Statement by

H.E. Gernot Blümel
Minister of Finance

Austria

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey
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The coronavirus pandemic is disrupting our societies in ways that would have been hard to imagine just a few weeks ago. We are facing a global challenge that needs a collective response. This crisis affects all dimensions of sustainable development and tests the capacities of our public institutions to address such an unprecedented disaster. It challenges the World Bank Group (WBG) and the international community and puts at risk the achievement of the Twin Goals and the SDGs. The pandemic will likely lead to permanent shifts in political and economic conditions that will become apparent only later. But we need to ensure now that the response will make us stronger going forward; we can’t go back to the world as it was before.

The World Bank Group Response to the COVID-19 Emergency

We commend the WBG for having taken fast and bold action to reduce the spread of the COVID-19 virus and tackle immediate health and economic needs through the US$14 billion Fast Track COVID-19 Facility. In addition, we support the deployment of up to $160 billion over the next 15 months to help countries protect the poor and vulnerable, support businesses, and enable economic recovery. This programming should be rapid, flexible, and transparent but also based on countries’ needs, with a focus on the most vulnerable and marginalized groups.

More than ever before, the tight cooperation and collective action of all actors is crucial to deliver effective and sustainable global solutions, to mitigate the impacts of the crisis and shorten the time to recovery. We commend the WBG not only for the internal coordination under these challenging conditions, but also for closely cooperating with the IMF, the WHO, UN agencies and other MDBs. But we should not lose sight of other important stakeholders on the ground such as bilateral agencies, the EU and INGO’s like ICRC.

Beyond the human tragedy, this outbreak will cause major economic and social impacts; markets are anticipating a severe recession accompanied by massive defaults, unemployment, and need for liquidity in many countries. Recovery will only be possible through coordinated global actions. As the virus spreads, the international community needs to strengthen global trade, avoid any trade wars and secure transnational supply chains for food and health supplies.

We appreciate the strong IFC commitment and proposed engagements under the Fast Track COVID-19 Facility. IFC should help maintain trade flows and support the medium-term financing needs of companies to avoid bankruptcies due to liquidity constraints. IFC’s ability to limit job losses and create new opportunities will be crucial not only during the crisis but even more during the recovery period.
According to initial ILO’s estimations, almost 25 million people could lose their jobs due to the coronavirus-induced economic and labor crisis and the world will lose $860 billion to $3.4 trillion in labor income. The Bank should help countries to strengthen, restructure, and rebuild systems that guarantee adequate levels of health and unemployment insurance and social protection to as many people as possible.

Thanks to the 2018 Capital Package and the IDA18 and IDA19 Replenishment levels, the WBG is now well placed to respond to the COVID-19 pandemic and is in an even stronger position to participate in global efforts to reduce the social, financial and economic impacts of the current crisis. Full utilization of the crisis buffer should be considered while maintaining IBRD’s financial sustainability, prudent financial and risk management as well as flexibility for scaled-up lending in FY21. In the current situation it is important to avoid further pressure on shareholder’s capital and grant contributions since the pandemic hit not only borrowing countries, but also donor countries that will face fiscal constraints and substantial economic challenges as well.

We welcome the US$6 billion phased program from MIGA to support private investors, job sustainability and financial institutions in response to the COVID-19 emergency and strongly encourage the ongoing partnering with the WB and IFC. We look forward to the new strategy for MIGA for FY21-23 on Deepening Impact being implemented with ambitious targets on IDA/FCS, climate finance, gender equality, scalable opportunities for market growth, and the expansion of partnerships with Export Credit Agencies.

Going forward, we urge the WBG to build on lessons from previous crises such as the 2008 global financial crisis, the 2008-2009 food crisis and the Western African Ebola epidemic and to adapt quickly to best serve the Bank’s clients.

We fully understand the conditions under which WBG staff is currently working and would like to thank all of them for the hard work they are delivering. We know that staff will have to cope with a huge increase in volumes without additional human resources allocated and no missions to the field in the immediate future. Nevertheless, we count on the teams to continue preparing high quality projects with strong development impact.

The Covid-19 Debt Initiative

We support the COVID-19 Debt Initiative since a moratorium constitutes the most direct and efficient way to free up liquidity to support the poorest and most vulnerable countries. It is also necessary in order to avoid that additional IDA resources flow into debt service payments rather than much needed crisis response measures. However, this initiative can only have a positive impact if participation and fair burden-sharing of all official bilateral creditors, as well as debt-transparency by debtors and official creditors are guaranteed. Moreover, the initiative needs to set the right incentive and avoid moral hazard.

However, a moratorium does not per se alleviate debt vulnerabilities. In recent years, the Debt Sustainability Analysis conducted by the IMF and the Bank has shown increased debt levels in many poor developing countries, particularly debt owed to non-Paris Club creditors and private creditors. Around 50% of IDA countries are classified as either in or at high risk of debt distress. This is a worrisome development especially when many of those countries have already benefited from HIPC and MDRI debt relief from multilateral and bilateral official creditors. We hope that the new Sustainable Development Financing Policy will help in moving the agenda forward.
The longer-term Economic and Social consequences of the crisis and the implications for development and the SDGs

While current efforts focus mostly on helping countries to respond to the immediate emergency, the WBG must also address the longer-term consequences of the crisis and the implications for sustainable and equitable development. We should not lose sight of the WBG’s commitment to support the 2030 Development Agenda and the SDGs, to deliver on the Twin Goals and the Forward Look, and to effectively implement the IBRD and IFC Capital Package agreements, also during the current crisis.

The significant countercyclical support the WBG and other IFIs will provide is also an opportunity to combine economic stimulus with catalyzing much needed transformations in client countries: building resilience to natural disasters, climate change, threats to the environment and biodiversity; greening economies by supporting energy transitions and investments in long-term and low-carbon sustainable production; accelerating job creation and economic transformation, promoting inclusion and gender equality; strengthening core government functions and institutions; enhancing domestic resource mobilization; and responding to other economic vulnerabilities. It is only by “building back better” that we can lay the foundations for more inclusive, sustainable and resilient economies.

An area of big concern is climate change that may soon lead to further crises and disasters. The investments needed to build climate-proof and climate-smart economies far exceed the WBG’s available resources, even with frontloaded volumes for countercyclical response. Therefore, we call on the WBG to scale up its efforts to catalyze private investment in climate-smart businesses and technologies. Analysis by IFC shows that there are multi-trillion dollars of climate smart investment opportunities in emerging markets that could be leveraged by joint WBG efforts, including improving the business environment, joint and effective upstream engagement, and de-risking of projects.

In the context of “building back better”, creating more and better jobs is even more critical to ending extreme poverty and to fostering sustainable development. Therefore, the WBG’s agenda on Jobs and Economic Transformation – with particular focus on labor-absorptive growth in Africa – and on the Human Capital Project should remain at the core of WBG priorities.

Mainstreaming Disaster Risk Management in World Bank Group Operations

Lastly, we acknowledge the WBG’s progress report on Mainstreaming Disaster Risk Management (DRM) in its operations over the last two fiscal years. However, we call on the Bank to strengthen its work on prevention, preparedness and resilience. We would like to emphasize the importance of working on an early warning system, to clearly link DRM to the climate change agenda and to achieve better targeting of DRM operations in non-traditional sectors such as social protection.