Remarks by World Bank Group President David Malpass at the Mobilizing with Africa II Event

October 9, 2020

Thank you, Kristalina. I’d like to join you in welcoming UN Secretary-General Guterres, and all the Ministers and guests with us. And thank you to the IMF for co-hosting this event and for the continued close partnership between our institutions.

These are unprecedented times, and in the six months since this group last gathered, the world has changed profoundly. The pandemic and global recession are wiping out more than a decade of poverty alleviation. COVID could push over 40 million people into extreme poverty across the African continent. Our collective action in Africa will be critical.

Poverty-related challenges are compounded by COVID and by ongoing conflicts in the region. The locust invasion in East Africa, and the current floods in Sudan and across the Sahel are putting the most vulnerable at risk.

CRISIS RESPONSE

In responding to these multiple crises, our goal was to take broad, fast action early and to provide large net positive flows to the world’s poorest countries. We put in place emergency support programs in 111 countries, and we are making good progress toward the announced 15-month target of $160 billion in surge financing, much of it to IDA countries and to private sectors through IFC’s Trade Finance and Working Capital support programs.

Since the crisis hit Africa in earnest in March, the World Bank has provided about $18.2 billion in lending for the immediate health response, livelihoods support for poor people and small-scale entrepreneurs, and budget support to combat COVID and foster development.

We will make up to $50 billion in concessional finance available in Africa in the coming three years as we focus squarely on the road to recovery, and on promoting long-term development in Africa.

But we all know that to fully confront this economic crisis, we must get the health crisis under control. Acting fast on a vaccine for all is critical. Last week, we submitted to our Board for approval a plan to make available up to $12 billion to countries for the purchase and deployment of COVID-19 vaccines. This additional financing will be to low- and middle-income developing countries that don’t have adequate access and will help them alter the course of the pandemic for their people.

SUPPORTING RECOVERY

Recognizing the severity of the downturn and the likely longevity, a key step in a sustainable recovery will be for economies and people to allow change and embrace it. Countries in Africa will need to allow capital, labor, skills, and innovation to shift to a different, post-COVID business environment. To succeed in this, many countries in the region will need to reduce regulatory barriers and reform the costly subsidies, monopolies and protected state-owned enterprises that have slowed development.
Even before the crisis, wide-ranging, top-down and broad development approaches left space for vested interests—both domestic and foreign—to further their own agendas, resist opening markets, and make Africa’s markets less attractive to investment.

To help people of Africa feel real benefits will require strengthening governance systems that create a stable rule of law, increase transparency and strengthen accountability of governments to its people. Over time, Africa will need a great deal of new investment and financing to build a resilient recovery. Transparency will help bring in new high-quality investment, with an increasing amount from private sector investors.

Estimates show that Africa is facing cumulative gross external financing needs of about $1.2 trillion for 2020-2023. Debt interest and amortization account for more than half of these needs. In other words, more than half of financing needs will be used to service debt that in many cases financed investments that might not be suited to the post-COVID recovery challenges.

In the near term, therefore, debt relief will be an important source of fiscal space. We welcome the G20’s endorsement of the Debt Service Suspension Initiative. Twenty-nine African countries have already participated in the DSSI and it is an important stopgap. However, private creditors are not participating, and a few important official bilateral creditors are not fully participating, leaving the debt relief too shallow to meet the fiscal needs of the inequality pandemic around us. The World Bank and IMF have called on the G20 and Paris Club creditors to extend the current debt suspension through 2021 and broaden it to include all private and non-participating official bilateral creditors—so that there is more immediate debt relief.

More steps are needed to provide lasting debt relief. In the current DSSI, debt payments are being deferred, not reduced. When the added interest is taken into account, debt burdens will rise after the suspension, not fall. The risk is that it will take years or decades for the poorest countries to convince creditors to reduce their debt burdens enough to help restart growth and investment.

Creditors have even more tools now, making restructurings even harder. The sharp rise in collateralized debt will make the seniority of creditors even more complicated and further drain the debtor country of scarce resources. We need concrete steps to provide debt reduction earlier in the cycle so that recovery is possible.

We have seen what debt relief can do for countries like Somalia, whose hard work and forward-leaning reforms helped the country remove the debt overhang and re-join the international financial system in March and become eligible for concessional financing to support its people and fight the pandemic. We hope to see Sudan heading down a similar path in the coming months, though international support hasn’t materialized yet.

My hope is that coming out of today’s meeting, we will see clearly the strong commitment to Africa’s recovery. Even in the midst of a once-in-a-century crisis, I am encouraged by countries that are already taking bold action, learning fast, and sharing their experiences and results for the benefit of others. I am confident that sustainable solutions will emerge, in part by embracing constructive change—through innovation, new uses for existing assets, workers using their job skills in new ways, and a reset on excessive debt burdens. Working together, I believe that we can shorten the downturn and build a strong foundation for a more durable model of prosperity: one that can lift all countries and all people.

Thank you and let me now turn back to the moderator.