Statement by

Hon. Nam-Ki Hong
Deputy Prime Minister and Minister of
Economy and Finance
Korea

On behalf of the constituency comprising Australia, Cambodia, Kiribati, Korea (Republic of), the Marshall Islands, the Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu
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COVID-19 outbreak and development

The COVID-19 pandemic is significantly affecting the wellbeing of all people.

The immediate and most devastating impact is on their health and, tragically for too many, their lives. It is appropriate, therefore, that the World Bank Group’s US$14 billion fast-track financing package focuses primarily on supporting member countries in preventing, detecting, and responding to the rapid spread of COVID-19. We commend the World Bank Group in quickly developing this package and its promise of providing fast and flexible support to meet the varied needs of each country.

At this point in time, our countries are at different stages of responding to the health effects of COVID-19. We encourage countries to share experiences and for the World Bank to draw on these experiences in the design of projects and support. This includes experiences from our constituency, where we have seen innovative and successful measures to curb the spread of the virus and support those infected.

The COVID-19 outbreak risks devastating the wellbeing of many people and the global economy. When the World Bank was established at Bretton Woods in 1944, it was with a spirit of international co-operation and co-ordination to underpin peace and prosperity. This spirit of working together – international cooperation to address global issues – has led to tremendous benefits in reducing poverty and increasing global prosperity; and it is with this spirit that we need to address the economic challenges triggered by COVID-19.

The almost unprecedented levels of stimulus being applied by individual countries will mitigate short-term economic impacts. However, to recover and prosper requires quickly restoring the global economic, financial and trading system that has served the world well, and the movement of people to support this system. It requires applying lessons learnt from this pandemic to build the resilience of member countries, particularly our most vulnerable members, to all forms of crises. These lessons include the importance of coordinated regional and global action.
Looking forward, we encourage fellow member countries to embrace the Bretton Woods spirit in their response to COVID-19 to consider how they can ‘build back better’ their institutions, practices and toolkits, and coordination across countries, to be more resilient to future pandemics for the benefit of everyone of us. The World Bank has an important role in supporting all countries in identifying and applying the lessons from the COVID-19 crisis, and encourage it to apply its technical and financial resources to help all member countries become more resilient by ‘building back better’.

With regard the World Bank’s COVID-19 response package, our constituency wants to emphasis the following issues:

1. The small size of many countries in our constituency are vulnerable to this unprecedented virus outbreak due to their thin economies, remoteness, exposure to natural disasters and high risk of exogenous shock. This virus, and its unprecedented implications, exacerbates those vulnerabilities. Countries in our constituency have limited capacity to detect and respond quickly. Beyond the minimum financial allocation, we encourage World Bank Group to ensure that additional flexibility and support to access resources will be available to those countries.

2. International coordination is vital. The World Bank must work closely with all international partners including the IMF, regional development banks, the WHO and other UN organizations. Regional approaches between these organizations will be necessary. The level of coordination we have seen so far is encouraging, but it needs to be sustained over time if the collective efforts are to be realized. Bilateral partners are also a critical component of the international response, so we urge the World Bank to continue working closely and transparently with them to support client countries.

Disaster Risk Management and Public Debt

Different countries have different challenges and vulnerability to disaster risk management. Therefore, it requires in-depth regional and country knowledge to ascertain the magnitude of disaster risk management of a country. FCV countries have complicated situations or operational challenges, and are more vulnerable to crises, less-equipped to deal with consequences, have the capacity constraint, and so forth. For instance, recently, the Pacific region was hit by Tropical Cyclone Harold, which caused extensive damages to properties and loss of lives in the Solomon Islands, Vanuatu, Fiji and Tonga. The impact of the cyclone has diverted the countries’ attention from responding to COVID-19 and thus, the damage will intensify the social and economic impact of the COVID-19 crisis. Therefore, it is crucial that the World Bank supports these countries as they recover from these cyclones, as they will need assistance for relief, rehabilitation and reconstruction.

We note that disaster financing may contribute to increases public debt of countries suffering from major disasters. Disaster financing requires actions on sound macro-fiscal development supported by vulnerability to shocks as part of macroeconomic framework. We encourage WBG to move, beyond technical support, to co-finance costs of financial solutions and build greater incentives for preparedness in client countries across all development sectors.

In this regard, we welcome G20 Finance Ministers and Governors’ message calling for coordinated efforts by bilateral creditors, with guidance from multilateral organisations, to address the risks of debt vulnerabilities, especially in low-income countries, amid the COVID-19 pandemic. Those countries, already in a difficult debt situation, are most likely hit hardest by the recent crisis. We encourage WBG to work quickly with bilateral creditors and with other international organizations to address the debt issue.