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Statement by the Hon. **WAYNE SWAN**,  
Governor of the Bank and the Fund for **AUSTRALIA**



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These meetings come at a critical time for the global economy. The recovery from the financial crisis is under threat from a lack of confidence in the capacity of political institutions in some parts of the world to deal with fiscal and financial vulnerabilities and the poor growth prospects confronting many economies.

The international community must urgently and decisively deal with these risks, in order to restore confidence and growth. We need political courage. And we need effective global cooperation, harnessing the kind of resolve the international community showed in 2009.

For advanced economies, credible fiscal consolidation plans are vital, as is strengthening financial institutions' balance sheets. For emerging economies, there is a need to increase domestic demand, requiring a range of structural reforms and a firm commitment toward more market-determined exchange rate systems. Importantly, all countries must commit to reforms that will grow their economies and create jobs. We must also ensure the resilience of our financial systems.

Macroeconomic policy space is clearly limited in some countries, but even these countries can implement reforms to stimulate competition, promote productivity and lift employment. While such measures are often challenging and their benefits may not be seen for some time, the boost to confidence from decisive policy action to promote growth will be immediate.

While Australia is not immune from global economic turbulence, the Australian economy and our people have shown themselves to be resilient. Our resilience is built on strong fundamentals and a willingness to meet our challenges head on. We have solid economic growth, low unemployment, a strong public sector balance sheet and well-regulated and well-capitalised financial institutions. Robust growth in our region is contributing to Australia's strong commodity exports growth and a major pipeline of business investment.

Australia is continuing to build its defences against current and future shocks. In delivering fiscal stimulus to support the economy in response to the global financial crisis, the Australian Government also committed to a clear strategy to return the budget to surplus as the economy strengthened. The Government is also strengthening the country's productive capacity by making major investments in skills and infrastructure, boosting retirement savings, reforming the tax system and dealing with the challenges of

climate change. Such reforms are never easy, but they are essential to future growth and prosperity.

Australia welcomes the World Bank's recent work on jobs and looks forward to the 2013 World Development Report on this topic. This issue is relevant to all countries, both developed and developing, and we must all work to deliver sustainable jobs growth. Jobs are central to improving people's lives and achieving development progress. A job can lift a person out of poverty, provide him or her with an income, and link that person into society.

## **IMF**

The experience of the past few years demonstrates beyond doubt that we need an IMF that is efficient, well resourced and effective. We have made progress in achieving some of these goals, but more can and should be done.

We must ensure that the Fund has the resources and facilities to meet the potential needs of all its members. A key priority is to complete the 2010 package of quota and governance reforms as soon as possible, which will double the Fund's quota resources and enhance its legitimacy. Australia welcomes the significant reforms that increase the flexibility and resourcing of IMF programs and lending instruments for low-income countries.

The Fund has taken a number of steps to strengthen its surveillance, particularly in the areas of real and financial sector linkages, cross-country linkages and spillovers. However, the Fund must do more to improve the relevance and effectiveness of its surveillance, with a particular focus on helping governments to deal with current challenges. The Fund's policy messages and analytical work must be sufficiently targeted, flexible and visible and assist members to gain domestic support for implementing necessary policy measures.

The challenge for the international community is to commit to credible, specific actions in response to the Fund's advice, which will vary across countries depending on their circumstances. We must recognise that surveillance is only effective when it leads to the right policies being implemented.

## **World Bank**

The changing economic landscape underscores the need for a stronger, more effective and more representative World Bank.

Australia was a strong supporter of the reforms to increase the voice and participation of developing countries at the World Bank. A Bank that possesses greater legitimacy and relevance is of benefit to all members. However, the Bank should maintain this momentum by implementing outstanding reforms and fulfilling its development mandate more effectively.

The Bank has highlighted the importance of developing economies in the global economy given their contributions to global growth and trade. Policies and reforms to support economic growth and development in those countries will also strengthen the global economy more generally.

However, the current economic environment presents many challenges to achieving development outcomes. Slower global growth, increased uncertainty and high food prices threaten recent gains in poverty reduction. The IMF and World Bank are in a unique position to work collaboratively with each other and with member countries to address these issues.

### **Looking forward**

International cooperation through the IMF and the World Bank is essential to secure growth, create jobs and improve living standards. Australia is firmly committed to such cooperation and looks forward to working with the Fund and the Bank to achieve these objectives.