Statement by

Hon. Josh Frydenberg, MP
Treasurer of Australia

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On behalf of the constituency comprising Australia, Cambodia, Kiribati, Korea (Republic of), the Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu
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104th Meeting of the Development Committee
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Overview

As we come together today, eighteen months after the onset of the pandemic, the global recovery remains fragile and uneven across countries, regions and sectors. The optimism of the spring has given way to uncertainty about the pandemic’s duration, the risks posed by new, more transmissible variants of the virus, and divergent economic prospects and paths within and across countries. Uneven vaccine access leaves the specter of a two-track pandemic and the ongoing risk of new variants emerging. We remain encouraged by the scale and speed of the response from the World Bank Group (WBG), yet the needs in emerging market and developing economies remain vast.

While our region fared well in terms of health outcomes during earlier waves of the pandemic, some countries have been hard hit by the third wave, and many remain in economic crisis, with closed borders, severely stretched fiscal positions and some years away from a return to pre-pandemic per capita incomes. The scale of the crisis and its long-lasting effects will become more evident in the coming months and years, particularly its impacts on human capital accumulation. The most vulnerable in society have been disproportionately affected, including women and girls, people with disabilities, those in poverty and those working in the informal sector. The increase in global poverty for the first time in almost a quarter century, the reversal of a decade of development gains in some parts of the world, sluggish growth and rising inequality makes for less stable and secure societies.

Development Financing

Concessional finance is critical for rebuilding fiscal buffers and resilience for the poorest and most vulnerable countries. We welcome the progress since the Spring Meetings on an ambitious twentieth replenishment of IDA for supporting these states. We applaud the WBG Executive Directors for the outcome of the IDA Voting Rights Review and the spirit of compromise with which they approached the task of reforming the IDA voting rights framework for the first time in half a century. With the allocation of US$650 billion of Special Drawing Rights to supplement existing international reserves, we urge the Bank and Fund to collaborate on the proposed Resilience and Sustainability Trust for channeling SDRs to countries most in need, and to find new and complementary ways in which to work more effectively together. We would welcome the development of viable options for channeling SDRs through multilateral development banks.

Small States

The pandemic continues to underline the manifold structural vulnerabilities of small island states, such as the Pacific nations in this constituency, which have been amongst the hardest hit by the economic crisis and
remain susceptible to multiple shocks. Their narrow economic base has resulted in deeper recessions, especially in those countries that rely on tourism, and their rebound has been slower than other economies. In many small island economies, debt vulnerabilities continue to grow, constraining the capacity to invest in recovery and in climate action. Poverty is expected to increase for the first time since 2009, with high unemployment particularly amongst female workers disproportionately represented in tourism and other service sectors. Low vaccination rates in some countries impede the safe re-opening of economies and international travel.

We welcome the step change in the WBG’s engagement with small states over recent years and reiterate the need for flexible and tailored approaches to financing and technical assistance that take into account structural limitations, country circumstances and ongoing constraints in a largely virtual operating environment. The WBG should avoid overwhelming existing capabilities and maximize its role as convener and a source of advice and knowledge in response to the daunting development challenges faced by small states.

**Gender**

We remain deeply concerned about widening gender inequality. In recent decades, hard-won gains in human development, increased formal employment and greater political participation underpinned the increased well-being and empowerment of women and girls. Each of these gains has been adversely impacted by the pandemic, as has women’s security. As part of the response to this challenge, we strongly endorse the WBG’s work on social protection and human capital development.

**GRID and Climate Change**

As noted in the Boe Declaration by the Pacific Islands Forum in 2018, climate change remains the greatest threat to the long-term livelihoods, security, and well-being of the peoples of the Pacific. We welcome the WBG’s Climate Change Action Plan for 2020-2025, including the increase in its climate finance target to 35% and the commitment to directing at least 50% of climate finance for adaptation. Finance for adaptation is the priority for many countries in this constituency, to respond to both slow onset and acute disasters exacerbated by climate change. We call on the Bank for a more granular and practical approach to operationalizing the GRID agenda, while maintaining a strong focus on poverty reduction and inclusion.

**Vaccines**

The urgency of access to vaccination in developing economies, for saving lives and for economic recovery globally, is ever more apparent. We commend the WBG’s vaccine response, which has maximized its comparative advantages: finance at scale, addressing the shortage in aggregate supply through its role as a global convener and its leadership on knowledge. While many countries in our constituency have relied upon bilateral partners for vaccine acquisition and distribution, Mongolia, Cambodia and Papua New Guinea have vaccine projects under implementation to help effectively acquire or deploy vaccines, strengthen health systems, and address vaccine hesitancy where this poses a problem. We are pleased to see the IFC stepping up its support to expand the manufacturing of vaccines in Africa and Asia.

We encourage the Bank to continue to respond to the challenge of global co-ordination and transparency on the supply and distribution of vaccines in developing countries, including through convening the task force with the WHO, WTO and IMF. We welcome the WBG’s enhanced collaboration with other multilateral organizations, including UN specialized agencies as well as with Gavi/COVAX and AVAT, other multilateral development banks and pharmaceutical companies.

**Debt**

We remain concerned about the risks of debt accumulation in many emerging market and developing economies, which have been exacerbated by the pandemic. We strongly encourage ongoing collaboration
between the Bank and the Fund to strengthen debt transparency, enhance debt analytics, and support capacity development on debt and fiscal risk management. We encourage both institutions to support the G20 to ensure a smooth transition to more permanent debt treatments under the Common Framework.

In conclusion

In the short term, our prospects for recovery remain diverse, reflecting vaccine access and the immediate viability of pre-pandemic development paths. We live in a period of overlapping crises and radical disruption: from the pandemic to climate change and biodiversity loss, from economic crises to looming disruptions from technology, from shifts in global power to increases in violent conflict. Through its convening power, capacity for global and regional policy coordination, and its combination of finance, knowledge and technical support, the WBG is uniquely positioned to respond to this moment and the decade ahead.