



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

DC/S/2008-0046

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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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Overview

Current events demonstrate the need for strong international economic organisations and responsive development agencies.

We live in an interconnected world. Recent developments in global financial markets and the impacts on economic growth pose significant challenges to governments and the international community. While dealing with these urgent matters, it is also important not to lose sight of important medium and longer term development objectives.

None of the recent turmoil has alleviated the urgency of making greater efforts to achieve the MDGs. It has been clear over the past year that threats to achieving the Millennium Development Goals (MDGs) have been many, varied, and often sudden. Our development partners have faced a multiplicity of challenges that has tested them, their donor partners and multilateral institutions. Australia and our constituency are committed to targeting the economic and social causes of underdevelopment and will be active participants in the Doha Follow-up International Conference on Financing for Development.

A stable international system is crucial to sustainable development. The IMF and G20 will have a key role in promoting financial stability.

Constituency Developments

The World Bank Group has demonstrated a sharp increase in engagement with our constituency. On the ground presence of World Bank and IFC staff has increased along with visits to the region by the President and senior managers. An office is shortly to open in Honiara, in the Solomon Islands. We warmly welcome the secondment of World Bank staff to the Pacific Financial and Technical Assistance Centre (PFTAC). This fills a critical gap in analytical capacity and complements PFTAC's existing capacity. We see the proposed joint presence of the World Bank Group and Asian Development Bank in three countries as a very positive sign and welcome increased institutional collaboration to support regional initiatives.

We also welcome the operations and results of a greater Bank Group effort in the Pacific, Cambodia and Mongolia. We look forward to a fuller suite of IFC business lines and MIGA presence Pacific-wide and look forward to further updates on scaling up in the region.

Lastly, on constituency developments, we welcome the World Bank's efforts to mobilise attention and financing to address critical unmet needs, such as infrastructure. Initiatives in telecommunications, resource exploitation, risk management are promising steps at both country and regional levels. A vital element of this effort going forward will be the full and timely delivery of the expanded Global Environment Facility program in the Pacific.

Food and Fuel Prices

Volatility in fuel and food prices has been extreme and put great pressure on country and household balance sheets. The majority of countries in our constituency have experienced large terms of trade shocks. The Bank's convening role has been very constructive in developing a regional response to rising food and energy prices.

Of greatest concern is the impact of rising food prices on hunger and malnutrition, although we note that data sets on malnutrition and poverty for the Pacific region do not allow an assessment towards MDGs. All countries need to continue to improve their capacity to respond and adjust to high food and commodity prices. The incentives for developing countries to increase their investment in agriculture and food systems need to be strengthened in order to boost their share of global food output and trade. Completion of the Doha Round is therefore an essential element to tackle the crisis.

Strategic Framework for Development and Climate Change

Constituency Governors welcome the new strategic framework. This is an issue critically important to the constituency, in particular the low-lying Pacific atoll countries. Many of our constituencies are small contributors to greenhouse gas emissions, but are the worst affected to the extent that some islands may disappear.

We consider the strategic framework an important element of redefining the World Bank Group role in providing global public goods and managing global transboundary threats. It is appropriate that the World Bank Group define for itself and clients a complementary practical role. In its role the Bank Group can mobilize additional resources, support strong country ownership, and target specific interventions. Adaptation to climate change is the key challenge to our developing country constituency.

We therefore urge the Bank to continue analysis, policy dialogue, capacity building and operations in this area and look forward to specific reporting on results and emerging lessons learned into the medium term. In this regard constituency donors were very supportive of the Climate Investment Funds and Australia pledged significant resources to meeting these challenges.

Voice, participation, and internal governance

We thank management of the Bank for undertaking the task of compiling a package of voice and participation initiatives. The range of views and number of stakeholders made for a complex consultation and drafting process.

We support the proposed package to advance voice and participation of developing countries, although there are some elements with which we are uncomfortable. The proposed package is a first step, and while not delivering all that some shareholders want, will be a positive contribution to the wider discussion on global governance if adopted.

Voice and participation has several dimensions, including region, size and income levels. It is important that advances in one area do not lessen voice and participation for other developing country stakeholders. We believe a package advancing on a number of fronts balances many interests. We also agree that the proposed work program is a pragmatic way of dealing with what are essentially difficult issues, while allowing progress. Looking forward, realigning voting interests to reflect the increased economic weight of emerging economies will be fundamentally important to the long-term relevance of the Bank.

Improvements in the internal governance of the Bank group will improve voice by enhancing the ability of all shareholders to influence Bank policies and use of Bank resources. We consider this to be part of the overall voice and participation package, as it will protect the voice of small countries and will also complement additional voice for developing countries through the adoption of a third African Chair on the Executive Board. Such improvements have the potential to enhance voice, as well support the necessary adaptability and responsiveness of the World Bank in a globalizing world. These changes should proceed as part of the voice package.

Organizational Effectiveness

Our states and peoples must have confidence that our development organizations are fit for the numerous and grave problems we face. In particular, we will need a multilateralism that is inclusive and legitimate, soundly and accountably governed and managed, where resolve becomes results, and where assistance is responsive, flexible, and delivered by agencies and institutions working with a clear and common understanding of their comparative advantage.

In line with the strategic goal of modernizing multilateralism, we agree with observations made by President Zoellick and in Bank papers that improved organizational effectiveness is necessary if the Bank is to improve its aid effectiveness and expand its activities. We encourage President Zoellick, the Executive Board and management to work closely to meet this strategic challenge.

We welcome the further elaborations of the new strategic framework of the World Bank Group. There have been positive incremental shifts in the baseline budget to reflect the assigned priorities and to manage down efforts in areas of lesser comparative advantage. This process will necessarily be an ongoing one, and we urge the World Bank to continue its work on constructing a results framework to complement the strategic directions.