DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND TWO MEETING
WASHINGTON, DC – OCTOBER 16, 2020
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October 16, 2020

Statement by

H.E Sigrid Kaag
Minister for Foreign Trade and Development Cooperation

Kingdom of the Netherlands

Representing the Constituency of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Moldova, Montenegro, the Netherlands, North Macedonia, Romania and Ukraine

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Our Constituency would like to express its appreciation for the Bank's fast and unprecedented response to the COVID-19 crisis during the first, urgent relief phase as well as during the recovery and resilience phases. We welcome the Bank's commitment to its strategy for 'Saving Lives, Scaling-Up Impact and Getting Back on Track', which outlines the Bank's approach to helping countries achieve a resilient, inclusive and sustainable recovery in line with the Sustainable Development Goals and the Paris Climate Agreement. These two frameworks are our shared point of reference for long-term sustainable development, and must remain our guide to recovery.

The Bank's response to COVID-19

Our Constituency supports the Bank's focus on the places where the needs are greatest: the most vulnerable countries, with particular attention to communities in fragile and conflict-affected areas and to women and girls.

While welcoming the Bank's primary focus on the most vulnerable countries, we encourage it to keep serving all its clients, as COVID-19 affects everyone – in our Constituency as elsewhere. The IBRD, IFC and MIGA all have a crucial role to play in our countries, as loss of revenues and remittances as well as a continuing brain drain are hitting them hard. We very much appreciate the Bank's timely support to our countries, as well as the recent virtual meeting our Governors had with President Malpass. As our needs evolve, the Bank will remain an important partner.

The Bank itself has a crucial role to play in supporting client countries as they move towards a sustainable, green and inclusive economic recovery from the COVID-19 crisis, through either policy advice or finance packages. We call on the Bank to apply strict climate and inclusion criteria to ensure that COVID-19 response measures, and in particular economic recovery packages and debt relief measures, contribute to a green and inclusive economic recovery.

We count on the Bank's leadership in transforming the global economy in line with the Sustainable Development Goals and the Paris Agreement. It is essential, especially now, for the Bank to make visible progress towards aligning its activities with the Paris Agreement. We look forward to the operationalisation of the Paris Alignment framework, including an accelerated and progressive shift away from fossil fuels. We support the Bank on this crucial agenda.

We believe that working with country-based recovery strategies and adjusting country programmes in response to COVID-19 is key to tailoring the Bank's interventions to each client's needs. We expect these strategies to include information on countries' external financing gaps, and on their ability to access capital markets and Bank financing beyond annual regular lending. Joint analyses on crucial issues such as poverty, inclusion and the gender-differentiated impact of COVID-19 could complement these strategies. The Integrated National Financing Frameworks for the SDGs are a logical place for this to be done.

We believe it is indispensable for the effectiveness, efficiency and sustainability of the Bank's response to work in partnership with the UN, other MDBs and development partners. Transformative interventions require full alignment of all players, instruments and programmes with global, long-term agendas, while involving local organisations. As resources are limited, we need to optimize the use of the Bank's available capital and to prioritise: between countries and sectors and across time. Our Constituency will strive for clarity on selectivity and allocations.

We note with concern the impact of the crisis on women, who often work in the informal sector without any safety net. We welcome the fact that 60% of Bank operations now have a positive impact in reducing gender gaps. A gender-sensitive approach matters now more than ever. As the economic and social consequences of the COVID-19 crisis become clear, we need the Bank to continue using its convening power to invest in human capital, as a stress on healthy public finances will have a serious impact on education and health. Hundreds of millions of children need to go back to school, while the resilience of education systems has to be strengthened. We should look at new ways of teaching and learning, such as teacher training, distance education and new, innovative ways of funding national education systems that crowd in additional resources, such as IFFEd.

The COVID-19 crisis has shown that investing in health is a key precondition for economic growth. We need resilient health systems that are capable of responding to the challenges that lie ahead, while continuing to provide regular care for all, including the most marginalised. Once we have a vaccine for COVID-19, we should ensure that the poorest and those who are hardest hit have equal access to it. We would welcome proposals by the Bank on how to facilitate this.

The pandemic has shown the need to include migrants and refugees on a par with local populations in national COVID-19 responses, especially in public healthcare. It is important to support host countries in integrating migrants, refugees and IDPs in both national healthcare systems and social safety nets. The pandemic has also highlighted the Bank's importance as one of the key actors in joint humanitarian development responses to protracted displacement. We wholeheartedly support the Bank's engagement on this complex issue.

The COVID-19 pandemic is causing, not only a physical health crisis, but also a potential mental health crisis. Millions of people face economic turmoil, physical isolation and distress about their physical health and that of their loved ones. Mental health and psychosocial support should therefore be at the heart of the COVID-19 response, not just in order to save lives, but also to strengthen resilience and support recovery. We have to address historic underinvestment in mental health in national health systems.

The COVID-19 crisis has also underscored the importance of technology in the resilience of client countries. While physical interactions have had to be limited, digital space has flourished. It has opened up a wealth of new opportunities to harness the development potential of technology and digitalisation. We should take this opportunity to support the efforts of the poorest countries to emerge from the crisis stronger than before and thus achieve greater development results. This is truly an opportunity for us all to rebuild better, especially in promoting technology for development. Further investment in digital financial inclusion and appropriate regulation is needed. Countries in lockdown have shown that women and small businesses in particular are more resilient when they can operate digitally.

We note with concern that the COVID-19 pandemic has hit developing countries hardest due to this lack of cash buffers and government support packages. This has further increased the vulnerability of the poorest people. The private sector has significant potential to invest and find innovative solutions that can support developing countries in their recovery. We therefore support the Bank's activity as a strategic adviser in connecting innovators with capital to this end.

Justice too needs to be part of rebuilding better. Surveys indicate that due to the pandemic, the number of disputes is growing in areas such as housing, employment and domestic violence. We encourage the Bank to support people-centred justice, since access to justice is fundamental for development.

Debt sustainability

Our constituency commends the Bank for its role, together with the IMF, in the agreement on the Debt Service Suspension Initiative (DSSI). DSSI has provided vital fiscal breathing space to countries with liquidity problems. We see merit in extending this breathing space for a limited period, while simultaneously allowing another round of debt sustainability analysis to be conducted and creating more clarity on the impact of COVID-19 on DSSI countries' debt status. We strongly support the efforts of the World Bank and IMF to monitor revised budgets in order to ensure that beneficiaries use the funds made available to mitigate the impact of COVID-19 and to achieve the SDGs – not to pay off non-participating creditors.

In line with the recommendations of the IMF/World Bank joint statement on debt relief, we underline the need for structural solutions for countries that are unable to maintain their solvency. Putting off deeper restructuring will increase its total cost as well as the exposure of official and multilateral creditors. We take note of the Bank's call for debt stock relief.

We look forward to further discussion on possible options for the design, implementation and monitoring of reforms that reduce debt vulnerabilities. We note that in cases of high debt vulnerabilities, where debt is sustainable but there is not a high probability of repayment, the request for a reform programme should ideally, where possible, be combined with a re-profiling in which all creditors participate, rather than only creditors participating in DSSI.

Our Constituency supports the Bank's efforts to avoid repeated rapid accumulations of debt burdens. Strengthening the poorest countries' debt management capacity is an important means towards this end, as is increased debt transparency. We welcome the assistance that the Bank has provided to countries on these issues.

We also welcome the Bank's involvement in the discussions on the framework of Financing for Development, co-chaired by the Netherlands, on a menu of options for debt resolution. This menu includes common debt reductions, but also some more innovative options. We encourage the Bank to study these options.