



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-EIGHTH MEETING
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Statement by

Mr. Douglas Alexander, MP
Secretary of State for International Development
and
Mr. Alistair Darling, MP
Chancellor of the Exchequer

United Kingdom

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We meet at a time when the progress made towards the Millennium Development Goals (MDGs) since 2000 is at risk from increases in the prices of basic foodstuffs and other commodities, and the biggest global financial shock since the Great Depression. This is in addition to the continuing crisis of dangerous climate change.

The impact of high food prices is already being felt by poor people throughout the world. The Bank estimates that in 2008 the total number of malnourished people could reach 967 million, up from 848 million in 2003. This will set back progress on several of MDGs, and for the youngest children affected by malnutrition, it causes irreparable damage, constraining their development and potential. Despite the recent fall in the wholesale price of oil, high fuel prices also threaten the wellbeing of individuals and families, and the fiscal stability of developing countries.

The effects of the financial crisis risk rippling into emerging market economies and the poorest countries through slower economic growth. And the current financial crisis has the potential to deflect our attention away from the pressing needs of poor countries. As Ministers, we naturally focus on responding to the challenge the current situation presents to our own countries, focussing our best efforts on helping our citizens cope. But the commitments we have made are also critical. In this interdependent world, our assistance and support is not only a moral imperative but in our self-interest. So it was encouraging that last month at the UN Secretary General's High Level Event on the MDGs, \$16bn in new commitments were made. They have the potential to increase access to health services and education to those who would otherwise not have been able to access them, and showed our collective determination to accelerate progress towards the MDGs. We must do this if we are to fulfill the promises made to the world's poor in 2000.

The World Bank remains central to our efforts to confront the many challenges facing developing countries. The UK remains committed to increasing the effectiveness and legitimacy of the Bank and working with bilateral and multilateral partners to deliver the MDGs. We must use these Annual Meetings - and forthcoming international meetings such as the Financing for Development Conference in Doha - to continue our work, despite the strong winds that risk blowing us off course.

Financial Crisis

Early indications show that there is a risk of the global financial crisis spilling over into emerging markets. It is increasingly difficult for the public and private sectors to access finance, particularly in middle income countries. There is a danger that poverty reduction efforts in many countries will be negatively affected by the crisis as levels of economic growth and demand slow and sources of finance for investment dry up. Although these impacts may take some time to fully materialise we must act now to mitigate the immediate impacts and lay the foundations for our response in the medium term.

The focus must be on the Bank and the Fund fulfilling the role that they were designed for: Responding to counter cyclical demand from developing countries, and particular middle income countries for lending. The IBRD and the IFC must utilise their strong capital bases, and IDA must deploy its record resources, flexibly to respond to fiscal pressures and the household level impacts of the crisis.

The demand for Bank policy advice and technical resources is also likely to increase. We look to the Bank to ensure that its support is timely and flexible. We support the Bank's efforts to strengthen the capacity of countries to deal with financial sector distress ahead of a crisis, and help develop strategies to deal with the consequences. The Bank Group and the IMF must work closely together and with developing countries to offer a clear menu of options that help balance long-term impacts and short-term needs.

Food and Fuel

We are very concerned that the global financial crisis will aggravate the impact of historically high food and fuel prices. Recent estimates suggest that more than 900 million people don't get enough to eat and 20 million people in the Horn of Africa are facing a humanitarian emergency as a result of drought, rising food prices, poverty and conflict. Many families are spending around 60% of their income on food. Short term assistance to meet this immediate need is required, as well as long term increases in agricultural productivity.

The World Bank has responded quickly through its Global Food Crisis Response Programme and the commitment to double investment in agriculture. We welcome the World Bank's leading role in developing the international strategy to address the food price crisis. We want to see progress against this strategy combining short term measures to protect the poor and longer term efforts to increase investment and productivity in the agricultural sector. We will continue to press for timely disbursement of resources under the Global Food Crisis Response Programme, and to encourage continued close working between the Bank and other international partners to address the crisis.

At the Rome FAO Food Summit in June, the UK called on all donors, international organisations, the private sector and civil society to double efforts to tackle global hunger and poverty through a Global Partnership for Agriculture and Food. UK resources committed to tackling the global food crisis now total over £900 million, which includes £400 million for research. We believe that the establishment of a new Global Partnership for Food and Agriculture, building upon national and regional plans, is essential. We call for the World Bank's active engagement in its design and implementation, alongside other partners.

Although recent weeks have seen a drop in the wholesale price of crude oil, rising fuel prices are also impacting on poor people at the level of individuals and families, and as countries struggle with the fiscal cost of poorly targeted subsidy regimes. The Bank also has a key role in responding to this threat. We welcome the proposals presented by the Bank for an Energy for the Poor initiative and will be looking for it to move to implementation as soon as possible. This should complement the action on food; providing transparent targeted and support to the poor and increasing investment in clean energy access in the medium and long term. They must also complement the emerging climate change finance architecture.

Financing for Development/Bank Capital

The Monterrey Consensus remains a key document on financing for development and for achieving the MDGs. In addition, we need to address together four new issues: climate change, food and energy security, and financial instability. As we prepare for the Doha Financing for Development conference in November these new issues are already affecting the development agenda and raise new financing

challenges. Their impact will be greatest in poor countries and on poor people. All the MDGs will be affected.

As part of the international effort to mobilise additional resources we support the World Bank's efforts to make the best use of its strong capital base in innovative ways. These efforts must take into account the need for the Bank to respond to the current financial crises, and increasing demand from developing countries for resources channelled through its core operations. However, as Governors we must ensure that we are making the most efficient use of our capital and we must open to new and innovative approaches.

Voice

In January 2008 the UK Prime Minister called for reform of the key international organisations, including the Bretton Woods Institutions, so that they are better equipped to address new global challenges. To be most effective, the World Bank and IMF must be – and be seen to be – legitimate and representative, reflecting the realities of the 21st century. The current financial crisis further underscores the importance of strong multilateral institutions.

This means change. We strongly support the package of reforms agreed as a first step in that process of change. We have continuously advocated for more ambitious reform, we believe that this package represents a significant step forward. We warmly welcome the proposals to give African countries a third seat on the World Bank Board of Executive Directors and to increase the say of the poorest countries, through doubling basic votes.

The Bank must also continue working on a further realignment of IBRD shares. We will continue to advocate for a comprehensive agreement using the outcome of the IMF negotiations to reflect the relative position of members in the world economy, and taking into account contributions to IDA and Trust Funds and the specific mandate of the Bank.

There is broad support behind the move to modernise the selection of the Bank President and it has been advanced through the package of reforms agreed by Governors. The selection process must be merit-based and transparent. We look forward to candidates from across the world being considered when the next President of the Bank is selected.

Climate Change

The impact of climate change threatens to undermine many of the development gains made in recent years. So the Bank needs to put climate change and environmental sustainability firmly at the heart of its work and to continue to show strong international leadership on the issue. It is an integral part of the Bank's core mission of tackling poverty.

We welcome the launch of the Climate Investment Funds (CIFs) at the G8 Summit in July 2008 and the \$6.1 billion committed to the Funds last month, including £800m from the UK. The G8 Summit also saw the World Bank and the other multilateral development banks set an ambitious target of mobilising public and private investments of over US\$100 billion for clean energy up to 2010, and we look to the Bank and others to deliver effectively against this commitment.

We believe that the World Bank has a key role to play in helping developing countries adapt to the impact of climate change and grow their economies in a sustainable and environmentally-friendly way. The Bank's Strategic Framework for Climate Change and Development (SFCCD) presented to the Development Committee must be taken forward through mainstream climate considerations into its core

development activities. The SFCCD's results framework for 2009-2011 and the longer term process of agreeing objectives, results and milestones must drive change in the organisation.

The Bank's strategic directions

We agree with the Bank's own assessment that it must become more nimble, flexible and client-focused. Progress is needed in three areas in particular. First, reforming the Bank's operational policies in line with the international consensus on aid effectiveness. At last month's High Level Forum on Aid Effectiveness in Accra, the World Bank and other partners signed up to the Accra Agenda for Action (AAA) to accelerate and deepen implementation of the Paris Declaration on Aid Effectiveness. This included reinforced commitments to mutual accountability, to support for country ownership through capacity development and increased use of strengthened country systems, to transparency and predictability of aid and its underlying conditions, and to the reduction of donor proliferation and fragmentation. The Bank must lead by example in implementing the AAA, including by incorporating the commitments made into its Aid Effectiveness Action Plan.

The second area of priority is making better use of Bank capital as outlined above. The third area is decentralisation. The Bank will be presenting a strategic document on how to deliver this after the Annual Meetings. We welcome that. Greater field presence and stronger-decision making authority for Bank country staff is essential for the Bank's effectiveness.

Conclusion

The world is faced with some of the most challenging financial circumstances in living memory. But this cannot, and must not be used as an excuse to turn our back on the poorest and most vulnerable members of our global community. Helping them remains in all of our interests and is more important than ever. So we must use these meetings, and other international meetings later in the year, to discuss and agree what more we can do using the resources already available to us including via the Bank. Real progress has been made in reducing poverty in the past eight years. We must do all we can to ensure this progress is not reversed but carried forward.