

## Remarks by David Malpass at the Development Committee virtual meeting

April 17, 2020

WASHINGTON

**World Bank Group President Malpass** today delivered the following remarks at the Development Committee virtual meeting.

*AS PREPARED FOR DELIVERY*

Thank you very much, Chair. Good morning, afternoon, and evening to everyone around the world, and welcome to the Spring 2020 Plenary of the Development Committee.

A year ago, I was privileged to attend the Development Committee Plenary for the first time as President of the World Bank Group. And, six months ago, during our Annual Meetings, we celebrated our 100th Development Committee meeting.

We face a very different and more challenging environment today. This is an unprecedented crisis, with devastating health, economic and social effects felt around the world.

I want to start by saying that I hope you and your families are healthy and coping well in these challenging times. I also want to express my deepest condolences to the millions of people in countries around the world who are suffering from COVID-19 or who have lost a loved one to the pandemic.

Beyond the health impacts from the COVID-19 pandemic, we are expecting a major global recession. Our estimates suggest a much deeper

global downturn than the Great Recession, given the declines in production, investment, employment and trade.

And while the tragic impacts of this pandemic are being felt globally, this crisis will likely hit the poorest and most vulnerable countries – and people – the hardest. IDA countries, which are home to two-thirds of the world's extreme poor, will be severely affected.

Amid what is, candidly, a grim outlook, I welcome this opportunity for an open discussion on our best development response. I'm going to describe what the World Bank Group has done so far, but it's clear that it won't be enough. If we don't move quickly to strengthen systems and resilience, the development gains of recent years can easily be lost. I invite you to let your written statements speak for themselves and to comment openly and respond to what others have said.

I'm happy to be joined by IMF Managing Director Kristalina Georgieva, who was a great partner for me during my first months at the World Bank and is an even more effective partner now as the Fund's Managing Director. Kristalina has navigated these challenging times with grace, enthusiasm, and expertise.

### **Update on World Bank Group Response to the COVID-19 Emergency**

I'd like to bring you up to date on our response to COVID-19. I wanted us to take fast, broad-based action. As of this morning, the World Bank has financed, and staff are implementing, COVID-19 programs in 64 developing countries. And we'll have 100 countries underway by the end of April. Thank you and your Executive Directors for the strong support for this rapid response.

With existing resources, fully leveraged and front loaded, we are able to provide \$160 billion of financing over the next 15 months. IDA will provide \$50 billion of that total on grant and highly concessional credit terms.

Our program is based on three pillars:

1. protect the poorest and most vulnerable households;
2. support businesses and save jobs, which IFC and MIGA are working with private sector clients to do by supporting trade and working capital lines; and
3. help developing countries implement emergency health operations and strengthen economic resilience.

Our response has also been closely coordinated with development partners -- governments, the private sector, the IMF and regional MDBs. In order to act efficiently and achieve impact at scale, we invite parallel and co-financing and the use of World Bank-facilitated joint procurement of medical equipment and supplies.

With the recently concluded IBRD and IFC capital increases and the IDA19 replenishment, we are now better positioned to support our members with the initial response to COVID-19. I thank you for this and invite your early subscriptions.

I'm pleased to announce that the Resolutions for the IFC capital increase have now met the majority requirements and were adopted yesterday.

Congratulations, Philippe, and thank you to all! 14 countries have already budgeted for their IFC share purchases. Thank you, and we urge everyone to subscribe promptly and to accelerate encashment.

### **Debt Initiative: International Call for Action in Support of IDA Countries**

Let me now turn to the debt initiative. Kristalina and I championed a moratorium and strongly welcome the G20 announcement on Wednesday that official bilateral creditors will allow the IDA countries that request forbearance to suspend repayment starting on May 1. This is a huge achievement, and I commend all involved.

The commercial creditors of governments need to support sovereign debt reduction efforts too — not free ride. We will expect IDA governments to seek comparable terms from their commercial creditors

The World Bank will be providing massively scaled up and frontloaded positive net transfers to IDA countries on highly concessional terms, and the IMF has its own highly impactful initiatives.

We are asked by the G20 to look at ways to extend the World Bank's support even further – and, with your agreement, we will do that expeditiously. In doing so, we need to protect the World Bank's financial capacity to provide sustained high levels of positive net flows. You may know that the official name of the Development Committee is “the Joint Ministerial Committee on the Transfer of Real Resources to Developing Countries.” It's imperative that we maintain IBRD's and IDA's financial capacity, credit rating and low cost of funding so as to be able to continue to transfer real resources to developing countries effectively and at scale.

Debt relief is a powerful, fast-acting measure that can bring real benefits to the people in poor countries. It's important that beneficiary countries use the additional resources to respond to COVID-19 and fully disclose their public sector financial commitments. The World Bank and IMF are being asked to monitor their disclosures and the use of the fiscal space created by the debt relief.

This type of broad debt and investment transparency is a high priority for development and recovery from the crisis, and is especially urgent in the context of COVID-19 and the low-for-long interest rate environment. It is critical to create the principles of transparency that will reverse the huge capital outflow from developing countries and make debt and investment more productive. Many difficult steps are needed to provide debt transparency and improve the quality of investment. To name just five:

1. Disclosure of loan contract terms and payment schedules;

2. Full disclosure of the stock of public and publicly guaranteed debt, SOE liabilities, and debt-like instruments;
3. Steps by borrowers to request relief from excessive confidentiality clauses in order to proceed with transparent data reporting;
4. Effective and prudent use of collateral and liens in sovereign borrowing; and
5. Insistence that borrowers and lenders avoid violations of legal requirements of other creditors, such as negative pledge clauses.

Transparency will help bring in new high-quality investment, with an increasing amount from private sector investors.

### **The Spring Meetings**

Let me take a moment to recap a highly productive week of Spring Meetings. Though not by choice, the virtual, and low-carbon format has been highly impactful.

- On Tuesday, Kristalina and I met with the heads of the regional MDBs for the third time in the last month to coordinate our programs and discuss debt relief, parallel and co-financing, and joint procurement.
- Also on Tuesday, the U.S. hosted a meeting of G7 Finance Ministers & Central Bank Governors, during which there was very strong support for our debt relief proposal.
- On Wednesday, as I mentioned, the G20 announced support for debt relief, as well as trade facilitation and flexible supply chains.
- Also on Wednesday, Kristalina, Mari Pangestu, Geoffrey Okamoto, and I met with civil society organizations on working together to address COVID-19, reduce debt burdens for the poorest countries and empower women.

- Yesterday, I participated in the IMFC and later met with organizations working on vaccine development and distribution.
- Later today, I look forward to discussing Africa's response to COVID-19 with South African President Ramaphosa, African ministers, and many of you.

### **Conclusion: The Road Ahead**

A lot has been accomplished in the last year, but we have a long road ahead. Both before and during the pandemic, teamwork within the WBG and cooperation internationally have been high priorities. People are the key, and I'm working hard on that. As you know, Axel van Trotsenburg became Managing Director for Operations on October 1. To reinforce our global expertise, Mari Pangestu joined on March 1 as Managing Director for Development Policy and Partnerships. As of July 1, we will add a vice presidency in sub-Saharan Africa, reflecting the huge challenges Africa faces. I'm very pleased with the fast onboarding and immediate contributions of Anshula Kant, CFO of the Bank Group and Hiroshi Matano heading MIGA. With this year's appointments – Mari, Anshula, Hiroshi and Axel – joining Sandie Okoro, Shaolin Yang and Philippe Le Houerou, I believe we have a remarkable senior leadership team in place.

I'd particularly like to thank all the World Bank Group staff, who have worked night and day – many in extremely challenging circumstances – to ensure that we deliver high-quality products and services that are helping millions.

I want to thank the World Bank Group Executive Directors, all their staff, and the Governors for helping guide us as we tackle this crisis. And special thanks to Ken and to Yvonne for leading us through this virtual meeting.

Thank you to everyone for all the support and encouragement over the last year. My heartfelt thanks.