

# Tackling the COVID-19 Pandemic of Inequality to Build a Green, Inclusive, & Resilient Recovery

## *David Malpass Speech*



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The aim is to promote consensus around the international development agenda and build a platform for collaboration on shared priorities through the GRID (Green, Resilient, Inclusive Development) model which aims at giving a collective response to poverty, climate change and inequality.

Some actions have already been taken by the WBG to help countries respond to the “pandemic of inequality” including new-COVID related emergency health programs in 112 countries, vaccination operations in 50 countries by mid- 2021 and quick doubling of the trade and working capital finance.

The World bank’s mission is to ensure good development outcomes of country through several areas: water, nutrition education, health, infrastructure, electricity access, governance, regulation, taxation, connectivity, inclusion, tolerance, ...

David Malpass have identified three of the most pressing challenges:

### **I. Climate change**

The WBG supports countries to invest in climate that will offer development opportunities. The WBG is the biggest provider of climate finance to the developing world:

- 1<sup>st</sup> target: 35% of the WBG investment will be dedicated to climate change for the 5 next years. That investment only represented 26% for the past 5 years.

- 2 goals in this strategy
  - Mitigation: reduce gas emissions and their impacts.
  - Adaptation: help countries prepare for negative climate effects.
- 2<sup>nd</sup> target: on the total investment, 50% will be dedicated for adaption efforts particularly in IDA countries.
- Actions to take:
  - Integrate climate into all country diagnostics and strategies.
  - The WBG plans to deliver 25 country climate development reports.
  - Improve result measurements to scale impact.
  - Carbon taxation in some countries will be very effective to help guide capital and respond to the distributed impact of the response to climate change.
  - Transition is key – from coal to affordable, reliable, and sustainable energy. However, it is complicated to achieve because of economic dependence of coal, work displacement during the transition, the cost of new infrastructure.
- Challenges:
  - How does the world help poorer countries make large investments in global public goods such as the usage of coal?
  - Should the costs be shared worldwide? And How?
  - How can national incentives be aligned and financed to help the transition?
  - Can an effective carbon credit market be created that allows greenhouse gas emissions for some while paying for reductions elsewhere, actual measurable and sustainable decarbonization?
  - How can we properly measure the full-cycle costs and benefits of various climate policy choices?
  - How can the necessary progress on global public goods the integrated with development?

## II. Debt

Many of the poorest countries are coping with record debt burdens that were there even before the pandemic. Since COVID, the World Bank has been the largest provider of net transfers to IDA and least-developed countries → \$17 billion, new commitment \$30 billion.

G20 Debt Service Suspension Initiative enabled 43 countries to postpone \$6 billion in debt service payment between May and December 2020.

- Commercial creditors won't comply with calls for "voluntary participation" in debt relief initiative. G20 countries need to instruct and create incentives for all their public bilateral creditors to participated in debt relief efforts.

- Encourage the private creditors to participate in sovereign debt relief for low-income countries.
- G7 should encourage this process as well by amending sovereign immunity laws to include immunity from attachment by commercial creditors.
  
- Challenges:
  - What are the tradeoffs between assistance during liquidity crises for near-term debt payment vs. longer-term support for sustainability that allows people to make progress against poverty?
  - For which countries is it appropriate to delay interest payments but without reducing the stock of debt or the interest rates on it?
  - For which countries should the total debt burden be reduced given the “low for long” outlook?
  - How can accountability be achieved given the difference in time horizons of those signing debts and investment contracts and those people in the countries that bear the burden?
  - How should the international financial system operate when there is no bankruptcy for sovereign debt?

### III. Inequality

They are worsening due to the focus of fiscal and monetary stimulus on support for the formal sector and selected assets → advanced economies but hits in debt countries as well.

The WBG supports health programs and cash transfer programs.

- Challenges:
  - What is the fastest, most effective path to better vaccine distribution?
  - How does the world finance the necessary investments in global public goods by poorer countries?
  - Is there any pathway to developing countries for the massive fiscal stimulus and run-up in national debt being applied by the advanced economies?