



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 SIXTH MEETING
WASHINGTON, DC – OCTOBER 14, 2022**

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October 14, 2022

Statement by

**Rt. Hon. James Cleverly, MP
Secretary of State for the Foreign, Commonwealth and
Development Office**

and

**Rt. Hon. Kwasi Kwarteng, MP
Chancellor of the Exchequer**

**United Kingdom of Great Britain
and Northern Ireland**

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106th Meeting of the Development Committee

**October 14, 2022
Washington, DC**

The Annual Meetings take place at a time of global turbulence. This is a more uncertain world, still in the aftermath of Covid and facing compounding global economic, food and energy insecurity. The challenges are immense and require urgent collective action. As the World Bank Group's (WBG) recent 'Correcting Course' poverty report shows, extreme poverty is rising for the first time in two decades, with a disproportionate impact on the poorest, particularly women and children. The food and energy crisis – compounded by Russia's illegal, unprovoked and brutal invasion of Ukraine – is causing substantial further damage to developing countries already facing significant stress, risking deeper and longer poverty reversals. Many developing countries face weakened fiscal positions and the prospect of slow recoveries, further adding to already high debt burdens. Meanwhile, climate devastation is intensifying, continuing to leave the poorest and most vulnerable at greatest risk.

In these exceptionally challenging circumstances, the \$170bn of financing being provided under the WBG's Global Crisis Response Framework (GCRF) is welcome. We urge the WBG to disburse quickly to those most in need now and build resilience so countries can withstand future shocks. We look forward to the WBG's monthly monitoring reports on the GCRF's implementation and impact.

We condemn in the strongest possible terms the catastrophic aggression of the Russian Federation. The UK will never recognise the result of any sham referenda or Russian attempts to illegally annex Ukraine's territory. As the UN Secretary-General has made clear, Russia's attempt to annex four regions of Ukraine is a serious breach of the UN Charter, and the principles of sovereignty and territorial integrity. These principles are part of the bedrock on which the international system is built and it is vital that we come together to uphold them. The sham referenda and illegal annexations violate the principle of non-intervention and are a serious violation of Ukraine's sovereignty. They will make it much harder to achieve the peace which both our countries want and will prolong the conflict, with all its broad and significant global impacts.

Moreover, Russia must pay for the immense damage that its unprovoked, premeditated and barbaric assault on Ukraine has caused. We welcome the WBG's leadership in standing with Ukraine and providing substantial financial and advisory support. UK total economic and humanitarian support to Ukraine now stands at more than \$1.8bn, including offering nearly \$1.5bn in guarantees to extend WBG lending to sustain the provision of core public services; a \$50m

guarantee for an EBRD loan to Ukrenergo, Ukraine's state-owned energy provider, for the continued provision of electricity to its citizens; and £74m grant in direct budgetary support, channelled through the World Bank's Multi-Donor Trust Fund.

It is shocking that, according to the World Food Programme, 47m people may join the existing 276m people that were already experiencing acute hunger in 2021. The situation across the Sahel and the Horn of Africa is particularly worrying, with famine projected in Somalia. The UK has allocated £156m in humanitarian support for crises in East Africa this year, and we urge the international community to act now to avoid the worst humanitarian consequences. Countries facing the most acute food insecurity are commonly afflicted by conflict and fragility. We must ensure efforts to tackle both are closely aligned. We welcome the WBG's efforts to make social protection systems more shock responsive, which is crucial to mitigating the impacts on the poorest.

The UK supports efforts through the Global Alliance for Food Security, including the global dashboard, which will support swift and decisive action. We welcome the WBG's \$36bn food security package and the action it has taken to accelerate new programmes and adapt the existing portfolio. This will save many lives. This package must be well-targeted and coordinated with other international partners. It should build longer-term resilience through sustainable agriculture development. Innovation, science, and research can also help. UK-funded research is developing new wheat varieties, helping millions of farmers around the world to increase resilience to drought and disease. And our R&D investments are breaking new ground: new research shows how increasing the efficiency of photosynthesis can increase crop yields by 20%.

The global food crisis has been exacerbated by the imposition of export barriers on food products and critical inputs, including fertiliser. Supporting access to fertiliser now is vital, and we welcome the WBG's commitments to strengthen the sustainability of the sector for the future, including through the new IFC platform. The WBG has estimated 34 countries have implemented trade restrictions on food and fertiliser. The UK calls on countries to restrain from export restrictions and to put in place trade facilitation measures, as agreed at the World Trade Organisation's (WTO) 12th Ministerial Conference. Greater transparency in reporting trade restrictions to the WTO is also key to ensuring open and predictable trade.

Disasters like the recent Pakistan floods highlight the present and growing dangers of climate change, which disproportionately hurt the poorest and most vulnerable. Preparedness and predictable financing, like insurance, make disaster responses more effective and cheaper overall. There is strong demand for this support and a track record of success. For example, Africa's drought and storm insurance scheme is scaling up to cover \$1bn of risk each year from African Governments to the market. We call on the WBG to build on its leadership and continue meeting this demand by supporting the 'Global Shield' initiative, helping countries identify the main climate risks they face and the tools and finance to respond. The WBG could support further by offering 'Climate Resilient Debt Clauses' within its lending operations, creating critical fiscal space by automatically rescheduling debt service when countries are hit by climatic shocks.

We welcome the first Country Climate and Development Reports (CCDRs), which demonstrate how climate action and development must go hand in hand. At COP26, parties committed to doubling adaptation finance and keeping 1.5 degrees alive. For COP27, we call on the WBG to make bolder adaptation finance commitments, including from IFC, and to publish a new joint adaptation finance projection for 2025 in collaboration with other MDBs. For the Convention on

Biological Diversity COP15, the WBG should announce a roadmap to develop a biodiversity strategy for supporting the implementation of the new global biodiversity framework, including by increasing nature finance flows.

The growing crisis demonstrates that an overreliance on fossil fuels undermines global economic and energy security. The WBG should support clean energy transitions and increase affordable energy access, especially in Africa. We also encourage the WBG to target the \$60bn climate finance under the GCRF to the most transformational priorities, which should include supporting the Just Energy Transition Partnerships and financing priority actions identified in CCDRs.

These multiple crises mean we must not lose sight of those who need help the most.

First, women and girls are often the most marginalised and vulnerable to shocks. Around 129m girls are out of school, 97m of secondary school age. Three-quarters of primary age children who may never set foot in school are girls. These dismal statistics are exacerbated by crises, with only 27% of refugee girls enrolled in secondary school in crisis-affected countries. Women are often the first-line responders and yet are often excluded from decision-making. Recognising these fundamental issues for women and girls around the world, the UK is committed to the '3 Es' of educating girls; empowering women, including promoting sexual and reproductive health and rights; and ending violence against women and girls. We must remember that women and girls cannot be empowered or educated without having control of their own health and their own bodies. The WBG's efforts to analyse, spotlight and tackle the negative impact that Covid has had on women and girls is therefore highly welcome. We look forward to working together to co-create a new, bold, Gender Equality Strategy next year to ensure gender equality is central to the WBG's work.

Second, small island developing states (SIDS) are on the frontline of climate change and face unique challenges accessing climate and development finance. We welcome direct support from the WBG to SIDS and its involvement in initiatives such as the Taskforce on Access to Climate Finance, including trialing enhanced alignment in-country. The UK also supports new principles for Improved Aid Impacts in SIDS to be launched in December, addressing quality of finance. The UK believes that climate change makes outmoded approaches to finance untenable and that SIDS need urgent reform from their development partners to modernise rules and reduce bureaucracy. In that vein, we strongly encourage the WBG and other providers of finance to heed the Glasgow Climate Pact and consider vulnerability in finance eligibility decisions for the most vulnerable small states, building on the experience of the Small Island Exception to IDA and exceptional access to IBRD.

Third, rising global debt levels are extremely concerning. Around 30% of developing countries are at risk of or in debt distress, and the cost of debt servicing is anticipated to rise further. The WBG, in coordination with the IMF and other MDBs, must continue to support the delivery of comprehensive, timely, fair, and durable debt restructurings. Despite its challenges, we believe the Common Framework remains the best tool at our disposal to tackle debt vulnerabilities for eligible countries. All creditors must urgently step up our efforts to implement the framework and conclude debt treatments for the existing cases in a timely manner, especially for Zambia and Chad. We must make progress on wider initiatives to enhance the efficiency of debt treatments and achieve long-term debt sustainability. This must include improving private sector participation in restructurings through enhancing the contractual approach and improving debt transparency across both borrowers and creditors. The G7 Partnership for Global Infrastructure and Investment (PGII), including British Investment Partnerships, will mobilise high quality finance, characterised by high

standards, transparency and reliability, to support investment in developing countries that deliver real social and economic returns, rather than add to debt challenges.

Fourth, with so many countries in 2022 afflicted by fragility, conflict and violence (FCV) - with more at risk of instability - the WBG must continue to use the flexibilities provided by the FCV Policy. We support further action for Afghanistan, and for the WBG to remain engaged in people-focused development in such countries where this is possible.

Given the enormous global challenges set out above, it is vital that the WBG and other MDBs continue to innovate, leverage greater private capital, and stretch their resources to provide the greatest support. The 2016 Forward Look, with its strong focus on helping countries manage risk, sets the right direction, and the important commitments that the WBG made in this document are still relevant. However, further reforms are needed to ensure the WBG – and the wider international system – can respond with greater agility to issues that are global in their nature. The WBG must strengthen its countercyclical finance capacity, planning now to create larger financial buffers that can be sustainably deployed swiftly and at scale for future crisis response.

In this context, the UK wholeheartedly welcomes the G20 Independent Review of MDBs' Capital Adequacy Frameworks. We look forward to working with fellow shareholders and WBG management to quickly take forward options that could allow the WBG and other MDBs to provide hundreds of billions of dollars more finance. While reforms must not jeopardise the WBG's financial sustainability, we must look closely and creatively at the WBG's capital adequacy frameworks, particularly its risk appetite and extent to which this takes account of callable capital, willingness to transfer risk to the private sector, and options for non-voting capital. We ask the WBG to provide a clear roadmap on taking forward the Review's recommendations by the end of 2022.

Further innovation across the MDB system is also required to unlock substantially larger volumes of private capital for development. We, alongside other G7 members, look forward to receiving the promised concrete proposal from MDBs on developing an investment platform for sustainable infrastructure projects by the end of the year. We call on the IFC to revisit whether its business model and strategy remain optimal for delivering the scale of finance and private finance mobilisation needed for our shared climate and development goals. We are also asking the WBG to publish a mobilisation action plan by COP27, setting out how it will mobilise greater volumes of private climate finance, including specific targets.

Further, we encourage the WBG to step up its public communications so that people in both in recipient and donor countries understand the important work it is doing to transform lives.

Alongside the WBG and other MDBs, the IMF has a critical role to play in supporting economic recovery for countries facing multiple, overlapping crises. We encourage continued action to ensure the IMF has the tools and resources to provide support to members most in need, including concessional financing, and to ensure early uptake of precautionary arrangements to help act as a first line of defence and to contain potential spill-overs. In this regard, we also look forward to the operationalisation of the Resilience and Sustainability Trust (RST) and the first RST-supported programs later this year.

Now is not the time for caution – we can and must do redouble our efforts to provide for the most vulnerable and mitigate the impacts of the crises facing us, now and in the future.