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(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. 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

Since our preliminary reflections during the Spring Meetings of this year, the **global economic context** has continued to undergo significant strains fueled by a protracted financial crisis and high commodities prices. All assessments indicate that this turbulence will prevail in the medium term.

From our perspective, we need to address two critical issues – the **impact of this financial turbulence on** the ability of donors to deliver on the commitments they made at Monterrey on the one hand, and **our institution's core poverty reduction mandate**, on the other.

The commitment made to the achievement of the Millennium Development Goals (MDGs) will depend on not only, increasing **aid, but also ensuring enhanced aid effectiveness**. Ensuring adequate, predictable and timely financial flows to protect the most vulnerable in many low income countries is an urgent challenge. This is particularly vital for those countries that have limited ability to take on additional debt or that cannot use their scarce domestic resources to finance adjustment to the price shocks. Particularly during these financially turbulent times, donors need to reassure the international community that the aid allocations already made would be protected and reaffirm the commitments to scale up aid made at Monterrey and Gleneagles. This, in association with progress in implementing the agreements made at the recent High Level Forum on Aid Effectiveness in Accra, to enhance predictability of aid flows, improve aid effectiveness, and increase the use of country systems, would signal the significance that the international community places on the issue of global development.

Furthermore, pressing ahead with the **Doha Round of trade negotiations** is of critical importance now. The global community must work towards progressively removing measures that distort international trade and investment in agriculture, such as export restrictions and domestic price controls, if we are to meet the rapidly rising world demand for food products in the coming years.

The second dimension that we also need to assess is the **impact of the turbulence on our development mandate**, and its impact on the alleviation of poverty. It is of great concern that inflationary pressures and the risk of reduced export growth, stand to threaten the hard-won social and economic gains that many reforming governments, in collaboration with both of the Breton Woods Institutions, have worked so hard to achieve over the past decade. Especially worrisome is the risk of increasing global poverty levels, and deepening poverty amongst the already poor with grave human development ramifications.

Developing countries are facing increasingly difficult and more limited policy choices when attempting to address the social and political effects of the financial turbulence and food and commodity price shocks. We believe that **coordinated global action would be a key factor** in addressing this crisis effectively; and in this effort, both of the **Breton Woods Institutions have a unique role to play**. We welcome the Bank's short term budget support operations, and the Fund's recent reform of its Exogenous Shocks Facility in support of the balance of payments. In addition, we appreciate the Global Food Crisis Response Program with its expedited financing terms. However, we need to maintain our emphasis on

supporting longer term investments in agricultural production and infrastructure, including transport, distribution, processing and storage systems. Most significantly, we believe that timely and effective country-specific analytical assistance to governments towards formulating targeted and effective strategies to mitigate the risks and cushion the impact of such shocks would be vital. Finally, and to counter the impact of decreased investor risk appetite on the availability of external financing and credit, the International Finance Corporation (IFC) would need to scale up its investments and activities to boost confidence in the financial and agricultural private sector in developing countries with capital market access.

The chain of events unfolding over the past few months has drawn attention to the global dynamics and the role of developing and emerging economies in it. This is why we consider this discussion on the **governance of the World Bank Group** as opportune. Despite the diverging views, and intricacies involved, enhancing the voice and participation of Developing and Transition Countries (DTCs) in the decision making process of the World Bank Group is critical, to maintain the institution's legitimacy, credibility, and effectiveness.

The concrete package outlined in the paper in front of us paves the way for a consensus to be achieved by the Spring Meetings. However, in order to ensure that the Bank remains credible and responsive to the evolving realities of a dynamic global economy, we should consider initiating an internal process of **systematic governance review** at regular predetermined intervals, as happens at the International Monetary Fund (IMF) every five years. Including this in the current package of reforms would signal that we do not consider this package as spelling the end of the entire governance reform effort at the Bank Group.

It is encouraging that the potential **structural components of a reform package** have been broadly identified. This necessarily includes a **doubling of the Basic Votes**, in association with the distribution of the **unallocated shares**, to ensure that all developing countries benefit with an enhanced or at least maintain their voting power. Within the context of a World Bank Group approach, some consideration need also be directed towards addressing the **governance of the International Development Agency (IDA)**, beyond encouraging all developing countries to subscribe to their allocated shares. Along a similar vein, adjusting the proportion of Basic Votes in the total votes of the shareholders of **International Finance Corporation (IFC)** would also be a welcome element. Ensuring the implementation of a merit based and transparent process for the **selection of the President** would further underscore the significance that we attach to this exercise. The challenge of assessing the degree of compromise that each shareholder would be prepared to make looms ahead.

There is more consensus on the equally significant, yet secondary **non-structural aspects of the voice agenda**. Reducing the constraints on the two Executive Directors representing 47 African countries, through the establishment of an **additional African Chair**, is necessary for the more effective functioning of this Institution. The elaboration and implementation of the recommendations for **internal governance reform**, made in the Governance report by the Committee for Governance and Administration (COGAM), in response to our request in April 2007, would further improve Board processes and oversight, and we fully support them. Systematization of the efforts to increase staff **diversity**, local presence in client countries, country ownership and project communication would contribute towards the development effectiveness of the Bank's operations and portfolio performance. We encourage a continued strong collaboration between the Board and management on all of these critical issues.

Despite the complexities involved, and the sometimes diverging demands of the various stakeholders, this difficult process of negotiation and consensus building is necessary and vital. As is the case when dealing with complex issues, success will depend on the degree of ownership of the proposals by the

stakeholders. Hence, the importance of continued and strong engagement of the Board of Executive Directors, with the support of management, in this process of governance reform. We believe that the final outcome would be an Institution that would be more legitimate and in stronger position to answer the call of the poor in this world. We look forward to being updated of the results of this exercise so we can finalize a comprehensive and significant package of reforms during the upcoming Spring Meetings in 2009.

In contrast to what we hope, would be a short-lived phase of financial instability, experts expect the current climate change to intensify into the future. The **Strategic Framework for Climate Change** rightly adopts a demand driven approach to this development challenge and underscores the importance of its prioritization and customization to national development programs and the local economic context.

Given the scale of the climate challenge, securing **incremental resources** - additional to current aid commitments and supplemented by innovative private sources, is paramount. In this regard, the establishment of the Climate Investment Funds, working in close coordination and collaboration with existing bilateral and multilateral efforts, including the GEF and the Adaptation Fund are steps in the right direction.

We consider that the World Bank Group has an important advocacy role with respect to the **adaptation burden** that is being faced by developing countries, including those smaller states that are acutely vulnerable to climate risk. Hence the importance of proactively mobilizing, intermediating and managing the resources required to support such adaptation efforts including supporting stand-alone adaptation projects.

Furthermore, and while maintaining technology **neutrality and respecting countries' technology choices**, the Bank needs to strengthen its role in the area of technology development, transfer, and financing to better enable developing countries to play their part in the global climate change agenda. The dissemination of modern technologies and technological innovations are necessary to promote low carbon and more climate resilient economic growth and poverty alleviation. Despite this, a cautious approach towards supporting pre-commercial new technologies is necessary, to mitigate the risks of moral hazard and unintended adverse selection.

One of the most effective solutions to climate change are **energy efficiency** (EE) technologies. Not only are they cost-effective and financially self-sustainable, but they encourage **greater and reliable access to energy supplies for the poor**, which is a key priority for the Bank clients as well as having relevance for the Bank's mandate of economic growth and poverty alleviation.

Finally, the success of the strategy will be built on the extent to which the **Bank's human and financial resources, across the various arms of the Group, are aligned** to deliver upon this Strategy, as well as the establishment of a robust and timely monitoring and evaluation framework to track progress and enable modifications when necessary.

We look forward to a **constructive dialogue with developing countries** during the implementation of the strategy to secure their ownership, without which the effectiveness of any environmentally sustainable program would be seriously impacted. Once again is the need for the enhancement of local capacities at the country and project levels, through timely and innovative sharing of knowledge and best practice learning to enrich country specific development initiatives and plans.