



**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)



**SEVENTY-SEVENTH MEETING**  
**WASHINGTON, DC – APRIL 13, 2008**

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April 13, 2008

**Statement by**

**Mr. Wayne Swan, MP,**  
**Treasurer of the Commonwealth of Australia**

**On behalf of Australia, Cambodia, Kiribati, Republic of Korea,  
Republic of Marshall Islands, Federated States of Micronesia, Mongolia,  
New Zealand, Republic of Palau, Papua New Guinea, Samoa, Solomon  
Islands and Vanuatu**

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**Strategic Overview**

Recent world events have underlined the importance of promoting robust and sustainable growth to share improved standards of living. They also highlight that the poor remain the most vulnerable to developments in the world economy and climatic catastrophes.

We have passed the half way point on the Millennium Development Goals. The need for a renewed effort in order to achieve the goals by 2015 is clear. We currently risk not meeting six of the eight targets by a considerable amount.

The World Bank Group is well positioned to assist developing countries achieve their goals by using its resources to introduce new ideas and to leverage the private sector and other development partners. The increased emphasis of the World Bank businesses on operating as a group and building internal and external partnerships is already yielding positive results.

In this regard, we welcome the progress made within the WBG in the last six months. However, we also note that we need to build upon these efforts if we are to meet the goals we have set for ourselves. The strategic framework has been further elaborated and the resource implications are becoming clearer in the Budget process. We endorse the current approach to reallocate resources to higher priority areas and also to increase income flows to provide additional development resources. To achieve optimum results going forward, the Bank needs to align its organizational structure to support the strategy.

We look forward to the evolution of how the strategic themes interrelate with both sectors such as infrastructure and cross-cutting issues such as gender.

**Constituency Developments**

The WBG is increasing its engagement with the constituency. In particular, we welcome developments in the Pacific region, including additional staff located in the region. The new PNG Country Assistance Strategy is a sign of improved quality of engagement.

We appreciate the more strategic approach to development in the constituency. This is evident in the improved coordination of IBRD/IDA businesses with the IFC, such as in Mongolia, PNG and Cambodia. We look forward to an increased IFC and MIGA presence Pacific-wide and are encouraged by recent interest in working in the region.

The WBG has also leveraged its effectiveness by working with other development partners in the region. We encourage the WBG to continue this approach, particularly given the increased development resources and initiatives expected in the region over the near term.

## **Overcoming Poverty in the Poorest Countries**

We are pleased that the Development Committee will examine the strategic theme of overcoming poverty in the poorest countries. We agree that there is a strong need for donors to focus on Africa, but we also point out that significant poverty still exists in the Asia Pacific region.

We agree that the Bank needs to be more innovative, nimbler and more accessible to its client base. We encourage the Bank to continue to identify new ways of working in producing innovative products, working at the sub-national level, and reducing the cost of its loan products.

We are also aware of the considerable opportunities and challenges that high commodity prices currently present, particularly for the poorest countries. For instance, countries benefiting from resource revenue windfalls have unique opportunities to invest in their development priorities. At the same time resource-poor countries are faced with escalating food and energy prices. We strongly support the Bank's focus on these issues in the context of current market conditions.

## **Fragile States**

We are also pleased to see that the issue of fragile states is part of the DC agenda. We agree strongly that this should be a priority for the Bank. There are special challenges in helping fragile states to meet their development aspirations. There are challenges of managing significant resource flows including recent windfall gains; large numbers of underemployed (especially youth); the breakdown of service delivery functions; and endemic corruption. Many fragile states are in or have recently been in conflict, which poses additional challenges to state-building.

We also note that fragile states are often the most vulnerable to climate change and climate variability, due to the inability of the state to provide protection in case of natural disasters or long term climate change. This is particularly the case for small island states such as those in the Pacific.

The Bank is well placed to apply its resources, tools and knowledge to the agenda. We welcome the placement of the fragile states agenda into one thematic network as it deserves a specific focus.

We appreciate the frank assessment within the Bank that this area needs much greater research into challenges, but also more resources on the ground. We also appreciate that it is important to get right the incentives for attracting staff to fragile states. This is much more than just salaries and promotion prospects, but goes to ensuring that staff have sufficient autonomy on the ground to make decisions, while also receiving sufficient management support for their work.

## **Voice and participation**

We believe that the discussion of voice and participation should be framed to include the interests of all shareholders. For some countries the issue is a re-alignment of voting interests. Recognizing that the re-alignment of IMF quota is to be finalized soon, the Bank should work steadily towards consensus on quota issues as part of a broader suite of initiatives improving the voice and legitimacy of all developing countries.

The most important way that the Bank can ensure that the voice of the poor and marginalized is heard within the Bank is to ensure that developing countries, particularly smaller countries, are better served by the Bank. Important factors from this perspective are the quality of the Bank-country relationship, the standard of service, and the accountability of Bank management. In this light, the growing complexity of aid architecture, particularly in relation to Climate Change, needs to be monitored.

## **Organizational Effectiveness Reform**

We are seeing many positive elements of internal organizational reform, which are important elements of Bank effectiveness for its clients. Bank instruments are being retooled, innovation encouraged, along with better loan pricing.

There is still much work to simplify process steps and documents in decision making – something the Board shares responsibility for. There is also much work to be done on reducing the red tape within the Bank. The Bank is advancing on its Paris Declaration agenda, with an appropriate approach to the use of country systems. We look forward to the roll out of the Governance and Anti-Corruption work, as well as the INT policy and practice changes.