Statement by

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Minister of Economy and Finance

Uruguay

On behalf of Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay
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Introduction

The emergence of the global crisis brought about by COVID-19, following the Director-General of the World Health Organization (WHO), implies "steering in uncharted waters," which takes account of not only health but also the economy, and mainly economic policy. Hence, coordination of the international community is imperative, not only in terms of health support for emerging countries but also in economic terms to attend to the social impact, as well as for the medium- and long-term development.

This crisis highlights the readiness of our communities to cope with disasters, such as the current one, and deal with fiscal space, as another resilience tool, at a time when our countries, only with some exceptions, are facing fiscal weakness. It also enhances the role of multilateral organizations: Multilateral Development Banks (MDBs), the International Monetary Fund (IMF), and specialized international organizations, like WHO and the Food and Agriculture Organization (FAO), to name just two.

The challenge humanity faces in terms of human lives is only comparable to those brought about by the World Wars of the 20th century. Indeed, this will be the most significant burden countries will have to bear: mitigating the loss of human lives. But the effect on domestic economies and societies, in general, will also be very high. At the time of this Development Committee meeting, uncertainty about the duration and depth of the economic and social crisis— at the global, regional, and national levels—is very high. However, experts agree that the negative impact of this crisis could exceed that experienced in recent crises, such as the one in 2008.

This highlights the need for countries to make use of extraordinary measures to face up to this crisis. First, in terms of its health, but also economic and social implications, special measures need to be taken to support the most vulnerable groups in society and to stir up economic activity during the crisis, as well as to address the adverse effects that will ensue once this crisis is abated.

To support these vulnerable groups, as well as to shield the economy from adverse effects and then stimulate it to allow for adequate recovery in a timely manner, efforts in terms of public spending, tax waivers and revenue loss will lead to a significant, but transitory, fiscal deterioration, for which, all countries (and mainly emerging countries) must be prepared.

Taking stock of Mr. Malpass's first anniversary at the helm of the World Bank Group, we acknowledge significant achievements, such as the completion of the steps to enable the capitalization of the World Bank and IFC, and IDA19 replenishment, among others. We are pleased that the WBG will continue with the
implementation of the Capital Increase Package and its focus on global public goods, particularly actions to tackle climate change and to promote gender equality as a fundamental challenge of our time, among others. Within the framework of pursuing the twin goals of the World Bank, we also agree with the objectives of the Capital Increase Package to prioritize low-income (IDA) and fragile and conflict-affected countries, while the WBG continues to support all its clients, including middle-income countries. Given the current situation, middle-income countries face shocks as strong as the rest, which should motivate special attention.

Relevance of the World Bank Group

In the case of the Latin America and the Caribbean (LAC) region, with approximately 80 million people living in extreme poverty and 245 million living on an income of between $4 and $10 per day, the World Bank Group (WBG) is a key partner in supporting countries to effectively and efficiently advance toward ending extreme poverty and boosting prosperity and growth. The WBG has demonstrated its strong commitment to accelerating inclusive and sustainable economic growth, by helping all countries in our region to invest more effectively in people and build resilience to global shocks and threats, as well as by focusing on the relevant challenges concerning gender equality and climate change.

It is worth noting that the joint work between the LAC region and the WBG has been beneficial for both parties. The WBG's partnership with all of its client countries, particularly those in the upper middle-income spectrum, has provided valuable opportunities to apply new solutions, test innovative instruments, and share knowledge, regionally, and globally.

The COVID-19 pandemic has caused an unprecedented shock in health, social, and economic terms. We welcome the WBG's announced support of up to US $150-160 billion over the next 15 months to address the immediate needs of all client countries as well as those materializing after the health emergency phase. We congratulate both Management and staff for the overall response to the crisis, and especially for the COVID-19 Fast Track Facility, and for having come up with a batch of projects – as part of the first phase response - to provide health sector assistance in record time. We especially want to express our gratitude to WBG's country team members who worked hard to put together these emergency projects during these difficult times.

Even before the COVID-19 outbreak, the inclusion and poverty agenda in the region was, unfortunately, pending. Despite the growth experienced over the past decade, LAC remains the most unequal region in the world. In turn, the current situation highlights pre-existing situations of vulnerability in sectors of the population that must be addressed. In the medium and long term, once the COVID-19 crisis is over, it will be necessary to deal with the likely increase in poverty levels. Likewise, the vulnerability of those in the bottom 40% of the income distribution will remain high. Progress is needed in human capital formation to improve the region's long-term growth prospects.

The COVID-19 crisis presents enormous challenges and augurs tragic outcomes in several areas, particularly in public health. But it also opens up opportunities to agree on reforms in diverse spheres - comprising public institutions and society-, which will help lay the foundation for a robust and vigorous development trend, once countries have triumphed over this health crisis.

One of the areas that calls for major reforms is the labor market. Latin American countries still struggle with the challenge of creating employment opportunities for a rapidly growing workforce, both in terms of quality and quantity, to tackle both productivity gaps and a large informal sector, coupled with a high share of workers from vulnerable groups. Emerging from this crisis will require considerable efforts to bring back idle labor and capital resources into productive uses. We count on the WBG's commitment to redouble efforts to support the LAC region under the Employment and Economic Transformation Agenda (JET).
Debt

Debt levels of many developing countries are amplifying their vulnerability. Not only highly indebted nations, but also investment-grade countries face a sudden drying up of funding sources that could seriously hinder their debt service capacity. To allow enough fiscal space to deal with the pandemic, and to avoid widespread debt crises in the global South, it is imperative to address the debt situations on a case-by-case basis.

We welcome and endorse the joint statement by the President of the WBG and the Managing Director of the IMF to the G20, calling for debt relief for the poorest countries. In turn, we share the vision of the WBG Management on the importance of the quality of public debt, as well as the mechanisms to improve its transparency and limit collateral guarantee agreements. Countries should avoid these latter mechanisms. However, if adopted, access to information on debt terms and conditions must be unrestricted.

Although low-income and fragile and conflict-affected countries are the most in need and should be the focus of the WBG's efforts, poor and vulnerable people not only live in poor countries, with low per capita income. Many middle-income, as well as high-income countries, are home to many of the world's poor. Some of these countries, which will be significantly affected by the current global crisis, are heavily indebted.

We agree that public debt, when properly channeled, is critical for development. It can allow countries to invest in their future as well as mitigate the impact of economic shocks. However, high levels of public debt are a concern in many countries and even more when considering the immediate future in the current COVID19 critical context.

Evidence shows that some countries that were part of debt relief programs, especially lower-income ones, have not been able to maintain sustainable debt trajectories. To avoid these situations in the future, we believe that the Bank and the IMF should provide support so that, within the debt relief framework, institutions are strengthened, encouraging beneficiary countries to develop good investment and public debt management systems.

Finally, we want to highlight the importance of long-term debt sustainability for development. The debt crises are the main setback to our efforts to end poverty and boost shared prosperity, with their adverse impacts transcending several generations.

Disaster Risk Management (DRM)

We welcome the achievements and progress made by the WBG in the area of Disaster Risk Management (DRM), as described in the Development Committee document. We celebrate broadening its scope to encompass priority areas, through the development of new instruments such as results-based programs and more flexible Contingent Emergency Response Components, aimed at expanding and improving infrastructure, and mainly urban development, coupled with better use of resources and private capital mobilization.

We also agree that the challenges, priorities and new opportunities are associated with the strengthening of DRM analysis and macro-fiscal aspects, and the incorporation and improvement of new tools and methodologies, taking advantage of technological advances and the generation of data for the evaluation and monitoring of projects, the expansion of the private sector and the link between DRM / FCV and the work in crises, as well as the enhancement of DRM assessment and measurement methodologies.
Conclusions

The COVID-19 crisis represents an unprecedented challenge for all countries, in terms of public health, social, and economic implications. It may be the most significant trial humanity has had to contend with since the Second World War.

The challenges governments are faced with to mitigate the effects of the pandemic require substantial increases in public spending. They take place in a context of economic contraction, an increase in spending on automatic stabilizers (such as unemployment insurance), a decline in tax revenues and contributions to social security, and difficulties in accessing voluntary debt markets, both nationally and internationally.

Multilateral organizations, and especially the institutions that make up the WBG, have a pivotal role to play, supporting governments to sustain their actions during the crisis. But perhaps the most critical role will emerge once the health crisis begins to recede, to help countries with their economic and social recovery efforts, underpinned by more robust structural bases, allowing a path of sustainable development at rates compatible with the high social demands that countries will be confronted with.

The WBG institutions involved with the private sector (IFC and MIGA) have a fundamental role in the post-COVID recovery. Both institutions must continue to be involved in developing the sector, exploring opportunities in innovative areas, facilitating the recovery of small and medium-sized enterprises (SMEs), and ultimately helping to address market failures that hinder sustainable economic development.

The economic and social recovery, in the aftermath of this health emergency, calls for the WBG's decisive support to all its member clients. To this aim, the World Bank and the International Finance Corporation count on the additional resources from the Capital Increase Package duly endorsed by Governors, and recently ratified by their shareholders. We take note of the call on all shareholders to complete their subscription payment process at the earliest.

We count on the World Bank Group to jointly travel this new and challenging development path.