



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

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Statement by

Mr. Bert Koenders
Minister for Development Cooperation
The Netherlands

**On behalf of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia,
Cyprus, Georgia, Israel, the Republic of Macedonia, Moldova,
Montenegro, The Netherlands, Romania and Ukraine**

Statement by Bert Koenders

**Minister for Development Cooperation
Kingdom of the Netherlands**

representing the constituency comprising Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, the Republic of Macedonia, Moldova, Montenegro, the Netherlands, Romania and Ukraine

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)

77th Meeting, Washington, DC, 13 April 2008

1. During the Development Committee meeting we will be discussing the following subjects: the World Bank Group's Strategy, the Global Monitoring Report 2008, climate change and how to strengthen the voice of developing and transition countries in the Bank's decision-making. In my written statement I shall discuss these topics and elaborate on the consequences of the current high food and oil prices for developing countries.

The World Bank Group's Strategy

2. At the 2007 Annual Meetings, World Bank President Zoellick received the well-deserved support of the Development Committee for his proposal to focus the World Bank's strategy on six priorities. Our constituency welcomes the vision that President Zoellick presented as the Bank's mission and supports the choice of these priorities and the consultative process with which the work is being taken forward. These priorities include assisting the poorest countries, especially in Sub-Saharan Africa; addressing the problems of post-conflict states more adequately; emphasising the successful integration of China, India, and other middle-income countries into the international economic system – countries that are rising economic powers but still face significant development challenges; combating climate change; and helping countries develop and take better advantage of open markets for development and stability.

3. In 2007, President Zoellick identified fostering development and opportunity in the Arab World as one of six key strategic themes for the Bank. Our constituency strongly supports the World Bank in its efforts to strengthen its engagement with Arab countries and institutions. The Bank and the region share the same goals, which are to encourage growth and job creation, especially for the young; to achieve greater social inclusion, including for women; to focus on educational reform in order to raise quality and develop skills; and to manage environmental issues more effectively, including water management and pollution. We see closer cooperation between the Bank and the Arab world as a very positive development and believe that issues of governance, reform and democratic accountability should be part of this approach

4. We encourage President Zoellick to use the six priorities as the basis for an operational strategy equipping the Bank to address the challenges of the 21st century. We further request Management to translate the vision of an 'inclusive and sustainable globalisation', a vision fully supported by our constituency, into a clear and measurable set of objectives. We also believe that the World Bank should make clear choices in the context of a sequence and phased integration of developing countries in the world economy. This means not only defining priorities and tackling problems to which it can provide the best solutions, but also leaving interventions in specific areas to other agencies that are better equipped to

cater for them. All of the six working groups currently working on the strategic themes should be required to make these choices.

5. We also encourage Management to present a strategy proposal to the 2008 Annual Meeting. The more detailed policies needed to implement the strategy will require a continuous process, in which the World Bank can learn from its experience, as President Zoellick rightly pointed out.

6. We believe that a learning organisation that is flexible, more responsive to clients' needs, more decentralised, and better able to make use of its knowledge requires a revision of governance structures, systems and human capital. Financial resources should also be tailored to the World Bank's revised strategy and objectives. These elements of the re-orientation process should be integrated into the Strategy discussions.

7. Finally, our constituency believes that the World Bank should continue with its decentralisation process. While doing so, the Bank should also pay more attention to local accountability and strengthen the local political dialogue on World Bank programmes, closely cooperating with bilateral donors.

Global Monitoring Report 2008

8. The GMR 2008 clearly shows that achieving all the MDGs in 2015 will require extra efforts by both countries themselves and the international community. This was also underlined in the Call to Action announced at the World Economic Forum in Davos. The fact that ODA from DAC donors declined in 2006 and 2007 gives cause for concern. Our constituency calls upon other countries to deliver and fulfill the ODA norm of 0.7% of GNP. The Netherlands will also address this important issue at the Financing for Development Conference in Doha in November 2008.

9. Our constituency believes that we need to look at the scaling-up agenda and enlarge the potential fiscal space to benefit spending which promotes sustainable economic growth and tackles poverty. Our constituency believes that, when doing so, we should take into account the results of debt relief and governments' opportunities to generate income, including a better tax collection system and a more effective and efficient expenditure policy. The GMR should also look at ways for Africa to strengthen growth through sources other than ODA – through trade, for example looking at the changing aid architecture, with many new players, special attention should be paid to new challenges in the field of aid effectiveness and coherence. We should therefore do all in our power to ensure that the Accra High Level Forum in September is a success.

10. We welcome the rapid economic growth in many countries in Sub-Saharan Africa. But some countries are still missing the boat. Additional efforts are needed in these countries, and in particular in fragile states. This calls first and foremost for a commitment on the part of the governments of these countries to getting back on track, backed by the support of the international community.

11. The GMR states that the downside risk for economic growth in developing countries as a consequence of the financial crisis is likely to be limited. However, a global downturn in growth will lower both demand for products and investments in developing countries. In addition, higher risk premiums make new borrowing more expensive and could have a negative impact on developing countries' debt sustainability. To mitigate these impacts, safeguard the progress made so far in many of these countries and prevent vulnerable countries from falling further behind, attention should be given to strengthening both debt management capacities and the financial sector and to improving governance at all levels.

12. The GMR also points at the growing income inequality in developing countries. It is important to curb this worrying trend. In doing so, we should pay special attention to the consequences of rising oil and food prices, especially for the poor, in both urban and rural areas. Many countries with large stocks of commodities are able to benefit from rising commodity prices and display strong economic growth. This is only sustainable in the long run if the acquired wealth is used productively and not squandered. Some should also be set aside in case the economic tide turns. It is also important that growth trickles down to the poor and that there is enough focus on its distribution. Policy faces a challenge, especially in countries with few energy and food resources and a shortage of raw materials. The rising prices of these goods, particularly in the context of the slowing world economy, presents a challenge – from both a macroeconomic and a socioeconomic perspective. It is important that the Bank continues to find the means to assist in cases where its assistance is needed.

13. Inequality is also growing in access to health care. The rich have access to expensive, but good quality health care, while the poor depend on public health care, which is often of a lower quality. In the past, interventions to tackle this problem have proved to be unsuccessful. Our constituency believes that inequality should not only be tackled with technical instruments, but should also be seen as part of a broader socio-political agenda. What is more, special attention should be paid to the problem of malnourishment, which is a major obstacle to achieving the MDGs. The strong rise in food prices is a risk factor.

14. The international financial institutions still play an important role, but they can't take that for granted. The effectiveness and efficiency of the various institutions is crucial. We believe that we should look carefully at the multilateral architecture in the light of the global public goods debate. Regional and global public goods are rightfully seen as new priorities, but it is not yet fully clear what role the multilateral institutions, and more specifically the World Bank, should play.

Climate Change

15. Our constituency welcomes the progress made with the Strategic Framework on Climate Change and Development (SFCC), since addressing climate change is central to development and poverty reduction. We agree that the SFCC should be an integrated part of the Bank's overall strategy and form part of its global public goods strategy.

16. We believe that financial resources for the climate change agenda should be additional to the present levels of ODA finance so as not to compete with other MDGs. We believe that adaptation measures should be integrated and mainstreamed into development aid.

17. Our constituency welcomes the design of new and innovative financial instruments by the World Bank, if they are in response to a clear demand not met by the market and add more value than existing instruments and other relevant initiatives. In this way we avoid the creation of an unnecessarily complex, inefficient and ineffective financial architecture for climate change.

18. Better use can be made of existing instruments. In doing so, it is important to work closely with other development partners, including the UN (UNFCCC, UNEP, UNDP), the GEF, Regional Development Banks, bilateral donors, the private sector, research institutions and civil society. In the area of climate change, the WB should focus on its comparative advantages and should agree with its partners on a proper division of labour. Maximising synergies between IFC, MIGA, IBRD and IDA also deserves attention.

19. New products should focus on raising private sector finance, which will form the lion's share of funding for climate change. We welcome the relatively large role designated in the document to the IFC and welcome the development of a climate change strategy.

20. With respect to the development of a portfolio of strategic Climate Investment Funds (CIFs, and the umbrella vehicle), we see that until now there has been limited involvement of developing countries, risking a negative impact on the UNFCCC process and a less effective post-2012 climate regime. We are also concerned about the risk of proliferation as well as duplication of funds and difficulties concerning their governance. Given the establishment of the Adaptation Fund (AF) in Bali, a replication of similar efforts will raise questions of coherence and effectiveness. In light of these issues, we welcome closer dialogue with all actors to improve the design of the CIFs. We would like to make the following suggestions. First, we would like to see the Climate Resilience Programme working with the three existing adaptation funds: LDCF, SCCF and AF. A one-off contribution to the new AF would have the clear advantage of building the trust of developing countries and of involving GEF, UNDP and UNEP more closely. Second, the Forest Investment Fund should work with the existing Forest Carbon Partnership Facility. We also believe that synergy and complementarity with funds (i.e. within the GEF) that foster sustainable ecosystem management and restoration should be explored. Third, we would prefer a single facility with a limited number of windows, including a window for clean energy and access to energy, instead of a number of trust funds, each with their own governance structure.

21. The governance structure of the CIFs and the various new instruments and initiatives is a real challenge. We believe that it could be improved with greater consolidation at recipient level to help clients obtain the package they need and reduce the transaction costs. Staff also need clear guidance. Improved outreach is needed to show what instruments exist to strengthen the project pipeline.

Voice

22. We support the work carried out by the Bank on strengthening the voice of Developing and Transition Countries (DTC). It is well timed, given the developments at the IMF. The Netherlands attaches great importance to strengthening the voice of DTC and would like to see tangible progress soon after an agreement is reached at the IMF. The Netherlands would like to stress that the WB is a global development institution and should take ODA and Trust Fund contributions on board when discussing how the balance of voice and representation should be improved. We welcome the progress that has been made in fixing the timeline for working out specific proposals. However, we consider the options presented at each stage as part of one and the same package aimed at enhancing the voice of DTC since they are closely interrelated. We look forward to discussing this package in an open and constructive way in the near future.