

## South Pacific Central Banks Virtual Governors' Forum

### "COVID-19 and the PICS: Opportunities and Challenges for Central Banking"

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Remarks by Lotte Schou Zibell, Regional Director, Asian Development Bank, Sydney

Honorable Alex Hawke, Governors, Deputy Governors, Professor Evans, Dr. Sharma, colleagues from Griffith University, and colleagues attending this forum today, thank you for the opportunity for ADB to support this event.

Let me first say a few words about the role of central banks during the Covid-crisis.

Central banks worldwide, not just in the Pacific, have done a superb job stabilizing the economy through monetary policy stimulus. In concert with fiscal authorities, they have been at the forefront of the response. The pandemic has been a tremendous shock. The good news is that the banking sector has not been at the epicenter. But the effects have certainly not gone unnoticed. This episode will require us to think more deeply about what we can do to make the financial system more resilient.

This episode has also caused ADB to think more deeply about providing the best and most appropriate support to the developing member countries that we serve. In April, we announced a \$20 billion comprehensive response package.

As of 23 October, we had committed \$12.5 billion to support developing member countries and the private sector.

For the Pacific, we expect that our total COVID-related support will exceed \$600 million by the end of this year. Most of this—\$377 million—is in the form of countercyclical budget support under our new COVID Pandemic Rapid Response Program or CPRO.

Most, if not all, of the CPROs, include support to micro, small and medium-sized enterprises.

In addition to this, we have provided extensive technical assistance to Pacific governments in developing their response programs in the areas of debt management, social protection, and gender aspects of their COVID-19 response.

We are also supporting vaccine programs. We are discussing with Samoa, Tonga, Tuvalu, and Vanuatu about helping them roll out a COVID-19 vaccine. We expect that Pacific developing member countries will be able to benefit from a new regional financing facility for vaccine access that we are

in the process of setting up. The indicative resource envelope of this facility is about 9 billion dollars. We aim to launch it by the end of this year.

At ADB, we are now looking forward to how we will deliver on our vision of a prosperous, inclusive, resilient, and sustainable Asia and Pacific

I would like to highlight six important areas.

1. Despite border closures, globalization will come back but will take a different shape. To be ready for this, we will continue to promote regional cooperation and integration.
2. We need to address worsening income inequality and poverty. This we will do by investing more in health, education, social protection, and gender.
3. We will continue to promote infrastructure investments, and we remain committed to achieving our targets on climate investment.
4. The pandemic quickly moved us online. This means that we need to accelerate digital transformation and also carefully consider cybersecurity.
5. The pandemic has placed a significant strain on individual countries' budgets. This requires us to place added focus on domestic resource mobilization and tax reforms.
6. Lastly, there is a need to ensure equitable and affordable access to vaccines.

As this is a central bank governors forum, I would like to say a few words on the finance sector's critical role, particularly small enterprises' role for a sustainable economic recovery.

The COVID-19 pandemic is hurting small enterprises globally. Quick recovery of these businesses can mitigate dire consequences. But beyond the immediate recovery, we need to ensure the medium to the long-term survival of small businesses by removing impediments to their growth.

As part of ADB's support, we are in Papua New Guinea, preparing a project for approval in 2021 for Improving Financial Access and Entrepreneurship Development.

A regional TA is being prepared for MSME development. This project will support COVID-19 affected MSMEs to recover from the economic slowdown.

With EU financing, we will provide support to Pacific Development Banks. This regional technical assistance will support development banks in Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu to enable them to increase lending to MSMEs

In NAU, we are implementing a community financial capability program to improve the financial literacy of households.

In Samoa, a technical assistance project will support money transfer operators to meet their customer's due diligence requirements using online platforms for identity verification and sanctions checks. This will also help lower the cost of remittances.

We have commissioned the University of New South Wales to prepare a paper on Central Bank Digital Currencies for the Pacific.

Also, the Private Sector development initiative, PSDI, provided immediate support in response to the economic impacts of COVID-19. This includes support for the

- Cook Islands to draft the COVID-19 Economic Response Act, which was passed in July 2020,
- PNG to develop the COVID-19 Business Response Bill, and
- government-owned banks in the Cook Islands, Kiribati, and Palau to develop their COVID-19 responses.

Forthcoming support will address long-term impacts on banks, retirement funds, and MSMEs.

With these words, I would like to thank you again for inviting me to be a part of this event.