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101st Meeting of the Development Committee

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(VIRTUAL)

1. The rapid spread of Coronavirus Disease 2019 (COVID-19) has made it the most serious pandemic in a century. As the outbreak expanded across countries, the use of containment measures such as travel bans and community quarantines has expanded greatly. In Asia and the Pacific, it is threatening to severely set back economic, social, and development gains in recent decades, reverse progress on poverty reduction, and throw economies into recession. Our most recent assessment estimates a global impact of $2.0 trillion–$4.1 trillion in losses, equal to 2.3%–4.8% of global gross domestic product (GDP). Developing Asia, excluding the People’s Republic of China, is expected to incur 22%–36% of these losses with aggregate impacts of 1.0%–2.2% of combined GDP. The PRC itself could lose 4.6% to 5.1% of GDP.

2. We are facing a significant global challenge, which requires interventions at country and regional levels as well as collaboration at a global scale to mitigate the damage to economies and people's health. Therefore, it most timely that the 101st meeting of the Development Committee chose to focus its discussion on the response to COVID-19 emergency. This statement presents the key features of the COVID-19 response of the Asian Development Bank (ADB) as our contribution to the discussion.

I. ADB’s Initial Support

3. ADB has been providing support from the very early phase of the COVID-19 pandemic. Since early February, ADB has deployed grant resources to help the government of ADB’s developing member countries (DMCs) procure essential medical goods and services, as well as personal protective goods. So far, ADB has provided total $66.5 million grant resources to 28 countries, from Technical Assistance funds and the Asia Pacific Disaster Response Fund, which provides quick disbursing grants up to $3 million to finance immediate expenses in time of disasters (including health emergencies).

4. Support has been extended through intensive collaboration with international organizations and government counterparts. We work closely with the World Bank and the United Nations (UN) agencies such as World Health Organization (WHO), and the UN Children’s Fund (UNICEF). This includes collaboration in the procurement and delivery of essential medical supplies and equipment, as we face global shortage in the supply of these goods. We are also working with the Government of the Philippines in an emergency food distribution program for households in Metro Manila and neighboring areas which are under enhanced community quarantine. With this effort, over 3,100 households received rescue food packets sufficient for a week’s consumption for a household of five.

5. ADB also started early in addressing the possible shortage of working capital among private firms facing demand and supply chain disruptions. Examples for early private sector support include:

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(i) a private sector loan of up to $18.6 million to a company based in Wuhan, People’s Republic of China, to help fund working capital requirements for continued supply of essential medicines and personal protective equipment (approved on 20 February 2020); and (ii) $200 million made available through ADB’s Supply Chain Finance Program to companies manufacturing and/or distributing goods important to combating COVID-19 (announced on 12 March 2020).

II. ADB’s COVID-19 Response Package

6. On 13 April 2020, ADB unveiled a COVID-19 response package of $20 billion to help DMCs address the COVID-19 pandemic. This builds on the $6.5 billion initial package announced on 18 March 2020 and expands it by adding $13.5 billion to help ADB’s DMCs counter the severe macroeconomic and health impact caused by COVID-19. The key features of the enhanced package are as follows:

- **Establishment of a COVID-19 Pandemic Response Option under ADB’s Countercyclical Support Facility.** Up to $13 billion additional resources will be provided through this new option to help DMC governments implement an effective countercyclical expenditure program to mitigate impacts of the COVID-19 pandemic, with a particular focus on the poor and the vulnerable.

- **Allocation of about $2.5 billion in concessional and grant resources.** The package includes up to $2.5 billion from ADB’s grant making window, the Asian Development Fund, and concessional ordinary capital resource loans to assist eligible DMCs, including small island developing states and countries with fragile and conflict affected situations. Additional grant resources through the Asia Pacific Disaster Response Fund and Technical Assistance funds will be deployed quickly for providing medical and personal protective equipment and supplies from expanded procurement sources.

- **Making available some $2 billion for private sector operations.** Loans and guarantees will be provided to financial institutions to rejuvenate trade and supply chains. Enhanced microfinance loan and guarantee support and a facility to help liquidity-starved small and medium-sized enterprises, including those run by female entrepreneurs, will be implemented alongside direct financing of companies responding to, or impacted by, COVID-19.

- **Adjustments to policies and business processes.** These adjustments allow ADB to respond more rapidly and flexibly to the crisis and include measures to streamline internal business processes, widen the eligibility and scope of various support facilities, and make the terms and conditions of lending more tailored.

7. In addition to above, resources will be made available from reprogramming of pipeline projects to be included in this package.

8. **All support under this package will be provided in close collaboration with international organizations.** We are actively reaching out to the International Monetary Fund (IMF), World Bank Group, WHO, UNICEF, and other UN agencies, and the broader global community for coordination, knowledge sharing, and joint effort. ADB is also keen to explore opportunities for cofinancing with development partners to scale up our support and generate synergies.

III. Collaboration with International Organizations and Debt Sustainability

9. **ADB finds it critical to work with the IMF and multilateral development banks to ensure debt sustainability of DMCs as we expand our COVID-19 response.** To be eligible under ADB’s COVID-19 Pandemic Response Option support, all DMCs must be able to demonstrate that the assistance provided by ADB will be integrated into a fiscal framework that does not jeopardize the borrower’s debt sustainability or exacerbate weaknesses in fiscal sustainability. In other budget support instruments, ADB
must consider the linkage between the specific program and macroeconomic conditions in the country, including debt sustainability.

10. **For countries eligible for concessional assistance, ADB will continue ongoing initiatives to improve debt sustainability in alignment with the World Bank International Development Association’s Sustainable Development Finance policy.** ADB is also proactively providing technical assistance support that will help strengthen the fiscal policy, debt management, and debt transparency of concessional assistance countries.

**IV. Next Steps**

11. **Going forward, ADB continues to be committed to provide timely and effective support to its DMCs in this challenging time.** It will maintain and strengthen active dialogue with country authorities and private enterprises to identify needs for support, and deliver its comprehensive support package quickly, flexibly, and forcefully. In doing so, ADB will actively seek opportunities to join forces with partners to contribute to the global effort against COVID-19, and the collaboration with the World Bank and the IMF will be the centerpiece of this effort.