Statement by

H.E. Nadia Calviño
Minister of Economy and Digitalization
Spain

On behalf of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Kingdom of Spain, and República Bolivariana de Venezuela
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The COVID-19 outbreak has turned into a global pandemic that requires global action. As the pandemic unfolds to every country, with a dramatic human toll and unprecedented social and economic impact, it requires unprecedented, innovative and coordinated solutions. There is no room for inward looking measures. We need to show political, social and economic commitment. Bretton Woods institutions must lead the international community to minimize the cost in lives of this pandemic and preserve the standard of living of the people.

Emerging markets and developing economies are more vulnerable to the public health damages of the COVID-19. Although the COVID-19 is arriving later to these countries, their capacities and means to contain the expansion of the virus are more limited. Countries are making a great effort to face the situation, but at the same time, their health systems are weaker and less prepared to deal with ill people. Therefore, the extent and fatality of the pandemic is expected to be larger in these countries if we do not act in a determined, timely and accurate manner.

The economic and social implications of this pandemic are also expected to be larger in these countries. On top of the supply and demand side shocks that are affecting every economy, these economies are suffering two additional shocks. One is the financial shock, due to capital outflows, foreign exchange instability and freeze in remittances. The other is a shock in commodity prices, that is also negatively affecting many of these economies. In addition, many of these countries struggle with procurement of medical equipment and currently are facing rising prices and delayed delivery times hampered by export protectionism.

The financial needs to deal with the health, economic and social challenges are well above their capacities in the current juncture. The health of the population and the economic recovery go hand by hand. Hence, both need to be attended simultaneously to reach the recovery point sooner. The combination of these shocks will leave fiscal stance with very little space in a time where extraordinary additional expenses are needed to deal with the public health and social implications of the virus. In addition, financing support is needed by SMEs to weather the quarantine of the economy and be ready to start once it is over. Therefore, if these economies do not get the required financing, the current liquidity constraint may turn into a solvency crisis that could turn the envisaged short-lived recession into a deep and long lasting one. In short, there is a risk of raising poverty, together with share prosperity and stability reversal.
We welcome the rapid and ambitious reaction of the World Bank and the IMF to support client countries. We appreciate the swift decisions of the World Bank to help client countries in their effort to strengthen their health care systems for prevention and mitigation of COVID-19 impact, as well as the fast track approved to face these urgent needs and the support on procurement of medical items. We also welcome the proposal to restructure and frontload the lending capacity to deal with the economic and social challenges of this pandemic, as well as the use of the buffer envisaged to face global crisis. We urge the World Bank to a close collaboration with client countries to better redesign their programs in order to enable the economic recovery once the pandemic is controlled. All this should be done taking into consideration long term sustainable development challenges, such as inclusion, gender, climate change and free trade.

There is a need for additional innovative and coordinated action among all partners. Given the current exceptional circumstances, in order to maximize efficiencies and the effects of the different initiatives, the multilateral system should be reinforced, among other things improving the coordination with the WHO and other United Nations agencies, along with reinforcing cooperation with other multilateral development banks and other partners. In addition, private initiative should also help to finance current development challenges. We ask the WB to stay ready for additional support, should the pandemic effects continue to deteriorate. A greater flexibility is necessary in the assessment of the countries' fiscal situation and the terms of the financial assistance granted should be exceptional, regarding interest rate, grace period and maturities. In turn, it must be complemented with the appropriate restructuring of the undisbursed portfolio.

No one should be left behind. This crisis has evinced that public health is a global public good, which means that the challenge of the virus will remain as far as there are some countries or persons left behind. We therefore ask the World Bank not to leave any one behind. In addition, the most vulnerable countries will be the most affected. We indeed face extraordinary times that may call for extraordinary measures. In this vein, we welcome the agreement reached by official bilateral creditors to temporary suspend debt service collection from IDA countries requesting forbearance, in order to give some additional fiscal space to deal with current extraordinary needs. Private creditors should also contribute in similar terms.

We must convert the challenges of this crisis into opportunities. The time has come to take ambitious structural reforms and build a more inclusive, sustainable as well as resilient model. The World Bank Group has a crucial role to play helping countries to design and finance these reforms. Particular attention should be paid to those areas with a clear global public good component, such as public health, environment, and free trade, as well as others such as gender equality and education.