Remarks by World Bank Group President David Malpass to the Development Committee – 2022 Spring Meetings

April 22, 2022

Thank you very much, Chair [Minister Azucena Arbeleche, Minister of Economy and Finance of Uruguay], and thank you for presiding over the meeting today. Good morning, good afternoon, good evening to those joining both in person and virtually today. Welcome everyone, to the Development Committee.

Kristalina and I would like to welcome our friend and colleague, the Director General of the World Trade Organization, Dr. Ngozi Okonjo-Iweala. She is joining us to share the WTO’s perspective on trade, supply chains, and the global economy at a particularly stressful time.

We gather under circumstances we did not foresee just two months ago. We have been horrified by the devastating effects of Russia’s invasion of Ukraine and atrocities committed against civilians. The war must end now, yet the devastation continues even today with loss of human life and livelihoods, destruction of physical infrastructure, refugees seeking haven in neighboring states, and a growing population of internally displaced persons (IDPs).

The spillover effects are being felt worldwide as rising energy and food prices are impacting the most vulnerable, particularly in Africa and the Middle East.

Higher costs for fertilizers, supply constraints for staples, floods and droughts are among many factors that are threatening food security and hitting the most vulnerable the hardest. This worsens inequalities and creates further political and social tensions. It is vital that the world works to increase supply by opening closed markets. We recently sent you a roadmap paper for discussion on the Bank’s response to these overlapping global challenges. We hope to have the opportunity to discuss with you Governors and your representatives at our Board this paper in the next days and weeks. The proposed package encompasses a 15-month surge of $170 billion financing available for affected countries, of which $50 billion could be committed in the next 3 months.

In the case of Ukraine, the World Bank Group is doing everything we can to assist during the crisis. We have already mobilized more than $3 billion of support, enlarged by your grants, guarantees, and parallel financing. We are also exploring other innovative financing options to support countries hosting Ukrainian refugees. Together with the IMF and other IFIs we are sending a clear signal that we stand with the Ukrainian people during these difficult times.

We had a very useful discussion last night on fragility, conflict, and violence at the Development Committee Dinner.

The World Bank Group has made significant progress over the past decade in our engagements with countries facing challenges across the full spectrum of fragility, conflict, and violence.
We also need to maintain a strong footprint on the ground in partnership with the UN, the International Committee of the Red Cross, and bilateral partners. I want to take this opportunity to thank the more than 700+ World Bank Group staff who work in fragile situations across the globe.

The global economy is being hit by a series of crises including the ongoing COVID-19 pandemic, rising inflation, and debt distress across developing countries, continuing climate change and biodiversity challenges, and increasingly, situations of fragility and conflict. These are occurring in the broader context of inequality, in which advanced economies are growing faster than developing economies and their people. The global response to the pandemic left inequality deeper because of limited access to vaccines for people in poorer countries and the concentration of macro policy accommodation, both fiscal and monetary, for a narrow group of people in advanced economies. With accommodation being gradually removed, primarily through interest rate increases, the likelihood is that inequality will become an even bigger imbalance because higher inflation and higher interest rates have their biggest impact on weaker countries and vulnerable businesses and workers. I have advocated for a macro policy adjustment that shifts the allocation of capital from demand to supply. This would help reduce inflation and inequality, allowing a brighter future for people with lower incomes.

The ongoing public health crisis precipitated by the COVID-19 pandemic continues and I would like to update you on our response.

The Bank expects to have committed $11 billion to purchase and deploy vaccines by the end of our fiscal year, benefiting 81 countries. I can also assure you that the Bank will continue to work with countries to strengthen their health systems for prevention and preparedness of future pandemics, including through a Financial Intermediary Fund (FIF).

While the COVID-19 pandemic triggered fiscal support programs that saved lives and livelihoods, it has also seen a global rise in public and private debt, at record levels not seen in decades. In 2020 alone, the global debt to GDP ratio increased to 256% of GDP. This accelerated a broad-based trend of debt accumulation over the preceding decade.

Prudent use of debt is an important part of an effective development strategy. In IDA countries, government interest outlays have been rising steadily and in 2018 were twice as high as health spending. While interest spending rose, education outlays in IDA countries have remained flat over the past decade.

It is therefore timely to consider how the World Bank Group and the IMF can help countries make debt work for development and macro-economic stability. Achieving this will be challenging. We need to:

- Strengthen institutions and capacity needed to improve debt transparency, develop effective mechanisms to resolve private sector debt overhangs and deliver effective financial sector supervision; and,

- Improve access to long-term finance, enabling financial deepening that reduces the cost of investment and efficiently allocates risk.
The ongoing war in Ukraine and weak economic outlook with rising inflation and the likely tightening in financing conditions will make the debt burden worse. Our goal is expeditious debt relief that would restore these countries to debt sustainability.

The implementation of the G20 Common Framework has been slow. In the joint paper prepared by IMF and World Bank Group teams, we have identified four priorities for strengthening the Common Framework’s implementation.

They include: (i) quicker and more efficient processes through clear and time-bound steps in the implementation of the Common Framework; (ii) the introduction of a debt service standstill to immediately address the liquidity needs of countries requesting treatment, with no penalty interest; (iii) greater clarity on how official bilateral creditors will enforce and evaluate the comparability of treatment; and (iv) the expansion of coordinated debt treatments to non-DSSI eligible countries with debt vulnerabilities.

These priorities, formulated by the World Bank Group and the IMF are tailored to today’s circumstances, while also heeding the lessons of past debt crises and restructurings.

Let me now turn to the topic of digitalization. The pandemic highlighted the potential of digital technologies for supporting economic development and building resilience and preparedness against crises.

As the world faces crises of refugees and IDPs, digitalization is creating new jobs, expanding financial inclusion, and improving the delivery of health, education, and social protection programs. It is also increasing the quality of government services, enhancing accountability, and reducing opportunities for corruption.

The World Bank Group can work with the public and private sectors, in collaboration with other development partners, to develop and expand access to solutions aimed at harnessing the full potential of digital transformation.

I want to conclude with a brief internal update on how World Bank Group Senior Leadership is leading the institution, fostering a culture of openness and trust, and taking action to improve diversity, equity, and inclusion. Through the work of our culture and anti-racism task forces, I expect we will continue to make progress on accountability and transparency, empowerment of staff, protection against retaliation, and addressing racism and discrimination. Improvements in our culture and the clarity of our core values will be critical parts of helping the World Bank Group and staff reach maximum positive impact for the people in client countries. I believe the World Bank Group is the world’s premier development organization, and I am personally committed to continue leading these efforts.

With that, I look forward to today’s discussion. Thank you.