Statement by

Senator the Hon Nick Sherry
Assistant Treasurer
Australian Treasury

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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October 5, 2009

Introduction
We would like to thank the Executive Board, President Zoellick and World Bank management and the Development Committee Deputies for the work they have done since the last meeting of the Development Committee.

We would also like to extend the sympathies of the members of our constituency to the Governments and peoples of Samoa, Tonga and Indonesia, regional partners who have suffered so greatly in this last week from destructive earthquakes. We also extend our collective sympathies to the Government and people of Cambodia, the Philippines and Vietnam, who are also suffering this week the effects of severe flooding.

Overview

The decisive action by the governments of the world’s major economies, coordinated through the G20, in response to the global financial crisis has been unprecedented. As a result, we are starting to see signs of recovery. Nonetheless, the global economy is still fragile.

While the crisis began as a financial crisis in developed economies, its consequences for developing economies have been severe. Developing economies, including in our region of Asia and the Pacific, have seen sharp reversals of capital flows and declining commodity export revenues, with large numbers of people falling back into poverty. This is particularly disappointing given many of the affected developing economies were beginning to see the fruits of political and economic stability improve their economic growth for the first time in several decades.

Against this backdrop, we warmly welcome the commitment of the world’s largest economies to the full implementation of economic stimulus packages until recovery is secured. The withdrawal of these stimulus actions too early would place the recovery at severe risk. We also recognise the commitment of developed countries not to leave developing countries behind following the crisis. Moreover, raising living standards in emerging markets and developing countries is a critical element in achieving sustainable growth in the global economy, as was noted recently by G20 Leaders. In this respect, we look forward to the commencement of the 16th replenishment of the International Development Association (IDA16) negotiations, which we hope will lead to a significant increase in IDA resources.

We welcome the central role that the G20 process has played in providing political impetus to reforms to international financial institutions such as the World Bank. This provides an excellent opportunity for the wider membership of the Bank to capitalise on the momentum and support changes that will create a more responsive, nimble and accountable World Bank.
**Resourcing**

The Multilateral Development Banks (MDBs) responded to the crisis by accelerating and expanding lending to reduce the impact of the crisis on the world’s poorest through a range of streamlined tools and facilities. They are on track to rapidly scale up their lending and deliver on the promised $100 billion in additional lending. We commend the World Bank for its strong response to the call from the international community and encourage the World Bank to continue making full use of its balance sheet. As a Bank constituency of developing and developed countries, we believe it is important that the World Bank has sufficient resources to fulfill its development mandate – a mandate that needs to evolve to meet the new development challenges such as climate change, labour migration, food security and fragile states.

**Voice and participation**

The long-term effectiveness and legitimacy of the World Bank Group will be strengthened by reforms that ensure that all members – including the smallest and most vulnerable – have an appropriate voice. When the first phase of reforms comes into effect it will increase the voice of small states and provide an additional Board chair for developing countries. Discussions are currently underway on a second phase of voice reforms to reallocate shareholding. Agreement by April 2010 will come about if key developed and developing countries negotiate pragmatically and flexibly and we strongly encourage this approach.

Our World Bank constituency strongly supports the call by G20 Leaders to move towards equitable voting power over time through the adoption of a dynamic formula which primarily reflects countries’ evolving economic weight and the World Bank’s development mission, and that generates in the next shareholding review a significant increase of at least three (3) percentage points of voting power for developing and transition countries, in addition to the increase under the first phase of reforms, to the benefit of under-represented countries. It will also be important to protect the voting power of the smallest poor countries.

**Other reforms**

We note that these reforms have different levels of importance for different developing countries. We firmly believe that it is important for emerging market economies to have a stronger voice within the Bank’s overall governance structure. At the same time, we recognise that the most dramatic benefits for smaller Bank clients, such as many of our constituency countries, will flow from the current internal Bank reforms, including the promising investment lending reform and increased Bank presence in the Asia-Pacific region.

We should also build on the agreement of the importance of the open, transparent and merit-based selection of the President by developing and moving to a selection process that is independent of nationality.

**Constituency developments**

- The World Bank Group has demonstrated an increase in its engagement and resourcing within our constituency, most notably in the Pacific. We acknowledge the continued commitment of the regional Vice Presidency and thank the outgoing Country Director for his excellent work in establishing a greater on-the-ground regional presence for the Bank. We look forward to a fuller suite of Bank and IFC business lines and further updates on scaling up in the region as a result of these additional administrative resources, particularly of the IDA15 pipeline given the impact of the global crisis on many small island states.
• We welcome the constructive role that the World Bank played at the recent Pacific Islands Forum, the annual event of Leaders from the Pacific region. The presence of the Bank’s Chief Economist and regional Vice President was a visible demonstration of the Bank’s commitment to engage regional Leaders on substantive issues affecting the region such as economic development, vulnerability and climate change adaptation. The World Bank’s clear statement of support for the Cairns Compact underlies its support for the ambition of Pacific Leaders for more effective coordination of resources to the region. We appreciate the Bank’s commitment to provide senior input to the Implementation Group that will drive improved development coordination in the region.

• We recognise the significant and constructive role that the Bank has played in assisting Mongolia through challenging economic circumstances due to the external change in export flows and the resultant dramatic impact on government revenues. We would also like to thank the work of the outgoing Country Director for Mongolia for his commitment and dedication to his role.

We also welcome the World Bank Group’s increased engagement with new donors such as Korea. Korea has committed to quickly establishing itself as an important donor in order to support the poor and vulnerable from fallout from the crisis. Korea plans to rapidly increase its official development assistance (ODA) from 0.09 per cent of gross national income (GNI) in 2008 to 0.25 per cent of GNI by 2015. As part of this, Korea plans to increase its work with the Bank to support fragile and post-conflict countries, including through the Global Food Response Program.

The Australian Government has made a commitment to increase ODA to 0.5 per cent of GNI by 2015-16 and will continue to work with the World Bank and other development partners to minimise the impact of the global crisis on the most vulnerable and meet ongoing development needs.