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FOREWORD FROM EXECUTIVE DIRECTOR

Colleagues,

Greetings from DC! I hope that our newsletter finds you and your families in good health. Once again, we did not meet in person during the Annual Meetings, but it was good to see many of you in our virtual Constituency Meeting and some other calls.

The mood is less optimistic than in the spring. The pandemic's third wave badly affected some countries in our constituency, and several remain in economic crisis, with closed borders and little fiscal space. Our economic prospects remain diverse and uncertain, given differences in vaccine access and the extent to which pre-pandemic development pathways have been impacted.

The Annual Meetings have provided an opportunity to reflect upon the path from crisis to sustainable recovery, the pandemic's longer-term impacts, especially its scarring effects on human capital, and how we regain momentum on the SDGs in light of increasing poverty and inequality. Climate change remained a strong focus in the lead-up to COP26 and given the recent release of the WBG's Climate Change Action Plan (CCAP) for 2020-2025, which increases the WBG's climate finance ambitions and commits at least half of this climate finance for adaptation. We have also been discussing crisis prevention and preparedness, how we as a global community can best prepare for future emergencies related to health, climate risks, natural disasters, or the financial system.

The pandemic's disproportionate economic impact on many vulnerable countries meant that IDA19 resources were 'frontloaded.' The IDA20 replenishment was advanced by a year to meet the increased demands for concessional finance. Good progress has been made on developing an IDA20 policy and financial package for FY23 to FY25. The replenishment will conclude in December this year.

This newsletter includes updates on the various policy issues before the Board of the World Bank Group (WBG) in recent months. Uneven vaccine access risks creating a two-track pandemic. There is significant divergence in vaccination rates and challenges for effective deployment in our constituency, from remoteness to vaccine hesitancy. While many countries have relied upon bilateral assistance with their vaccine efforts, the WBG has been supporting countries to purchase and distribute vaccines and has played a significant role as a global convener to address the supply problem, improve access to information, and coordinate amongst international organizations. In the coming months, WBG assistance could develop technologies such as vaccine passports, which are vital for re-opening borders to tourists.

I will be looking for deep collaboration between the WBG and the IMF to support member countries on debt sustainability, transparency, and on climate change. With the allocation of \$650 billion of Special Drawing Rights to supplement international reserves, a collaboration between the WBG and Fund on the proposed Resilience and Sustainability Trust for channeling SDRs to countries most in need is essential. There are also many small ways that WBG and IMF teams on the ground can work together to reduce the transaction costs in client countries.

Finally, we have had a few staff changes in the office. We farewelled Mr. Warwick White, Senior Adviser from New Zealand, and Mr. Ulziisaikhan Dash, Adviser from Mongolia, welcomed Ms. Sarah Short, Senior Adviser from New Zealand; Mr. Chance Douglas, Senior Adviser from Palau; and Mr. Luyna Ung, Adviser from Cambodia.

The Bank is uniquely positioned to work with you to navigate the challenges ahead through its combination of financing, technical assistance, and knowledge. I've continued to press issues at the Board that matter to your countries, like climate change, the vulnerabilities and challenges of small island states, and the need for advice and instruments to be tailored to each country's local context. Please do not hesitate to reach out to me, the relevant adviser in the office, or your local country representative if your needs are not being met or you want to discuss an issue.

Nigel

DEVELOPMENT COMMITTEE

The Development Committee (DC), a ministerial forum representing 189 member countries of the WBG and the International Monetary Fund (IMF), met on October 15, 2021. The Chair, Hon. Mia Mottley, Prime Minister of Barbados set out the challenge for the DC: business as usual is no longer an option. Today over 70% of the poor live in MICs; the pandemic has led to development reversals of at least one or two decades and has highlighted a group of countries often unnoticed, those dependent on travel and tourism.

WBG President Malpass spoke to the profoundly challenging time of upheaval and the sense of frustration across the Annual Meetings with the progress in facing these challenges. Failure to address the stark reversal of development gains would leave us with decades of regret. He highlighted the efforts of the Bank since April 2020 in its most significant ever response, covered further in this newsletter, and the focus is now on a green, resilient, and inclusive development (GRID) approach.

IMF Managing Director Georgieva spoke to the emerging divide, with advanced economies benefiting from vaccine rollouts and recovering economies. In contrast, developing economies face high COVID cases, low vaccination rates, and slow growth.

Governors echoed the concerns about the unequal response and recovery pathway for COVID-19, with many urging the WBG to do more on climate while not losing sight of the twin goals and SDGs as it operationalizes the GRID approach.

In its Communique, the DC urged the WBG and IMF to leverage global partnerships in responding to the pandemic. The Committee:

- called for the WBG to continue providing flexible, rapid financing for the most vulnerable, including small states and situations of fragility, conflict, and violence;
- encouraged the WBG and the IMF to continue their efforts to strengthen debt transparency and debt management capacity while working to address debt and fiscal sustainability; and
- asked the IMF and the WBG to collaborate to help countries make the best use of their SDRs, support and coordinate voluntary SDR channeling efforts, and magnify the benefits for vulnerable countries.

Our constituency was represented by Hon. Michael Sukkar, Australian Assistant Treasurer and Minister for Housing. The Constituency Statement commended the Bank's continued efforts, scale, and speed. He stated the pandemic had highlighted the vulnerability of SIDS, and concessional financing for the poorest and most vulnerable is critical. He noted concern about the risks to debt accumulation and looks to ongoing collaboration between the WBG and IMF on debt transparency.

The next meeting of the Development Committee is scheduled for April 22, 2022, in Washington, DC.

THE WORLD BANK RESPONSE TO THE PANDEMIC

Since the onset of the COVID-19 pandemic in April 2020, the WBG has delivered \$157 billion of support to developing countries through June 2021 to fight the pandemic's health, economic, and social impacts.

This was the largest and fastest emergency financing response in WBG history, far exceeding the response during the global financial crisis. IBRD/IDA commitments amounted to \$98.9 billion, of which \$54.7 billion was directly for the COVID-19 crisis response, including support for macro-economic stability, institutional reform, better debt and financial management, and opportunities for low-carbon development. Health finance of nearly \$11 billion has been committed since March 2020. The IFC deployed \$8 billion in fast-track financing, intended to sustain businesses, preserve jobs, and help the private sector to contribute to the recovery. MIGA launched a \$6.5 billion facility to support private sector investors and lenders in tackling the pandemic, redirecting MIGA's capacity toward the urgent purchase of medical equipment, working capital for small and medium enterprises, and support for governments' short-term funding needs.

Over \$56 billion of IDA resources have been deployed on grant and highly concessional terms. Of these commitments, \$16 billion went in assistance to poor countries at moderate or high risk of debt distress, \$19.9 billion went to fragile and conflict-affected states, and \$1.3 billion to small states. Several members of our constituency have benefitted from emergency response health projects and other investment loans and development policy lending, including Cambodia, Kiribati, Marshall Islands, Mongolia, Papua New Guinea, Samoa, and the Solomon Islands. The pandemic catalyzed new interest from some countries in the constituency in social protection systems, an essential mechanism for protecting the vulnerable from economic shocks during the crisis, and vitally important for building resilience and human capital development for the recovery ahead.

POLICY ISSUES

VACCINE UPDATE

Single-digit vaccination rates in most low-income countries underline the urgency of vaccinating populations in the face of the third wave of the pandemic. The WBG's vaccine response has focused on the institution's comparative advantages: finance at scale, its role as a global convenor, and its leadership on analytics. The critical constraint has been aggregate supply and getting surplus vaccines to countries in most need.

The Bank built upon its initial COVID-19 health response with a \$12 billion financing package to help low- and middle-income countries purchase and distribute vaccines, tests, and treatments and strengthen national systems for public health preparedness. Considering the expectations of a surge in the availability of vaccines in 2022, a further \$8bn has been added to the vaccine envelope (to \$20 billion). Under its Global Health Platform, the IFC supported the expansion in the manufacturing of vaccines, including deals with South Africa's Aspen Pharmaceuticals, the Pasteur Institute in Senegal, BioE in India, and Fosun Pharma in China. The Bank has also partnered with COVAX on a new financing mechanism that will allow COVAX to make advance purchases – beyond the fully subsidized doses from donors to speed up the vaccine supply.

To date, the Bank has committed almost \$6 billion in vaccine finance to 60 countries. The Bank's finance may be used flexibly to acquire vaccines purchased through advance purchase mechanisms like COVAX, directly from approved manufacturers, or buy excess stock from other countries. While many countries in our constituency have relied upon bilateral partners for vaccine acquisition and distribution, Mongolia, Cambodia, and Papua New Guinea are implementing vaccine projects. WBG finance and technical assistance have been used for health system strengthening, to help effectively deploy vaccines, or to support citizen and community engagement to address vaccine hesitancy.

The World Bank President responded to the need for transparency and global coordination by convening and chairing the Task Force on COVID-19 Vaccines, Therapeutics, and Diagnostics for Developing Countries, including the heads of the World Health Organization, World Trade Organization, and the International Monetary Fund. This Task Force aims to identify and resolve finance and trade impediments to vaccine production and deliveries. It also provides a mechanism to advocate on behalf of developing countries: with vaccine manufacturers in prioritizing available doses, and to argue that countries with surplus doses should release these for use by developing countries. The Task Force launched a new [website](#)¹ that includes the first phase of a global database and country dashboards on vaccines, therapeutics, and diagnostics to guide their work and advocacy, illuminating specific gaps country-by-country. The Bank has also engaged with manufacturers on vaccine purchase, supply, and delivery while reviewing contracts with a fit-for-purpose approach to ensure value for money, transparency, and integrity.

Donations of excess doses, expansion of manufacturing capacity, approval of new vaccines, and offers from COVAX and AVATT are expected to mitigate the challenges of aggregate supply later in FY22.

ADDRESSING DEBT VULNERABILITY

In response to the increased risk of debt distress, the WBG and the IMF continue a multi-pronged approach to helping countries achieve and maintain debt sustainability to support borrowing countries in strengthening debt management capacity, fiscal sustainability, and debt transparency. IDA's Sustainable Development Financing Policy (SDFP) focuses on tailored support for country-level performance and policy actions (PPAs) to address the drivers of country-specific debt vulnerabilities. Since the SDFP began implementing in July 2020, 55 countries have established 130 PPAs, including 16 PPAs in eight countries in our constituency. The FY22 PPAs' cycle is ongoing and aims to prepare PPAs in 60 countries based on the lessons learned in its first year of implementation.

The WBG and the IMF provide technical support to the G20's Debt Service Suspension Initiative (DSSI) and the G20's Common Framework for debt treatments (CF). The DSSI, which immediately provides temporary liquidity relief, has helped 48 countries to defer their debt service of more than \$12 billion and will expire at the end of December 2021. Of our ten constituency members eligible for DSSI relief, Papua New Guinea and Samoa have submitted a request to participate. The CF can be used to address a wide range of sovereign debt challenges by providing a deep debt restructuring, including possible debt reductions and rescheduling where necessary. Our ten constituency members eligible for the DSSI relief are also eligible to request support under the CF. Refer to our [website](#)² for further information on the WBG's support of the G20's initiatives.

CLIMATE CHANGE

In July 2021, the Bank launched its new Climate Action Plan 2021-2025. The plan is underpinned by three principles: people, nature, and partners. People are at the center of climate action and need support in managing the transition and changes with climate-focused policies. Conserving natural capital, including biodiversity and ecosystem services, is critical for mitigation and adaptation efforts. Lastly, partners are crucial to success.

¹ <https://www.covid19taskforce.com/en/programs/task-force-on-covid-19-vaccines>

² <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>

The WBG aims to assist countries in navigating crisis response, recovery, and growth and mainstreaming climate action in their development strategies. It will support climate action as a vital element of a broader green, resilient, and inclusive development (GRID).

The action plan will be operationalized through three pillars:

- **Aligning climate and development**, including climate and development diagnostics, planning, and policies; alignment with the Paris Agreement; and climate finance and impact.
- **Prioritizing key systems transitions** in the five key areas of energy; agriculture, food, water, land, cities, transport, and manufacturing.
- **Financing to support the transitions** by boosting client countries' public domestic resources; mobilizing and catalyzing private capital; and concessional finance.

Country Climate and Development Reports (CCDRs) will analyze the interplay between development and climate. They will provide an analytic base to inform key planning documents like the Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF).

The WBG will increase its programmatic support for the transition away from coal in client countries. This involves accelerating the closure and repurposing of coal mines and coal-fired power plants, while promoting a just transition. This involves consideration of distributional effects and the promotion of new sources of employment and economic growth for affected people and communities, while displacing coal through increased energy efficiency, low-carbon fuels, and substantial scaling-up of renewable energy investments.

The WBG has increased its target for climate co-benefits to 35% by 2025 and, by July 1, 2023, will align all new operations with the Paris Agreement.

UPDATE ON FCV POLICY AND OPERATIONS

In recent years, the WBG has stepped up its engagement in situations of fragility, conflict, and violence (FCV), where more than half of the world's extreme poor are predicted to live by 2030. In early 2020, it launched its Strategy on Fragility, Conflict, and Violence 2020-2025 to enhance the WBG's effectiveness in working with countries to address the drivers and impacts of FCV and to sharpen the focus on four areas: conflict prevention, staying engaged in situations of conflict, helping to support transitions out of conflict and mitigating the spillover effects of FCV.

The Bank has since implemented a range of measures for more effective engagement in FCV contexts, including a tailored financial architecture and an updated policy and operational framework (Operational Policy 2.30) for the first time in 15 years. Our constituency has benefited from the financing innovations, including a significant scaling up of finance to small states and FCV in IDA18 and IDA19, new financing windows, and a range of policy commitments. Among COVID-19 emergency response projects, IDA financed 167 projects with \$15.8 billion out of \$42.6 billion in these countries. The Strategy and the WBG's work in this area have been the subject of a positive forthcoming review by the Independent Evaluation Group.

Apart from policies and programming, the Bank is also undertaking several personnel reforms (decentralizing staff, training them to work in FCV contexts, and making such work a pivotal part of a career in the WBG) and deepening its partnerships (including those with UN agencies and other international organizations). Finally, the WBG is a global convenor and thought leader on conflict and

development. New analytical work is examining how the Bank engages on FCV in middle-income countries.

In the wake of the pandemic, we have seen an uptick in conflict and political instability globally, with many situations leading to humanitarian crises. In our region, the Bank has temporarily suspended operations in both Myanmar and Afghanistan.

FINANCE AND GOVERNANCE

IDA19 UPDATE AND IDA20 REPLENISHMENT

IDA has delivered a swift and agile response to the pandemic, providing large positive net financial inflows for IDA clients without increasing debt vulnerabilities. Around \$56 billion of IDA financing has been delivered since April 2020 in various areas, from vaccine deliveries to remote learning and from social safety nets to structural reform. Almost half of the IDA19 resources were committed during its first year (FY21), and the overall demand remains very strong in FY22, with management assessing it to be above \$35 billion.

A decision was made in January 2021 to advance the twentieth IDA replenishment (IDA20) by one year to avoid significant financing gaps. Participants in the second meeting of IDA Deputies in June encouraged Management to build in additional balance sheet optimization measures to leverage donor contributions of \$24.9 billion to enable a higher financing volume beyond a \$90 billion IDA20 replenishment target. The thematic pillars of replenishment focus on human capital, climate, jobs and economic transformation, gender, and fragility conflict and violence. Debt, governance, crisis preparedness, and technology form cross-cutting areas.

The IDA20 replenishment will conclude in December 2021 with a policy and financial package to support 74 countries between July 2022 and June 2025 to emerge from the crisis on a path to more resilient, low carbon, and inclusive development.

IDA VOTING RIGHTS REVIEW

The IDA Voting Rights Review was concluded in September, achieving unanimous Board consensus for an updated framework, the first half a century. As Chair of COGAM, this office worked closely with Vice President for Development Finance, Akihiko Nishio, and his team to provide all shareholders with information and scenarios to achieve compromise. The new framework improves IDA's financial strength by incentivizing contributions from new and existing donors and improving the outdated framework, which was complex and did not reflect the current profile of IDA members. Fundamental changes include simplifying IDA member status as either recipient or non-recipient (a shift from the Part 1 and Part 2 approach), a flat vote price for all votes, and boosting recipient voting power. The framework ensures members transitioning from recipients to non-recipients are not disadvantaged and represents a compromise, as all members made trade-offs to strengthen IDA.

IBRD SHAREHOLDING REVIEW

Governors agreed to five-yearly shareholding reviews of IBRD and IFC in 2010. The first review in 2015 resulted in a set of shareholding principles to achieve an equitable balance of voting power and a timeline for future work on the ‘Dynamic Formula’ to benchmark IBRD shareholding and the ‘Forward Look’, that underpinned the capital package increase in 2018. The second regular review commenced in 2020 but did not recommend a change in shareholding, as there was not sufficient consensus for a change.

VOICE SECONDMENT PROGRAM

The Voice Secondment Program (VSP) was initiated in 2004 by the Executive Directors (EDs) of the WBG. Their goal was to promote the capacity-building of government officials from client countries in WBG-operational policies, procedures, and instruments and strengthen the dialogue between the capitals and WBG operational teams and EDs’ offices. Some alumni of the VSP have gone on to occupy key government positions in their respective home countries and various international organizations.

This year’s VSP cohort comprises 32 secondees, of whom 23 are women. Out of the 32, four VSP secondees are from our constituency: Tuvalu, Solomon Islands, Papua New Guinea, and Kiribati. Currently, the VSP secondees are attending a set of WBG operational training via a virtual platform because of pandemic-related travel restrictions.

There are plans underway for recruiting the next cohort. Typically, VSP begins advertising, recruiting, and accepting new rounds of applications around March. In 2022, the pandemic path will need to be taken into account in designing the specifics of the program.

