



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)

**ONE HUNDRED AND FOURTH MEETING
WASHINGTON, DC – OCTOBER 15, 2021**

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Statement by

**Ignazio Visco
Governor of the Bank of Italy**

**Constituency of Albania, Greece, Italy, Malta, Portugal,
San Marino, and Timor-Leste**

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The global economy is recovering from the Covid-19 pandemic, thanks largely to progress in vaccination campaigns and continuing policy support. Last year's coordinated monetary, fiscal and macroprudential response has set the stage for recovery: according to the IMF, the global economic contraction recorded in 2020 would have been three times worse without such swift and worldwide policy support.

However, downside risks are still substantial due to the possible spread of new and more dangerous variants, and recovery remains highly uneven across the world's regions. Because of slow progress in vaccinations and reduced fiscal space, prospects are less favourable in many emerging and developing economies. According to the World Bank, the pandemic has pushed about 100 million people into extreme poverty, thus reversing earlier gains, and exacerbated food insecurity for millions of people.

The world is facing multiple global and interconnected challenges: protecting public health, eradicating extreme poverty, ensuring environmental sustainability, maintaining trade openness and financial stability, addressing humanitarian crises, and fostering peace building. Successfully addressing any of these requires addressing the others. Many of them share the characteristics of the global public good: their provision is endangered if national interests and market outcomes are not mediated by a truly multi-dimensional, multilateral and far-sighted approach.

We therefore welcome the World Bank Group (WBG) papers presented to the Development Committee. The integrated approach combines immediate crisis response with a vision towards increased resilience and inclusiveness, as well as a green and sustainable development model. The focus on prevention and preparedness is particularly welcome since they allow for reducing the human and monetary costs of crises. We urge the WBG to develop a concrete action plan to gain political support and robust commitment to necessary reforms in client countries.

Covid-19 has demonstrated the reality of global health threats and their impact on growth. It has also shown that gaps in the global response and the failure to vaccinate vulnerable populations will continue to exacerbate humanitarian crises driving poverty, hunger, and insecurity. In accordance with the recommendations of the G20 High Level Independent Panel, we look forward to concrete proposals for improved governance, financing, and coordination for pandemic prevention, preparedness and response to be discussed at the upcoming joint meeting of the G20 Finance and Health Ministers. We thank the WBG for its participation in this process and count on its support to advance this agenda.

The global community is finally showing increased awareness of the dramatic repercussions of climate change. The financial system can help reinforce the transition by channeling more resources towards green investments. National governments have the responsibility and the essential democratic legitimacy to

promote public and private “green” investments and introduce regulations to limit the amount of allowable emissions, including levying carbon taxes. However, no country or sector can win this battle in isolation: shifting economic development towards a sustainable path is a difficult process, requiring strong commitment to a cooperative approach by all countries.

This energy transition is more demanding for emerging and developing economies, whose increasing thirst for energy is driven by industrialization and rising consumption. Many heavily coal-reliant countries still have to ensure energy access to large parts of their populations; decarbonizing the economy while meeting such energy needs will be a tremendously challenging task. We therefore look forward to ambitious strategies to transition from traditional fuels to renewable sources by phasing out the use of coal for power generation and favouring an electricity mix based on a growing share of renewables.

Multilateral Development Banks have a multi-faceted and essential role to play. They should help client countries establish adequate fiscal, market, and regulatory frameworks. Sharing their best practices for classifying and monitoring sustainable investments would help catalyze private resources and support climate finance, including devising strategies to blend public and private resources.

We welcome the new WBG Climate Change Action Plan (CCAP), which entails the preparation of the Country Climate and Development Reports (CCDR). The CCDR are meant to provide a much-needed country- and sector-specific strategy to ensure that proper climate adaptation and mitigation measures are adopted while continuing to address development needs. We encourage the WBG to operationalize the CCAP ahead of the COP26.

We must continue to provide support for the implementation of the “Common Framework for Debt Treatments beyond the DSSI”, preserving confidence that it is a workable arrangement and promoting requests by those low-income countries needing debt treatment. Furthermore, we should work together to reduce the probability that serious debt vulnerabilities will routinely arise. We call on the WB and IMF to cooperate in promoting reforms to improve fiscal sustainability, debt management, and transparency.

We encourage the WB to advance its work on financial inclusion, continuing to support the G20 Global Partnership for Financial Inclusion (GPMI) in the effort to gather the granular and disaggregated data needed to assist policymakers in identifying gender gaps and monitoring the effectiveness of policies and programs, including for digital financial education.

Our response to these challenges cannot be successful without effective pro-growth policies. We need to raise the quality of institutions, strengthen firm productivity and innovation, and increase investment in high quality infrastructure. Human capital accumulation, which has been severely damaged by the pandemic, deserves renewed attention given its importance as both a direct driver of growth and a complementary factor to other levers. The WBG must contribute to this development agenda by exploiting its unique nature as both a knowledge and financing institution: the effectiveness of its operations would highly benefit from a more systematic use of reliable and comparable high-quality data, accurate analytics, and careful impact assessments.

The financing needs of developing countries are very large. We support an ambitious IDA20 replenishment, remaining aware that donors’ contributions must be complemented by a reinforced use of IDA’s own balance sheet and by innovative investment tools that maximize the impact of the scarce resources available. In this regard, instruments like the Private Sector Window that bolster the confidence of the private investors in IDA and fragile and conflict-affected countries can be highly instrumental. We support the proposed IDA20 framework and expect resources to be used in the most efficient and transparent manner. We welcome the ambitious targets regarding climate change, biodiversity and land use, food security, as

well as health and crisis preparedness and vaccination, with the bulk of resources devoted to Africa and to fragile countries.

Reforming the IDA voting rights framework is necessary to ensure continued donor support and proper governance for a financial institution that accesses capital markets. To this end, we welcome and support the Board of Directors' proposal for a review of the IDA voting rights system as outlined in the background paper submitted to the Development Committee, and we look forward to its implementation in IDA20. We also share the conclusions of the Report on the IBRD Shareholding Review.

Official aid resources, either bilateral or multilateral, are not enough to meet IDA and IBRD countries' needs. We remained convinced that strengthening domestic resource mobilization in client countries and mobilizing private capital across the globe are essential. The WBG can play a catalytic role in unlocking the potential of private finance and enhancing the multiplier effect of its financing, technical assistance, and knowledge. The WB should help client countries adopt long-term-oriented policies designed to improve the investment climate and taxation systems. The IFC and MIGA could play a prominent role, not only through their de-risking instruments but also by promoting a clearer understanding of private investors' hesitancy.

Multilateral institutions have proved ready to coordinate and cooperate *after* a crisis has hit, but we must significantly improve our capacity to act *before* a crisis appears. In the interest of increasing crisis prevention and preparedness, the Italian G20 Presidency has placed global cooperation and collaboration at the center of its agenda. It is now crucial to maintain an open dialogue, share views and proposals, help one another—and for each of us to act at our best.