

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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Report to the Boards of Governors of the Bank and the Fund
by the Hon. **AGUSTIN CARSTENS**,
Chairman of the Joint Ministerial Committee of the
Boards of Governors on the Transfer of Real Resources to
Developing Countries (Development Committee)
at the Joint Annual Discussion

Statement by the Chairman of the Development Committee, Mr. Agustin Carstens, to the Annual Meetings, on the Development Committee Meeting.

Scheduled for Delivery on Monday, 22 October, 2007

Mr. Chairman, Fellow Governors, Ladies and Gentleman,

Thank you for this opportunity to share some highlights of yesterday's Development Committee Meeting. A more comprehensive account is available in our published Communiqué.

As you know, President Zoellick has started in recent speeches to lay out some of his own thinking about key strategic challenges confronting the member countries, and the choices that the World Bank Group needs to make on its own role in addressing those challenges. So this helped provide the context for our own discussions, and I want to emphasize to you that the Committee members responded very supportively to the President's initiative.

We recognized the potential of "inclusive and sustainable globalization" -- a concept that President Zoellick has introduced -- to guide the Bank mission. We welcomed the President's commitment to develop and refine the Bank Group strategic framework in a consultative manner under the guidance of the Board.

We emphasized the importance of strengthening synergy among the Bank Group institutions.

We also discussed the six specific areas that the President has proposed as elements in the Bank Group's strategic future direction. We agreed that strengthened support for the inclusion and empowerment of the poorest in development, especially in Sub-Saharan Africa, and for active Bank engagement in fragile and conflict-affected states, must be key elements in the strategic framework.

We agreed, too, that the Bank Group must ensure its continued relevance to its Middle Income Country members. In this context, we welcomed the recent simplification and reduction in IBRD pricing, and urged the Bank to make further progress in reducing the non-financial cost of doing business.

We agreed on the importance of the Bank responding to key global challenges – what are often referred to as Global Public Goods. But we also stressed the need for such engagement to be selective, and undertaken in close cooperation with other international institutions.

A number of our members from the Arab world gave encouragement to President Zoellick on his proposal to strengthen the Bank's focus on that set of countries.

We encouraged the Bank to further intensify its important work as a knowledge-broker on development policy. We also emphasized the importance of successful implementation of the Bank's governance and anti-corruption strategy. We also noted the importance of gender equality and women's rights.

Turning to the Bank Group's lower-income members, especially the IDA borrowers, we noted that many countries have enhanced their capacity to absorb larger amounts of aid productively.

In this context, we called on donors to meet their respective commitments to scale up aid for development, improve aid predictability and address financing gaps for meeting the MDGs.

We discussed the fact that, in a world with an increasing number of donors, and an increasingly complicated set of relationships between so-called vertical donors, horizontal donors, and the countries themselves, the World Bank Group's concessional window, IDA, plays a unique role of helping countries develop their own country-led and country-owned programs to serve as a platform for integrating all of these different efforts.

And so, taking account of the need to strengthen the unique role performed by IDA, we underlined the need for a strong IDA replenishment. And in this connection

we welcomed the recent very substantial contribution to IDA out of the earnings of IBRD and IFC.

Now, let me turn to the related challenges of supporting adoption of Clean Energy and helping countries address the challenge of Climate Change. We asked the Bank Group to increase its support for access to modern, cost-effective, clean energy, especially among the poorest and in Sub-Saharan Africa. We also called for expanded work on energy efficiency and renewable energy, and facilitation of the development and dissemination of related knowledge and technology.

Bearing in mind the scale of the challenge of addressing the causes and impacts of Climate Change, we called on the Bank to develop a strategic framework for Bank Group engagement, including support for developing countries' efforts to adapt to climate change and to achieve low-carbon growth while reducing poverty. We urged the Bank Group to help catalyze substantial additional resources from both public and private sources, including concessional finance as appropriate.

We also discussed the issue of debt. We noted progress in implementing the HIPC Initiative and the Multilateral Debt Relief Initiative. We stressed the need for all creditors to participate in these efforts on an equitable basis. In spite of improvements in debt indicators, the risk of debt distress in many HIPCs remains a challenge. And so, we emphasized the

importance of sound lending and borrowing decisions guided by the Bank-Fund Joint Debt Sustainability Framework (DSF), and of strengthening public debt management.

We also talked about trade. We reiterated our strong support for intensified efforts to agree on an ambitious pro-development Doha Round. And we stressed the need for both developing countries and donors to pay attention to issues of trade and competitiveness in formulating their strategies, including the need for a stepping up of so-called Aid-for-Trade.

Let me turn, finally, to three matters relating to the governance and operation of the World Bank Group. First, we welcomed the Options Paper on Voice and Participation, while recognizing that further consultations among shareholders will be necessary to reach a political consensus on a comprehensive package. Secondly, we expressed our encouragement that the World Bank Board, together with management, is reviewing and reforming key aspects of the Bank's governance. And finally, we took note of the Joint Management Action Plan, which has been prepared recently by the World Bank and Fund managements together, with the objective of strengthening the collaboration between the two institutions.

Thank you very much.