



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-EIGHTH MEETING
WASHINGTON, DC – OCTOBER 12, 2008

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Statement by

Mr. Suchart Thada-Thamrongvech

**Minister of Finance
Thailand**

**On behalf of Brunei Darussalam, Fiji, Indonesia, Lao People's
Democratic Republic, Malaysia, Myanmar, Nepal, Singapore,
Thailand, Tonga and Vietnam**

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**H.E. Dr. Suchart Thada-Thamrongvech
Minister of Finance
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**Representing the constituency of Brunei Darussalam, Fiji, Indonesia,
Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam**

78th Development Committee Meeting

Washington, D.C., 12 October 2008

We welcome the 78th Meeting of the Development Committee and acknowledge the ongoing efforts of the Bank to fulfill its mandate through development programs that foster the economic progress of its member countries.

We are aware that the oil and food crisis as well as the current financial turmoil, and other emerging issues like climate change have presented great challenges for the global economy. These challenges have begun to hinder the economic development of many countries and bring to the forefront, the role of the Bank as a key development institution. As members, we look forward the Bank for leadership and guidance in addressing these issues. We therefore call on the Bank to ensure that prompt and appropriate action is taken to assist members withstand the pressures of these global challenges so that recent economic gains of countries are not negated.

Recent economic development and their effect on long term growth and overcoming poverty: the role of the World Bank and the IMF in protecting the vulnerable.

Assessments have revealed that a concerted global effort is needed to address the significant impact of the food and oil crisis on countries, particularly the poorest. We acknowledge the Bank's timely efforts in responding to the immediate needs of member countries that have been severely affected by the food crisis alone. We also appreciate the Bank's Global Food Crisis Response Program and additional measures that will help countries counter the effects of the food crisis. However, the high food prices are expected to persist over the medium term, which could put more communities at risk. In this regard, we believe that the World Bank should consider scaling-up ongoing efforts to ensure that its support is far reaching and continues to meet the needs of client countries.

With regard to high oil prices, we welcome the Bank's response in providing countries with technical and policy advice, as well as financial support to improve and diversify the supply of energy and also rationalize its pricing. At the same time, we urge the Bank to make further progress on developing a more coordinated response program to cushion the impact of high oil prices on the most vulnerable.

The combined effect of high oil and food prices have also contributed to inflationary pressures and deteriorated balance of payments positions. Many of the countries affected do not have the means to cope with these shocks and therefore, the World Bank and International Monetary Fund must step up to provide the necessary interventions. We also urge the Bank and the Fund to take necessary action to alleviate the possible contagion effects of US financial crisis on member countries.

Development and Climate Change - A Strategic Framework for the World Bank Group

We appreciate the Bank's move to bolster efforts on climate change in order to sustain progress toward achieving the Millennium Development Goals (MDGs).

We are aware that the impact of climate change is already being felt by both developed and developing countries. Even so, early mitigation will mean a lesser impact on countries that are likely to be most affected. We therefore urge the Bank, together with other multilateral institutions to join hands in managing this global public good, not only for the sake of economic progress but more importantly, for humanity.

Mitigating the effects of climate change will require an unprecedented scale of solutions in terms of financial support, technology, and capacity. More importantly, it will require political will and sincerity to take bold steps toward a concerted global effort.

We acknowledge the Bank's efforts to prepare a strategic framework for climate change as requested by the Development Committee in 2007. However, while we broadly agree with the framework, we have some reservations on the treatment of developing countries. We strongly contend that climate change mitigation should be a joint effort of both developed and developing countries, in line with the commitments of the UNFCCC, and the Bali Action Plan.

In this regard, we reiterate the need for developed countries to take a lead role in combating the adverse effects of climate change. This requires developed countries to provide new and additional financial resources to meet the costs of mitigation and adaptation incurred by developing countries. In doing so, the specific needs and special circumstances of developing countries, especially those particularly vulnerable, must be given due consideration.

Economic and social development and poverty alleviation are the first and overriding priorities of the developing countries. The extent to which developing countries will effectively implement their commitments relating to mitigation of climate change will depend on the effective implementation by developed countries of the commitments related to transfer of financial resources and technology

In regards to the Bank's financial support for climate change actions, we would not support the use of IDA replenishments. We believe IDA replenishments should be reserved for normal development programs and must not be diverted to address climate change issues.

Further, a concerted global effort on climate change requires unprecedented global cooperation and commitment to the Kyoto Protocol. This obstacle must be resolved if we are to fulfill our commitment to the cause. Another issue is the question of equity and fairness in a policy that requires North-South cooperation, particularly to deliver on the promised new and additional financing.

Climate change actions involve the development, deployment and diffusion of affordable technology. Hence, closer cooperation between developed and developing countries is of critical importance particularly in the area of technology transfer to developing countries. Technology transfer that relates to mitigation and adaptation to climate change should be made available to all developing countries. These include soft technology such as insurance schemes or crop-rotation patterns; as well as hard technology such as irrigation systems, drought-resistant seeds and sea defenses. We therefore call on the Bank to extend assistance to developing countries to access to these technologies at minimum cost.

Enhancing Voice and Participation of Developing and Transition Countries in the World Bank Group: Options for Reform

We welcome the progress on the Bank's reform to enhance voice and participation of developing and transition countries (DTCs) in the World Bank Group. In line with the spirit of the 2002 Monterrey Consensus, we believe that increasing voice and participation of DTCs is central to the Bank's reform. As such, we support the main objectives and the guiding principles set forth in the Bank's reform, to enhance the participation of all developing and transition countries in the Bank's governance; and to further enhance the legitimacy, credibility, and effectiveness of the World Bank Group. We trust that good governance practices of the Bank have been taken into account in the proposed reform options put forward in this meeting.

Indeed, the proposed reform should increase the voice of all DTC countries and its voting power in the Bank's governance. In this regard, we are of the view that the Bank's reform must lead to an increase in the voting power of the DTC group as a whole, as well as by individual country. To this end, developed countries should aim at the ultimate goal of Bank's reform to increase voice of all DTCs and its voting power instead of protecting their power. We contend that this guiding principle is essential to the Bank's reform. Nonetheless, we are concerned that doubling basic votes lead to only marginal increase of DTCs voting power.

While we support parallelism between the Bank and the Fund, we urge Management to take into account the different mandates of the two Bretton Woods institutions in formulating the voice reform. In this regard, we welcome the Bank's plan to complete a major review of IBRD shareholding that considers the evolution of all countries' relative weight in the world economy, as well as Bank-specific criteria. Nevertheless, the clearly defined and quantifiable variables must be taken into account.

Further, we contend that any realignment of shareholding should not result in additional financial burden to DTC members. As such we support the allocation of unallocated IBRD shares for subscription, to DTC members whose voting power are diluted as a result of the basic votes increase. However, this should be undertaken at no cost for these affected DTC countries.

We also welcome the proposed reform of IDA. At present a large discrepancy remains in the volume of IDA votes allocated and the actual distribution of IDA voting rights. To rectify the discrepancy, Part II members will have to fully subscribe to the allocated shares amounting to US\$20.1 million that could increase its voting power by 7.5 percentage points. As this subscription involves substantial financial implication, affected members should be allowed to access donor support to finance part or all of the US\$20.1 million, within the parameters of the Bank's good governance practices.

Considering the size of the Sub-Saharan African region, we support the establishment of a third Executive Director for the region, in addition to the existing 24 Chairs, as part of the Bank's reform package. However, the establishment must be cost neutral. A third chair would enhance Board effectiveness and, therefore, its implementation must be given priority.

We agree that the selection of the President of the World Bank Group must be conducted through a transparent, merit-based process that is open to all qualified nationals of member countries. This is significant for the Bank's reform and must be included as part of the reform package.

We are of the view that in the long term, as a step toward the concept of parity between developed and DTC members into Bank's governance, we suggest that a review of voice and participation in the Bank's governance is conducted periodically. This is to ensure that the voice for countries, whose weight in the global economy may be small but significant to the Bank's mandate, is heard.

To sum up, we reiterate the importance of the Bank's role in assisting member countries to cushion the impact of recent economic difficulties and ensure prompt action that meet the needs of members. On the Bank's reform, we would like to emphasize that the voting power of all DTCs, be increased. At the same time, increase in voting power should not result in added financial burden for DTCs. In addressing climate change, we view that developed countries should take a leadership role in meeting the costs of mitigation and adaption incurred by developing countries. Further, financing of climate change activities should not be included in the replenishment of IDA resources. Instead, separate funding resources should be made available specifically for climate change.

In closing, I would like to express my appreciation to the Board of Governors, Management and Staff of the Bank and the Fund for their efforts in promoting economic growth and poverty alleviation, as well as financial stability and in working towards resolving the difficult challenges that lie ahead.