Statement by

H.E. Shaikh Salman bin Khalifa Al Khalifa
Minister of Finance and National Economy

Kingdom of Bahrain

on behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, United Arab Emirates, and Yemen
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We commend the Bank and IFC management team for their swift and timely response in allocating $14 Billion in emergency aid, to assist nations grappling with the spread of COVID-19, particularly those most vulnerable. Given its rapid spread across many countries, extensive cross-border economic linkages and adverse impacts on financial markets, the coronavirus epidemic could place an already fragile global economic recovery at risk and into recession. Thus, the case for a global synchronized and coordinated response is clear.

Accordingly, we fully support the World Bank Group’s (WBG) proposed facility, including its transparent and equitable methodology of allocation which was designed to serve all of our clients. However, as the demand for the facility could evolve over time, we must have a clear and transparent reallocation process in place.

Given the challenges already facing Fragile and Conflict-Affected Situations (FCS) and small states, we would like to express our concern regarding the impact of reallocation of resources within country envelopes. We therefore urge management to consider scaling up funding and prioritization of the resources under the different IDA windows to support both FCS and Small States. Additionally, we encourage a clear process on how IBRD countries who have reached their exposure limits will be able to access this facility.

Many countries, especially developing economies, have limited capacity to detect and respond to outbreaks and are not adequately prepared to respond to a pandemic threat of this magnitude. The basis of preparedness encompasses every country’s technical, financial, socio-economic and political capacity to prevent, detect and rapidly respond to threats. Within this vein, significant work has already been done during the SARS, Ebola, and Zika outbreaks, despite their much smaller scale and impact, providing the Bank with a solid foundation on which to compile and deliver knowledge and support to its clients by drawing on its existing toolkit and analytical frameworks.

Consequently, the WBG can play an instrumental role in providing support towards devising robust primary healthcare systems, ensuring policies integrate health-related economic burdens, and mobilizing resources for pandemic preparedness and response. Given the broad economic costs and indefinite timeframe of fully containing the virus, there is a strong basis for substantial investment in prevention as well as preparedness, hence taking a pre-emptive approach in developing countries is a prudent investment.

As this pandemic affects key elements of both supply and demand, economic productivity and global trade have slowed, and sectors such as manufacturing, services and tourism have been negatively impacted.
Moreover, this crisis has the potential to erase numerous hard-fought development gains for many countries, while impeding much needed inclusive growth. Highly indebted nations – Low-Income Countries (LICS) and Middle-Income Countries (MICS) in particular – are highly expected to experience a rapid decline in their economic growth, which would also hinder their debt-servicing ability. These countries may face rapidly rising financing needs as the economic and human cost of COVID-19 rises. Subsequently, many developing countries are falling behind in progress towards the twin goals and SDGs. We therefore call on the Bank to assist developing countries, particularly in the Middle East and North Africa region, in their efforts to address the adverse impacts of rising debt in an environment of unprecedented global economic uncertainty.

Furthermore, we urge the Bank to deepen its analysis of economic implications, helping to ensure policy decisions consider health-related risks, while providing guidance on prioritization of spending and sequencing of policies. Many of our countries must create space to implement countercyclical fiscal policy in the face of shocks, which is a challenging task, especially for countries suffering from fragility and conflict. We urge scaled up support for these countries to balance fiscal risks against development outcomes.

The indeterminate scale of COVID-19’s adverse impacts requires not only innovative approaches; but necessitates swift action. We therefore welcome the joint call made by the WBG President and IMF Managing Director to the G20 and official bilateral creditors to assist all IDA countries through debt relief, allowing them to concentrate their resources on addressing the impacts of the pandemic. Additionally, Middle Income Countries are also experiencing multiple shocks concurrently, including extraordinary levels of capital outflows, volatile commodity prices, rising debt vulnerabilities and rapidly declining remittances, all while having to address the pandemic with severely constrained health systems and limited fiscal space. Accordingly, we look forward to a clear and robust debt management proposal for middle-income countries, as they are extremely vulnerable to the adverse socio-economic consequences of this global crisis.

Vulnerabilities posed by rapidly rising debt underscore both the implications of global risk and domestic policies as well as the linkage between debt and development. Debt can be positive if optimally utilized and thus is critical for development. To ensure that debt is used to increase growth and productivity, countries will need to rebalance the composition of expenditure toward growth-enhancing and high-quality capital investment, while maintaining well-targeted social spending, including for adequate social safety nets.

We, therefore, encourage the WBG to expand its support for improving the efficiency of public spending through an effective public investment management framework as well as improving institutional capacity for debt management and reporting. Identifying the proper nexus between enabling economic growth and preserving debt sustainability is crucial to ensuring countries benefit from debt.

Nevertheless, we would like to highlight that the Middle East and North Africa region is a diverse group, so, we would caution against applying uniform policies across countries. Each country’s differentiated circumstances should be considered to formulate an appropriate response, while considering spillover effects on neighboring countries. Accordingly, we welcome and support the Joint Bank-Fund multipronged and risk-based approach for addressing debt vulnerabilities and urge the Bank to develop more robust policy advice and technical assistance on measures to promote economic growth and strengthen resilience to shocks in our countries.

Moving forward, strengthened data transparency by both borrowers and creditors subscribing to global principles and standards for lending will be integral. Ensuring transparency is essential for informed decision making as well as effectively structured support programs. Furthermore, enhancing institutional
capacity and accountability through improved public financial management and commercial loan transactions are crucial in supporting countries to finance their development agenda. With regards to public debt contracting, it is critical to get the terms and conditions of loans right while strengthening borrowers’ capacity in assessing both loan terms and project returns. We also strongly concur with the call to lenders to ensure that they are contributing to countries’ development agenda rather than exacerbating existing debt distress.

In closing, we call on the Bank to utilize its leadership and convening role during this global crisis in addition to active coordination with global and regional institutions. Many countries are struggling to find adequate solutions; therefore, we count on the Bank’s support both financially and technically.