



**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**

**Mr. Ibrahim Al-Assaf**  
**Minister of Finance**  
**Saudi Arabia**



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We are meeting at a time of difficult challenges to global development prospects. The crisis in the financial system has intensified dramatically. Its resolution is, rightly, largely a matter for policymakers in the countries where it originated. It is also worth noting that the continued robust growth in developing country economies has helped alleviate the global impact of deceleration in the advanced economies. Sustaining such dynamics will indeed require continued policy vigilance. In the current situation, however, we have to consider whether longer-term development prospects are under threat from such external factors. This would be in spite of the encouraging and commendable record of sustained economic reforms within the countries recording strong growth rates.

Against such a background, and given the poverty-reduction mandate of the World Bank Group, it is appropriate for this Committee to focus on practical measures the institution can take to support those who are most affected. This, of course, includes continuing to help client countries strengthen the resilience of their economies. The background notes on fiscal vulnerabilities and rising food and fuel prices indicate the challenges involved as well as actions where the Bank can make a difference both in analytical work and in additional support operations, in partnership with others.

I commend the Bank for its work in making a good start in implementing the measures we discussed at our last meeting to combat hunger and malnutrition through a combination of immediate assistance, notably through the Global Food Response Program, with longer-term efforts to boost agricultural productivity. The diversion of agricultural activities to produce biofuels remains a matter of concern, given the impact on food prices and the role of expenditures on food in the consumption patterns of the poor countries. We should not forget that advanced countries also have responsibilities, as agricultural subsidies and restrictions on the imports of developing country products have contributed to underdevelopment of this sector in those countries and increased their own dependence on food imports. The failure to come to an acceptable conclusion to the Doha round further exacerbates the situation. To move matters forward, I repeat my call to the Bank to come up with innovative financing mechanisms in support of the agricultural sector to boost food production in developing countries. The IFC can intensify its role here in seeking out private and public sector partners, as well as South-South initiatives.

Regarding energy prices, Saudi Arabia has had long-standing concerns that the volatility and levels of oil prices do not reflect supply and demand fundamentals alone, but also reflect such factors as the flow of speculative funds into commodity markets, refining limitations, and geopolitical tensions. We remain committed to ensuring that the oil market is well supplied. For those countries that have already been adversely impacted by higher energy prices, I welcome the prompt follow-up and consultations by the Bank to move forward proposals advanced by King Abdullah at the Jeddah Energy Conference for the Energy for the Poor Initiative. This can assist in addressing immediate needs, and in the longer-term to increase the resilience of countries and households. Included would be the provision of sustainable energy access for the

poor, and efficiency gains in energy consumption and supply. For its part, Saudi Arabia confirms its willingness to support this effort and urges other to join in partnership.

Turning to *Development and Climate Change: A Strategic Framework for the World Bank Group*, I appreciate the wide process of internal and external consultation that has taken place since the Spring. We now have a document that reflects many and varied interests. I have three sets of comments.

First, as far as the operational impact on the Bank is concerned, I welcome the recognition that the Framework reinforces a country-based and country-led approach that is driven by client demand and will inform and support –but not override– operational strategies and business plans. Further, there will be no imposition of climate-related conditionalities. Indeed, I would underline, as does the paper, that the core mission of the Bank is and will remain to support growth and overcome poverty. Current events remind us that this core work is fundamental and long-term in nature.

A second point is the primacy of the negotiating process currently underway under the auspices of the United Nations Framework Convention on Climate Change, and specifically under the Bali Action Plan. Success in negotiating an equitable global policy and financial architecture will be essential if the financing gap is to be bridged and additional resources are to be made available to support the climate actions needed in developing countries. Successful implementation of the Framework will ultimately be dependent on such factors. Of course, much will depend on Annex 1 parties fulfilling their obligations regarding financial support, transfer of technology, and capacity building for developing countries. It is clear that the mitigation response as well as mitigation of response measures taken by Annex 1 countries themselves will have an economic impact on countries that are highly dependent on the production and export of fossil fuels, especially oil. This is an important area where the Bank can and should play a comprehensive role, including knowledge, advocacy and policy dialogue, and to assist in clarifying the economic impacts.

My third point concerns a set of other key inter-related issues. Of paramount importance is greater access to modern, least-cost energy sources. This is essential if development in the poorer countries is to be successful. Also important is transfer of technology. Here, the Bank should be neutral as to any particular technology, and be supportive of technologies that meet the test of economic viability in the longer-term. It must be emphasized that technological mitigation options is the way forward, in particular the Carbon Capture and Storage (CCS). CCS must be considered as a viable option under the Kyoto Protocol or any future regime and be applicable as CDM activity. This will help greatly the mitigation efforts to combat climate change. Equally important is a focus on energy efficiency, a significant topic in its own right, distinct from renewable energy. It makes economic sense for every one everywhere. This is also an area where all of the WBG institutions have a role and comparative advantage. I would urge, therefore, that Bank Group should pursue comprehensive and distinctively focused energy efficiency programs in client countries.

I strongly believe that energy efficiency is a “low-hanging fruit”. Many efficiency gains are possible on the supply side through the use of cutting-edge technology. There is also a great potential that could be harnessed on the demand side. Given the expected continued preponderance of fossil fuels in the energy mix, such efficiency gains can meaningfully

contribute to improving energy access while reducing emissions. This is a win-win situation that must be realized to the fullest extent.

It should also be made explicit that the pilot on emissions accounting and shadow costing will not influence the choice of projects accepted for financing by the World Bank Group. The start of the project cycle for all operations should include explicit consideration of the differences between climate-friendly and least-cost project designs.

More broadly, I emphasize the importance of adaptation, and of a proactive role by the Bank. Adaptation is a very important part of the climate agenda and is critical to securing development gains in client countries. Going forward, the Bank Group would need to elaborate and scale up its role in this vital area.

These I believe are the foremost priorities for the Bank Group's work in the climate change area. Pursuing these priorities would greatly enhance the prospects of an equitable and development-oriented implementation process responsive to the Bank's core mission.

I would consider our third Agenda item concerning *Voice and Participation* in the light of two principles embedded in this Committee's Communiqué of last April, namely: (i) a consultation process that is inclusive; and (ii) the importance of enhancing voice and representation for all developing and transition countries (DTCs). I appreciate the extensive consultations with shareholders that have taken place, as well as the technical work informing those consultations. The second implies two things: a move towards parity between developed countries and DTCs, and that enhancement of DTC voting power as a group should not be at the expense of the voting power of any individual DTCs. Respecting these principles going forward will be important in determining if a supportable proposal has emerged for realignment of IBRD shareholding.

That said, I also attach great importance to measures to enhance legitimacy, credibility, and accountability in Bank Group operations. Continued actions are needed to broaden the representation of DTC nationals in management and staff generally, especially for severely under-represented nationalities. Deepening the ownership of the Bank Group's strategic agenda and the need to further strengthen the dialogues with shareholders are also important. Good progress has been made on these issues, as well as on strengthening the country-based model and field-based delivery through enhanced decentralization. I look forward to further progress in the future.

As for the specifics of the Voice Reform package, I support the increase in IBRD Basic votes to 5.55 percent (doubling the current number). I also support the principle that DTC members whose voting power would otherwise decrease due to the doubling of Basic Votes would benefit from an exceptional allocation of available IBRD shares in mitigation of that decline. The technical details are, however, yet to be agreed upon.

I welcome and support the proposal for an additional 25<sup>th</sup> Chair for Sub-Saharan Africa in the Bank, which can significantly improve the representation of the poorer countries. I also can accept the proposals for increasing IDA Part II voting power, and note positively the considerable agreement on an improved selection process for the President of the World Bank. I also encourage continued work on strengthening Board effectiveness and governance.

Regarding the proposed major second stage review of IBRD shareholding, I have some reservations. I see this process as challenging, noting the experience at the Fund in undertaking comparable exercises. There are many technical factors to take into account. In this regard, I would just mention the need to consider factors that are important to the World Bank Group work and its mandate, such as overall contributions to ODA (as well as contributions to IDA), including success in attaining or exceeding the 0.7 percent UN target; systemic importance in the world economy; openness of the economy, trade volume, and the issue of volatility; exchange rate aspects; and the principle already mentioned of non-dilution. This process will require intense consultation and involvement of the Bank's Board. I therefore reserve my view on the proposed work program until these aspects are further clarified.

Subject to these qualifications and reservations, I am willing to join a consensus in this Committee to broadly endorse the first phase of the overall reform package and to move ahead in securing the necessary approvals by shareholders.

I turn in conclusion to the important topic of Strategic Directions for the World Bank. I welcome the updating note provided and agree that the external environment the institution currently faces requires attention to downside risks in the global economy and the evolution of a more flexible and responsive organization. The succinct review of progress regarding the six strategic themes is welcome, and I appreciate the progress on the Arab World Initiative. I note the suggestion of continued refinements regarding the six themes going ahead. I emphasize that the discussions and review of strategic uses of IBRD capital need to be placed in an overall strategic framework that sets out a vision of the longer-term dimensions of the IBRD's finances keeping in mind its needs as an international cooperative institution. This is especially relevant in today's uncertain environment. I wish Mr. Zoellick continued success in building up a more flexible institution that is responsive to its clients and focused on its overarching mission of poverty-reduction.