Statement by

H. E. Guy Parmelin
Minister and Head of the Federal Department for Economic Affairs, Education and Research
Switzerland

On behalf of Azerbaijan, Kazakhstan, the Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan
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The world is facing an unprecedented crisis. COVID-19 has become a global pandemic affecting virtually all countries around the globe. Economic impacts of the extraordinary public health measures taken by governments are resulting in a contraction of the world economy. Fast and decisive international action is necessary to avoid the loss of a generation of economic progress and poverty reduction. It is important that the international community stands together and learns quickly from each another in the fight against this disease. International cooperation and coordination are needed more than ever to contain the further spread of COVID-19, and to mitigate the impact on the global economy.

Addressing immediate needs

We commend the World Bank for its rigorous and immediate USD 14 billion fast-track response to the crisis to assist countries to prevent, detect and respond to the rapid spread of COVID-19, and for businesses to get access to liquidity, working capital and trade finance.

The Strategic Preparedness and Response Program, which has been set up in record time, allows the Bank to rapidly provide targeted assistance tailored to the needs of client countries. The Multiphase Programmatic Approach has proven an excellent tool to respond speedily to countries’ urgent needs in responding to the public health threat posed by COVID-19. We welcome the approval of this program and the adoption of the first projects. Among these are two projects for countries of our Constituency, the Kyrgyz Republic and Tajikistan, providing them with urgently needed support to fight the spread of the COVID-19 pandemic, to improve preparedness in the overall health system, and to strengthen social protection.

Besides the provision of urgently needed medical equipment, capacity building and technical assistance is needed to identify critical gaps in the disease defense system, and to prioritize implementation measures and associated needs. The Bank assumes an important role in assisting countries with the challenging COVID19-related procurement processes and access to supply chains for medical equipment. These have suffered from simultaneous supply and demand shocks combined with multiple emergency export restrictions. The Bank should use its leverage and convening power to aggregate client demands and ensure the flow of vital medical supplies across borders while working to resolve supply chain disruptions.

The urgency of the support requires a Bank which works rapidly, is responsive and agile, while at the same time compliant with its standards, operating principles and safeguards. Constant monitoring and critical reviewing of its operations will be needed to learn and adjust project designs and implementation, if needed.
As this fast-track program is rolled out, it remains important that the Bank effectively partners with the WHO and other key actors such as the regional Centers for Disease Control and Prevention, as well as other MDB’s and relevant UN agencies to deliver well-coordinated multilateral support for maximum effectiveness, efficiency and impact. Solid cooperation and coordination along the roles and comparative advantages of each institution are essential to avoid duplications and fragmentation.

Providing immediate support to viable and solvent businesses is key to sustain jobs and continued economic activity as well as foster sustainable development in the long term. We therefore welcome IFC’s fast-track response which is aimed at channeling trade and working capital funding through financial intermediaries and assisting existing clients. The high demand shows that the program targets critical needs of businesses to respond to the impacts; e.g. on tourism, trade, and the disruption of supply chains. Meanwhile, it remains essential to maintain a strong focus on high developmental impact, additionality and safeguards as well as selectivity to sustain viable actors with broader/systemic importance for the economy.

Addressing longer-term economic impacts

Beyond the immediate shock to the health and social systems, the COVID-19 pandemic and the required government responses have far reaching impacts on the global economy. The risks of severe unemployment, food price shocks and famine increase, posing particularly severe risks for the poorest and most vulnerable, and potentially triggering new dynamics in regional and global migration. This will have far-reaching impacts on developed as well as developing countries, particularly the poorest countries, which do not have the means and buffers to resist the crises and risk to lose what they have achieved in economic progress and poverty reduction. Also middle-income countries, which are heavily exposed to global value chains and vulnerable to economic shocks, will suffer strongly.

The World Bank has the convening power, knowledge and financial capacity to effectively assist countries in addressing this economic and social fallout. The Bank must serve all its clients; however, it cannot address all the needs and demands. It is essential that allocation decisions are made in a transparent way focusing on critical gaps and high effectiveness. The role of the Board of Directors is essential in such circumstances. We welcome the decision to fully focus the World Bank Group’s activities and financial capacities on the fight against the crisis, to dampen its economic impact, and to support the recovery to a more resilient, sustainable and inclusive development path. Thanks to the recent capital increases for IBRD and IFC and the successful 19th replenishment of IDA, the World Bank Group disposes of strong financial foundations that it can rely on as it responds to this crisis.

We fully support the Bank’s commitment to focus its efforts on protecting the poor and vulnerable. This should include enabling targeted support and social protection to groups that are particularly exposed to the social and economic fallout of the crisis, including women, who are both overrepresented at the frontlines of health systems and shoulder much of the surge in unpaid care work; migrant workers and their families who face income and livelihood losses with little or no safety nets; as well as other marginalized and hard-hit groups such as refugees.

The World Bank Group’s support needs to respond to the immediate economic and social needs, but at the same time follow long-term development priorities, which should continue to guide all investments. It is important for the Bank Group and its client countries to keep sight of the SDGs and the twin goals of poverty reduction and shared prosperity. A sustainable post-crisis economic recovery should further strengthen preparedness and resilience to public health threats, natural disasters, climate change, threats to the environment and biodiversity; support investment in sustainable low carbon development; promote inclusion and gender equality. To ensure that countries with limited absorption capacity will fully benefit from the World Bank Group’s response, we ask for its continuous support in promoting economic reforms,
transparency and accountability and in improving effectiveness of spending and debt management. It is only by building back better that the risk of future reversals can be minimized, and more inclusive and sustainable development outcomes achieved.

As with the emergence of this pandemic, the global community increasingly faces global challenges that can only be overcome through collective, decisive action. The World Bank is uniquely positioned to address these global challenges as it has been demonstrating by its global leadership on fragility, climate, gender, digitalization or health and in piloting new approaches in the disaster risk management. It is important that the Bank maintains this strong leadership position on these topics and puts its knowledge, innovation, convening power and financial capacity to the service of the member countries. By its sheer dimension, such a crisis puts any system and approach to the test. Therefore, the World Bank must, in due course, self-critically analyze whether adjustments are warranted, and then integrate and share lessons learnt immediately. As this crisis evolves, we will also need to review our multilateral response systems.

Addressing debt risks

Many IDA countries were already in difficult debt situations, which will be exacerbated by the pandemic. We therefore welcome the joint call of the World Bank and the IMF on all bilateral creditors to temporarily suspend debt service payments of the poorest countries. We agree that this will provide IDA countries with critical leeway to mitigate the impact of the crisis, particularly on the poorest population and most vulnerable. To be successful, participation of all official bilateral creditors as well as the private sector will be critical. Moreover, it will be crucial that formal review points for the implementation are defined. The IDA and the IMF will, in parallel, provide substantial additional concessional funding to these countries. We urge the Bank and the IMF to engage in the outreach with creditors and borrowing countries, and to work with IDA countries during this temporary suspension period to prioritize and monitor the use of freed-up resources, to evaluate their debt sustainability outlook, to improve debt transparency and to increase debt management capacity.

Conclusion

Decisive joint action by the international community and not national focus will be critical to contain this severe pandemic and mitigate its health, social, and economic consequences in developing countries. A strong multilateral system based on mutual support in an open and interconnected world is of paramount importance, as is close partnership between all actors – national and subnational governments, international organizations, bilateral development partners and civil society – in providing a coherent, rapid and strong response. The challenge is formidable, and failure unaffordable. We need to ensure that our efforts to counter this crisis will make a strong and lasting contribution to more inclusive and sustainable economies and societies. Significantly enhancing national and collective action to achieve the objectives of the Agenda 2030 remains the guiding challenge of this decade.