Statement by

Hon. Mathias Cormann
Minister of Finance and
Deputy Leader of the Government in the Senate
Australia

On behalf of the constituency comprising Australia, Cambodia, Kiribati, Korea (Republic of), the Marshall Islands, the Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu
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95th Meeting of the Development Committee

April 22, 2017
Washington, D.C.

Global economic conditions

Although the global economy continues its slow recovery from the Global Financial Crisis, the past year has been challenging. Global growth in 2016 was disappointingly low, reflecting a mix of stalling global trade, subdued investment, and increases in policy uncertainty in many countries.

The prospects for 2017 are somewhat brighter. We observe receding obstacles to activity in commodity-exporting countries, as well as solid domestic demand in commodity-importing countries – although we acknowledge some commodity-exporters are still struggling to adjust to lower commodity prices. In this environment, the World Bank Group’s financial and advisory products will be an important source of support.

Nevertheless, even greater challenges lie ahead. Chief among these is the issue of weak investment and productivity growth, which is weighing on medium-term prospects across many developing economies. Other risks include increasing policy uncertainty, which may depress trade flows and adversely affect investment decisions in many countries. In this environment, future development gains will be more difficult to achieve, and past development gains may be placed at risk.

In all countries, policy reforms and investments that increase the productive capacity of economies, and boost their resilience to shocks, will be needed to ensure sustained economic growth. Further investment in human and physical capital will help narrow unmet needs in skills and infrastructure and support long term growth. Rebuilding fiscal policy space, addressing vulnerabilities, and enhancing international integration by promoting trade and foreign direct investment would also boost resilience and growth prospects.

We encourage the World Bank Group, in partnership with the International Monetary Fund and other international financial institutions, to continue working on these issues with developing countries. Lifting global growth rates is an essential precondition for achieving the ambitious development goals of the Sustainable Development Agenda by 2030, and will require the combined efforts of all partners.
Capitalizing on the Strengths of all Development Actors

In 2015 significant international agreements were reached on sustainable development, climate change, humanitarian assistance and development finance that provided the framework for development action to 2030. The common thread was that all development actors must do what they can, within their own mandate, to reach the identified goals. Collaboration between partners, and with the private sector, will be essential to ensure public sector resources are used wisely and duplication is avoided.

The World Bank Group has a large mandate and in recent years that mandate has expanded. These efforts will put additional demands on the balance sheets and we support the Cascade approach, which frames considerations on how best to finance this support with a clear prioritization of private sector investment. Where consistent with the Cascade and its mandate, we anticipate the World Bank Group will judiciously make available the public sector finance it holds on behalf of its shareholders.

We expect to see management look earnestly to maximize the reach of the World Bank Group’s existing capital base and begin to put in place options on loan pricing and administrative cost controls. We look forward to hearing more about improvements in efficiency and cost effectiveness of World Bank Group operations from the pilots to develop an Agile Bank. While we recognize that some difficult trade-offs may still need to be made, we believe a genuine discussion on new capital will only be possible where management can demonstrate existing capital is being used with maximum efficiency and ingenuity. This includes demonstrating it is overtly increasing its collaboration with other development banks, NGOs, philanthropic organizations and the UN.

We are encouraged by progress on diversity and inclusion in WBG staff and management, and we support similar progress on gender diversity in the Executive Board.

Small Island Developing States

As a constituency we have frequently spoken of the difficulties faced by small island developing states and the need for the World Bank Group to consider the economic impact of their lack of access to financial markets, remoteness from major trade markets, narrow skills base and vulnerability to climate change. We welcome the increase in financial allocations to the Pacific under IDA 18 and urge the World Bank Group to ensure adequate in-country staff resources for effective implementation. It is important the World Bank Group works hard to mobilize private sector finance for fragile states, including the Pacific, through the IDA18 Private Sector Window. Our constituency is keen to work with the World Bank Group to identify new market opportunities and improve the enabling environment for private investment.

We are pleased to see that more coordinated attention is being provided by the World Bank Group to small states following enhancement of the Small States Secretariat. We welcome the work they are doing to develop a Small States Roadmap, and their collaboration with MDBs, the UN and other bodies to develop a vulnerability indicator for incorporation into their respective allocation methodologies. We look forward to hearing from the World Bank Group on how they will meet their commitment under the Forward Look to support all members, including Nauru and Palau, who currently fall through the cracks.

We were pleased to see the World Bank Group agree, during the IDA18 Replenishment, to provide additional funding to, and deepen its knowledge of, countries affected by fragility, conflict and violence (FCV). They are headed in the right direction in committing to identify the underlying causes of FCV and intervene before fragility occurs. We encourage the World Bank Group to remember the need for a differentiated approach to FCV and that fragility is not always connected with violence, as is the case in the Pacific
Finally, we welcome the decision to expand the scope and commitment authority of the Project Preparation Facility. Developing a strong pipeline of transformative projects, for both public sector reform and private sector investment, will require significant upfront investment. Equally, providing support to capacity constrained members to implement the Environment and Social Safeguards and the Procurement Strategy will require greater investment before project origination. We believe the changes made to the Project Preparation Facility, to enable it to do programmatic work ahead of the individual identification of projects, will enable any projects that are developed to be more successful within a stronger country framework.