN, IMF and other partners should be strengthened further and encourage clearer commitment on roles and responsibilities. The Platforms should be used to leverage financing for more impact and effectiveness. We also see a need for a systemic approach to partnership spanning both financing and knowledge which avoids duplication in tools and vehicles used and reduces fragmentation and duplication in interventions.

The private sector must be at the heart of the economic recovery and have a principal role in resetting supply chains, creating jobs, modernizing infrastructure, and boosting growth. The private sector needs the proper tools to drive economic recovery, growth and job creation. In this vein, the upstream agenda is progressing well, and we hope it will expedite reforms and address market failures or constraints, in order to generate a pipeline of bankable private finance projects that are crucial for economic recovery. Additionally, we expect IFC and MIGA to raise the level of ambition and scale up long term investments as part of IFC’s countercyclical role, to respond to the crisis and contribute to the recovery, particularly since the demand already exists.

With innovation and a streamlined process already in place, we encourage the IFC and MIGA to review the allocation of resources, risk and pricing methodology, and origination process, to meet increasing expectations for blended finance, first loss guarantees, and innovative investment platforms. We ask IFC
and MIGA to use their Fast-track COVID-19 Facilities in a more equitable and fair manner across all regions, targeting the most affected clients whether existing or new, to help deliver a comprehensive and balanced crisis response.

Finally, we commend the IDA Board for demonstrating commitment to flexibility and consensus building during the IDA voting rights review process which resulted in reaching a broad consensus for the new proposed voting rights framework, which aims to enhance IDA’s value proposition. Accordingly, a strong IDA20 replenishment will ensure appropriate levels of support to help countries weather the impact of the crisis, while enabling them to continue on their long-term development trajectories.