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Foreword from Executive Director

Colleagues,

Greetings from DC! I hope that this newsletter, my first as Executive Director for this constituency, finds you and your families in good health. I took on the role last November, after serving for two years on the IMF Board. I very much look forward to working for you and representing your interests at the Board of the World Bank Group. While we unfortunately could not see one another in person during the Spring Meetings, I enjoyed catching up with some of you virtually.

As the global economy rebounds from a deep recession, economic prospects remain highly uncertain and diverse, given many uncertainties about the path of the virus, differences in vaccine access and the viability of pre-COVID development paths. The risks of setbacks are high. The Spring Meetings provided an important opportunity to consider the pandemic's longer-term effects, especially increased poverty and heightened inequalities. Its impacts on human capital accumulation are particularly worrying -- lost schooling, diminished health and nutrition outcomes, with the most vulnerable being hit the hardest, including women and girls. Given that COVID-19 has threatened development gains in many vulnerable countries, including many small island states which have been disproportionately affected by the crisis, the 'frontloading' of IDA19 resources to support recovery efforts and the advancement of the IDA20 replenishment by one year is very welcome.

Inside this newsletter you will find some updates on the various policy issues that have come before the Board this year. Equitable access to safe and effective COVID-19 vaccines, alongside widespread testing, improved treatment and strong health systems are critical to saving lives, reopening economies and societies. The COVID-19 vaccination campaign will be the largest in history, conducted at an unprecedented scale and speed, in the race against the development of further variants of concern. The WBG has been working with partners to support countries to purchase and distribute vaccines, including several countries in this constituency.

We will be looking for strong collaboration between the WBG and the IMF to support member countries on debt sustainability and climate change. We anticipate receiving the WBG's Climate Change Action Plan for 2021-2025 next month and look forward to its work on laying the foundation for a green, resilient and inclusive recovery. The Bank has been working with the Fund on a multi-pronged approach to debt that seeks to strengthen transparency, debt analytics and capacity development and to support the G20 to implement the Debt Service Suspension Initiative and more lasting debt treatments under the Common Framework.

We have had a few staff changes in the office. As part of the regular rotation of directors, Mr. Boosung Kang from Korea joined the office as Alternate Executive Director on 1 November. We also said farewell to Mr Bokwon Lee, Adviser from Korea, Ms Kirsty McNichol, Adviser from Australia, and Mr Tony Sewen, Adviser from Vanuatu and welcomed Mr Doyoung Kim, Adviser from Korea, Ms Saku Akmeemana, Adviser from Australia and Mr Benjamin Tokataake, Adviser from Kiribati.

The Bank is uniquely positioned to work with you to navigate the challenges of a post-COVID world through its convening power and global reach, and its combination of financing, technical assistance, and knowledge. I've continued to press issues at the Board that matter to your countries, such as the need

to support our members wrestle with the impacts of COVID-19, including in particular the challenges faced by small island states in rebounding from the largest shock in their history, building resilience, including to climate change, debt sustainability and human capital development. Please do not hesitate to reach out to me, the relevant adviser in the office or your local country representative if you would like further information or if your needs are not being met.

I regret that circumstances have meant that I am still tied to Washington DC, I do hope that at some point I shall be able to visit you.

Nigel

Development Committee

The Development Committee (DC), a ministerial-level forum that represents 189 member countries of the World Bank Group (WBG) and the International Monetary Fund, met on Friday, April 9, 2021. The meeting was addressed by both WBG President David Malpass and IMF Chair and Managing Director, Kristalina Georgieva. The focus of the discussion was on the three recurring themes of the Spring Meeting and staff papers: vaccines, debt and climate change. Many speakers reinforced President Malpass' message that "our collective responses to poverty, climate change, and inequality will be the defining choices of our age." The Committee was chaired by Hon. Mia Mottley, Prime Minister of Barbados, who highlighted some of the challenges of small states in her comments – during the meeting, a volcano erupted on the Caribbean island of St Vincent, displacing thousands and reminding us all of the multiple vulnerabilities of small states.

In its [communiqué](#), the Development Committee encouraged the WBG and the IMF to continue working closely together and with other partners in assisting developing countries in their COVID response. The Committee

- highlighted the WBG's crucial work, in partnership with other global organizations, to help client countries access and deploy COVID-19 vaccines, prepare readiness assessments and strategies to reach vulnerable populations, and IFC's support for manufacturers of vaccines and related medical equipment;
- welcomed progress on debt sustainability for the world's poorest countries, freeing up fiscal space for key investments in human capital that are critical to long-term economic recovery;
- endorsed the focus on the GRID approach (green, resilient, inclusive development), the WBG's important role on climate change, and welcomed key features of the forthcoming Climate Change Action Plan for 2021-2025, including an ambitious new target to direct 35% of its financing to climate on average, a commitment for at least 50% of World Bank (IBRD/IDA) climate financing to support adaptation and resilience, and for the WBG to align its financing flows with the goals of the Paris Agreement.

Our constituency was represented by the Honorable Michael Sukkar, Assistant Treasurer and Minister for Housing and Alternate Governor in the World. The Constituency Statement commended the scale and speed of the WBG response to the immediate health and economic impacts of the pandemic, emphasized the disproportionate economic impacts of the pandemic on small states and welcomed the

promise of more financing for the most vulnerable countries through bringing forward the next IDA20 replenishment by one year. He stated that the WBG's work will be pivotal in supporting developing countries to navigate the formidable challenges ahead to establish a long term foundation for robust growth and sustainable development, in a context where fiscal positions are severely stretched, other drivers of long-term growth have weakened, and the pandemic has exacerbated the risks associated with debt accumulation in emerging market and developing economies.

Constituency Statements are available here [<https://www.devcommittee.org/statements>]

Policy Issues

❖ Vaccine Update

The Bank has built upon its initial COVID-19 response with a US\$12 billion financing package to help low and middle income countries (IBRD/IDA) purchase and distribute vaccines, tests, and treatments and to strengthen national systems for public health preparedness. IFC is also providing US\$4 billion under its Global Health Platform to help close supply gaps for key medical products including drugs, vaccines and personal protective equipment and to increase the opportunities for localized production of these products in the medium term. MIGA has launched a US\$6.5 billion facility to support private sector investors and lenders in tackling the pandemic. It redirects MIGA's capacity toward the purchase of urgent medical equipment, providing working capital for small and medium enterprises, and supporting governments' short-term funding needs.

The Bank's operational approach has been flexible and iterative, reflecting the uncertainties of a rapidly changing pandemic (with the development of variants of concern), shifting country conditions and needs, and an evolving vaccine market. The financing package has helped to signal to the research and pharmaceutical industry that people in developing countries need equal access to safe and effective COVID-19 vaccines. It will be rolled out over the next 24 months, within current lending envelopes for IDA countries and exposure limits for IBRD. Financing should be available to 50 countries by mid-year.

A number of vaccine operations, including for Mongolia, has been approved since January 2021, amounting to around 10% of the funding envelope. So far, many countries have adopted a portfolio approach to acquire vaccines from a variety of sources -- Bank-financed projects may finance vaccines purchased through advance purchase mechanisms like COVAX, directly from manufacturers, or purchase excess stock from other countries. We expect a large number of projects to come to the Board over the coming six months. While many countries in our constituency are obtaining vaccines through bilateral arrangements, vaccine projects in Cambodia and Papua New Guinea are also in the pipeline. Bank teams have prepared readiness assessments with partners in 144 developing countries since November 2020. These analyze policy and regulatory capacities, data and tracking systems, health infrastructure including cold chains and training of health workers, and levels of trust in immunization. They highlight capacity gaps and implementation risks, better enabling Bank financing and investments to support each country's priority needs.

The overarching approaches at both the global and country levels have been developed in collaboration with relevant multilateral partners, including WHO and Gavi/COVAX, UN agencies, other Multilateral Development Banks, pharmaceutical companies, as well as bilateral agencies, civil society organizations and the private sector. While research, testing and approvals are advancing, the vaccine market remains highly uncertain, since global demand for COVID-19 vaccines far outstrips supply. Further expansion of manufacturing capacity is needed, as does production of vaccines against new variants of concern. Both the public and private sectors, including IFC, can play a role in developing vaccines effective against new variants, expanding production capacity to cover the urgent needs of developing countries, and delivering vaccines, equipment, drugs, supplies and services.

❖ Addressing Debt Vulnerabilities

To support countries in addressing debt vulnerabilities, the World Bank and IMF are implementing a multi-pronged approach that seeks to (i) strengthen debt transparency; (ii) support capacity development; (iii) provide suitable tools to analyze debt developments and risks; and (iv) explore how their lending policies can better address debt risks and resolution of debt crises.

Prominent actions in recent months include rolling-out IDA's Sustainable Development Financing Policy (SDFP) and providing technical support to the G20's Debt Service Suspension Initiative (DSSI) and the G20's Common Framework initiative.

The DSSI, which provides fast, temporary liquidity relief to help countries respond to the COVID19 shock was recently extended by the G20 to December 2021. Of our ten constituency members eligible for DSSI relief, Papua New Guinea and Samoa have submitted a request to participate.

The Common Framework addresses more challenging debt burdens by providing a structure for guiding debt treatments, including possible debt reductions where necessary. Our ten constituency members eligible for DSSI relief are also eligible to request support under the Common Framework. For further information on the World Bank's support of the G20's initiatives, refer <https://www.worldbank.org/en/news/factsheet/2020/05/11/debt-relief-and-covid-19-coronavirus>

❖ Climate Change

As countries struggle with COVID-19, they are also being hit by worsening climate impacts. All countries – particularly the poorest and most vulnerable –face the compound impacts of climate change and COVID.

The World Bank Group is committed to supporting developing countries as they respond to the challenges of a changing climate. It recently announced it will increase its climate finance target to 35% on average in FY21-25, with at least 50% of IBRD/IDA climate finance for adaptation and will soon release its Climate Change Action Plan for the period 2021-2025.

The 2020 fiscal year was the third year in a row that Bank Group lending for climate-related investments exceeded the target of 28%, reaching 29% or US\$21.4 billion. The Bank Group continues to seek opportunities for low-carbon, climate-resilient development, and to provide supporting advisory services, technical expertise and financial resources. In doing so, the Group is expanding its efforts beyond sectors more traditionally identified with climate action – such as climate-smart agriculture and renewable energy – to new frontiers. This includes first-of-its kind innovation in the circular economy, targeted digital development interventions to improve climate resilience, macro-fiscal interventions strengthening regional trade and development with climate-relevant investments and embedding climate considerations within COVID economic recovery packages.

❖ *Voice Secondment Program*

The Voice Secondment Program (VSP) is a capacity enhancement program for civil servants from developing and transition countries, to increase their knowledge of Bank procedures, products and operations in capitals. The six-month program was initiated by the Executive Directors in 2005 to help facilitate the World Bank Group's relations with their constituencies, and to strengthen the ability of capitals to provide timely and adequate feedback. The selected government officials join the Bank on a special assignment for six months.

This year's 17th cohort saw the highest number of successful candidates, with four from countries in our constituency:

1. Ms. Silaati Tofuola Timo from Tuvalu
2. Mr. Barnabas Vote from Solomon Islands
3. Ms. Roddie Wada from PNG
4. Ms. Koin Kiritione from Kiribati

In light of COVID-19 travel restrictions, the incoming cohort of VSP participants will travel to Washington DC when it is safe to do so. In the meantime, the VSP will proceed with a new, virtual “onboarding” segment, which will enable the participants to become familiarized with the World Bank Group before joining their host units. This segment will commence once there is visibility of a start date for the in-person program in DC.

Finance and Governance

❖ *IDA 19 and IDA 20 Replenishment*

Since the onset of the COVID 19 crisis, IDA has significantly scaled up its support. It has delivered \$39 billion in the last 12 months, providing large positive net financial inflows for IDA clients to respond to the pandemic without increasing debt vulnerabilities, with support to a range of areas, from vaccine deliveries, remote learning, safety nets, to structural reform. During FY21 (the first three quarters of IDA19), more than half of all resources went to the poorest IDA countries, with increasing shares going to Small States and Fragile and Conflict-affected Situations. The number of countries expressing interest

in the Crisis Response Window over the last nine months was double that of the entire three-year IDA18 cycle.

The pandemic has had severe impacts on IDA's clients, and we have witnessed an extraordinary 'frontloading of resources' to respond to the crisis in FY21, which has created significant financing gaps going forward. In recognition of the heightened financing needs of clients, IDA Participants opted to shorten the IDA19 term to two years (FY21-22), frontload part of IDA19's FY 23 resources into FY22, and advance the twentieth IDA replenishment (IDA20) which will now commence in FY23. Doing so presents opportunities to adjust the IDA19 financing framework to address client needs, including via frontloaded resources and resizing of windows. The full replenishment is expected to be managed virtually for the first time, with pledging occurring in December 2021. In FY22, overall demand for IDA resources remains very strong, with management assessing it to be well above \$35 billion.

❖ *IDA Voting Rights Review*

In 2019 Governors endorsed a review of IDA's voting rights framework, with the guiding principles of: (i) incentivizing contributions both for new and existing donors, (ii) protecting or enhancing recipients' voting power, (iii) ensuring financial inclusiveness and sustainability, and (iv) simplifying the voting rights framework.

The purpose of the review is to address concerns that the framework, introduced in 1968, is too complex, too rigid, and over time has resulted in inequities.

The review is being led by the Board's Committee on Governance and Executive Director's Administrative Matters (COGAM). A two-phase approach was adopted for the review, with an update on progress reported to Governors at the 2020 Annual Meetings.

The first phase, concluded in December 2020, developed the building blocks for a voting rights framework. These building blocks comprise membership structure; pricing and calculation of votes for IDA-recipients and for non-recipients; and the transition implications for votes as IDA-recipients graduate to no longer needing IDA support (ie to non-recipient status).

The second phase, currently underway, involves testing the building block options to identify which combination(s) could achieve consensus for moving to a new voting rights framework. The outcome of this work will be reported to the Development Committee later this year, at the 2021 Annual Meetings.

❖ *IBRD Shareholding Review*

In line with the Governors' 2010 commitment to give greater voice to developing countries by holding 5-yearly shareholding reviews, the 2020 Shareholding Review was launched last year. The review confirmed several countries were still significantly underrepresented in their IBRD shareholding; however, there were differing views on whether to proceed with any adjustment to shareholding at this time. For IFC, the review was to look at a methodology for identifying shareholding misalignment.

Guidance was sought on how to proceed from the Development Committee at the 2020 Annual Meetings. However, this guidance was also inconclusive with some Governors supporting concluding the review with no shareholding adjustment, some wanting to consider options for adjusting shareholding, and some not expressing a view.

The Board is continuing to explore whether consensus on how to proceed with the review can be achieved before reporting to the Development Committee later this year, at the 2021 Annual Meetings.
