Remarks by World Bank Group President David Malpass at the 15th East Asia Summit

November 14, 2020

Thank you, Mr. Prime Minister.

Dear Excellencies, I am honored to speak with you virtually today and regret not being with you in person. I welcomed the opportunity to meet with the ASEAN Finance Ministers last month and am very glad today to join UN Secretary-General Antonio Guterres for your conference.

The COVID-19 pandemic has taken lives and disrupted livelihoods in every corner of the globe. According to World Bank estimates, in its first year it may push up to 150 million people into extreme poverty, ending two decades of steady progress on poverty reduction.

The pandemic and economic shutdowns are causing the world’s deepest recession since World War II and the first major recession in ASEAN countries since the 1997 Asian devaluation crisis. I share the concern of the chair and the Secretary General about the fragility, violence and natural disasters in many parts of the global economy and the fervent joint aspiration for peace and safety.

While some parts of the global economy are doing better than expected, most emerging markets and developing countries are enduring tremendous suffering. The impact is harshest on the poorest countries and the poorest people within each country, adding to inequality. The pandemic is likely to leave a lasting scar on the next generation. Sickness, food insecurity, job losses, and school closures are leading to the erosion of human capital. The loss in earnings may last a lifetime. Women are generally faring worse in the crisis than men across most countries and across several dimensions including loss of jobs, decline in remittances, food insecurity and the heavy burden of caregiving responsibilities.

The World Bank Group has moved rapidly to deploy its full financial capacity. We are on track to commit a record $160 billion over 15 months, including grants and concessional financing. 40% of this amount was committed in the first six months, with much of it going to the poorest countries and to private sectors for trade finance and working capital.

Our funding helps developing countries tackle the health, economic and social impacts of the pandemic. We established a fast-track COVID response that has delivered emergency support to 112 countries so far. Most of these projects are now in advanced stages of disbursement for the purchase of COVID-related health supplies, such as masks and emergency room equipment.

Still, the pandemic remains an enormous obstacle to development. A successful COVID-19 vaccination program will be key to recovery. The World Bank has made
available up to $12 billion of fast-track financing to client countries for them to choose, purchase and deploy COVID-19 vaccines. We are already working hard with countries to provide technical advice on vaccine procurement and effective distribution.

The debt burden is another major obstacle to development. The burden got much heavier due to the economic downturn. The DSSI debt service suspension initiative is a good first step, but relief so far has been less than anticipated because not all creditors participated. We welcome the G20’s extension of DSSI and the addendum to the term sheet. This will materially increase the amount of debt service relief. However, the suspension provides only temporary debt relief, postponing payments but not reducing the ultimate debt burden.

Many IDA countries need immediate fiscal space to address the COVID emergency, but they also need a reduction in the debt burden to enable new investment and greener, more inclusive growth.

Looking beyond DSSI, principles for debt reduction will be needed. The G20’s Common Framework is an excellent work in progress, and we look to future enhancements. At the WB/IMF Annual Meetings last month, the Development Committee tasked the Bank and the Fund to propose actions to address low income countries’ unsustainable debt burdens. We are working on effective approaches for debt reduction and debt resolution. Increased transparency will be critical to balance the interests of the people with the interests of those signing the debt and investment contracts.

The urgency is clear. In 1990, ten years after the onset of a major debt crisis, almost 60% of developing countries and emerging markets had lower per capita incomes than in 1980. We need to avoid repeating the protracted debt restructuring process that delayed that recovery. International cooperation is critical, so let us work together to avoid a lost decade.

In the current crisis, East Asia was the first to enter crisis and is well positioned to be the first region to recover from it. Countries will need to prepare for a different economy post-COVID, by allowing capital, labor, skills and innovation to move into new businesses and sectors.

The disruption of trade and global value chains presents both a challenge and an opportunity. The World Bank strongly supports trade facilitation measures to encourage greater flows across borders. We’ve expanded trade finance to banks in the East Asia and Pacific region and beyond. For example, one of IFC’s first COVID-related projects was to increase trade limits for four Vietnamese commercial banks.

We’re also working with countries to strengthen their domestic capital markets. For example, Indonesia and Vietnam are part of our Joint Capital Market Program (J-CAP), where we’re supporting governments in areas of pension reform, strengthening capital markets regulation, and introducing new capital markets products.

To conclude, the challenges are daunting, but I’m optimistic that solutions are possible and indeed likely. I know that the World Bank Group is working hard to do as much as we can to help respond to the crisis and strengthen the recovery. Thank you for your attention and I wish all of you good health, safety and success.