



**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)



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**Statement by**

**Ms. Ingibjörg Sólrún Gísladóttir**  
**Minister for Foreign Affairs**  
**Iceland**

**on behalf of the Nordic and Baltic Countries**

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### **On behalf of the Nordic and Baltic countries**

The Nordic-Baltic constituency would like to start by commending the Bank on the successful IDA 15 replenishment and welcome the six new donors - of which three are from our own constituency. We would also like to congratulate President Zoellick on a successful leadership during his first year in office, firmly re-establishing the credibility of the World Bank Group as a leading international development institution, and fostering an organization that better exploits synergies across the WBG.

We are happy to note the progress made on the Bank's Six Strategic Themes. We would like to underline that the key themes and priorities as agreed during the IDA 15 negotiations need to be adequately included in Bank policy.

There lie many challenges ahead of the institution. Not the least in the current financial market turmoil, where global imbalances still predominate and increasingly high commodity prices create a more difficult environment for many developing countries. The World Bank Group must stay alert to the potential negative economic fall-out to developing countries from these vulnerabilities and retain flexibility to stand ready to play its counter-cyclical role.

### **Achieving the MDGs, with focus on Africa and gender (Global Monitoring Report)**

It is time to take stock on how we have delivered on the commitments of the Monterrey consensus from 2002. As the Global Monitoring Report indicates, many countries, including in Africa, are growing relatively fast and making impressive progress toward the MDGs. The main challenge is to sustain that progress, while ensuring inclusiveness and human development outcomes. Unfortunately, the progress remains uneven, with a group of countries growing little or not at all and thus falling ever more behind. We welcome the attention given to these often fragile states in today's discussion.

Moreover, the Global Monitoring Report also notes that the human development goals are unlikely to be met given the current trends, and there is now a more urgent need than ever to generate a momentum toward achieving all of the MDGs.

Especially targets on child and maternal mortality but also primary school completion, nutrition, and sanitation, are unlikely to be met. This should be unacceptable to all stakeholders. According to OECD real money, or "programmable aid" to support long-term development, has barely shifted from 2002-2006. We thus again have to point out that aid volumes are lagging well behind donor commitments. Therefore, we urge countries to scale up their aid delivery and work towards increased aid effectiveness, in line with the Paris Agenda. The modest progress towards achieving the MDGs and little increase of development aid to Africa and the poorest countries is highly worrisome and deserves a closer attention by the World Bank Group. The successful outcome of the IDA 15 negotiations is immensely important for the ongoing work to this end.

Therefore, the Nordic-Baltic countries think that Africa, MDG3 and trade deserve special attention. Gender equality and empowerment of women – MDG3 – should also be at the core of efforts to accelerate progress on all the MDGs. The facts are undeniable - and well-documented in several World Bank reports,

such as the World Development Report from 2006 and the Global Monitoring Report from 2007- progress towards attaining MDG3 has strong multiplier effects and accelerates progress in other MDGs.

We support the work on the Gender Action Plan and we urge the World Bank to improve its performance and leadership in this field and to work towards scaling-up of the Gender Action Plan, both financially and politically. We also want to draw attention to the MDG3 Global Call for Action and encourage other World Bank constituencies to actively support the initiative.

In the effort to overcome poverty it is important to harness trade for strong and inclusive growth. This calls for countries to be committed to finalize the Doha Development Round successfully in 2008. It is also essential to focus on the creation of employment opportunities for poor people by the private sector as key for poor people to take advantage of economic growth.

Billions of dollars in illicit financial flows cross international borders every year, much more than the total amount of development assistance. We need to increase awareness and understanding of this issue by strengthening the Bank's existing initiatives and tools in this area. The financing for development process and the up-coming conference in Doha later this year provides an opportunity to address also this issue.

The Nordic and Baltic Countries expect the Bank Group to be closely involved in the preparatory process leading to the 2008 Conference on Financing for Development in Doha that reviews progress made in implementing the Monterrey Consensus since 2002.

### **Fragile Situations and Post Conflict States**

The Nordic Baltic Countries welcome the renewal and increased emphasis on fragile situations and post conflict states on the WBG agenda. Economic and development issues contribute to the causes of fragility that need to be considered in order to support the move from transition to a sustainable trajectory. We find this enhanced focus both timely and highly appropriate given that the important part the WBG, not only can, but should, play in supporting the road to recovery.

We wish to emphasize the strategic importance of fostering cooperation with other multilateral bodies, especially the UN, as well as with regional institutions. The focus should be on comparative advantages, core competencies and shared analytical work. The World Bank Group should work towards furthering its participation in integrated approaches to state-building and provide the much needed development component for successful peace-building and sustainable recovery. Increased coordination and collaboration with the UN is in our view essential. The Nordic-Baltic countries also strongly emphasize the importance of ensuring full inclusion and participation of women in all processes at international, national and local levels in accordance with UN Security Council resolution 1325. It is important for all development and reconstruction processes in fragile situations and post-conflict states to reflect the views of both sexes on the problems at hand and their solutions.

We encourage the World Bank Group to continue to work towards greater understanding of the diverse circumstances encountered in fragile situations and post-conflict states. We would also highlight the importance of ownership, putting the countries in question in the driver's seat and of working with government, as well as civil society.

Multi Donor Trust Funds are becoming an important financing vehicle in fragile states situations. In this context it is also essential that the World Bank Group and the UN finalize their partnership and fiduciary agreements in order to ensure fast and effective operations. It is important for the World Bank Group to allow for adequate flexibility in its own rules to facilitate effective operational activities in fragile situations. Fragile states require a mix of aid instruments, debt relief and support to recurrent financing, especially in the areas of health, education and other basic services. The Bank needs to be able to act fast

and take advantage of windows of opportunity, responding to the changing situation on the ground. In this regard we welcome the recent reform efforts made by the Bank Group. As the Bank focuses on continued implementation of its reforms, especially on the ground, we would emphasize the importance of strengthening field presence, increased decentralization, partnerships and staff with the right expertise.

Equally important for success though, is long-term engagement as well as a long-term focus. Achieving long term political donor support and sustainable results takes time and is challenging. Here, the Bank Group should act as a platform for coordinating field presence and aid flows, and setting up mechanisms for finance. We also want to underline the importance of private sector development for fragile states. Successful IDA-IFC cooperation could be very beneficial in these countries. Moreover, MIGA providing the appropriate guarantees against political risk is a valuable instrument in fragile situations.

### **Clean Energy and Climate Change**

Climate change presents an urgent challenge to the world in many ways, and particularly to the future of the poorest countries and the poorest people within them. Concerted actions must be undertaken at both the local and the global level. The issues of climate change are clearly a critical pillar of the development agenda. The acceleration of activities by the WBG is therefore crucial – not only for the climate change agenda, but also for achieving results in the international climate change negotiations by 2009.

The World Bank Group has a central role to play in the Climate Change agenda, complementing its core mandate of poverty reduction and economic growth. The activities already underway within the Bank and IFC are commendable. We give the Bank our full support to further develop the Strategic Framework on Climate Change, SFCCD (which builds on the Clean Energy Investment Framework, CEIF), including innovative and concessional financing instruments to facilitate public and private sector investments in low-carbon and adaptation projects.

The main objective of the Bank Group's climate change work should be to help countries "mainstream" adaptation and mitigation actions within their growth strategies, including plans for energy development – with emphasis on renewable energy sources, agriculture, and sustainable use of natural resources. The inclusion of climate change work in IDA 15 was an important step in that direction.

We believe that climate change and clean energy should be closely interlinked with the Bank's work and engagement with Middle Income Countries (MICs). Using the Bank's knowledge and broad mandate, we also hope that the Group as a whole will be a catalyst for increased private sector involvement and development within these areas both in MICs and LICs.

The World Bank's climate change strategy concept note is in line with our constituency's expectations of the World Bank Group's potential role in international division of work, regarding the challenges climate change poses. Some of the keys to the strategy's success lie with issues of country ownerships and client demand, as well as energy efficiency, technology development and transfers in the context of integrating climate change and development.

We also want to encourage the Bank to fully mainstream the issue of gender in its climate change work. Women and environment experts have raised concern over the absence of women in the discourse and debate on climate change. Finally, we want to underline our view that climate change activities and economic growth are not mutually exclusive but on the contrary may be mutually beneficial, as experience in our own countries has clearly shown.

## Voice

The Nordic and Baltic countries have for a long time promoted increased voice and representation of developing and transition countries in the World Bank in accordance with our commitment to the Monterrey consensus.

We welcome that the IMF is now taking important steps towards reform of the institution. It is therefore timely for the World Bank to accelerate its reform efforts on the basis of its own mandate. We must deliver on our Monterrey commitments and we need to see concrete results soon.

Governance reform must aim at enhancing the legitimacy of the World Bank, ensuring adequate representation of all shareholders in the governing bodies. Also for our constituency the level of representation is critical for the continued ownership and willingness in our capitals to support the Bank Group. At the same time, we will continue to work actively to strengthen in particular the voice and representation of African countries in the Board of the World Bank.

Going forward, emphasis should be put on a transparent and an inclusive reform process with a central role of the Executive Board and the Development Committee.