

Speech by the Minister for Foreign Trade and Development Cooperation Sigrid Kaag at the Development Committee of the World Bank Group

Speech | 16-10-2020

Ladies and gentlemen,

On behalf of our constituency I would like to thank the president and staff of the World Bank. The Bank's response to the COVID-19 crisis has been admirable. It has saved lives, scaled up impact and improved our chances of getting back on track towards achieving the Sustainable Development Goals. But the road ahead is long and difficult. Our recovery from the crisis will need to address structural inequalities and be green, inclusive and resilient.

Going forward, this global emergency requires further discussions on the Bank's medium-term financial capacity, where we expect the Bank to take a hard and fresh look at stretching its balance sheet through an optimal use of all its capital, of course within a framework of financial prudence. In addition, let me raise a few points.

We need to focus on recovery and local resilience

COVID-19 has exposed economic and societal vulnerabilities and exacerbated inequalities. Poverty has increased worldwide. Recovery efforts should address inequalities – the structural inequalities that existed before, but also new and additional forms of exclusion and the differences exacerbated by coronavirus. We must ensure better access to markets, financial services and decent work for the most vulnerable: women and young people, people in fragile states and conflict areas, refugees and internally displaced persons. More than ever, country-specific assessments should guide our efforts for recovery, protection and sustainable ways forward. Working with local actors, such as civil society organisations, is key to enhancing resilience, ownership and effectiveness.

The Bank's knowledge and expertise are essential to getting back on track to achieving the SDGs. For instance by supporting innovative tools such as Integrated National Financing Frameworks. We can count on the Bank's leadership when it comes to delivering on shared, sustainable and inclusive prosperity. Partnerships with the UN, EU, MDBs, governments and development partners remain indispensable in these efforts.

We need to invest in green and inclusive economic recovery

We are also counting on the Bank's leadership when it comes to green and inclusive economies. Only green and inclusive economies will spur sustainable economic growth, creating millions of jobs and reducing emissions while minimising the unavoidable effects of climate change. With limited resources, we have to be selective in how we direct our economic stimulus. For this, we need a bold and integrated view on 'rebuilding better'. For a green and sustainable recovery, we must look at the effects of stimulus packages on natural resources, biodiversity and climate, to ensure we are not creating the next crisis. For a fair recovery from the crisis, we need to focus on inclusive finance, inclusive employment and inclusive opportunities. Human capital remains a priority. Focusing on transparent and accountable public finances will have a significant impact on education and health. We need the Bank's convening power to boost investment in resilient education and health systems. Once a vaccine for COVID-19 is firmly established, we have to ensure equal access for the poorest and the hardest hit. We therefore welcome the approval of the new USD 12 billion financing envelope to this end and trust the Bank will ensure stringent coordination with the COVAX facility, that many of us support. We need to avoid competition and overlap seeing the scarcity of resources.

We need debt solutions that look beyond tomorrow

We welcome the 6 month extension of DSSI, agreed by the G20 and the Paris Club, to provide important fiscal breathing space for low income countries with liquidity problems. However, we agree with you, Mr President, that some core DSSI-related problems are still unresolved, notably the lack of participation or the incomplete participation by some creditors. We also agree that the bigger challenge is to look beyond the DSSI and to find long-term solutions with the involvement of all

categories of creditors, for countries that are unable to maintain solvency. We cannot kick the can down the road. This requires a more comprehensive approach including the swift adoption of a common framework and consistent collaboration by all creditors, underpinned by increased debt transparency and greater debt management capacity in the poorest countries. Given the complexity and urgency of the matter, we encourage the Bank and IMF to continue to review countries' debt related challenges and to propose concrete actions to address them.

We should also explore innovative options to ensure that fiscal space obtained through potential debt relief is used for continued investment in achieving the SDGs and the goals of the Paris Climate Agreement. Options such as a greater focus on local currency financing, the notion of state contingent debt or debt swaps should all be considered.

We need a strong accountability mechanism

In the context of the pandemic we have seen critical voices around the world being targeted, detained and victimised. This is why we strongly support the Bank's zero tolerance policy on reprisals.

But we also emphasise the importance of strong accountability within the Bank as we review its mechanisms this year. Access to justice is fundamental for development: we have to remain people-focused and leave no one behind. Thank you.