

THE PARLIAMENTARY NETWORK

On The World Bank & International Monetary Fund

28 March 2022

The Case for Increased Multilateral Cooperation in the Context of IDA20

OPED by the Rt Hon. Liam Byrne MP, UK, Chair of the Parliamentary Network on the World Bank & IMF

On 15 December 2021, World Bank Group's President, David Malpass, announced the launch of the replenishment process of the International Development Association (IDA), bringing financial support and policy advice to 74 countries. This allocation of \$93 billion, the largest in IDA's history, took place one year earlier to help low-income countries respond to the COVID-19 crisis and set the path towards a green and inclusive recovery, covering the period 2022-2025.

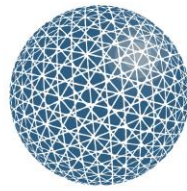
The pandemic has, without any doubt, worsened the prospects for shared prosperity and ending extreme poverty, the World Bank's Twin Goals, as well as endangered our global capacity to achieve the objectives set by the 2030 Agenda. Furthermore, if not addressed correctly, we are risking witnessing an uneven recovery widening the gap between and within countries.

Currently more than 450 million people have contracted COVID-19 and over 6 million have lost their lives to it. The United Nations launched a warning about the reversals in achieving the Global Goals, as the pandemic has overwhelmed health systems, kept 90% of students out of school, and caused 400 million job losses globally in the second quarter of 2020 alone. According to World Bank data, global economic output contracted by 3.5 percent in 2020, with over two-thirds of IDA countries experiencing negative growth. This has led to the first reversal in poverty reduction in more than two decades, with an estimated 97 million people falling into poverty, and 31% of them residing in IDA countries.

While countries recover from these unprecedented shocks, the world is facing a unique opportunity to build back better to a greener, more inclusive and resilient global economy, while avoiding the trap of a 'K' shape Covid-19 recovery. To seize this unprecedented occasion, countries and international institutions need to work collectively at the global and local levels, to help those who need it the most. However, this can only be achieved through a transparent and accountable multilateral development cooperation.

Aware of this situation and the increasing limited fiscal space in low-income countries, the World Bank Group deployed its IDA20 replenishment to help these countries which need significant financial assistance to support their efforts to respond, recover, rebuild, and achieve their long-term development goals. The challenges this allocation must face are the result of several factors, both in donor and recipient countries. The growing fiscal constraints, the stagnation of official financial flows to developing countries, the increasing demand for development financing, the growing fragmentation of aid flows, the proliferation of donor entities and the rising costs for recipient countries are complexifying the global aid landscape.

On the donor side, this requires a stronger international coordination between donors to fulfill their development commitments, as well as collaboration in the context of governments' own national



THE PARLIAMENTARY NETWORK

On The World Bank & International Monetary Fund

development strategies toward achieving the SDGs. Furthermore, the IDA allocation must contribute to fulfill this increasing gap in development finance by helping low-income countries respond to the impacts of COVID-19 and compounding crisis and address their most pressing long-term development priorities in a targeted manner.

In recipient countries, the IDA20 replenishment comprehends ambitious policy commitments in human capital, vaccination rollout, climate change, fragility, gender equality, jobs and crisis preparedness. While IDA countries are facing a tension between immediate needs and long-term development objectives, this allocation should contribute to alleviate fiscal pressure in these countries to help them achieve the 2030 development agenda.

However, the effectiveness of the replenishment depends heavily on transparent and accountable management of public spending resources. Parliamentarians play a crucial role in this current global development landscape. In donor countries, parliamentarians can increase the amount of funds allocated to development by voting the budget and pressuring their respective governments to fulfill their promises to developing countries. Through their oversight function, they can monitor efforts made to achieve the Sustainable Development Goals, as well as to adjust the budget and legislation accordingly. In recipient countries, legislators can hold their governments accountable and make sure that resources are correctly used to improve long-term development outcomes. In this context, Members of Parliament around the world bear a global responsibility, as they have the power to draw the path towards a green and inclusive recovery by making sure that their governments fulfill their development commitments, while enforcing transparency and accountability in public spending.

The year 1944 marked the birth of the World Bank to help reconstruct Europe after World War II, as decision makers were aware that this would not be possible without a strong international cooperation. Today, we face a similar choice, especially in light of the war in Ukraine. The crisis has shown us that working together through multilateral institutions is the only possible path towards a fair, green and inclusive recovery. The most pressing problems facing the world cannot be tackled by countries in isolation and we have a collective responsibility to help those who need it the most.

The Parliamentary Network on the World Bank & International Monetary Fund

66, Avenue d'Iéna 75116 Paris, France

givanova@parlnet.org

Check our website www.parlnet.org