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WBG Governor's Statement No. 6

October 15, 2020

Statement by the Hon. **GERD MUELLER**,  
Governor of the Bank for **GERMANY**

**Statement by the Hon. Gerd Mueller,**  
Governor of the Bank for Germany

The situation that was already looming on the horizon at our virtual meeting in April has now become a reality: this pandemic is presenting us with global challenges of unprecedented dimensions. COVID-19 is a threat to people's health worldwide. But the social and economic impacts of the pandemic are hitting people in poor and very poor countries particularly hard. Unemployment, hunger and other illnesses are on the rise. Up to 340 million jobs could be lost by the end of the year, mostly to women. And the number of people facing acute hunger looks set to double.

For the first time since 1998, we will see the progress we had made on fighting poverty being reversed. The proportion of the global population living in extreme poverty will rise up to between 9.1 per cent and 9.4 per cent. Another 115 million people will this year be thrown into extreme poverty. We have a shared global responsibility and we must shoulder it.

Now, more than ever, we must therefore join forces and strengthen multilateral efforts. And more than ever before we need to be strategic in our approach in the interests of achieving the SDGs. By striving for a better recovery, we together want to generate a triple dividend, in economic, environmental and social terms. Because climate change and the degradation of the environment are causing new conflicts and intensifying existing ones.

The World Bank Group must make a decisive contribution. Indeed, it has already taken the first steps. The enormous efforts it invested in responding to the COVID-19 pandemic at a very early stage offered compelling proof of its ability to take effective action. The strengthening of the IBRD's and IFC's capital base and the replenishment of the IDA immediately prior to that came at the right time. Healthcare and social protection now need to be combined with long-term strategies for sustainable ways of living and producing. Crucially, the World Bank Group must tie its support to clear criteria in order to respond to the crisis in the short term but also to promote the long-term transformation that needs to take place over the long term. This applies to direct project funding but also, and in particular, to Development Policy Operations.

The Bank must once again take more of a leading role on climate and ecological sustainability and align its activities with the objectives of the Paris Agreement. To be sustainable, economic development as a whole must be climate-friendly.

In that endeavour, the Bank must ensure that assistance for reconstruction reach the neediest, foster equality and leave no one behind. We should also use the opportunities offered by digital technologies because they, too, are part of this sustainable transformation.

The crisis has shown that creative digital solutions can be helpful in the health sector, in education, in social protection and in the continuation of business models. Digitalisation gaps need to be closed and data poverty reduced.

Many countries are now in the throes of the fourth global wave of debt, against which the World Bank already warned back in December. This calls for an internationally coordinated response. As a first and important step, the G-20 moratorium has been generally successful. Whilst private creditors may have reasons for not wanting to contribute to efforts to resolve the debt problem, this is not acceptable. They must play an appropriate part in tackling the pandemic-related solvency crisis gripping countries particularly hard hit by COVID-19 – even more so given that bilateral donors, the IMF, the World Bank and regional development banks continue to provide financing through the crisis, often in grant form. It would be unacceptable for scarce development funds to be used ultimately to service the claims of private creditors. We need fair burden-sharing.

And that is why the international debt architecture needs a general overhaul. Given a new debt landscape with numerous new creditors, a lack of transparency and complex financing arrangements, the challenge is enormous.

The German government would be glad to contribute to a reform of the global debt architecture. Every decision must, however, be based on transparency – regarding use of funds, costs and also corruption and waste. In the long term, we can only justify ourselves to present and future generations if we practise robust and transparent monitoring.

In view of the IBRD Shareholding Review, Germany believes that existing scope should be used to reflect the concerns of underrepresented shareholders.