Statement by

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Representing the Constituency of Bangladesh, Bhutan, India, and Sri Lanka
1. We have gathered here for the virtual DC Meeting against the backdrop of the continued adverse impact of the COVID-19 pandemic. We are again witnessing a disturbing increase in cases across the world. New mutations, some reportedly more infectious than the original virus, are spreading in many countries.

2. Our economies are also showing signs of recovery, even as uncertainty still looms large due to the fresh wave of COVID-19 cases. We must calibrate our response to protect both our vulnerable populations and our economies while taking all requisite public health precautions to stop the further spread of infections.

3. Multilateral institutions have played an important role in mitigating the impacts of this crisis. We are happy to note that the World Bank Group responded in a timely and strong manner with the commitment to provide $160 billion in 15 months. The Bank should explore all possible options to continue an effective response to the crisis in FY21 and thereafter, especially for the countries that are most in need. We would also like to appreciate the proactive role played by the World Bank in helping developing countries access vaccines in a timely and affordable manner while working closely with other multilateral agencies like WHO, GAVI, etc.

4. With these remarks let me highlight some important components of the economic recovery efforts in each of our constituency countries:

**Bangladesh**

5. Government of Bangladesh rolled out a comprehensive plan to address this crisis with short, medium and long-term targets based on four main strategies. The first strategy increases government spending in the productive sector to create jobs while discouraging luxury spending. The second strategy provides low-interest credit facilities through the banking system to support and protect businesses. The third strategy expands the government's social security programs to protect the extremely poor and the low-income groups who have lost their livelihood as well as persons engaged in informal sectors. The fourth strategy provides adequate liquidity in the market. The Government undertook a comprehensive stimulus and economic recovery program containing 23 packages worth BDT 1.24 trillion (US$ 14.6 billion, 4.42% of GDP) to facilitate the implementation of these strategies.
6. The stimulus packages are designed to benefit maximum number of people. The fiscal stimulus extends support to the industrial and services sectors (including interest subsidies to the businesses, salary assistance to the workers in the export-oriented industries), support to the agricultural sector and broadens the coverage of social safety nets, including direct cash transfers.

7. The timely intervention by the Government has kept the economy on track despite the adverse effects of the unprecedented global shock. Therefore, Bangladesh achieved GDP growth of 5.24% in FY 2019-20. The current economic trends indicate that the country is headed in the right direction. Even though exports from Bangladesh depend on external demand that remains sluggish, the country’s external sector performance has been improving due to strong remittance inflows and low oil prices. The remittance inflows in July-February of FY 2020-21 have shown a remarkable growth of 33.51 percent over the previous year. This resulted in current account surplus of US$ 4.32 billion in July-December of FY 2020-21 and foreign exchange reserves of US$ 42.87 billion. It also served to stabilize the currency and maintain an uninterrupted import of capital machinery, industrial raw materials and essential food in the recovery phase.

8. The domestic economy is recovering at a reasonable pace, backed by normalization of economic activities and rollout of vaccination program. The government had adopted the National Deployment and Vaccination Plan (NDVP) in early December 2020 and plans to provide free vaccination to every adult citizen. The vaccination program started on February 7, 2021 and within the first 30 days, 4.1 million people were successfully administered the vaccine, in accordance with the priority set out in the NDVP.

9. The Government has reduced its economic growth forecast to 7.4 percent for FY 2020-21 from the earlier forecast of 8.2 percent. However, the economy is expected to return to high growth trajectory in FY 2021-22. It is evident that the fiscal and stimulus measures adopted by the Government have been highly effective in insulating against adverse economic shocks of COVID-19 and are expected to facilitate speedy economic recovery in the coming months.

Bhutan

10. While the world combated soaring rates of mortality and morbidity on account of COVID-19, Bhutan prevented the spread of the virus through intensive surveillance, strict containment measures and two national lockdowns. As of 12 March 2021, out of the total of 868 confirmed cases in the country, 867 have recovered and only one death was reported.

11. The measures to prevent the spread of the virus in the country imposed a strain on the health-care system and the economy. The decline in economic activity was first experienced in the tourism and allied sectors and gradually spread to other sectors such as construction and manufacturing. Consequently, the GDP growth has contracted from -1.1% (June 2020 estimates) to -6.8% in 2020 (December 2020 estimates).

12. The Royal Government of Bhutan has adopted a Comprehensive National Response to the challenges of the COVID-19 pandemic which includes the following:

   i. Higher allocation towards capital outlay to frontload and accelerate activities from the 12th Five Year Plan. In addition, fiscal stimulus in the FY2020-21 budget includes the implementation of Economic Contingency Plan (ECP) in the areas of tourism, agriculture and infrastructure.

   ii. Announcement of fiscal and monetary measures (Phase I and II).

   iii. Setting up of the National Resilience Fund (NRF).
13. An expenditure of Nu. 3.9 billion has been incurred on health, essential food, fuel and COVID-19 related expenses. The Royal Government of Bhutan vaccinated 85% of the eligible population and 62% of the entire population within 9 days of the start of the vaccination campaign.

14. For FY 2021-22, adequate capital outlay is being provided for priority activities to support a resilient economic recovery. These include focus on employment generation, export promotion, import substitution as well as promoting information & communication technologies (ICT) and innovation. The economic outlook is positive, with growth forecast of 3.3%, as aggregate demand is expected to pick up, with the easing of the lockdown measures accompanied with wide-spread vaccination.

15. Bhutan has also embarked on developing the 21st Century Economic Roadmap, to build resilience and ensure sustainable economic growth in the long term. The objective is to generate economic opportunities for the next generation and become a ‘High Income Gross National Happiness (GNH) Society’ by 2030.

India

16. India implemented response of series of medium-sized stimulus packages during the pandemic, to provide a calibrated and dynamic response to the evolving situation.

17. Within 48 hours of declaring stringent containment measures in March 2020, the Government of India launched the Pradhan Mantri Garib Kalyan Yojana (PMGKY), aggregating INR 2760 billion. The programme provided free food grains to 800 million people, free cooking gas for 80 million families and direct cash benefit to over 400 million farmers, women, elderly and the needy. Once the situation stabilized, and the containment measures were eased gradually and focus was reoriented towards scaling up Government expenditure to revive domestic demand while maintaining quality of expenditure.

18. Within and outside the three tranches of Aatma Nirbhar Package, announced by the Government during 2020, comprehensive thrust was provided to boost medium to long term growth. The total financial outlay of the Atma Nirbhar Bharat packages, including measures taken by the Reserve Bank of India, is estimated to be about INR 27.1 trillion, slightly exceeding 13% of the GDP.

19. The Atma Nirbhar Packages, inter alia, also accelerated the pace of structural reforms. Redefinition of MSMEs, Commercialisation of the Mineral Sector, Agriculture and Labour Reforms, Privatisation of Public Sector Undertakings, One Nation One Ration Card, Production Linked Incentive Schemes, Faceless Income Tax Assessment, Direct Benefit Transfer and Financial Inclusion are some of the notable reforms carried out during this period. The impact of these measures will be visible in the near to mid-term, especially on the fronts of improved tax collections and sound economic growth propelled by the manufacturing sector.

20. India’s public health efforts are strongly supported by research and development capacity in developing vaccines against COVID-19. India is one of the largest global suppliers of vaccines, producing nearly 60 percent of the world’s vaccines. The National Task Force on Vaccine Development was established to guide the process for coronavirus vaccine development.

21. India currently has two types of vaccines available and more are expected to be ready soon. The vaccines are available free of cost at Government Covid Vaccination Centres (CVCs) while for Private CVCs, the maximum cost of vaccine inclusive of all charges has been capped at a price of Rs. 250.

22. The COVID-19 vaccination drive has been ongoing in the country since 16 January 2021 with sequential inclusion of Health Care Workers followed by Front Line Workers, persons aged 60 years and above and those aged 45-59 years, with identified 20 comorbidities. From 1st April 2021, all persons aged 45 years and above are eligible for vaccination. A unique digital platform- Co-WIN 2.0 supports the massive vaccination program, through registration of beneficiaries, planning and scheduling vaccination sessions,
recording the vaccination, generating digital certificates of vaccination etc. It provides real-time information to program managers on individualized tracking of beneficiaries for COVID-19 vaccination along with real time information on the available stocks of vaccine & their storage temperature through Electronic Vaccine Intelligence Network (eVIN). As on 30th March 2021, around 61.1 million doses of COVID-19 vaccines have been administered to more than 52.2 million beneficiaries. Around 8.9 million persons have completed their two-dose schedule.

23. In addition to catering to the domestic requirements of COVID-19 vaccines, India has also facilitated the availability of COVID-19 vaccines to many countries. More than 60 million doses have been provided to 77 countries as a grant by Government of India, commercial sales by manufacturers and as part of agreements of manufacturers with COVAX facility.

24. The containment measures imposed to contain the spread of COVID-19 pandemic, affected employment, business, trade, manufacturing, and services. The real GDP growth is projected to contract by 7.7 percent in 2020-21 in comparison to the growth of 4.2 percent in 2019-20. GDP growth, however, is expected to rebound strongly in 2021-22 owing to the reform measures undertaken by the Government.

**Sri Lanka**

25. While at the start of 2020, the economy was expected to record a growth exceeding 4.5 percent, the impact of COVID-19 together with the overhang of the sluggish growth from 2015 to 2019, the actual growth rate is projected to be slightly lower. However, expectation for growth in 2021 has been revised and it is expected to rebound to 5.0 percent in 2021.

26. In 2019, the fiscal deficit of 6.8 percent of GDP masked a larger overhang of arrears of about 2.8 percent of GDP, including which the deficit would have been 9.6 percent. Despite the limitations placed by the Vote on Accounts, the arrears as at end 2019 have been cleared. Sri Lanka adopted both a fiscal and monetary policy stimulus to augment the aggregate demand. The new government elected in November 2019, in less than a month into its term, introduced sweeping changes to the tax policy introducing low tax rates and fewer taxes with a simpler tax methodology. Such early fiscal measures amounting to almost 1.5 percent of the GDP, precluded the need for a large fiscal stimulus package after COVID-19 affected Sri Lanka, even though the health and livelihood support measures were taken extensively.

27. The monetary policy instruments were activated, injecting liquidity through 250 basis points downward revision to the policy rates since March 2020, lowering of the Statutory Reserve requirements to 2.00 percent and the debt moratoria provided for businesses in particular the small and medium enterprises (SMEs). Inflation is also well anchored within a targeted range of 4–6 percent in 2020.

28. The current dynamics in the global and domestic markets has created significant challenges in balancing the government’s revenue and expenditure and overall fiscal and monetary coordination. Rationalizing expenditure has been a policy cornerstone and a top down approach has been adopted, while also creating a tax system that is simple and easy to implement. The Government has announced reforms ranging from directives issued on domestic preference in government procurements to e-procurements while revisiting the existing financial regulations and land policies. This has resulted in improving efficiency and ease of doing business in the country. The fiscal reforms will be an important instrument to revive the economy and are expected to show results in 2021.

29. With the recent developments, the Government has revised the Medium-Term Macro Fiscal Framework 2021–2025. The fiscal deficit, excluding the payment of arrears in 2020 is expected to reach 7.9 percent of GDP. It is projected that fiscal deficit will increase to 8.8 percent of GDP in 2021 to provide sufficient fiscal space to increase public investments from 2.6 percent of GDP in 2020 to 5.4 percent of GDP. The combination of revenue improvements coupled with expenditure rationalization is expected to contract the fiscal deficit to 4.0 percent of GDP in 2025.
30. The medium term macro-fiscal strategy aims to achieve economic revival and to foster higher and inclusive economic growth in line with the policies articulated in the “Vistas of Prosperity” policy document. The policy is centered on preserving national security, ensuring people’s ownership of national resources while strengthening local entrepreneurs. It also includes productivity improvements at State Owned Enterprises (SOEs) facilitating better value addition.

31. With these determined efforts to effectively respond to the crisis, it is envisaged that our constituency will shortly exhibit strong manifestations of recovery.

COVID-19: World Bank Group Support for Fair and Affordable Access to Vaccines by Developing Countries

32. Government of India supports the four principles adopted by the World Bank Group (WBG) which include a resolve to act swiftly, a commitment to coordinate at global and country-levels, proactivity given unprecedented risks and the ability to learn and adjust.

33. Our Government welcomes the Vaccine Readiness Assessment Framework (VRAF) being used by the WBG for carrying out readiness assessments. India has adopted its own National Deployment & Vaccination Plan (NDVP) and created mechanism under National Expert Group on Vaccine Administration for COVID-19 (NEGVAC) to provide guidance on all aspects of COVID-19 vaccination including prioritization of population groups, procurement and inventory management, vaccine selection, vaccine delivery and tracking mechanism etc.

34. Government of India also supports the COVAX initiative, which provides opportunity for pre-ordering the vaccines through the Advance Market Commitment (AMC) mechanism. We endorse the view that the large vaccine manufacturers should also support local manufacturers in smaller countries.

35. Government of India in principle supports the alignment of WBG funding in line with COVAX for global equity. Not all the countries may have laws to support indemnification and liability issues and may not like the same in their bilateral agreement for doses received through WBG funding. That aspect may also be examined and addressed.

From COVID-19 Crisis Response to Resilient Recovery Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)

36. The GRID strategy should be consistent with the client country’s Nationally Determined Contributions (NDCs). Therefore, the WBG should not insist on interventions that are outside the scope of the said NDCs.

37. The Just Transition framework should consider the actual spirit of the NDCs which countries communicated as pledges to Paris Agreement. This framework should take into consideration the socio-economic dynamics of these transition processes and long-term planning required for these transitions from a developing country perspective. Further, the focus must remain on climate resilient outcomes as outlined in the respective NDCs.

38. India is on track, not only to achieve but exceed the targets set under the NDC India’s climate actions have been rated highly by many independent assessments. As per the Climate Transparency Report 2020, India is the only G20 nation on track to meet its climate commitments. The Climate Action Tracker rates India’s NDC target as 2 degrees Celsius compatible. The UNEP Emissions Gap Report 2020 mentions that India is on track to meet its targets and India’s per capita emissions are 60% lower than the global average. Under the Climate Change Performance Index 2020, India is among top 10 high performers, and is rated highly for well below 2 degrees Celsius compatibility.
As part of its NDC commitments, India has achieved reduction of 24% in emission intensity of its GDP between 2005 and 2016, thereby achieving its pre-2020 voluntary target. Seven million tonnes of CO2 equivalent emissions have been avoided in 2016-17 due to increase in number of supercritical thermal power plants, i.e. from 40 (27.48 GW in 2015) to 66 (45.55 GW in 2018) thus highlighting the importance of energy efficiency initiatives. India’s renewable power capacity is the 4th largest in the world. India’s current renewable energy capacity is 138 GW, which is about 39 per cent of the country’s total capacity. India’s annual renewable energy addition has continuously been exceeding that of coal based thermal power since 2017. In the last 6 years, India’s installed renewable energy capacity has increased by two and a half times and the installed solar energy capacity has increased 13 times. India has further announced a highly aspirational target of increasing our renewable energy capacity to 450 GW by 2030.

Accelerating coal transition is not the primary stated objective of India's domestic climate policy framework. In India’s NDC, it has been made amply clear that coal will be critical to delivering its economic development and energy access objectives. While there has been tremendous increase in the renewable energy capacity, fossil fuels, especially coal, will continue to remain an important source of energy. WBG needs to take into consideration the role of clean coal in accelerating the economic development and energy security of many developing economies. Achieving SDG No. 7 (Ensure access to affordable, reliable, sustainable and modern energy for all) requires huge investments not only in the renewable energy but also in cleaner fossil fuel technologies.

Government of India supports the World Bank Group’s aim to provide large positive net flows to support client countries and to advance IDA20 by one year. It has been noted during earlier Board engagements that the IBRD commitment level is likely to be well within the targeted $35 billion for FY 21. This must be ensured since many developing countries are facing severe fiscal stress due to the pandemic and it is vital that the Bank delivers fully on its financing envelopes for IBRD as well. Thus, the GRID approach should not lead to diversion of funds from critical social sectors to climate related sectors in the funding of the WBG. There should be no trade-off between the two.

World Bank Group and IMF Support for Debt Relief Under the Common Framework (CF) and Beyond

Among the three options proposed in the paper, option 1 is preferred as it would provide more time to debtors to assess their actual requirement and to address operational impediments in the CF. There is need to address concerns that are not adequately addressed in the Common framework to facilitate smoother implementation. The IMF has been playing an active role in the formulation and implementation of CF and both IMF and WB will have to continue to play a catalytic role in assisting the membership and facilitating meaningful cooperation.

Conclusion

The green shoots of recovery that can be seen in all the economies in our constituency have to be carefully nurtured to ensure that there are no adverse shocks due to the recent increase in the rates of infections. The World Bank Group should also continue its focused response in helping client countries in their recovery and vaccination efforts.