



International Monetary and Financial Committee

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**Statement by Robert Zoellick
President, World Bank**

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE
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President of the World Bank**

I. Introduction

1. I am delighted to be attending my first meeting of the International Monetary and Financial Committee, and look forward to participating in the committee's discussions over the years ahead.

II. Current Economic Environment and Implications for Developing Countries

2. This past summer, financial markets were rocked by turbulence and repricing of risk. These events have affected developing countries, but the repercussions so far have been small compared with previous episodes when developing countries themselves were the focus of concern. While a moderate slowdown in the major economies and continued growth in developing countries are likely, the risks of a sharper slowdown have clearly increased. This could have a larger impact on developing countries through export market contraction. Risks of slower growth and financial contagion remain. So there is no room for complacency. All countries, particularly emerging market countries, need to continue reinforcing the steps already taken to strengthen economic resilience.

III. The Development Agenda: Catalyzing an Inclusive & Sustainable Globalization

3. Globalization has lifted barriers and boundaries and unleashed movements of ideas, goods, capital, and people. It has created opportunities where there were none. Yet globalization has not embraced all. Poverty, hunger, and disease remain widespread. Nearly one billion people across the globe live on just \$1 a day. Globalization has brought uneven benefits to the billions in middle-income countries who have started to climb the ladder of development since the end of the Cold War. Too many countries, especially in Africa, are expected to fall short of meeting many of the Millennium Development Goals (MDGs). There is much more we can do to connect the "bottom billion" to the rest of the world. These are issues we will discuss further at tomorrow's meeting of the Development Committee, along with the Bank Group's strategy to help clients address their development challenges.

4. **Scaling-up Aid.** There is now broad agreement that the country-based model with country-led strategies is vital for delivering development results and progress towards the MDGs. We know from the joint work undertaken by the Bank and the Fund, there are many countries that can absorb increased volumes of aid productively. Even in fragile situations and post-conflict states, where many of the world's poorest live, there are opportunities for focused and carefully sequenced increases in aid for building local capacity and subsequently addressing development and reconstruction needs. Development partners have much to do if they are to meet the Monterrey and Gleneagles commitments to significantly scale up their Official Development Assistance (ODA), and the commitments made in Paris to improve aid effectiveness and align it with country strategies.

5. **Role of IDA.** With an increasingly complex aid architecture involving multiple donors and vertical funds, the World Bank Group, and IDA in particular, has a pivotal role to play in supporting the scaling-up effort with a strong, country-based development model. In fiscal 2007, IDA committed a record \$11.9 billion to support development in the world's poorest countries. That is a 25 percent increase over 2006 and an all-time high for IDA. New IDA commitments to sub-Saharan Africa increased by \$1 billion between 2006 and 2007, reaching \$5.8 billion. A strong IDA replenishment will be vital for securing financial commitments needed by low-income countries to meet the MDGs. The Bank Group hopes to make an aggregate contribution of \$3.5 billion to IDA15. This is more than double the \$1.5 billion pledged to IDA14 in 2005, and I hope it will lead the way for bilateral donors to respond with an ambitious replenishment. South Africa has already set a good standard by pledging a 30 percent boost in its IDA funding. Now we need the G8 and other developed countries to translate their words from Summit declarations into serious numbers too.

6. **Aid for Trade.** If a breakthrough is achieved in the Doha Development Agenda, the world economy stands to gain from open markets and cuts in distorting subsidies. Failure to conclude a deal, on the other hand, will undermine efforts to help the poorest countries benefit from globalization, and it will hurt the multilateral trading system. The accelerating pace of global integration has made it critical for developing countries to improve their competitiveness. As a complement to the Doha Round, we need to step up efforts to help connect poor countries to international markets, expand the scale of “aid for trade” as proposed in the joint Bank-Fund paper prepared for the Development Committee *“Aid for Trade - Harnessing Globalization for Economic Development.”*

7. **Debt relief and debt sustainability.** The Bank-Fund *Status Report on Implementation of the Heavily Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI)* points to encouraging developments. Yet many challenges remain. Strengthening public debt management remains a priority to help prevent a re-accumulation of unsustainable debt in low income countries. And we also share a collective responsibility to ensure that re-accumulation of debt — from public and private sources — in post-MDRI countries does not undermine their long term economic prospects. The steps taken by the OECD Export Credit Agencies to develop sustainable lending guidelines are welcome. The Bank-Fund debt sustainability framework offers a vital guide to decision-making by debtors and creditors.

8. There are also remaining challenges in implementing debt relief initiatives. Full participation of non-Paris Club and commercial creditors has yet to be achieved, and commercial creditors’ lawsuits against HIPCs present a growing challenge to the implementation of the HIPC Initiative. By helping HIPCs buy back their external debt from commercial creditors at deep discount, the Debt Reduction Facility for IDA-only countries can play an important role in reducing exposure to commercial creditors of HIPCs. The Bank and Fund together will encourage official bilateral creditors’ participation in the HIPC Initiative by posting “scorecards” on the external web sites of the Bank and Fund identifying the debt relief granted by each bilateral creditor. We will also strengthen support to HIPCs, in the context of litigation or otherwise, by preparing factual “contextual notes” on HIPC Initiative issues at the request of country authorities.

9. **Middle-Income Countries.** Today, about 70 percent of the poor live in India, China and the middle-income countries served by IBRD, the Bank Group’s public financing arm.

These countries have asked us to remain engaged in their search for how best to meet their diverse development challenges. The *Implementation Report on Strengthening the World Bank's Engagement with IBRD Partner Countries* reports progress in converting the recommendations endorsed a year ago into operational proposals and decisions, but we have more to do.

10. The Bank Group is committed to providing new thinking, innovative finance and advisory services to our MIC partners. In order to meet the great needs of emerging market countries, I have asked our Board to simplify and cut our prices so we could expand our lending to support development and growth. I am pleased that the Board has agreed, clarifying our fees and reducing rates back to the pre-Asian crisis level. This step can help us catalyze the expansion of our services.

11. **Private Sector.** Private sector development and business growth is key to generating productive jobs. Direct support to private sector investments is provided by the International Finance Corporation (IFC), our private sector arm, and the Multilateral Investment Guarantee Agency (MIGA) which supplies political risk insurance. Reinforcing synergies within the World Bank Group is a corporate priority to help governments generate reforms that create a better environment for entrepreneurship and investment, especially in Africa. The IFC doubled in FY07 its financial commitments to the private sector in Sub-Saharan Africa. This helped 166,000 small African businesses get access to finance, gave 6 million new customers access to power and created 11 million new telephone connections across the region. Supporting investments into sub-Saharan Africa is also a priority for MIGA. Since the agency's inception in 1988, MIGA has issued \$2.3 billion in guarantees in support of projects in 27 countries in the region.

12. **Implementing the Governance and Anti-Corruption Agenda.** The World Bank Group is committed to helping countries strengthen weak governance systems, while finding ways to reach the poor who are left behind as a result of poor governance. While there is no "one-size-fits-all" approach, the Bank Group will adopt a consistent approach towards operational decisions across countries. And collective action from donors, international institutions, and other actors at the country and global levels will be critical to ensure a harmonized approach and coordination. We have already taken steps to coordinate with our multilateral partners on this front.

IV. Voice

13. Inclusive development means greater voice for those most affected by our decisions. We welcome the IMF's ongoing efforts to better capture the relative positions of its members in an evolving world economy. Significant progress on this issue is of great importance to both our institutions. Drawing upon extensive consultations with our Board and a series of discussions at the Development Committee, we have set out options for a two-stage timetable for the Bank, reflecting our specificities, needs and mandates, and focus on poverty reduction. But ultimately, it is shareholders' decisions and guidance that will move this agenda forward.

V. Bank-Fund Cooperation

14. Deepening the cooperation between the Bank and Fund is central to the efforts of both institutions to provide support to our members, as pointed out in the report of the Malan Committee. To strengthen the culture of cooperation between the Bank and the Fund, the Joint Management Action Plan (JMAP) — set out in the joint Bank/Fund paper *Enhancing Collaboration: Joint Management Action Plan* — aims to translate principles of cooperation into practice. It lays out a series of concrete actions that are designed to improve coordination on country issues, enhance communications between the staff of the two institutions working on common thematic issues, and improve incentives and support for cooperation on policies, reviews, and other institutional issues. We are already implementing steps to mainstream this close cooperation.

15. I would like to take the opportunity to pay tribute to Rodrigo DE RATO. I have known him from the time we worked together in our respective governments on trade and economic issues. I have deeply appreciated his insight and the strong partnership he has fostered between our respective institutions. Bank-Fund cooperation is an absolutely integral part of the international aid architecture. I look forward to carrying this partnership forward with Dominique STRAUSS-KAHN so that Bank and Fund together can continue to serve our members' needs.