



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



SEVENTY-SEVENTH MEETING
WASHINGTON, DC – APRIL 13, 2008

DC/S/2008-0032

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Statement by

Mr. Ahmed Bin Mohammed Al-Khalifa
Minister of Finance
Kingdom of Bahrain

On behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait,
Lebanon, Libya, Maldives, Oman, Qatar, Syria,
United Arab Emirates and Yemen.

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Mr. Chairman, Governors, Ladies and Gentlemen

Very briefly, and in response to Mr. Zoellick's opening Statement, we would like to note our appreciation of the progress made on the Bank's **six strategic themes**, while recognizing that further work and deliberation remains on their refinement and operationalization. We particularly welcome the efforts to foster the One World Bank Group, the increased IDA15 replenishment, the intensive work on implementation of the Bank Group Governance and Anti Corruption (GAC) Strategy, reaching out to the Middle Income Countries (MICs), the focus on Global and Regional Public Goods, including post Bali climate change agenda and putting in place a strong and more diverse management team to lead the organization.

Of particular interest to our Chair is the pillar specific to the **Arab World**. There remain significant opportunities for the World Bank Group to enhance its contribution, given the potential ripple effects of a successful initiative across the Arab region. Our region looks forward to further consultations with the Bank to refine the objectives and specific results of this pillar, and tailoring them to our unique and diverse needs.

Turning to the issues at hand, it is important that we pause and reflect, at this midpoint assessment, on the mixed picture that emerges on the achievement of the **Millennium Development Goals (MDGs)**. While significant progress has occurred, the remaining challenges outnumber the achievements. Human capital is the foundation upon every economy rests – there can be no innovation, and by extension, progress, without a creative and healthy workforce equipped with a diverse range of skills. Given this, it is indeed worrisome that at the global level, the Human Development Goals have recorded slow progress, and that those targeting child and maternal mortality will not be achieved, with a more challenging picture emerging for Low Income Countries (LICs), and Sub Saharan Africa in particular.

Therefore, our central focus, at this stage, needs to be, not only on intensifying our innovative efforts, but also on identifying the types of policies and reform, and the associated aid volumes that would be required to push the MDGs forward. In the more specific case of the human development MDGs, targeted and country-specific interventions that address quantity and quality of services to marginalized groups will be critical.

Our response at this midpoint, would necessarily have to take into account the current context of an uncertain and potentially difficult economic period, and particularly if the challenging prospects for the coming years actually materialize. Now may also be the opportune time for more critical thinking about the efficiency and effectiveness of our spending, the international aid architecture, and making some difficult trade offs, especially given the need for improvements in the quality of education, in equity and environmental sustainability. Most fundamentally, this mid point assessment also highlights the urgent and critical need to enhance statistical capacity of developing countries. We can only fully internalize and address this 'development emergency', once we can accurately assess its reality!!

Sound macroeconomic policies, robust investment climate and good governance are crucial drivers of **sustainable growth**. It is reassuring that, despite challenges in institutional and administrative capacities, there have been improvements in all these three aspects in many developing countries. Yet, the challenge is in ensuring that this growth is equitable, inclusive and pro-poor. The six-point agenda for inclusive and sustainable development, which identifies short term priorities and the medium the term challenges to spur stronger growth in the developing countries, is a step forward in the right direction towards inclusive globalization. In this regard, investments in infrastructure and strengthening regional integration are two critical aspects of securing sustainable growth.

To a large extent, achieving progress towards the MDGs will rely on **addressing the unique situation in fragile and post conflict states**. Such states continue to rely on, and need consistent and strong support from the international community, given their weak governance, limited administrative and institutional capacity, and persistent social and political tensions. We know that the growth and development trajectories of such states lag behind other LICs and they are the least likely to achieve the MDGs. We also know that they house one third of the world's extreme poor and they pose significant spill-over risks that could destabilize neighboring countries. It is therefore unfortunate that such countries receive relatively less aid than their unique circumstances warrant.

While recognizing that weak institutions undermine aid effectiveness, and political instability increases risks of reversal of any gains made, we are pleased that the Bank's Strategy highlights these countries for heightened support. Despite these challenges, we encourage the Bank to pursue a differentiated engagement with and support to these countries. In this regard, collaboration with the UN and other donors, including regional ones, to push the agenda forward and strengthen cooperation at the country level would be critical.

We meet today within a context of **global economic downturn, financial turbulence and high inflation fueled by rising food and commodity prices**. The root causes of the phenomenon of rising food price—high energy and fertilizer prices, the demand for food crops in biofuel production, low food stocks and speculation - are likely to prevail in the medium term, and we need to prepare for this. In fact, a global increase in food and energy prices has a bigger impact on inflation in poorer countries because food costs represent a significant proportion of poor household incomes – particularly the urban poor. While it is heartening to hear that thus far, emerging and developing economies have weathered these challenges, the trade and financial spillovers from advanced economies could potentially slow their growth in the medium to longer term, and already, many developing and particularly low-income countries are undergoing a crisis over food security.

We believe that both of the Bretton Woods Institutions can and should do more and swiftly. In addition to monitoring financial flows to vulnerable countries, they need to prepare themselves to extend timely and effective assistance, through existing or modified instruments, to governments towards formulating comprehensive strategies to fight macroeconomic volatility and cushion the impact of such shocks. These country-specific strategies need to build on the macro-economic reforms that many have already implemented, and to enhance institutional capacity further to better enable countries to mitigate the risks of a downturn. In particular, social measures should focus on protecting the most vulnerable segments of the population, through highly targeted and time-bound policy responses, particularly in countries with stronger fundamentals.

Yet, this offers an ideal opportunity for the Bank to support those countries with a comparative advantage in food production. This would include encouraging an expansion of domestic agricultural production, through improving farm-to-market infrastructure and supporting private and public investments in distribution, processing and storage systems, in addition to that in primary agriculture. In this regard, strengthening the transportation infrastructure is key, as is the development of new rural financing

instruments. We look forward to the integration of these complex issues into the New Deal for Global Food Policy.

These high commodity and food prices offer yet another valuable multilateral opportunity that we should not miss. And yes, we agree that now is the time for all of us to re-evaluate our policies with respect to reducing tariffs and subsidies that not only distort our internal markets, but would improve the prospects for a successful **Doha Round**. While we need to strive towards narrowing the differences, we need to ensure that any new system remains fair to all stakeholders in the global economy. We need to re-evaluate our policies with respect to the distorting impacts of agricultural subsidies, reduce tariffs on goods and reduce barriers in emerging markets to stimulate South-South trade. We should use this window of opportunity to address these critical issues to ensure that the poor do not pay the price of our inaction.

Mr. Zoellick, we listened with interest to your innovative idea of channeling funds from the Sovereign Wealth Funds to meet the development needs of Africa. If the Bank Group were to create equity investment platforms and benchmarks that offered competitive returns, then these opportunities should be available, on a voluntary basis, to all stakeholders in the developed and developing world, rather than merely the Sovereign Wealth Funds. Furthermore, the governance arrangements for such a platform would need to adequately balance and reflect the interests of the various stakeholders. Finally, and while we support the identification of innovative approaches to securing financing, any funds raised should be considered additional, rather than a substitute, to the official ODA commitments. Needless to say, such an important initiative would necessarily require intensive board discussions prior to finalization and operationalization.

Finally, we would like to touch upon an issue of emerging significance – that of environmental sustainability, and in particular, our framework for addressing **climate change**. We underscore the importance of ensuring that this is formulated within the context of the development mandate of the Bank and the principles of the UNFCCC. Furthermore, and taking into account the slow and uneven progress towards achieving some MDGs and limited ODA, it is essential that we prioritize our approach and tailor it, so that national development policies and priorities, the local context and eco-specificities are incorporated. The importance of additional financing and technology transfers cannot be neglected - generating strong and more inclusive momentum to implementing effective environmentally sustainable policies needs to be pursued simultaneously with urgent action to generate the appropriate flows of resources from public and private sources, rather than relying merely on the expected private investments to materialize.

During these turbulent times, this Chair believes that this institution remains in the unique position to answer the call of the poor in this world. A prioritized environmentally sustainable approach, using innovative instruments that are tailored to country needs, and relying on country's own systems will deliver on our objectives, and make for a stronger, more legitimate institution that speaks with the voice of the poor. We look forward to continuing the dialogue on some of these and other critical issues during the Annual Meetings.