Statement by H.E. Dato’ Dr. Shafie Mohd. Salleh  
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Representing Brunei Darussalam, Fiji, Indonesia,  
Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand,  
Tonga and Vietnam
Mr. Chairman,

Fellow Members of the Development Committee,

Ladies and Gentlemen,

Introduction and Global Prospect

May we express our sincere appreciation to the Government and the people of Canada for hosting us at this very important meeting. The outlook for the global economy for the rest of this year and much of next year is bleak with growth of world trade expected to be less than 2 percent from more than 10 percent a year ago, and major commodity prices likely to reach new lows. Capital flows to developing countries aside from China are envisaged to decline, led by lower levels of foreign direct investment. Although the Asian financial crisis has abated, new financial crises are emerging elsewhere.

Impact on Southeast Asia Region

With the global slowdown accelerated by the tragic event of September 11, it is obvious that developing countries will face enormous challenges in the near future. It is also certain that the impact of this global downturn will vary from country to country depending on their linkages to industrial economies, their dependence on travel related industries, and the nature and levels of development that will determine the choice of instruments of support by the Bank. In our constituency, exports and growth for the Southeast Asia region, are already negatively affected, particularly those highly dependent on electronics exports, and the island economies dependent on tourism and primary commodities.

Growth in the region (inclusive of China) is expected to fall to 4.6 percent this year from over 7 percent last year. Worsening global conditions will mean that the timing of the growth rebound of the crisis-affected East Asia economies will be pushed back further. Economies that are dependent on high-tech exports like Singapore, Thailand and Malaysia are experiencing slowdown or decline in growth, cutbacks in employment and retrenchment of electronic sector workers.

Transition economies like Vietnam and Lao PDR, although less affected by the high-tech recession, are also vulnerable to this global slowdown being dependent on primary commodity exports and foreign investments. Island economies, like Fiji and Tonga, in the region, which rely heavily on commodity exports and tourism, are being hit by the slowdown and by the pullback in world tourism. In Indonesia, corporate restructuring efforts will be hampered by reduced foreign investor interest coupled with capital market inaccessibility. Painful as these developments are, with less growth, this prolonged downturn in the East Asia region will stall the pace at which poverty can be reduced.
Collaborative Efforts by International Community

The status of global economy warrants our collective efforts amongst nations and institutions in formulating the appropriate policies to restore confidence and stability to secure recovery. Relationships between developing and the developed countries will need to be strengthened with noble objectives and genuine partnership. Collaborative efforts and partnerships among multilateral development banks (MDBs) and donor communities will be crucial to ensure effective utilization of scarce resources at minimum cost through effective harmonization of operational policies and procedures to make aid more effective. We need to move ahead on implementation. We need to focus on outcomes and results. These two-day meetings of the International Monetary and Financial Committee (IMFC) and Development Committee (DC) are all the more relevant and important than ever, in our resolve to mitigate the impact of the global slowdown on the poorest and most vulnerable in our society.

Stability will require response measures to protect the most vulnerable in our society. In times of crises, we need to ensure that social safety nets are in place. Each society needs some form of social protection to tide the newly unemployed, take care of the elderly, the disabled and the children of those who cannot find work.

With this in mind, the importance and urgency of the Bank Group’s poverty reduction mission has never been greater and more challenging than it is today. With the Bank’s comparative advantage, we see it right for the Bank to be at the heart of the response along with our partners. However, we must resist a one-size-fits-all approach.

Poverty Reduction

In time of economic difficulties around the globe, poverty reduction efforts will be even more challenging. We have no illusion that it will be easy nor can it be done quickly. Those in poverty in the low-income countries are the most vulnerable. Unless we achieve significant poverty reduction, the world will become a more unstable place to live in.

In this context, we must encourage and assist the poor countries to choose reform paths to economic and social development that are known to work. We must pay attention to the people whom poverty reduction is intended to benefit. We have to assist them, invest in them, and empower them.

World Bank Group Instruments and Support

In our view, the World Bank Group is well equipped to help its client countries respond to these difficult times, to stay the course of reforms, raise productivity and promote growth for poverty reduction. There will be unprecedented demand for financial support in the wake of the slowdown, and we must ensure the Bank is ready and has the necessary resources to assist. The Bank has a wide array of instruments such as the Special Structural Adjustment Loan (SSAL) and Supplemental and Emergency Recovery loans, among others, to employ for meeting
assistance requirement. We also welcome initiatives by the Bank to develop alternative lending instruments such as the forthcoming deferred draw-down options and possibility of topping up of Highly-Indebted Poor Countries (HIPC) assistance to meet the urgent needs of our clients, and assistance by the International Finance Corporation (IFC) to assist the private sector, particularly the small- and medium-scale enterprises (SMEs). We expect that much of the additional demand for resources will be related to fiscal expenditure difficulties. This should be dealt with on a case-by-case basis without straining the risk-capacity level of the Bank to an unsustainable level.

It is obvious that with the increased uncertainty around the globe, foreign direct investment to developing countries will decline, slowing the pace of privatizations, increasing the difficulty of access to capital market, and further constraining development. International Development Association (IDA) and HIPC will have an important role to play in assisting client countries in these difficult times and we urge the Bank to be flexible in the use of these instruments for countries that are in need. To this end, we welcome the setting up of a Task Force on World Bank Assistance to poor performing low-income countries and we look forward to the progress on this front. We are happy that Singapore in our constituency will be making contributions to the IDA13 fund to assist poor countries. We also welcome IFC’s role in supporting corporate entities, including leveraging fund mobilization from the market, and Multilateral Investment Guarantee Agency (MIGA) for stepping up its effort in compensating for the contraction in private insurance market.

United Nations Financing for Development Conference

We are pleased to note the progress made so far at the UN in the preparation leading up to the Financing for Development Conference (FfD) in Monterey, Mexico next year. Today’s meeting provides a unique opportunity for us to guide further the FfD process.

FfD will have five themes: establishing a conducive environment for the private sector investment; integrating developing countries into the world trading system; operationalizing the International Development Goals (IDG) and Official Development Assistance (ODA) requirements to reach them; harmonizing the MDBs and bilateral donor policies and procedures; and financing for global public goods.

Establishing Conducive Environment for the Private Sector

The private sector is the engine of growth and prime mover of development while progress in tackling the challenges of globalization, development and poverty alleviation requires an appropriate blend of public and private cooperation. An enabling climate for investment remains critical to successful private sector-led growth and FfD could promote this process. The role of the State is to build this enabling environment to catalyze the markets and encourage inflows of foreign direct investments to supplement domestic investments in the financing of growth. Developing countries need a greater flow of foreign investments not only for economic growth but also to provide them the means and the capacity to service their debts. Needless to say, stability requires nurturing domestic investments through deepening of the financial and capital markets.
Integrating Developing Countries into the Global Trade

Free trade is vital for growth and poverty reduction and hence a key component of the FfD agenda. The growth of unfettered trade will create employment, income, wealth, prosperity and economic development.

While the global growth in trade has increased significantly during the last two decades, developing countries continue to face high levels of protection in developed countries, particularly non-tariff barriers and delayed implementation of trade access for their export products such as agriculture, clothing and textiles. The best way for the international community to support poverty reduction strategies of the low-income countries is by opening their markets to the exports of poor countries. In this regard, we note the launch of a new round of trade negotiation at the Fourth WTO Ministerial Conference in Doha last week and we welcome their intent to ensure that the needs and interests of developing countries are at the heart of their work program. The new trade round would be meaningful if developed countries address the market access issues and implement promises made to developing countries in the Uruguay Round.

On mitigating impacts of volatility of commodity markets, we urge the Bank to redouble its effort on commodity risk management work, which began two years ago. This is vital for economies that are dependent on a few export commodities.

Operationalizing the International Development Goals and ODA Requirements

It has been two years since the Millennium Declaration was issued but progress is not fast enough in many areas. We agree the two main factors of prime importance for development are sound policy and governance framework; and external financing. But while countries with reasonably good policies and governance should be the prime recipients of aid, we feel every effort should all the more be made to assist countries currently with poor policies to undertake the proper reforms, rather than to shun them. It is important to ensure that they receive adequate ODA flows, with appropriate level of flexibility and concessionality and for some debt relief to resolve a high percentage of their GNP being spent on debt service at the expense of economic and social expenditures.

Financing of Global Public Goods

The FfD also should address the financing needs for global public goods (GPG), which requires a global response and sharing of financial responsibility. We would like to renew our support for the World Bank continued involvement in support of the GPG, in particular on environment, communicable diseases and international financial architecture, which are affecting the global social and economic landscape.

HIPC / PRSP Progress Reports

We need to refocus on the HIPC initiative. The objective is not merely providing the debt relief, but more importantly on achieving growth and maintaining debt sustainability. Both HIPC
countries and the international community have a collective obligation to address poverty. It involves the whole spectrum of development, focusing on the sources of growth, competitiveness, requiring macroeconomic management and effective utilization of resources and of ensuring there is a steady stream of future revenues. For HIPC countries, it is important that saving from debt relief is appropriately channeled toward programs that facilitate economic and social progress for poverty reduction.

Since our last meeting, another four Interim Poverty Reduction Strategy Papers (I-PRSPs) and one Full PRSP had been considered, bringing the total to 38 I-PRSPs and five Full PRSPs to cover countries beyond Africa. The delay in developing Full PRSPs, however, underscores the need to assist I-PRSP countries in capacity building to formulate a comprehensive reform strategy that is built on poverty and social impact analysis based on reliable data. We look forward to the comprehensive review of the PRSP approach by the end of 2001. As a dynamic, living document with a long-term horizon, the PRSP needs to be evaluated periodically and adjusted accordingly.

**Progress Towards Education for All**

Human capital development is the key to poverty alleviation. The World Education Forum in Dakar, two years ago, called for universal primary school enrolment, with gender equality in primary and secondary enrolment, and reduced adult illiteracy levels by half, all by 2015. We must ensure that no country should fail for lack of resources. Thirty-two countries are at risk of failing to reach the education for all (EFA) goals by 2015. One out of every five school-age children in developing countries does not attend school. In sub-Saharan Africa, South Asia and the Arab States, nearly 100 million children, more than 60 percent of them girls, are not in school. The task is simply too large for UNESCO alone to undertake. Government and private sector organizations, as well as bilateral and multilateral donors are equal partners in building effective strategies for educating the poor. We welcome the heightened interest of the Bank in education and to reverse the declining trend of Bank lending for the sector, which had declined precipitously from US$1.8 billion annually in the 1990s to under US$1 billion in 2001. We also see the important role that IFC can play in promoting the provision of education services by the private sector.

**Countering Terrorism**

In tandem with efforts to address the current slowdown, we also urge for concerted action to counter terrorism. We are deeply concerned over the formidable challenge posed by terrorism to international peace and security, as well as to economic development. We view all acts of terrorism as a crime against humanity and profound threat to international economic stability. We also rejects any attempt to link terrorism with any religion or race. We firmly believe that military assaults alone will not solve the problem. War will only worsen the already weak world economy.

It is important for the international community to strengthen cooperation to counter terrorism. We need to accord serious attention to solving problems which lead to terrorism. Such efforts
should be carried out in an impartial and objective manner in accordance with the Charter of the United Nations and other international laws.

Finally, our Constituency would like to express our appreciation to the Canadian Authority as host, and for your leadership and valuable contributions as Chairman of the Development Committee. As the Chairmanship moves in traditional fashion from Asia to Africa, I would like to welcome our new Chairman, H.E. Trevor Manuel and we look forward to working together to strengthen the role of this Committee in meeting future challenges.