



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



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1. The Development Committee met virtually today, April 9, 2021.
2. The COVID-19 pandemic has caused an unprecedented public health, economic, and social crisis, threatening the lives and livelihoods of millions. The economic shock is increasing poverty, worsening inequalities, and reversing development gains. As the global economy begins a gradual recovery, uncertainty surrounds near- and medium-term prospects. We call for sustained, differentiated, and targeted financial and technical support for an adequate policy response, strong coordination across bilateral and multilateral organizations, and further support to the private sector. We urge the World Bank Group (WBG) and the International Monetary Fund (IMF), in line with their respective mandates, to work closely together and with other partners to contain the impacts of the pandemic. We also ask the WBG to continue its support to countries in achieving the twin goals of ending extreme poverty and boosting shared prosperity and to promote green, resilient, and inclusive development (GRID), as well as support for the SDGs.
3. Timely delivery of safe and effective vaccines across all countries is critical to ending the pandemic, especially as new variants emerge. Developing countries need to strengthen their readiness for vaccination campaigns and develop coordinated strategies to reach vulnerable populations. We commend the WBG for supporting client countries' procurement and deployment of vaccines, and we encourage strong monitoring and accountability mechanisms to ensure fair and efficient distribution. We welcome the WBG's partnerships with WHO, COVAX, GAVI, UNICEF, and others, including private manufacturers, to help ensure that developing countries have fast, transparent, affordable, and equitable access to vaccines. We welcome WBG's ongoing revision of the eligibility criteria for vaccine procurement. We call on IFC to redouble its efforts to support manufacturing capacity for vaccines and pandemic related medical supplies in developing countries. The pandemic has triggered far-reaching consequences, and we must strengthen global preparedness for future pandemics, and at the same time make progress in building robust health systems with universal coverage.
4. As poorer countries face the crisis with increased resource constraints, limited fiscal space, and rising public debt levels, more of them, including small states, are vulnerable to financial stress. The rapid initial response under the Debt Service Suspension Initiative (DSSI) has provided much-needed liquidity for IDA countries. We welcome the progress achieved by the DSSI in facilitating higher pandemic-related spending. All official bilateral creditors should implement this initiative fully and in a transparent manner. In line with the G20 decision, we support a final extension of the DSSI by 6 months through end December 2021, which is also agreed by the Paris Club. We reiterate our call on the private sector, when requested by eligible countries, to take part in the DSSI on comparable terms. This final extension will allow beneficiary countries to mobilize more resources to face the challenges of the crisis and, where appropriate, to move to a more structural approach to address debt vulnerabilities including through an Upper Credit Tranche quality IMF-supported program. Within this context, we welcome the ongoing efforts to implement the Common Framework for Debt Treatments beyond the DSSI to address debt vulnerabilities on a case-by-case basis and look forward to the coming first meeting of the first creditor committee. In each case, we also welcome implementing the Common Framework in a coordinated manner, including through sharing necessary information among participating official bilateral creditors. The joint creditors' negotiation shall be held in an open and transparent manner and before finalization of the key parameters, due consideration shall be given to the specific concerns, if any, of all participant creditors and the debtor country. In this regard, we note that the need for debt treatment, and the restructuring envelope that is required, will be based on an IMF/Bank Debt Sustainability Analysis and the participating official creditors' collective assessment. We ask the World Bank and the IMF to support the implementation of the Common Framework, in line with their respective mandates. We stress the importance for private creditors and other official bilateral creditors of providing debt treatments under the Common Framework on terms at least as favorable, in line with the comparability of treatment principle. We recall the forthcoming work of the Multilateral Development Banks (MDBs), as stated in the Common Framework, in light of debt vulnerabilities. We look forward to progress by the IMF and WBG on their proposal of a process to strengthen the quality and consistency of debt data and improve debt disclosure. We also reiterate the importance of joint efforts by all actors, including private creditors, to continue working towards enhancing debt transparency. Bank and IMF support remains critical to enhance debt management and transparency, strengthen countries' domestic revenue mobilization and spending efficacy, and combat illicit financial flows. Looking forward, we urge the Bank and the IMF to help countries design and implement policies to address the root causes of excessive and unsustainable debt. Many middle-income countries also face severe debt distress, limiting their ability to respond to the pandemic. We ask the Bank and the IMF to identify lessons learned and continue working closely with other organizations and policymakers to address the debt challenges facing middle-income countries, on a case-by-case basis. We welcome the launch of a second voluntary self-

assessment of the implementation of the *G20 Operational Guidelines for Sustainable Financing*. We look forward to further updates on the implementation of the *Institute of International Finance Voluntary Principles for Debt Transparency*.

5. The effects of the COVID-19 crisis will be felt for years. Mobility restrictions and lockdowns have triggered job losses, especially for women, youth, and vulnerable groups, and can undermine social inclusion. School closures have caused unprecedented disruption to education, especially for girls, damaging human capital, with long-term economic implications. Inflation and depleted incomes have raised household indebtedness and food insecurity. We urge the WBG to scale up its work to address rising levels of food insecurity and to support countries in achieving SDG2 and nutrition for all. It should address the medium and longer-term challenges of food security and nutrition in a programmatic way and in partnership with other multilaterals, while supporting countries in responding rapidly to already deteriorating food security conditions. Fragility, conflict, and violence (FCV) have worsened in many regions. It is urgent to address drivers of FCV, as well as forced displacement and migration. We look forward to the implementation of the FCV strategy. A sustainable and inclusive recovery requires addressing financial sector vulnerabilities, eliminating tax evasion, and mobilizing vital investments. Priorities for investment include quality health care, nutrition, and education; social safety nets; digital and other innovative technologies; sustainable and quality infrastructure; access to energy, including renewable resources; broader opportunities for women and girls; and finance for SMEs and microenterprises. We urge the WBG to help all client countries revitalize trade, support foreign direct investment, and preserve and create jobs. We note the serious impact of the pandemic in many small states and middle-income countries, where new risks and vulnerabilities are arising; and we urge the WBG and the IMF to strengthen efforts to support these countries, in line with their mandates. We welcome the GRID approach and ask the WBG for its effective implementation through country strategies and operations. The WBG is uniquely positioned to tackle the challenges ahead through its convening power, global reach, and capacity to mobilize finance, technical assistance, and knowledge for both the public and private sectors.
6. We commend the WBG's scale-up of climate finance over the past two years, its continuing role as the largest multilateral source of climate investments in developing countries, its emphasis on biodiversity, and its technical and financial support for adaptation, mitigation, and resilience. We also welcome the WBG and IMF's work to assess the impact of climate change on macroeconomic and financial stability. In addressing immediate infrastructure and economic needs, we request that the WBG continue working with clients to address climate change, land degradation, and biodiversity loss, while ensuring affordable and cleaner energy access. We ask the Bank to ramp up its comprehensive work on biodiversity and work on measuring co-benefits and mainstreaming biodiversity in its operations, as appropriate. We further encourage the WBG and IMF to support a measurable impact in the transition to a low-carbon economy, while considering countries' energy needs and mix, and providing targeted support for the poorest. These efforts will include phasing out of inefficient energy subsidies and other distortive fiscal policies where feasible. The most impoverished and vulnerable populations, including those in FCV situations and small states, are among those most affected by climate change, damaged ecosystems, and natural disasters. We support the WBG's ambitious new target to direct 35% of its financing to climate on average, its commitment for at least 50% of Bank climate financing to support adaptation and resilience, and its crucial convening and knowledge-sharing role and support to a just transition, for countries that request such support. We look forward to the WBG's Climate Change Action Plan for 2021-2025 and recognize its work on disaster risk management, preparedness, and response. We welcome the WBG's proposal to conduct Country Climate and Development Reports and emphasize that Nationally Determined Contributions (NDCs) should be the primary focus of climate strategies. We commend the WBG's commitment to align its financial flows with the Paris Agreement, and to continue helping countries reach their climate goals, including through NDCs and National Biodiversity Strategies and Action Plans. We also encourage IFC and MIGA's efforts to mobilize Paris-aligned private sector investments. We support the WBG's and the IMF's important role in preparations for the CBD COP15, UNCCD COP15, and UNFCCC COP26 meetings later this year.
7. A vibrant private sector will be essential for client countries to recover, create jobs, and embrace economic transformation. We urge the WBG to continue its work to help crowd-in private capital and finance, and to support the private sector. This should build on the IFC 3.0 Strategy to create markets. IFC should continue helping companies create jobs, preserve viable businesses, adapt to the changes brought by COVID, and pursue a green recovery. We ask MIGA to continue addressing the needs for short- and longer-term funding of private investors and lenders.
8. We support the frontloading of IDA19 resources from FY23 to FY22 to help the poorest countries in their immediate response to the COVID-19 crisis. We also welcome advancing IDA20 by one year. An ambitious and successful IDA replenishment by December 2021, underpinned by a strong policy framework, will support a green, resilient, and inclusive recovery in IDA countries as they address both the immediate and longer-term impacts of the pandemic. We ask the WBG to propose ways to optimize IDA's balance sheet to make the most of donor contributions and IDA resources, while preserving its AAA rating.
9. The next meeting of the Development Committee is scheduled for October 15, 2021, in Washington, DC.