

INTERNATIONAL MONETARY FUND

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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Press Release No. 5

October 13, 2008

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

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Mr. Chairman, Fellow Governors, Ladies and Gentleman,

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

At our meeting, we discussed three broad sets of issues that are of great importance to developing and transition countries. I am going to focus my remarks today on these same three topics.

First, we spent most of our time discussing the current global situation, including the turmoil in world financial markets, with a special focus on the implications for the developing and transition countries.

Beyond the present crisis, we took some time to discuss two sets of issues that are of long-term significance. We discussed and agreed on an important set of reforms designed to enhance the "voice and representation" of developing and transition countries in the World Bank on this important matter.

Finally, we discussed and endorsed a new Strategic Framework designed to provide a basis for wide-ranging engagement by the World Bank in helping member countries grapple with the critical challenges posed to them by Climate Change.

So with that outline, let me share with you some of the main points of our discussions in these three areas.

First, the current economic situation and the financial crisis. Our meeting took place at a critical time for the global economy, with financial markets experiencing unprecedented turmoil. Developing and transition countries (DTCs) - many of them already hit hard by current high prices for energy and essential foodstuffs - risk very serious setbacks to their efforts to improve the lives of their populations from any prolonged tightening of credit or sustained global

slowdown. The poorest and most vulnerable groups risk the most serious – and in some cases permanent – damage.

Against this background, we endorsed the very important commitments made at the International Monetary and Financial Committee, relating to measures to address the financial sector crisis.

Next, we stressed that aid volumes need to be consistent with existing commitments and we called for full compliance with these commitments.

In support of these concerted actions, we called on the World Bank to join with the IMF in drawing on the full range of its resources - finance, analysis and advice - to help developing and transition countries strengthen their economies, maintain growth, and protect the most vulnerable groups against the impact of the current crises.

Under the strong and effective leadership of President Zoellick, the World Bank Group stands ready to help:

- The Bank recently announced a \$1.2 billion rapid financing facility, which is providing immediate help for countries coping with the impact of high food prices on the poor. We urged countries to consider making contributions to this fund.
- We encouraged the Bank and its partners to move forward with a planned new program – Energy for the Poor – that would provide rapid support for countries' efforts to strengthen social safety nets to protect the poor against the impact of high fuel bills.
- We noted that IBRD has the financial capacity to comfortably double its annual lending to developing countries to meet additional demand from clients. IBRD lending was US\$13.5 billion last fiscal year.
- We also urged IFC to explore options for helping recapitalize banks in developing countries adversely affected by the global liquidity crisis, including the possibility of a fund.

Let me now turn to the second set of issues – our work on reforming the World Bank Group. When the Development Committee met this past April, we called for concrete reform options for the World Bank Group on these issues to be prepared in time for us to discuss them at these Annual Meetings. I am now very pleased to tell you that, based on intensive work undertaken by member countries and Bank management and staff over the past 6 months, we were in a position yesterday to review and advance a concrete package of reforms.

First, an additional chair will be created for Sub Saharan Africa on the Bank's Board. Second, the voting shares of developing and transition countries' in IBRD and IDA will increase, giving special emphasis to smaller members. Third, a realignment of Bank shareholding will be taken up by the Bank's Board in an important shareholding review that will work to an agreed timeline to develop principles, criteria and proposals for shareholding. The review will consider the evolving weight of members in the world economy and other Bank-specific criteria consistent with the WBG's development mandate, moving over time towards equitable voting power between developed and developing members. Fourth, there is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates. Recognizing the above package as an important first step in the ongoing process of comprehensive reform, we asked the Boards and Management to take prompt action to implement this first step.

Third and finally, we discussed and welcomed a new strategic framework that has been developed for the World Bank Group in the field of *Development and Climate Change*. This framework provides a basis for the Bank Group to fulfill its core mission of promoting economic growth and poverty reduction, at the global, regional and country levels, in the context of the challenges posed by climate change. We encouraged the Bank Group to customize its support for climate change adaptation and mitigation efforts to the needs of its different member countries. Given the enormous financial gap for addressing climate change, we also encouraged the Bank to strengthen its resource mobilization efforts in this field. Finally, we encouraged the Bank Group to play an active role in supporting the development and deployment of clean and climate-resilient technologies.

Thank you very much.