

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **MICHAEL CULLEN**,  
Governor of the Bank and the Fund for **NEW ZEALAND**



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Governor of the Bank and the Fund for New Zealand**

**Strategic Direction of the World Bank Group**

This year the strategic direction of the World Bank Group is a primary area of focus. New Zealand supports the energy being put into the review of the Bank's strategic direction, and we particularly appreciate President Zoellick's efforts to move this important issue forward.

The Bank's core role – poverty reduction – should strongly guide the development of the strategy, with the Bank focusing in those areas where it has the comparative advantage. We see the Bank's support of long-term sustainable growth as a key element in reducing poverty.

We also consider it important that the strategy adopt a thematic or sector, rather than a client group, approach. This should be firmly based on the Bank's areas of experience and expertise, thus helping to define the Bank's mandate and focus in assisting its client members. Reference in the strategy to strengthening partnerships in pursuit of the implementation of the Paris Declaration would complement such operational focus.

There is reason to be concerned by what appears to be an expansion of the Bank's business into the area of global public goods. Our view is that any moves in this direction should be determined by the poverty reduction and comparative advantage tests.

An effective strategy needs to have a clear focus. Deciding what is not done can be as important as identifying what is to be done. New Zealand would advocate the development of a crisp, clear strategy supported by results (specified in advance), with the strategy able to be modified according to the achievement of those results.

We would specifically emphasise the need for the establishment of clear governance and management arrangements. The strategy should not only reflect the Banks' poverty reduction goal based on its comparative advantage, but also ensure the conditions are set for its effective implementation. From New Zealand's shareholding perspective, setting the right conditions to implement the strategy effectively may be as important as getting the content of the strategy broadly right.

It is highly important to achieve real progress in the development of the strategic direction. New Zealand wishes to know when and how the strategy is to be further

developed and finalised, and to what extent the Board and the Development Committee will be involved in this process.

### **Appointments of World Bank President and IMF Managing Director**

New Zealand congratulates Robert Zoellick and Dominique Strauss-Kahn on their recent appointments to these positions.

We wish to note that New Zealand has supported and continues to support an open and transparent process for the appointment of these positions, which must be open to candidates from all regions of the world based on merit. Remarks made by Dominique Strauss-Kahn that support this direction have been very welcome. The fact that these appointments are now in sync creates an opportunity for change. It will be important to get agreement on the new process in the next two years.

### **World Bank-IMF Collaboration**

New Zealand is pleased to see the development of a Joint Management Action Plan (JMAP) following the Malan report. The Plan should form a good foundation for working together effectively into the future.

While the JMAP focuses currently on procedural issues, there is scope for evolution. As the Bank progresses with its long-term strategy and Dominique Strauss-Kahn settles in as IMF Managing Director, there should be opportunity for a more strategic stocktaking of the roles, expertise, and comparative advantages of the two institutions.

New Zealand expects to see early and concrete results arising from the JMAP in the Pacific. These should emerge especially in the area of technical assistance, including through an expanded mandate and scope of operations for the Pacific Financial Technical Assistance Centre.

### **IMF Quota and Voice Reform**

The commitment to complete IMF Quota and Voice reform by the 2008 annual meeting has New Zealand's full support. We are concerned that if the progress made to date is not consolidated, the process will unravel. Given the inherently political nature of the process, we are looking for leadership from Dominique Strauss-Kahn.

New Zealand accepts that compromise and flexibility are needed if the necessary consensus is to be reached, and urges all parties to approach the debate in the same spirit. Any solution has to be open and transparent in order to be fair and durable. In addition, an increase in the stake of lesser developed countries and emerging market economies is needed if the Fund is to retain its legitimacy.

### **Global Public Goods**

The development of a framework for the Bank's work on Global Public Goods is to be encouraged. Going forward it will be necessary that the Bank build or maintain strong partnerships with the relevant international organisations that might have primary responsibility for each of the areas suggested for its work on global public goods. The Bank should also focus the applicability of its work on the relevant development aspects of global public goods, particularly in the context of its work in developing countries, and in alignment with client country priorities.

### **Scaling up the Role of IDA**

New Zealand generally supports the directions taken in the paper on the Role of the International Development Agency (IDA) and the broad parameters being set as to where the IDA should be positioned in the international aid architecture. However, generally donors, including New Zealand, have doubts that the IDA has yet achieved a satisfactory level of either development effectiveness or country presence.

The Bank has very actively advocated an "ambitious" outcome for the negotiations for the IDA-15 replenishment. New Zealand considers the Bank must demonstrate a high level of development effectiveness in order to attract financial support, noting that development agencies generally find it easier to attract stakeholder (parliaments, publics) support for bilateral and issues-focused (such as HIV/AIDS) work than for multilateral support.

We expect that enhanced development effectiveness will be based on a strengthened management for results focus by the Bank, full alignment with client country strategies and priorities and strengthened partnerships with other development partners. New Zealand is also particularly concerned that access to IDA by small Pacific Island states should be protected.

### **Global Economy and Financial Markets – Outlook & Risks**

The global economy is currently experiencing a generalised tightening in credit conditions triggered by losses in the United States sub-prime mortgage market. From small beginnings, these losses triggered pressures that spread quickly around the world. It is still unclear how large the lasting effects will be, but this event has again highlighted the increasingly interconnected nature of national economies and financial markets and the way in which financial strains can (potentially) affect each of our economies.

Looking ahead, the continued integration of emerging markets into the global economy, coupled with financial globalisation, will no doubt serve to underline the importance of economic externalities in general, and economic contagion in particular. The IMF has a key role in analysing the implications for the global economy in a macro-prudential sense

of such phenomena, as well as articulating appropriate policy responses. The IMF has a vital part to play in promoting international policy debate and effective policy responses, which fully recognise the international implications of national choices.

In this regard, New Zealand welcomes efforts to strengthen the bilateral and multilateral surveillance regime as part of the Medium-Term Strategy.