

Joint Press Conference on COVID-19 by IMF

Managing Director and World Bank Group

President

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World Bank Group President David Malpass

The World Bank Group and the IMF COVID-19 (Coronavirus) Response

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Transcript

MR. RICE: Well, good morning, everyone. And welcome to this Press Conference on behalf of the International Monetary Fund and the World Bank Group.

We are going to be talking this morning about COVID-19, the coronavirus outbreak. There's been a lot of activity as you've probably seen, from both the IMF and the World Bank Group.

I'm very pleased that we have with us this morning, the Managing Director of the IMF, Kristalina Georgieva. We also have with us the President of the World Bank Group, David Malpass.

I'm going to ask them to make some brief opening remarks, and then we will turn to your questions in the room. We also have about 50 to 60 reporters online, so I'll try and get to some of those also, particularly from around the world. And if you can keep your questions short; we are on the record this morning.

Let me ask the Managing Director to speak first. And then we'll turn to the President of the World Bank Group, David Malpass. Kristalina?

MS. GEORGIEVA: Thank you. We just finished a conference call with our governing body, the IMFC, International Monetary and Financial Committee, representing our 189 members. It demonstrated strong unity of the membership in the face of a serious threat to people and the world economy, clear commitment for action in a coordinated manner.

Before I go any further, my deepest sympathy to those affected all over the world. We are determined to act to reduce the risk and impact on people.

Let me first frame the objective of this call, the IMFC call. First to place our scenarios about the potential impact on the global economy in the context of what we know and what we don't know, about coronavirus.

Second, to concentrate on a framework for how to think about the shocks and how we, the membership, the Fund, the World Bank, other organizations, can support those affected by this crisis in an effective and coordinated manner.

And third, in that spirit of collaboration, to learn from each other, especially from the countries that are on the frontline of response to the outbreak.

So, what we know. We know the disease is spreading quickly with over one-third of our membership affected directly. This is no longer regional issue it is a global problem, calling for a global response. We know the outbreak will eventually retreat, but we don't yet know how fast this would happen. We don't yet know how the virus would respond when treatment and vaccine will be available on scale.

We know the shock is somewhat unusual, as it affects significant elements of both supply and demand. Supply is disrupted due to morbidity and mortality, but also the containment efforts that restrict mobility, and the high cost of doing business due to restricted supply chains and the tightening of credit.

Demand is also falling due to high uncertainty, increased precautionary behavior, containment efforts, and rise in financial cost that reduce the ability to spend. And these effects spill over across borders.

What we know from experience in similar crises is that about one-third of the economic losses from the disease will be direct costs from loss of life, workplace closures, and quarantines.

The remaining two-thirds will be indirect, reflecting a retrenchment in consumer and business behavior, and a tightening in financial markets, in other words, the impact of uncertainty.

We also know that we have a sound financial system, much more resilient than it was before the Global Financial Crisis. However, what we are wrestling with is uncertainty, and that defines our projections which at this point, lead us to state that global growth in

2020 will dip below its last year's levels, but how far it will fall, and how long the impact would be is still difficult to predict.

It would depend on the epidemic, and it would depend on the timeliness and effectiveness of our actions. And I want to focus on those. Number one priority in terms of fiscal response is ensuring frontline health-related spending to protect people's well-being, to take care of the sick, and slow the spread of the virus. I cannot emphasize enough how urgent it is for authorities to lean forward in funding outbreak-related health spending, and bring it to match, the amount with supply of the necessary, protective and treatment, health products.

This is particularly challenging for the countries where health systems are weaker, where response capacity is weaker, and it calls for a global coordination mechanism to accelerate matching demand with supply of what is necessary for the health system to respond. And I can tell you that we, the World Bank and the IMF are stepping in, are taking our responsibility for this global coordinating mechanism.

Number two, there are macro-financial policy actions to tackle demand and supply shocks that I mentioned before, and the aim should be, to stress no-regret actions that shorten and soften the economic impact that are timely, and targeted to sectors, businesses and households that are hardest hit. And I was very encouraged to hear during the call, countries are stepping up exactly that type of targeted, effective actions. Our role is to accelerate the transmission of good practices, so the global community can act faster and more effectively. We are faced with a generalized weakening in demand, and that goes through confidence and through spillover channels, including trade and tourism, commodity prices, tighter financial conditions. They call for an additional policy response to support demand and insure an adequate supply of credit. Third, adequate liquidity will be also needed to offset financial stability risks, and a number of central banks are also stressing contingency planning for situations in which they may be working from home, and some disruptions. Very encouraging to hear how seriously this is being addressed.

So, in short, it is a fast-evolving situation. It requires high degree of coordination and we are determined to deliver on that.

So, let me finish with how the IMF can help, what our response will be. We can be a force of support for our members at risk, those with weak health systems, inadequate policy space, to commodity exporters that are exposed to terms of trade shocks, and to others that are particularly vulnerable to spillover impacts.

And I can tell you, both David Malpass and I are particularly concerned our low-income, most-vulnerable members. These countries would see their financial needs rising rapidly and the human and economic cost builds up.

We are working to identify highest vulnerability, so that we can be ready to step up, and for that we have three sources. One, thanks to the generosity and mobilization of our membership, we rely on \$1 trillion in overall lending capacity.

Two, for low-income countries and for emerging middle-income countries we do have rapidly disbursing emergency financing, up to \$50 billion that does not require a full-fledged IMF program.

And three, we have Catastrophic Containment and Relief Trust. It provides eligible countries--these are the poorest of countries--with upfront grants to relief IMF debt service. We call on our membership to step up. We now have \$200 million, we would like to increase this capacity so we can respond to the most vulnerable.

So, let me finish by saying we are fully committed to support our members, we heard their call today, this morning, we have the tools to help, and we are coordinating very closely with partner institutions. Thank you.

MR. RICE: Thank you, Managing Director. President Malpass?

MR. MALPASS: Thank you. And thank you, Kristalina, for the cooperation, the coordination, the good working relationship. I share your expression of sympathies to the families and to the communities that are being affected and will be affected by this tragedy and virus.

You were talking about the IMFC, so I want to separate a little bit the governance structure. Yesterday, I presented to the World Bank Group Board a policy package, and we announced a \$12-billion package yesterday. What the World Bank is doing, is working to provide a fast, flexible response, based on developing country needs. We'll be bringing virus-related operations forward in March. Speed is needed to save lives at this point. And the breadth of the response is key to its effectiveness – most

effective if it's broad and brings in many countries that are working to reduce the transmission of the pathogens.

In order to do that, we're providing technical assistance. Also, goods and services that will help prevent and limit the local transmission including laboratory equipment, and systems to ensure that cases of the virus are promptly identified and traced.

Goods such as gloves, masks, portable ventilators, and also health infrastructure, such as the stocking of emergency rooms, clinical care, quarantine facilities, and the actual building of those.

Those are core part of the package we announced yesterday. And, also the convening with the WHO, the World Bank Group and IMF are working closely with WHO on the cooperation with regard to procurement and other important technical matters.

We need a system for real-time community-based disease surveillance, and that's conceived in the package that the World Bank Group announced yesterday.

I won't go through the details with you, but two core things: it's a \$12-billion package, of which \$6 billion is IBRD and IDA, and that enables and allows special protection for poor countries. And then there's also \$6 billion from the International Finance Corporation.

That's critical because it's private sector financing. It's fast-acting and it takes the form of trade finance and working capital finance, which are one of the most needed goods within this -- one of the most needed services that can be provided during this crisis.

And there can be additional resources on a need's basis. As of yesterday, there were 12 countries that had expressed need. I want to mention also the Pandemic Emergency Financing Facility (PEF), the bonds that people have talked about. It may provide additional resources if it's triggered.

In the explanation of that facility, it's not money coming from the World Bank, but it's money coming into the PEF Facility, from capital markets. And so that's an important potential source of new assistance.

Let me turn now to the economics. The health issues have uncertainty, so do the economic issues. We are doing, the World Bank, working with the IMF, doing extensive analysis on global value chains, on tourism, on commodities, the decline in commodity prices, and also the connection to corporate debt.

There is the clear need for financing of small businesses, and of innovation, and so that is done through short-term floating rate capital financing, which is exactly the instruments the World Bank is using in this. It's important that the fiscal and monetary stimulus not shift resources away from working capital. We want to really find ways to supplement and augment the availability of working capital, which is, the capital companies need to import goods to rebuild inventories. It's the short-term financing that's critical during a crisis.

What we know is, that the amount of frozen capital in the world has gone up substantially. And so, what we're trying to do from the World Bank side is unlock that capital and allow it to continue into working capital.

In sum, the speed and breadth of the response is crucial to its effectiveness. That's what we're set out to do. And then looking beyond, if we can take one moment beyond, it's important to work to increase the resilience to shocks, to improve health systems, and to make growth-oriented structural reforms within economies. And also build this system of working capital that I was describing, so that we can leave a faster-growing world after the crisis is passed through. Thanks.

MR. RICE: Thank you very much. Let's turn to your questions in the room, please. Identify yourself by name and affiliation. Keep the questions short. And we'll try and take as many as we possibly can. Let's start in the front row here. Yes, sir.

QUESTIONER: Thank you very much. I've got two questions. First is, Madam Managing Director, you mentioned some updates on global economy, and also previously the IMF predicted that the coronavirus situation presents a V-shaped impact on China's economy.

And recently lots of economic activities in China have been resumed. So, I wonder if there is any general assessment on the recent economic behavior in China.

The second question is regarding to President Malpass, just mentioned some structural reforms. Now, many countries are dealing with this coronavirus situation, some are doing relatively well, some are still facing challenges. I wonder from the perspective of the IMF and the World Bank, has this epidemic situation raised some vulnerabilities on the global level that needs to be tackled in the future? Thank you very much.

MS. GEORGIEVA: In terms of our projections we, unfortunately, over the last week have seen a shift to a more adverse scenario for the global economy. We are working on updating our projections, and we will come up with those in the next weeks, in our World Economic Outlook update. As I said in my opening, under any scenario, we see growth in 2020 falling below the level in 2019.

For China, we have heard from the Chinese authorities, encouraging reporting on restart of production, at this point they report 60 percent restart, and they expect by in the next weeks to go up to 90 percent, to 100 percent. This is welcoming news for China, and it is welcoming news for the world.

We would like to get more specificity and understanding of the epidemic before we bring to you an assessment of what would be the letter to use. So, bear with us, we would take a bit of time. It is that uncertainty of the spread of epidemic beyond China that we need to carefully reflect on.

And to your second question, Mr. Malpass.

MR. MALPASS: Several thoughts on that. As far as lessons learned, it's early. One thing we know is in previous crises the World Bank was involved and did an extensive evaluation of what tools worked. We're drawing on that in creating the response to this current crisis. What we know is information is critical during the crisis, and information systems, and then there is the need for countries to prepare themselves for disasters, because they're not all that rare, and use prevention as the best starting point.

We do have countries that are better prepared for this crisis, and they're able to respond to the crisis more quickly. And that's critical in avoiding the spread.

Also, I'll take a note with regard to sanitation and health systems, and the need for global expertise, applied to those. A chunk of the World Bank's activity in countries is aimed at the health system and the sanitation systems that are so important. And we have the crisis response window and other specific tools for disasters that are coming into play now. Key point is, we evaluate constantly as far as what tools and instruments are going to work best, and then try to evolve that effectively.

MR. RICE: Thank you. Reuters in the front row.

QUESTIONER: I understand that there's quite a lot of uncertainty, and that you're unable to give us specific projections at this point. But can you be a little bit more

specific, and can you also explain what it was specifically, over the last week that caused this great galvanization of everyone in the entire financial community. I mean, we saw a lot of action yesterday, the Fed lowered rates. Can you say a little bit more, too, about the monetary response? Thanks.

MS. GEORGIEVA: The second part of your question is more straightforward to answer. It is the sheer geographic spread of the epidemic around the world. As I said in the beginning, now we have one-third of our membership having experienced cases of coronavirus. It is also the additional knowledge that has been accumulated on how the virus spreads. And it is, unfortunately, spreading undetected more than initially was thought.

So, the moment it became clear, it is no more just about China, and maybe a small number of countries in Asia, surrounding China. Then the outlook on what the impact could be changed. I must stress that we have been looking at different scenarios -- we made ourselves clear that, in a case that is only China, and it is contained in China, rapidly, there could be a milder impact than we said. It could be a V-shaped impact. But it is no more the case, and that led to the answer to your second question. What we can say with certainty is that we -- as we were spanning out, we have a baseline scenario that is relatively mild impact, and then we have more dire scenarios we are considering. Unfortunately, we have moved in the territory of these more dire scenarios, but we want to carefully assess before we come up with projections. The two factors that would be determining what we would come up with shortly, in the next weeks, would be learning more about the outbreak and learning more about actions taken and their effectiveness.

MR. MALPASS: Thanks. Can I add one thing?

MS. GEORGIEVA: So, sorry, just because you do -- you asked to be specific. The best specificity I can give you is that what we are assessing, now, is bottom up, on a country level, what is the impact, and how that aggregates in our projections. And I want to be very frank. As long as we do not know the duration of this outbreak, we will be in a higher uncertainty space. The positive result today, this morning, is a very high degree of mobilization and cooperation. Very impressive. And I am sure President Malpass would have the same take, and measures that are being put in place, in a

number of countries, are well-targeted measures, and they are going to be helpful to soften the impact and, hopefully, shorten the duration.

MR. MALPASS: I just wanted to add -- on the economic side, the global supply chain, and recognition of the impact, and then the importance of the private sector in that. As we prepared our package, this six billion dollars from the International Finance Corporation, the private sector arm of the World Bank is important, because it directly addresses some of the supply chain problems that we think are occurring.

Thank you.

MR. RICE: Thank you.

QUESTIONER: Yesterday, the Federal Reserve made an emergency rate cut. Do you think that this cut was appropriate? Do you think that that call has made the markets more confident or more nervous? Thank you.

MS. GEORGIEVA: What is important to recognize is that Central Banks are closely coordinating with each other, and the degree of coordination, over the last, virtually, the last days, across the world, has increased. We do need to have measures that are bringing a sense of confidence, and, in that context, different Central Banks would act differently because they have different space and different priorities, in that regard. We are keen to see attention paid on the financial stability, while, at the moment, the financial system is in a good shape, and I want to stress, again, there has been a lot done, since the Financial Crisis, to put us on a better footing, today.

We do need to anticipate risks, and one of these risks would be around access to credit, not yet demonstrably, but we have to think about it. In the call today, there was a very important message that came from one of our members---it is at the time of uncertainty, it is better to lean forward, better to do more than not to do enough, and that applies to health systems, and it applies policy measures.

MR. MALPASS: And to working capital. So, I –

MS. GEORGIEVA: And to our -- yes –

MR. MALPASS: -- I underscore –

MS. GEORGIEVA: -- and David will score that. Yes, David.

MR. MALPASS: The need for credit, as you said, and the availability of that credit for the short-term growth needs that are out there.

MR. RICE: Thank you.

QUESTIONER: Good morning. I wanted to ask Managing Director about the -- you've mentioned that there is some degree of unpredictability, in terms of the exact levels for global growth, with the revisions in the economic outlook. Are we in danger of seeing -- is one of the scenarios being studied the possibility of a global contraction, and if you can talk a bit about, for both of you, President and Managing Director, about the thought process around the IMFC and the Development Committee meetings, and we understand the virtual meeting format for the brother meeting, but whether the considerations behind what to do with these two particular bodies? Thank you.

MS. GEORGIEVA: Thank you for the question. With the risk of repeating myself multiple times, I would stress that, at this point, what we are confident to state is that growth, this year, would fall below the level of last year, and we would need to be carefully assessing bottom up from analysis of country by country data. And, of course, on a global level, working together with the World Bank. What are these scenarios to present to the public?

We, again, with the risk of being very repetitive, it is the duration of the outbreak that is, at this moment of time, difficult to predict, and it is also -- we are at the time when measures start being put in place. We will see demonstrably the effectiveness of these measures, over time. What -- I believe that there is a high degree of cooperation that is, in a moment like this, absolutely necessary, and it would help us to come through this crisis in a better way.

MR. MALPASS: I'll --

MS. GEORGIEVA: We will talk again. We will come to this --

MR. MALPASS: I'll answer on the virtual question. With growth below last year, recall it was already slow global growth. It puts a particular burden on developing countries, on poor countries, and we'll be addressing that in the Development Committee meeting, which occurs in April. And I expect it to be virtual, meaning rather than people convening in Washington, there'll be audio visual, and the Bank has substantial capability. I think we'll have a useful Development Committee meeting under this scenario.

But a key point is, if growth is slower, from an already slow level, that puts a big burden, and I think it's incumbent on people not to have measures, taken that channel credit away from the working capital that's so importantly needed.

So, that's a key criteria in deciding and thinking about measures.

MR. RICE: Right.

MS. GEORGIEVA: Could I just add on the virtual meeting? Two points: one, this morning, we did a dry run, and it was a very effective meeting. We got all the business of the Committee done. Two, as we move forward to planning the meetings, we are going to have other focused discussions, as well. So, I don't want anybody to be left with the impression that we are abandoning the agenda we had for April. We will just change the modality and the format of this agenda. And, for those of us who care about the fight in climate change, we are going to have a less carbon footprint this spring. Unfortunate event, but with this benefit.

MR. RICE: Thank you. Let me take the lady in the second row. Yes, ma'am?

QUESTIONER: Thank you very much, Gerry. My first question is the Fed cuts interest rate a half percent yesterday, and we the market seems to think it's not enough. Do you recommend the U.S. to further cut interest rate, or to do more, like fiscal stimulus? And, secondly, to those countries without much monetary policy space, do you think it's time for them to do, you know, a fiscal stimulus? Thanks.

MS. GEORGIEVA: As I said in my opening comments, we do prioritize macro fiscal measures, first and foremost addressing vulnerabilities of the health system. In other words, we tell Finance Ministers instruct the health authorities to urgently finance those measures that are critical for the safety of people; people first, and that means masks, facilities, for containment, if that is necessary. As Mr. Malpass said, respirators and the protective equipment, so medical personnel can do their job. This is a no regrets policy, a very good measure. Where we would be concentrated on is to make sure that, as our institutions and countries themselves provide financing to buy these goods, they are actually produced and available. And that is the point I made in the beginning about global coordinating mechanism for demand that is, of course, going up, to be appropriately met by increase of production, repurposing of production facilities, if necessary, so we can say the money is here, please produce it ASAP.

And the second area of fiscal measures that we recommend are those that are well-targeted to address the supply and demand shocks. Measures of that nature are already being put in place in different countries. They are around funding social protection expenditures: making sure that people, who stay home because schools are closed, they can have income to support their families; that there is credit available for small and medium sized enterprises; that there is a restructuring of debt service temporarily---in other words, giving a couple of months---especially for companies in the sectors and the physical area, the geographic areas, most impacted. And that is so very important to do. We -- and then Mr. Malpass will say and we need to have working capital. So, yes, we recommend those measures, very strongly.

MR. MALPASS: Yes, and make sure that the Central Bank actions don't take working capital away from this very pressing need.

But I wanted to address -- you framed the question in terms of fiscal and monetary stimulus, and I want to add in regulatory stimulus and structural reform. One of the most powerful things countries can do, almost around the world, is take actual actions to improve their policies, so that the prospective growth rate for their countries can be faster. Rather than think of it as a temporary stimulus, think of it as an investment by the world in growth.

Some countries are doing that now, and we're encouraging more to take the important structural reforms and regulatory reforms, that enable more supply.

Thanks.

MR. RICE: Thank you. I want to go online and take a few questions because we've got very many journalists online, and I want to go to other parts of the world. The first question is for both MD Georgieva and President Malpass, and it's on Africa. How much support can African countries, especially in Sub-Saharan Africa, expect from the IMF and the World Bank, to counter this health and economic impact of Coronavirus?

MS. GEORGIEVA: We have done a quick assessment of countries at highest risks because of combination of four factors: weak health systems; exposure to price shocks because of commodity export orientation; vulnerability, due to spillover impacts from other countries; and limited fiscal space. It is, unfortunately clear from this analysis that Sub-Saharan Africa presents a particularly important area of focus. We do have up to

\$10 billion available for low income countries to tap in with zero interest rates, and, obviously, we would prioritize countries, especially countries in Africa that have already been faced with difficulties. Some of them are program countries of the Fund, today, and we have a trust fund that allows for the lowest income countries to pay their obligations to the IMF. So, they can use this fiscal space to fund priority investments.

MR. MALPASS: The World Bank has both IDA-18 and IDA-19, which are very large funds for poor countries that are fully operational, and one of the things we're doing with the package I announced yesterday is speeding up the reprogramming of that assistance to meet the current crisis.

It's based on the needs of the countries, themselves, and also is in the context of reforms, or of improvements in systems that countries are making, in order to either meet their current health needs, or look forward at new systems. So, there's substantial financing available, and we're accelerating that process, through the announcements yesterday.

MR. RICE: Thank you, again. A question for both principles. This is -- we are moving to the Middle East. What impact could Coronavirus have on your projections for the oil producing countries in the GCC?

MS. GEORGIEVA: We recognize that oil producing countries have already been hit because of the drop of demand for oil, and oil prices. Crude oil prices have already tumbled by more than 15 percent, since the beginning of the year, and that translates into some \$10 billion of lost revenues across the main oil exporters. What we are looking into is what would that mean, in terms of impact on growth. Most of the countries do have buffers, and that is a good time to use those buffers, and we are, like, recommending to everybody they also need to focus on making sure that they prioritize health expenditures first.

As with the rest of the world, we would come up with our more detailed projections, once we can sort out through the uncertainty today, but, obviously, growth would be below our earlier baseline scenario.

MR. RICE: Okay. There's another question, asking, IMF, you had indicated growth for China would be 0.4 percentage points lower this year. Does that still stand, and how

about Japan, and about Europe? I guess, growth prospects, again, is a question for both principles.

MS. GEORGIEVA: Well, with regard to our earlier projection for the impact of Coronavirus on China, within dropping from six percent to 5.6 percent growth, that was our baseline scenario, with two very important assumptions, that the crisis is limited to China, it doesn't spread across the world, and that it is fully contained. That has not happened. We have seen, this last week, that our baseline scenario is no more valid. Already then, we looked at adverse scenarios, including for China, in which the impact on growth for China is more significant. The Chinese Authorities, themselves, are recognizing that there would be a lower growth this year. We will, again, we will have to work on the numbers, but it is very unfortunate that I have to say that the baseline scenario no longer holds.

MR. MALPASS: I'll just add, information is coming in, and we're assessing and monitoring the situation in terms of growth. But I wanted to make the mention that the private sector is forward looking, and, so, important in the growth is what do people around the world think will be the outcome. That gets into -- you can think of it as confidence, but it's also working capital. It's also the structural reforms and the regulatory reforms, that I've mentioned.

There'll be a dynamic response from people around the world, based on what they perceive to be the actions, and the coordination that we're doing, I think, is intended to show the intent of the IMF and the World Bank on that front. And we've seen the statement from the G-7. I think all of that adds into the possibility of private sector beginning to think about future investments, even as we're learning more about the extent of the crisis.

MS. GEORGIEVA: If I can make a very important point, and it is we know, from prior experience with these kinds of epidemic outbreaks, that they eventually would be retreating, and there would be, eventually, a treatment, vaccine, measures that protect the world. What is hugely important, today, is to focus on building a bridge between where we are and that time when we would see a recovery, to make sure that the impact, in meanwhile, is softened, first and foremost, on people, and also, of course, on

businesses and the economy. And this is why I would urge attention to concentrate on action that is done in effective coordinated manner.

MR. RICE: Thank you. I'm going to make that the last response, but I wanted to give President Malpass an opportunity, too.

MR. MALPASS: I thought that was a good close, agree. Thank. Just thank you, everybody, for interest, for being here. And thank you, Kristalina, for leadership and coordination in the IMFC this morning, that body. We'll be focusing, at the World Bank, on bringing forward operations over the next just couple weeks – maybe three weeks – to be very responsive to the immediate needs of countries, as we work together on them.

Thanks.

MS. GEORGIEVA: Thank you.

MR. RICE: Thank you, President Malpass. Thank you, MD Georgieva. Thanks to all of you for coming, today, and for our many friends, who have been online today, I will be in touch, in the coming days.

Thanks very much.

This transcript has been edited for clarity.