Remarks by World Bank Group President David Malpass at Session 1 of the G20 Finance Ministers and Central Bank Governors Meeting

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Remarks by World Bank Group President David Malpass during Session I – "Global Economy and Policy Actions for a Transformative and Equitable Recovery"

Thank you, Minister Franco, and let me join previous colleagues in congratulating you on your appointment and on today's agenda. **Inequality, poverty, and climate change will be the defining issues of our age, and I welcome your and Italy's focus on these topics. It is time to think big and act big in finding solutions.** The voices of developing nations will play a key role in the effectiveness of our response, and I assure you that the World Bank Group will support their success during your G20 Presidency.

One of the key challenges to recovery is addressing the needs of countries facing fragility, conflict and violence (FCV). On Sunday, Sudan announced the unification and stabilization of its exchange rate. Their goal is to stop the smuggling crisis, incentivize exports, and unlock donor resources, remittances, and new investment flows that were blocked by the dual exchange rate.

The World Bank and IMF have worked closely with the Sudanese authorities on the exchange rate stabilization and other key reforms, and I'm optimistic these will lead to broad-based growth and poverty reduction. G20 communiques and Leaders' declarations have correctly linked growth and investment to the stability of exchange rates over the last years, and I think that Ethiopia and Nigeria would both benefit by ending their costly dual exchange rate systems.

In Sudan, we have already been able to provide IDA pre-arrears clearance grant financing for the Sudan Family Support Program. We're working with several of you to further increase the funding and I welcome our joint efforts. We expect rapid clearance of Sudan's arrears to the World Bank and hope for speedy progress toward Sudan's HIPC decision point. If achieved, the HIPC decision points of two fragile states, Sudan and Somalia, in a space of little over a year, is a landmark achievement for which the world has waited for a quarter of a century.

I'd like to update you on our actions in three other areas—vaccines, climate, and debt sustainability.

On vaccines, our goal is to achieve fair, broad, and fast access to effective and safe vaccines for developing countries. Our vaccination programs are expanding rapidly, with operations that will reach over 40 countries in the near term. This is expected to use over \$3 billion of the \$12 billion we have available. World Bank financing is helping countries make co-payments to COVAX and purchase the necessary additional doses beyond the basic 20%.

I want to mention two particular problems. First, we need more transparency in the contracts of manufacturers, buyers and intermediaries. We want to create additionality of both supply and demand, but that is undercut by uncertainty in the market about options to purchase, national control of exports, MOUs that are not contracts, and surplus doses in some countries. IFC, our private sector development arm, has \$4 billion available to help manufacturers expand production for developing countries, but to get this done, there needs to be transparency.

Second, it's urgent for countries to enter contracts now so they can get delivery schedules. We expect the vaccination process to be slow because of limited capacity in health care systems, so it's vital to get started in more countries and to work through multiple channels. I want to point out the importance of indemnifications, liability shields, and sound contracting standards to monitor purchases and distribution for fairness and safety. We can help countries with contracting issues, but time is of the essence.

On climate, we're looking forward to supporting Italy and the G20 on this year's very active climate agenda, including at the Venice Climate Summit in July. The WBG is the biggest provider of climate finance to the developing world. My first year as President saw our biggest climate investments in our history – and my second year is on track to be bigger still as we implement the new targets that I announced at the Climate Ambition Summit in December.

To help maximize the benefit of our greatly scaled up financing for mitigation and adaptation, we have a major effort underway now to support countries with their NDCs. Updated NDCs can help increase impact, integrate development policies and climate policies, and better align policies with the Paris Agreement.

To further operationalize the climate effort, we are launching new Country Climate and Development Reviews to integrate climate into all our country diagnostics and country strategies. We'll focus on the developing countries with the largest carbon emissions and with the largest climate-vulnerable populations. We'll invite partnership from the IMF and others on these reviews, and plan to complete up to 25 over the next year. A key focus will be to help countries achieve a just transition from coal to affordable, reliable, and sustainable energy. We are also developing a framework for fiscal policy and sustainable growth, including carbon taxation and its redistributive impact.

Lastly on debt, transparency and sustainability remain major challenges for vulnerable countries. With Kristalina, I support the prompt and effective implementation of the Common Framework. We need to identify unsustainable debt and help restructure it to moderate levels. For countries with sustainable debt, there are benefits to reprofiling it. For both groups, an important goal is to free resources for health, education, and climate.

With both the Common Framework and DSSI, I note the importance of allowing developing countries to benefit from the big decline in interest rates in recent years.

Each of these priorities – vaccines, climate, and debt – is plagued with inequality, which is causing a reversal of progress on development.

Most of the fiscal and monetary support is benefitting the upper end. While the recovery is strengthening in some of the major economies, data continues to show the weakness in commercial lending, especially if the government-directed lending is discounted. This leaves young workers, new entrants, and small businesses at a severe disadvantage.

To fill some of this gap for the developing countries, IFC has doubled its activity in short-term finance for working capital and trade finance, and we're working to find substitutes for the breakdown in correspondent and cross-border payment systems. I'll discuss this in the next session.

Against these concerns, the WBG is providing a record surge in the delivery on our programs. The 2020 commitments by IDA and IBRD reached \$71 billion, up 65% over 2019. We've set up 112 COVID response programs, including in Iran, Yemen, Gaza and many other fragile states, and are topping up some of those programs now.

We are committed to using scarce funding as efficiently, urgently, and impactfully as possible, but I expect years of elevated needs for deeply concessional resources, especially given the challenges of COVID-19, climate change, and heavy debt burdens. We're in the process of advancing the IDA replenishment cycle to 2021. I welcomed the IDA Deputies' consensus on this, and I hope we can count on G20 support for this IDA replenishment effort during the Italian Presidency.

Thank you again to Italy for its focus on supporting vulnerable economies as part of its G20 Presidency.