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# ANNUAL REPORT

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FISCAL YEAR  
2021-2022

**WORLD BANK GROUP – EAST ASIA / PACIFIC CONSTITUENCY  
OFFICE ANNUAL REPORT FY 2021-2022**

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### FOREWORD FROM EXECUTIVE DIRECTOR

Colleagues,

Greetings! I hope that our newsletter finds you and your families in good health. We have just completed our first Annual Meetings in person since the onset of the pandemic. It was wonderful to see so many of you in Washington after three years, especially after the very difficult period we have endured. But just as we start to travel and connect, we face a world in crisis, an increasingly gloomy outlook as risks materialize, growth decelerates and the risks of a global recession rise.

The Annual Meetings provided an opportunity to reflect with peers on the difficult times we face. The world is experiencing one of the largest shocks to global food and energy markets in decades, hitting a global economy already weakened by the pandemic and facing pre-existing challenges such as climate change and biodiversity loss. There has been a sharp rise in extreme poverty globally, the first decline in the global median income since measurement began, and the scarring impacts from the pandemic on human capital formation and productivity will be a challenge for decades to come. Geographical isolation has not protected many countries from inflation; heavy debt burdens; weak trade in goods or the tightening of financial conditions. I am sure that some of you are juggling multiple policy challenges. It is as difficult a time as I can remember during my professional life.

This newsletter includes updates on the various policy issues before the Board of the World Bank Group (WBG) in recent months. In FY22, the WBG deployed a record \$115b in support to countries including for the COVID response, for social protection of poor and vulnerable households, assisting countries tackle the food and energy price crises and other compounding shocks through financing, analytical work, advisory services, and risk mitigation instruments targeted at immediate crises without compromising long-term development. It delivered \$31.7b in climate financing; and mobilized \$13b in emergency financing from partners to respond to the war in Ukraine. We also saw greater cooperation on food security and nutrition among key international organizations, including FAO, IFAD, IMF, WFP and WTO. The Financial Intermediary Fund for Pandemic Prevention Preparedness and Response was established in record time in September, with financial contributions from all regions, including substantial contributions from countries in our constituency and from emerging market and developing economies. We also saw the release of the initial Climate Change and Development Reports, which hold substantial promise as a tool for countries to plan a path to carbon-neutrality, equitable energy access, adaptation and resilience. The CCDRs could potentially provide a valuable platform for finance and public investment for small island states and emerging market economies. Lastly, we saw a record amount of lending in this constituency during the last quarter of IDA19 and welcome the implementation of IDA20 in the coming years.

It has been an absolute privilege and honor to serve you over the last four years at the boards of both the World Bank Group and the Fund. In the Bank, I have been ably assisted by our Alternate Executive Director, Boosung Kang. We have tried our best to press issues that matter to your countries, including in particular the challenges faced by small island states in rebounding from the largest shock in their history, only to face this most recent energy and food shock. I hope that you will join me in warmly welcoming our new Executive Director, Il Young Park, who has had both a successful career in the Korean government and several years of experience at the WBG as staff and at the IMF Board. I am sure he will continue to advocate for your interests. Please do not hesitate to contact the relevant advisor in the office or your local country representative if you would like further information or if your needs are not being met.

Nigel

## DEVELOPMENT COMMITTEE

The 106<sup>th</sup> meeting of the Development Committee on October 14<sup>th</sup>, 2022, considered two papers: The Food and Energy Crisis: Weathering the Storm, and Achieving Climate and Development Goals: The Financing Question.

The food and energy crises are interlinked and require focus on three main objectives: 1) protecting vulnerable households and communities, including the use of targeted social safety nets; 2) tackling inefficiencies and distortive subsidies, through repurposing and targeting, and 3) maintaining trade flows and diversifying production.

Climate action remains as critical as ever, yet there are significant shortfalls in climate finance commitments. The Bank's analytical work at country level via the Country Climate and Development Reports (CCDRs) will help identify the most critical investments and policy choices countries must make. The Bank is also developing models to pool funding for the most impactful and scalable projects to reduce emissions, finance adaptation, and mobilize capital. This includes Scaling up Climate Action by Lowering Emissions (SCALE), a new partnership to assist the scale up of the monetization of carbon credits to partially finance and incentivize the climate transition.

As occurred for the first time at the 2022 Springs Meetings, agreement could not be reached on a communique, highlighting growing rifts across the international system. These divisions exacerbate the multiple, compounding challenges, and limit global cooperation to respond collectively.

The Chair's statement highlighted how the lingering effects of the COVID-19 pandemic and related public health and education crises, rising debt, climate change and biodiversity loss, food insecurity, energy-access deficits, fragility, conflict and resulting migration, supply-chain and trade disruptions have steepened the slowdown in global growth, and caused reversals in poverty reduction and a rise in inequality. It highlighted that, with fiscal space constrained by persistent high global inflation and increased borrowing costs, it is more important than ever to improve the efficiency and targeting of existing financial resources, and address inefficient and distortive subsidies, while protecting the most vulnerable. It also stressed the need for ongoing policy discussions at the Bank on how best to respond to multiple, compounding crises, without losing sight of longer-term climate action.

## POLICY ISSUES

### NAVIGATING MULTIPLE CRISES, STAYING IN THE COURSE ON LONG TERM DEVELOPMENT

Multiple crises – including rising inflation, Russia's invasion of Ukraine, large macroeconomic imbalances, and the shortages of energy, fertilizer, and food – are having devastating impacts in developing countries, exacerbating the damage to economies already weakened by the pandemic and pre-existing challenges. The links between the food, energy and water sectors have played out in adverse ways, while extreme weather events have reduced harvests and energy production. The effects of the high food, fuel, and fertilizer prices have rippled through the supply chains of an interconnected world, creating global disruptions, and battering incomes and livelihoods.

Developing countries face a grim reality. The biggest impacts have been felt by the most vulnerable populations, particularly women and girls, through adverse impacts on poverty, human capital development and productivity. Global poverty eradication efforts have stalled, with an estimated 70 million people

pushed into extreme poverty by the pandemic and global median incomes declining for the first time since measurements began in 1990.

*Navigating multiple crises, staying the course on long-term development: The World Bank Group's response to the crises affecting developing countries* sets the direction for the WBG's \$170 billion response over the period April 2022 – June 2023.

The WBG's response seeks to respond to crises in the short-term while remaining focused on long-term development. The four pillars to the response are:

- (i) *Responding to Food Insecurity* through immediate crisis response to provide urgent support and avoid long-term derailment of development prospects.
- (ii) *Protecting People and Preserving Jobs* to help mitigate the medium- to long-term impact of crises.
- (iii) *Strengthening Resilience* to be better prepared for any future crisis and challenges; and
- (iv) *Strengthening Policies, Institutions and Investments for Rebuilding Better* to utilize the opportunities the crises provide to improve long-term development outcomes.

Lessons learned from the COVID response include the centrality of the country engagement framework to be able to rapidly restructure and re-prioritize programs; that institutional capability is a necessary foundation for country response; and that building human capital supports capacity to respond to crises.

The composition of the \$170bn is as follows:

	<b>FY22 Q4</b>	<b>FY23</b>	<b>Total</b>
<i>IDA</i>	17.6	36.2	53.8
<i>IBRD</i>	14.5	36.5	51.0
<i>Trust Funds</i>	2.4	6.3	8.7
<b>World Bank</b>	<b>34.5</b>	<b>79.0</b>	<b>113.5</b>
IFC	13.0	35.0	48.0
MIGA	2.5	6.0	8.5
<b>WBG Total</b>	<b>50.0</b>	<b>120.0</b>	<b>170.0</b>

Over two-thirds of IDA financing will come from country allocations, complemented by IDA windows. This includes the Early Response Financing (ERF) from the Crisis Response Window (CRW). The CRW can provide up to \$1bn to support food and nutrition response in IDA countries in FY23.

This level of financing in FY23 will result in reduced financing available in out years for both IDA and IBRD, which will limit the Bank's ability to respond to any new crises.

While the WBG's approach matters, ultimately it is countries and their institutions that must respond to the compounding crises they face. We continue to encourage the Bank to focus on institutional strengthening, knowledge work, and existing relationships across key sectors to build country capacity to respond to crises.

## CLIMATE CHANGE

The Bank is in the second year of implementing the Climate Change Action Plan 2021-2025 (CCAP). In FY22 the Bank delivered \$31.7 billion in climate finance, representing 36% of total investment, above the 35% CCAP target. Nearly half (49%) is for adaptation.

A central commitment of CCAP is the delivery of Climate Change and Development Reports (CCDRs). To date the Bank has published four CCDRs covering eight countries, with another 20+ CCDRs to be published in FY22. Work has begun on over 24 CCDRs for FY23 (including Cambodia and Mongolia).

CCDRs hold promise as the Bank’s analytical centerpiece for a “whole of economy” approach that genuinely integrates climate and development in policy, operations, and partnerships -- a tool to help you plan a pathway to carbon-neutrality, equitable energy access, adaptation, and resilience.

The true value of CCDRs will rest on the extent to which their recommendations can be translated to government policy and guide climate investments. Our office is advocating for the Bank to start dialogue with you early, and to engage widely, based on emerging lessons around the importance of strong, early engagement with government and stakeholders, and the emphasis on formulating policy recommendations as well as estimating investment needs.

## **PANDEMIC PREVENTION, PREPAREDNESS AND RESPONSE**

A Financial Intermediary Fund (FIF) for Pandemic Prevention, Preparedness and Response (PPR) was established in September of this year, an important effort to ensure the world is better prepared for the next pandemic. The FIF has the potential to be at the center of a PPR system, fill a gap in the global health architecture, ensure investments in historically underfunded areas between pandemics, and promote coherence rather than competition and fragmentation in the global health architecture.

We are very pleased to see a wide range of donors, including those from emerging market and developing countries and philanthropies contributing to the fund, as well as from this chair Australia, Korea and New Zealand. The Governing Board includes equal representation of sovereign donors and potential implementing country governments, as well as representatives from foundations and civil society organizations. A Technical Advisory Panel of leading experts, chaired by WHO, will make recommendations to the Governing Board on the technical merits of proposals for funding.

The FIF provides a dedicated stream of additional, long-term funding that is important to strengthen the capacity of low- and middle-income countries to prevent, prepare for and respond to future pandemics. Coordinated support at the country level creates the conditions for a more systematic dialogue about domestic financing for PPR and aligns with domestic plans to address gaps in pandemic preparedness and strengthen health systems. The hope is that the Fund also provides incentives for countries such as yours to invest your own resources in PPR, and to help mobilize non-ODA resources, such as from philanthropies.

The WBG’s engagement builds upon decades of experience in strengthening health systems at country level, and the learning it has amassed during the COVID-19 pandemic, as it became a global convenor on vaccines, forged new partnerships within the global health architecture, led health analytics across 150 countries and executed a large health financing effort.

## **BUSINESS ENABLING ENVIRONMENT (BEE)**

The Business Enabling Environment (BEE) project is the Bank’s new instrument to assess the business and investment climate in economies, after the Doing Business project was discontinued in September 2021. BEE will assess the overall environment for private sector development, considering both the regulatory framework and the provision of public services that support the business environment. Indicators and scores will be organized across the life cycle of a business: opening, operating, and closing.

Since constituency members submitted feedback on the project earlier in the year, the project team has presented a concept note and held two seminars for ED offices to discuss the approach. Some shareholders have raised concerns about aggregate scoring (aggregating indicator scores to provide an overall country score) and have requested alternatives, such as only publishing the scores across topic areas. We support

aggregate scoring based on evidence from an evaluation of Doing Business which recognized the powerful motivational effect of reform indicators, noting the limitations of any single indicator set on its own, and advocating for integration with complementary analytic tools and indicators.

The most recent draft of the BEE concept note proposes excluding countries and economies with populations smaller than one million in the first three years of BEE. This would impact 35 Bank members, including all Pacific members except Papua New Guinea. Along with other representatives of small states, we are advocating for smaller members to be included, given the importance of supporting the business enabling environment in smaller economies.

## FINANCE AND GOVERNANCE

### IDA19 CLOSE AND IDA20 REPLENISHMENT

The final quarter of FY22 saw a record number of IDA19 projects and commitments approved by the Board, as many of you must have experienced first-hand. We look forward to the implementation of the \$93b IDA20 replenishment, given concessional finance is critical for responding to multiple crises, rebuilding fiscal buffers and resilience. The IDA20 policy framework's new human capital theme will be very important, and I encourage you to look at both physical and human capital investments during this replenishment. IDA's regional window is a potential source of additional concessional funds, which you should discuss with your local World Bank country or regional representative.

### CAPITAL INCREASE SUBSCRIPTIONS

#### Capital Increase subscriptions due by October 2023

In April 2018, WBG shareholders endorsed a transformative Capital Package for IBRD and IFC to set the WBG on a sustainable path to accomplish the ambitious strategy set out in the Forward Look. The Capital Package sets out a major shift in approach and scale of engagement to advance each of the four dimensions of the Forward Look agenda: Serving All Clients; Leading on the Global Public Goods Agenda; Mobilizing Capital and "Creating Markets"; Continually Improving Effectiveness and the Internal Operational Model. The Capital Package entails an implementation period that stretches from FY19 to FY30.

The 2018 Capital Package includes ambitious policy commitments and internal effectiveness measures supporting the four pillars of the Forward Look, as well as a package of financing measures, including both internal measures and a landmark capital increase for IBRD and IFC, to support implementation of the policy commitments. Financing measures includes (i) Capital increase of US\$60.1 billion for IBRD, with US\$7.5 billion paid-in and fully usable, and the remainder callable, through a combination of a selective capital increase and a general capital increase; and (ii) A US\$5.5 billion paid-in capital increase for IFC through a cash injection using a combination of a selective capital increase and a general capital increase. Almost all countries in our constituency voted to support the 2018 Capital Package.

The 2022 implementation Update of the IBRD-IFC Capital Package and the Forward Look shows how the WBG has delivered these commitments and progress on the long-term objective, even as the development context has changed significantly.

In this light, the capital increase is critical to allow IBRD and IFC to ramp up their ability to respond to the multiple global crises. As we are now in the last 12 months of the original subscription period for both the IBRD and IFC capital packages, member countries are encouraged to accelerate their subscriptions and



payments within the subscription periods. Timely subscriptions would serve to solidify the strength of the capital base as shareholders, the Board and management discuss how the IBRD in particular can do more to assist the membership address climate change mitigation and adaptation.

Please contact the office if you need more information about your country's subscription status.

## VOICE SECONDMENT PROGRAM



The WBG Voice Secondment Program (VSP) annually hosts 32 participants from its client countries for an enriching six month capacity-building program. Due to the pandemic-related border closures and travel disruptions, the selected VSP secondees for the 17th cohort in 2020 attended operational workshops and training from their respective countries in a virtual format. Some of the secondees for that cohort could not complete the program due to various factors, including Internet connectivity, ending up with only 25 participants successfully completing the program. Eventually, in May 2022, the 25 secondees were cleared to travel to Washington, DC to complete the residential portion of their assignments in various units across the Bank.



*Left to right:  
Ms. Silaati Tofuola, Mr. Barnabas Vote,  
Mr. Nigel Ray, Ms. Roddie Wada*

Three (pictured here with ED Nigel Ray) of the 25 participants were from our constituency countries so our Office played a part in facilitating their program. They were:

1. Ms. Silaati Tofuola Timo from Tuvalu
2. Mr. Barnabas Vote from the Solomon Islands
3. Ms. Roddie Wada from PNG



During the three-month in-person program, the secondees spent two weeks in our office, learning about its roles, functions, and activities and how these roles relate to the Board and Bank's fundamental objectives. The VSP program concluded in mid-August, with the awarding of completion certificates.

A nomination call for the 18<sup>th</sup> Cohort ended in mid-September 2022. The next cohort's program is scheduled to begin on January 9, 2023, through July 7, 2023.

