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Address by **DAVID MALPASS**,
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to the Boards of Governors of the World Bank Group

Introduction

Chairman Addison, thank you for your remarks. And thank you, Governors, Kristalina, and distinguished guests for joining us today. I wanted to provide an update on what the World Bank Group (WBG) has accomplished since last year's Annual Meetings, particularly our response to COVID-19 and progress made on debt transparency.

The COVID-19 pandemic's toll has been enormous, and people in the poorest countries are likely to suffer the longest and hardest. The crisis has knocked more economies into simultaneous recession than at any time since 1870, and it could lead to a lost decade characterized by weak growth, a collapse in many health and education systems, and a new round of sovereign-debt crises.

In response, our approach at the World Bank Group has been comprehensive. We are focused on saving lives, protecting the poor and vulnerable, working toward sustainable business growth, and rebuilding in better ways.

Today, I'm going to focus on the four most urgent aspects of this work.

Topic 1: Poverty and Inequality

First, we need to redouble our efforts to **alleviate poverty and inequality**. COVID-19 has dealt an unprecedented setback to the global effort to end extreme poverty, raise median incomes, and create shared prosperity.

The global economy is expected to partly recover in 2021 from its worst recession since World War II. Although it is growing again, global activity is expected to remain well below its pre-pandemic trend for a prolonged period. Developments thus far point to shallower recessions in advanced economies and a more robust rebound in China than previous estimates. However, in the majority of other emerging and developing economies, the recessions in 2020 have turned out to be much deeper—and recoveries have been more delayed—than June estimates, largely reflecting more damaging economic disruptions from the pandemic.

The World Bank's new poverty projections suggest that by 2021 an additional 110 to 150 million people will have fallen into extreme poverty, living on less than \$1.90 per day. COVID-19 and its associated economic crisis, compounded by the effects of armed conflict and climate changes, are reversing hard-won gains in poverty reduction, ending more than two decades of continuous progress. Poverty is expected to rise in 2020 for the first time since 1998. It's clear that we face a unique pandemic of inequality: the downturn is broader and deeper, and it has hit informal sector workers and the poor—especially women and children—the hardest.

The World Bank Group took broad, fast action early, and we provided large net positive flows to the world's poorest countries. We are making good progress toward our announced 15-month target of \$160 billion in surge financing, much of it to the poorest countries. Over \$50 billion of that is in the form of grants or low-rate, long-maturity loans—providing key resources to maintain or expand health care systems and social safety nets. Thanks to the generous support of IDA donors to IDA-19 in December, and to the completion of the IBRD and IFC capital increase packages in March, this size of response is consistent with the financial sustainability frameworks agreed for our institutions.

Topic 2: Human Capital

Second, we need to take note of **the loss of human capital** underway and what can be done to restore it. Before the pandemic, developing countries were making significant progress and, notably, starting to close gender gaps.

Due to the outbreak, more than 1.6 billion children in developing countries have been out of school, implying a potential loss of as much as \$10 trillion in lifetime earnings for these students. Gender-based violence is on the rise. Child mortality rates are also likely to rise significantly.

These setbacks imply a long-term hit to productivity, income growth and social cohesion—which is why we're doing everything we can to bolster health and education in developing countries.

In the area of health, we established a fast-track COVID response that has delivered emergency support to 111 countries so far. Most projects are now in advanced stages of disbursement for the purchase of masks, emergency-room equipment, and other COVID-related supplies.

We are also helping developing countries with COVID vaccines and therapeutics. We plan to make available up to \$12 billion to countries for the purchase and deployment of COVID-19 vaccines. IFC is also investing heavily in vaccine manufacturers through its \$4 billion Global Health Platform.

In education, we are helping countries reopen primary and secondary schools safely and quickly. We are working in 65 countries to implement remote-learning strategies, combining online resources with radio, TV, and social networks, and printed materials for the most vulnerable. We are also partnering with UNICEF and UNESCO on school-reopening frameworks.

Topic 3: Debt Burdens

Third, we need to help the poorest countries permanently reduce their **debt burdens** and attract effective investment—which will require much greater debt and investment transparency.

A combination of factors has led to excessive debt in countries where there is no margin for error. At the Spring Meetings this year, I proposed, along with IMF Managing Director Kristalina Georgieva, that G20 official bilateral creditors suspend collection of debt-service payments from the poorest countries. The G20 and Paris Club endorsed this approach, which took effect on May 1. As of early October, 44 countries were benefiting from an estimated \$5 billion in debt service relief.

But much more needs to be done. We have called on the G20 to extend the debt relief through the end of 2021. Importantly, each G20 government should urge DSSI participation by *all* the private creditors under their jurisdiction, and by all their bilateral

public sector creditors. Private creditors and non-participating bilateral creditors should not be allowed to free-ride on the debt relief of others—certainly not at the expense of the world's poor.

We need to work together to achieve full transparency of the terms of existing and new government debt and debt-like commitments. For the poorest countries, creditors and debtors alike should embrace this transparency in order to work quickly toward long-term debt sustainability—that's in everyone's interest.

We also need new tools to reduce the debt stock of the poorest countries. The World Bank and IMF are proposing to the Development Committee a joint action plan for debt reduction for IDA countries facing unsustainable debt situations.

Topic 4: Fostering an Inclusive and Resilient Recovery

Fourth, we need to work together to facilitate the changes needed for an **inclusive and resilient recovery**. A key step to generate a sustainable recovery will be for economies and people to allow change and embrace it. Countries will need to allow capital, labor, skills, and innovation to shift to a different, post-COVID business environment. This puts a premium on workers and businesses using their skills and innovations in new ways—and in a commercial environment that is likely to rely more on electronic connections and less on travel and handshakes.

More broadly, COVID-19 has demonstrated—with deadly effect—that national borders offer little protection against some calamities. It is critical that countries work toward their climate and environmental goals. Amid the pandemic, the World Bank Group has remained the largest multilateral financier of climate action. Over the last five years, we provided \$83 billion in climate-related investments. I'm happy to say that, in Fiscal Year 2020, my first full year as President, the World Bank Group made more climate-related investments than at any time in its history. We intend to step up that work over the next five years.

The challenges ahead

The scale of the challenges ahead is staggering. To put the financial challenge in perspective, consider the 100 million people we fear have already been pushed into extreme poverty by COVID. To provide just them \$2 per day would cost \$70 billion per year—that's just to undo one part of COVID's damage and well beyond the financial capacity of the World Bank Group or any other development agency. It makes clear that IDA-19's three-year envelope of US\$82 billion will not be nearly enough to meet the needs of the world's poorest countries at this desperate time. Of necessity, and with the strong support of its shareholders, IDA has taken broad and fast action to frontload IDA-19 resources and provide surge financing this year to support the initial efforts to address the economic and health impacts of COVID. A \$25 billion supplemental COVID emergency financing package would avert a "financing cliff" in FY22-23 and make available additional resources to IDA countries to support their recoveries.

Within the WBG, I am working to build the world's strongest development staff and an even more responsive business model that can help each client country and region achieve better development outcomes. I appointed four new senior leaders in FY20, and we made twelve Vice-Presidential appointments or reassignments. We realigned the World Bank's staff and management to drive coordinated country programs and put high-quality knowledge at the center of our operations and development policy. We also strengthened our focus on Africa by creating two Vice Presidencies, one focused on Western and Central Africa and the other on Eastern and Southern Africa. Making use of the capital increase, IFC is maintaining and building its 3.0 strategy to help countries create markets and is working with MIGA and the rest of the World Bank Group in promoting increased investments and quality infrastructure for broad-based recoveries and long-term development. We are determined to ensure strong accountability processes and are making rapid progress to implement the new Inspection Panel toolkit for the World Bank and to complete the review and reform of the Compliance Advisor Ombudsman for IFC and MIGA.

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 skills in new ways, and a reset on excessive debt burdens. Strong governance systems can help by creating a stable rule of law while allowing and facilitating innovation and change. 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.