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WORLD BANK GROUP
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **CHARLIE MCCREEVY**,
Governor of the Bank and the Fund for **IRELAND**,
at the Joint Annual Discussion

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The era in which the world was neatly compartmentalised is over.

The Arabic television story of this morning runs this evening in Europe and America.

This growing interconnectedness means that the economic shocks, the positive stimuli, and, with advances in communications, the news from abroad, are all now transmitted much more rapidly than before.

Globalisation brings both challenges and opportunities. Economic crises can spread more rapidly, and perhaps more widely than in the past. However, it also means wider markets for our producers to access, and the pool of investment funds and capabilities that can contribute to development becomes ever-larger.

One important consequence is that the poverty and misery that we might have underrated in the past are now much more visible and demand our attention.

Now, more than ever, we need strong common policies, actively pursued, to address global problems. At the same time, sound domestic policies remain of fundamental importance.

Progress in the world economy has been very uneven; some countries given poor hands by fate have achieved much. Others, once rich and prosperous, have achieved little in recent times but decay and failure. And while access to resources, geographical position, good and bad luck in terms of historical developments, all contribute to this disparity of growth and development, good economic management remains a key.

All too often, the roots of crises are familiar. The lessons that should be learned in economic management and development issues are not always applied. Countries return to the Bretton Woods institutions with the same old stories. Surveillance activities must be strengthened to deal with this increase in economic integration, and to help to ensure that lessons once learnt are remembered.

Overnight miracles are rare, but a country which by sensible economic management manages to raise its growth rate by 1.5% per annum over that of its neighbour will, in only the time it takes an infant to become an adult, enjoy an income one third higher. And those achievements of economic management, which in any given year may seem small, will in retrospect appear remarkable.

And where good economic management and availability of resources coincides, the results can be very positive.

The Arab world has a population exceeding 300 million people and much to show to developing regions, for example in managing natural resources and in coping with social changes on a vast scale.

Proceeds from the sale of oil have been well used, to modernize infrastructure in the UAE, to create employment, and build up the tourist sector. Life expectancy in the Gulf Cooperation Council area has increased by almost 10 years.

You have talented professional staff, engineers, traffic planners and hydrologists. You may still have much to do in developing your own region, but you have much to offer in other regions too.

If we are serious about trying to promote sustainable economic development, then the economically draining effects of corruption cannot be ignored.

It also compromises growth. Corruption, or lack of transparency which hints at corruption, drains confidence.

Government policy must underpin an economic environment conducive to investment, competition and private sector development. It is ultimately the wealth generating capacity of the private sector that provides the basis for long term economic growth and poverty reduction.

The problem of poverty, particularly in Africa, remains a constant. And the obstacle created by high indebtedness to the alleviation of poverty in developing countries must be considered. I have always insisted that the HIPC should deliver a sustainable exit from the debt treadmill.

I am deeply concerned to see that a number of countries emerging from the process continue to have unsustainable debt levels. In our national strategy on developing country debt, we supported a revision of the debt sustainability criteria.

I would like to touch for a moment on the Millennium Development Goals. These, it seems to me, provide a vital framework to work for progress in development. The Monterrey Consensus, and the commitments contained therein, particularly in terms of poverty reduction, should greatly encourage the international community to action and also to work jointly with the international financial institutions and trade institutions in order to eradicate poverty.

I think the HIPC should pay more attention to human development indicators and should also factor in the economic impact of HIV/AIDS on poor countries when assessing sustainable debt levels.

Our meeting here in Dubai comes in the same week as the United Nations General Assembly has devoted a special session to the HIV/AIDS pandemic. The devastating impact of HIV/AIDS on affected developing countries, particularly the Least Developed Countries, is a fundamental impediment to their ability to make any real progress. It cripples their economic growth and adds even more to their poverty.

The Bank has a good track record in fighting HIV/AIDS and has developed a good working relationship with the Global Fund. Finally, I urge President Wolfensohn to keep the fight against HIV/AIDS firmly at the centre of the Bank's priorities.