

U.S. Position on the World Bank's South Africa COVID-19 Response Development Policy Operation

February 3, 2022

The United States welcomes this first-ever World Bank Development Policy Operation (DPO) for South Africa.

This inaugural DPO strikes a good balance between shorter-term measures to address the immediate socioeconomic impacts of the pandemic and the longer-term, ambitious reforms needed for durable economic growth in the country. If implemented well, this operation can help pave the way for additional future engagement between the World Bank and South Africa on much-needed structural reforms.

The United States affirms the following three specific points on the DPO:

First, with regard to pillar one, which is focused on social support, the United States notes that allegations of corruption with regard to COVID procurement and funding have surfaced. The United States appreciates the DPO's focus on digitizing social assistance, which should improve transparency and governance of these programs. The United States also welcomes the government's efforts to revise its Procurement Bill to help address these challenges but notes that this legislation has room for improvement and has not yet been passed. The United States takes the corruption allegations seriously and has asked to be kept apprised of efforts to ensure that social support funding is used for its intended purpose.

Second, the United States strongly supports pillar two's focus on South Africa's climate agenda and plans to support the government as it transitions away from coal-based energy. The United States welcomes the project's focus on advancing South Africa's implementation of its Nationally Determined Contribution targets (NDCs) and reforms to accelerate the deployment of renewables and promote decarbonization. The United States urges the World Bank to continue working closely with the authorities to seek investments in non-fossil fuel energy sources while also investing in reskilling labor to support a Just Transition as South Africa takes important steps to decommission its coal assets.

Third, the United States remains deeply concerned about the long-standing challenge of unemployment and slow growth in South Africa, which has been further exacerbated by the pandemic. The short-term social support measures under

pillar one of this operation are a helpful step towards protecting livelihoods, however, the United States strongly encourages the World Bank Group to consider an increased focus on job creation and sustainable private-sector led growth in any future policy-based lending or project support, including through the Jobs Platform.

The United States notes that while the structural reforms needed to fully address unemployment in the country will take time to implement, the impact of job losses on the population are acute and require urgent attention.

With that, the United States wishes the World Bank and the Government of South Africa the best in implementing this DPO.