



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

**ONE HUNDRED AND SIXTH MEETING
WASHINGTON, DC – OCTOBER 14, 2022**

DC/S/2022-0065
October 14, 2022

Statement by

**H.E. Jim Chalmers, MP
Treasurer of Australia**

Australia

**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**

Statement by

**H.E. Jim Chalmers, MP
Treasurer of Australia**

Australia

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

106th Meeting of the Development Committee

**October 14, 2022
Washington, DC**

Russia's invasion of Ukraine continues to take a massive humanitarian toll and adversely impact the global economy. We express our sympathy for the loss of life from this unprovoked and unjustified war and full solidarity with the people of Ukraine. We reiterate our call for a speedy and peaceful resolution through diplomatic channels and for greater international cooperation and strengthened multilateralism to prevent fragmentation and safeguard global peace and prosperity.

In an era of multiple compounding and converging crises, we face an increasingly uncertain and gloomy outlook as risks materialize, growth decelerates and the risks of a global recession rise. The rebound in 2021 has been followed by one of the largest shocks to global food and energy markets in decades, exacerbated by Russia's invasion of Ukraine, hitting a world economy already weakened by the pandemic and facing pre-existing challenges such as climate change, biodiversity loss, and geopolitical fragmentation that threatens global trade and co-operation. Inflation in advanced economies is at five-decade highs; debt burdens are heavy; trade in goods is weak and financial conditions are tightening sharply. The risks are very much to the downside. A crisis in development has been precipitated by multiple shocks, as we witness growing fragility and conflict across the globe. The biggest effects have been felt by the most vulnerable countries and populations, particularly women and girls, through adverse impacts on poverty, human capital formation and productivity.

The Bank's crisis response

We welcome the scale and speed of the WBG's unprecedented crisis response efforts since the onset of the pandemic, and its recent response to the interlinked shocks to food and energy markets -- including \$30 billion to address food insecurity, improve the efficiency of production and consumption in food value chains and bolster nutrition-sensitive social safety net systems. We are pleased to see greater cooperation on food security and nutrition among key international organizations, including FAO, IFAD, IMF, WFP and WTO.

The crisis in development

We are gravely concerned by the serious setbacks to poverty reduction efforts and rising inequality, with an estimated 100 million more people in extreme poverty as a result of the combined impacts of the pandemic and subsequent shocks, and the first decline in the global median income since measurement began in 1990. The SDGs seem ever more elusive. We are deeply concerned that school closures during the pandemic have led to huge learning losses, deepening the global skills and learning crises, and resulting in less productive workforces, more unequal societies and increased risks of social unrest. We commend the Bank's work with governments to reverse these trends through quick and decisive policy actions,

including targeted financial support for health, education, social protection and food and energy security for the poor and most vulnerable, key to ameliorating long-term scarring.

Small island states

The pandemic highlighted the manifold structural vulnerabilities of small island states, such as the Pacific nations in this constituency. While many countries successfully saved lives by delaying the arrival of COVID-19 through timely border closures, the same policies had severe impacts on their economies. Further, the geographic isolation of Pacific Island countries did not protect them from the recent food and energy shocks. Many remain in economic crisis, with stretched fiscal positions and increased poverty and are years away from a return to pre-pandemic per capita incomes. Debt vulnerabilities continue to grow, constraining the capacity to invest in recovery, climate action, human capital and productive infrastructure. We commend the WBG's continued innovations with small states over recent years and reiterate the need for flexible and tailored approaches to financing, technical assistance and debt that take into account structural limitations and do not overwhelm existing capacities. We look to the WBG to provide thought leadership for these countries facing daunting development challenges, as current economic models are unlikely to be viable into the future.

Development finance

We look forward to the implementation of the \$93 billion IDA20 replenishment, given concessional finance is critical for responding to multiple crises, rebuilding fiscal buffers and resilience for the poorest and most vulnerable countries, including those facing conflict. The IDA20 policy framework's new human capital theme will be pivotal.

Fragility, conflict and violence

Fragility, conflict and violence (FCV) have increased globally, including amongst some of IDA's largest borrowers, with implications for how the WBG operates – its risk management at the global and country portfolio levels, as well as modalities and partnerships. While we applaud the implementation of the FCV Strategy, and the scaling up of the WBG's financing, analytical work and convening in recent years, there will need to be yet another step change in the context of a deteriorating global context, with heightened political, governance, fiduciary and reputational risks. While we welcome a 'people centered approach' in deteriorating situations, the WBG needs to find more systematic ways to deal with persistent and episodic crises, while still addressing longer term development needs. It needs to be even-handed in its approach to comparable situations, and we would welcome stronger communication, transparency and candor to explicitly articulate trade-offs in the most volatile and sensitive contexts.

Pandemic prevention, preparedness and response

We welcome the establishment of the Financial Intermediary Fund for Pandemic Prevention Preparedness and Response. We are very pleased to see financial contributions from all regions, including substantial contributions from emerging market and developing economies. We trust that the WBG builds upon the leadership and convening role it played during the pandemic. While much of the world has shifted to the managed endemicity of COVID-19, some countries in our constituency have struggled with the resurgence of infections as the deployment of vaccines, therapeutics and diagnostics faces continued challenges.

Climate Change

As noted in the Boe Declaration on Regional Security by the Pacific Islands Forum in 2018, climate change remains the single greatest threat to the long-term livelihoods, security and well-being of the peoples of the Pacific. We welcome progress on implementation of the WBG's Climate Change Action Plan for 2020-2025, supporting a just transition to a low-carbon economy and improving the enabling environment for public and private climate finance. We applaud 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. They embody a “whole of economy” approach that integrates climate and development in policy, operations, and partnerships. Finance for adaptation and disaster risk reduction is the priority for many countries in this constituency, to prepare for both slow onset and acute disasters exacerbated by climate change. The CCDRs could potentially provide a valuable platform for finance and public investment for these countries. More broadly, the WBG’s leadership and advocacy remains imperative, including in its contribution to COP27.

Global public goods and the Capital Adequacy Framework

The work on pandemic preparedness and climate change places the WBG at the center of collective action efforts on global public goods. So that it can better respond at scale to emerging global challenges that transcend country borders, and the evolving needs of clients, we look forward to working with Management in the process of updating the WBG’s strategic priorities, potential operational models and options for bolstering financial capacity. We look forward to an expeditious and ambitious response to the recommendations of the Independent Review of MDB Capital Adequacy Frameworks (CAF), commissioned by the G20.

Debt

We are very concerned that tighter global financial conditions will induce debt distress in emerging market and developing economies. We strongly encourage ongoing collaboration between the Bank and the Fund to strengthen debt transparency, enhance debt analytics, provide tailored policy advice and support capacity development on debt, fiscal policy and public investment management. We also encourage the Bank and Fund to provide the requisite support, within their mandates, for implementing the Common Framework for eligible countries in need of debt restructuring. We reaffirm the importance of joint efforts by all actors, including private creditors, to work to enhance debt management and transparency, and welcome the WBG’s ongoing work to improve data accuracy and the timeliness and comprehensiveness of reporting.

In conclusion

The prospects for sustainable development for many developing countries appear under grave threat. The continued uptick in poverty and inequality, in addition to food and energy insecurity makes for less stable and secure societies. Geopolitical risks challenge the ability of the world to address structural challenges such as climate change and sovereign debt resolution. Multilateral co-operation becomes ever more important, with the WBG being uniquely positioned to make a significant contribution.