



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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**STATEMENTS SUBMITTED TO THE EIGHTY-NINTH MEETING
 OF THE DEVELOPMENT COMMITTEE**

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 President, National Bank of Poland

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**NOTE ON THE EIGHTY-NINTH MEETING
OF THE DEVELOPMENT COMMITTEE**

The Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries – the Development Committee – held its eighty-ninth meeting on April 12, 2014, in the Preston Auditorium of the World Bank in Washington, DC. The meeting consisted of a single session, preceded by an informal Ministerial-level lunch for Members only on the same day. Members circulated their written statements in advance and these are part of this document. Also included is a note by the International Monetary Fund Managing Director distributed ahead of the meeting. The meeting started at 3:15 p.m. with opening statements by Dr. Kim, President of the World Bank Group, and Ms. Christine Lagarde, Managing Director, International Monetary Fund, and ended at 5:30 p.m. It was chaired by Mr. Marek Belka, President, National Bank of Poland.

The Agenda (Annex A) was adopted at the beginning of the meeting, followed by a discussion of the agenda topic: A paper entitled "Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries".

In addition to the above discussion topic, a paper entitled "Progress Report on Mainstreaming Disaster Risk Management in World Bank Group Operations", was submitted to the Committee as a background report. Ministers commented on these documents in their written statements to the Development Committee.

The Communiqué (Annex B) was adopted at the end of the meeting and records the salient points and outcome of the Ministerial discussion.

Statement by the Managing Director of the International Monetary Fund, Ms. Christine Lagarde

Global activity is strengthening but the recovery is uneven and vulnerable to downside risks, with geopolitical tensions injecting new concerns. The pick-up in growth is coming in good part from the advanced economies; the acceleration of growth in emerging market and developing economies (EMDEs) is modest, but will still account for the bulk of global expansion. Key challenges for EMDEs include calibrating policies to handle the threat of adverse capital flows, strengthening macroeconomic positions to contain vulnerabilities, and addressing obstacles to sustaining growth and employment expansion over the medium term.

I. ECONOMIC OUTLOOK AND RISKS

Global activity has strengthened and is expected to improve further, with output growth projected to reach 3.6 percent in 2014 and 3.9 percent in 2015. Much of the impulse is set to come from advanced economies, particularly the United States and the euro area, where a pick-up in economic activity has been helped by a slower pace of fiscal tightening and still highly accommodative monetary conditions. That said, the pace of growth in the euro area remains modest, with several countries under stress from high debt levels and financial fragmentation. Growth in emerging market economies (EMEs) is projected to pick up modestly from 4¾ percent in 2013 to over 5 percent in 2014-15, helped by stronger external demand from advanced economies but hindered by tighter financing conditions. In low-income countries, the strong pace of growth recorded in recent years looks set to continue, with output projected to increase annually by close to 6½ percent in 2014-15. Overall, EMDEs will account for more than two-thirds of the expansion in global output.

The recovery is subject to significant downside risks, albeit less heavily weighed to the downside than previously. In advanced economies, risks associated with persistent low inflation have come to the fore, most notably in the euro area where negative output gaps remain sizeable and unemployment rates are well above pre-crisis levels in several countries. The possibility of an extended period of sub-par growth cannot be dismissed. For EMEs, downside risks have increased, with faster-than-anticipated normalization of US monetary policy or renewed bouts of heightened risk aversion on the part of investors having the potential to produce further financial turmoil and possible contagion. Further domestic growth disappointments could hit both investment and capital inflows in several countries, while a significant slowing of growth in China would likely have a material impact both on connected economies and on investor sentiment more generally. Recent geopolitical tensions are also a significant risk factor.

II. POLICY CHALLENGES FACING EMERGING MARKET AND DEVELOPING ECONOMIES

The policy challenges facing EMDEs are examined in detail in the Spring 2014 *World Economic Outlook*, and are also discussed in the useful background paper prepared by World Bank staff for this meeting. The discussion below is selective, focusing on the most significant challenges that require timely action.

An Immediate Challenge: Managing Capital Flow Volatility

The exchange market pressures experienced by many EMEs in mid-2013 and again in late-January 2014 highlighted the potential threat from a significant scaling back, or reversal, of the sizeable capital inflows into EMEs in recent years. Shifting expectations about the trajectory of

the scaling back of monetary policy accommodation in the U.S. was the initial trigger for these pressures, but this was later augmented by market concerns about emerging market fundamentals in the wake of a streak of unfavorable news. The relative significance of the swing in capital flows varied across countries, based in good part on country fundamentals: those countries with higher inflation, wider current account deficits, and/or weaker fiscal balances were typically more severely affected. Some of these structural vulnerabilities had been present for some time, but attracted closer attention from investors only as the prospects of higher returns in advanced economies improved. In part reflecting the policy response to these capital flow swings, financial conditions have tightened further in some EMEs, with the higher cost of capital now weighing on investment and growth prospects. Against this backdrop, EMEs will need to respond promptly to contain the impact of any capital flow reversals, while addressing weaknesses in macroeconomic fundamentals through appropriate corrective measures over time.

Most low-income countries, with limited links to global financial markets, have seen little direct impact from these recent market jitters. But there are a number of “frontier market” low-income economies that have attracted significant portfolio inflows in recent years and, as a result, are also potentially vulnerable to the pressures faced by EMEs, particularly in cases where macroeconomic imbalances are of concern.

Containing the impact of capital flow shocks

For countries hit by capital flow reversals, avoiding disorderly and disruptive currency depreciation can be a key concern. Allowing exchange rate depreciation is a key component of the appropriate policy response, as it sets in motion offsetting adjustments in other components of the balance of payments (such as by improving export competitiveness). But supporting measures may be needed to limit excessive exchange rate volatility, prevent harmful overshooting, or contain domestic financial disruption. Judicious foreign exchange market intervention is one such tool, if foreign exchange reserves are adequate. Monetary policy tightening may also be required, both to contain net outflows and to limit the pass-through effects of depreciation on prices if inflation is already a concern. Where financial stability is threatened via the impact of exchange rate depreciation on un-hedged borrowers (whether corporates or banks), strong regulatory and supervisory efforts are needed to ensure that banks speedily address credit quality and profitability problems. Of course, prior actions to monitor and contain the threats posed by un-hedged balance sheets would mitigate the risk of such stability problems emerging in the first place. Capital flow management measures, though an option in certain circumstances, should not substitute for warranted macroeconomic adjustment.

Recalibrating macroeconomic policies

In the wake of the global financial crisis, expansionary macroeconomic policies in EMEs boosted domestic demand and facilitated a rapid bounce-back in activity. In some cases, this appropriate counter-cyclical policy response was not adequately reversed when economies were growing rapidly in 2010-12 and, to varying extents, overheating. As a consequence, several countries experienced a widening of current account deficits to unsustainable levels, while fiscal positions weakened, with deficits and associated financing needs remaining well above pre-crisis levels. These external and domestic vulnerabilities require a recalibration of macroeconomic policies, in a manner that takes account of the extent of economic slack.

□ *Monetary policy.* In a number of economies, including Brazil and India, where inflation pressure continues and could be reinforced by recent currency depreciation, further policy tightening may be required to rein in inflation. In other economies, monetary conditions can be eased to support growth, but policymakers should be mindful of prospective inflation pressure, policy credibility, and the possible market impact in the current environment.

□ *Fiscal policy.* The fiscal stance should be consistent with the estimated growth potential and recent increases in longer-term interest rates. Countries experiencing problematic debt trajectories need to initiate deficit reduction strategies and rebuild buffers. In some economies, increased contingent risks to budgets and public debt from substantial increases in quasi-fiscal activity underscore the need to contain these non-transparent forms of fiscal intervention.

Medium-Term Challenge: Boosting and Sustaining Growth and Reducing Vulnerabilities

Many EMEs face the challenge of sustaining robust growth in the face of a more difficult external financial environment, less supportive commodity prices, and a recent growth slowdown. The slowdown since 2010-11 in part reflected cyclical factors (growth decelerating after a post-crisis rebound) but also more deep-rooted structural factors (supply-side bottlenecks, slowing factor productivity growth). Domestic reforms are now needed to revitalize growth and boost employment creation, supported by measures to address domestic and external vulnerabilities. Reform priorities are inevitably country-specific, depending both on the particular pattern of structural weaknesses and macroeconomic vulnerabilities:

□ In many EMEs, including Brazil, India, and South Africa, more and better-quality public and private investment is essential to address supply bottlenecks.

□ In China, where a credit and investment boom has produced excess capacity in some sectors, the priority is to achieve a soft landing in the transition to private consumption-led growth that is shared more equally. Achieving this outcome will require a package of measures, including liberalizing interest rates to allow effective pricing of risks, strengthening financial sector regulation and supervision, and tax reform.

□ Sustaining growth performance in higher-income EMEs that are fast approaching the technological frontier where cost competitiveness gains are petering out (e.g., Poland) will require measures to boost research and development and strengthen tertiary education, facilitating a move up the value chain in domestic production and exports.

□ Arab Countries in Transition need to focus primarily on improving spending efficiency and equity, with public spending redirected toward job-creating public investment and targeted transfers (and away from generalized subsidies).

□ Last but not least, labor market reforms, whether to tackle rigidities and distortions or to address structural problems such as education mismatches and long-term unemployment are

important in many countries, especially those where significant parts of the population—notably the young—are underemployed or unemployed (South Africa, Egypt).

Most low-income economies have achieved strong growth for several years, helped by favorable external conditions, better macroeconomic policies, and an improved business environment. But the prospective easing of commodity prices will put commodity-related budget revenues and foreign exchange earnings at risk. In such circumstances, timely adjustments of fiscal policies will be important to prevent an unwarranted build-up of public debt, with consequent risks to growth. With pressing needs to finance development outlays, including on infrastructure, the emphasis of fiscal adjustment will need to be placed on domestic revenue mobilization and improved prioritization of spending.

While growth performance has been strong in many low-income countries, sustaining such growth over the medium term will require major policy efforts across a range of areas, including infrastructure provision, enhancing labor force skills, boosting productivity (most importantly in agriculture), and improving the business environment. Diversification into new products/sectors has proven to be a particularly difficult challenge for many countries.

III. FUND SUPPORT FOR EMERGING MARKET AND DEVELOPING ECONOMIES

The Fund will continue its active support for its emerging market and developing country members, via the established mix of policy analysis and advice, the provision of financial support, and assisting domestic capacity building.

In the area of cross-cutting analysis, active areas of work on EMDE issues in the year ahead will, *inter alia*, include: the impact of unwinding extraordinary monetary support by major central banks on emerging and frontier market economies; policy choices for countries facing a potentially protracted increase in capital flow and asset price volatility; analysis of shadow banking systems and their impact on financial stability; and contributions to the debate on international tax spillovers, including revenue losses to developing countries. Regarding problems faced by low-income countries, staff work is focusing on a) promoting structural transformation and diversification; b) enhancing financial sector deepening; c) stepping up revenue mobilization; and d) the challenges faced by fragile states.

The Fund's full range of financing facilities and instruments allow for tailored support to members facing actual or potential balance of payments needs, whether it be crisis-hit euroarea economies, large or small EMEs (through the multi-year Extended Fund Facility, the work-horse Stand-by Arrangement, or such instruments as the Flexible Credit Line), or low income countries (via access to the Fund's concessional lending instruments). In regard to its own policies, the Fund is finalizing operational reforms to its debt limits policy, re-evaluating its policies in regard to the role of debt restructuring in the design of Fund-supported programs, and modifying its approach to assessing monetary policy implementation in developing countries that have evolving monetary frameworks.

The Fund has a large and expanding technical assistance program, focused on those areas in which it has specialist expertise; and is also expanding its efforts to assist capacity-building in member countries through its training programs. The bulk of this assistance is targeted at

developing countries, with low-income countries and those countries with Fund-supported programs being the primary beneficiaries of these services. Much of the technical assistance/capacity-building effort is now delivered through regional technical assistance centers (RTACs) that can best capture cross-country synergies and know-how through in country-driven work plans. A new RTAC has just been opened in Accra, the fifth in sub-Saharan Africa, ensuring that the entire region is now being covered by the RTAC system; while a new Africa Training Institute now provides customized training for member countries in the region from its base in Mauritius.

The Fund has steadily expanded its partnership with its African members in recent years. In seeking to further strengthen that partnership, the Fund and the Government of Mozambique are to jointly host a high-level conference in Maputo in May, bringing together Fund Management and sub-Saharan African governments, along with development partners and other stakeholders, to discuss the region's economic challenges and how best the Fund can assist its members in overcoming them.

Prepared Statements Submitted by Members

Statement by Mr. Ibrahim Al-Assaf, Minister of Finance, Saudi Arabia

Our meeting today is particularly significant from four perspectives. First, it is taking place when the global economy has begun adjusting to the “new normal” in the post-crisis world, bracing for growth that is forecast to be slower than the pre-crisis trends, and where there are uncertainties about the pace and consequences of fiscal and monetary policy adjustment in advanced economies. Second, the ongoing intergovernmental discussions at the UN on the post-2015 development agenda have reached an important juncture where clarity has begun to emerge on the development challenges and directions for the future, including the role of the Bank in both contributing its views to the new agenda as well as the role it may need to play as the world's premier development institution in helping countries pursue that agenda. Third, the World Bank Group (WBG) has entered a critical stage in the “change process” initiated by the President. And finally, while there has been encouraging progress on global climate and trade negotiations at the UNFCCC and WTO, agreements around the most difficult issues are yet to be reached.

Growth in the Post-Crisis Global Economy

In today's globalized world, the spillover effects of policy adjustment in major economies are unavoidable. Considering what we have witnessed over the past five years from the perspective of developing countries, it is clear that while the actions of these countries did not trigger the global financial crisis, they nevertheless faced its consequences. Looking ahead, it would be extremely important that as advanced economies adjust their fiscal and monetary policies, they do so at a pace and in a manner that any adverse impacts on developing countries are minimized. In this regard, the Bank has an important advocacy role to play while the IMF should continue to update and disseminate its analytical and consultative work.

At last year's Spring Meetings, we endorsed the Bank Groups' overarching twin goals of eradicating poverty and boosting shared prosperity, and at the 2013 Annual Meetings, we endorsed the WBG Strategy to pursue those goals. Given the current prognosis, it would be extremely challenging to realize sustained inclusive growth at rates that will be sufficiently high to enable achievement of the twin goals. This makes the WBG role in the coming years both daunting and critical. I am gratified that the WBG has embarked on a comprehensive process that is intended to adjust its organization structure to emerging

development challenges, enhance revenues, improve organizational efficiency and realize substantial expenditure savings, which would in turn help boost net income and build capital. I am also pleased that the Bank Group is reforming its country engagement model, maximizing synergies as “one WBG”, focusing on delivery of solutions to client countries and strengthening accountability for results. As the Bank Group advances on these paths, it would need to carefully identify and adjust priorities consistent with its core mandate and comparative advantage in order to realize maximum development impact.

In this regard, I would like to stress a few points of guidance.

First, pursuing strong, sustained and inclusive growth requires boosting private investment and ensuring public expenditure are optimally balanced. The Bank has an important role in both areas. While there is little disagreement on the kind of policies that encourage private sector participation in the economy and contribution to jobs, income and trade, many developing countries receive conflicting advice from different institutions on where to enhance and where to cut public expenditures. This is especially so because, while social expenditures are important, economic returns from such expenditures take longer to materialize compared to quick-yielding infrastructure investments. In charting out their optimal public expenditure paths, therefore, the Bank’s client countries would benefit from its knowledge, analytical work and advice, which should be key elements of the Bank’s work going forward.

Second, a lot has been said, and quite rightly so, about sound macroeconomic management in order to provide a conducive framework for growth. The stress on structural reform and improvement of factor productivity too is appropriate, as is creativity in policy making that the Bank is emphasizing. Designing and sequencing of reform, however, is challenging for developing countries, many of whom do not have macroeconomic policy buffers. It is thus critical that client countries receive sound advice and capacity building support from the Bank. Equally importantly, the Bank should carry out this work in close coordination with IMF in order to ensure consistency and complementarity of policy advice from the two institutions.

Third, while green growth is a laudable objective, it must be borne in mind that, historically, developing countries have had little to contribute to climate change. This is clearly recognized by the UNFCCC, where industrialized countries have made commitments, by way of providing technology and finance, to support climate mitigation actions of the developing countries. It is an established fact that, in some sectors, energy particularly, green growth entails higher upfront costs. Therefore, facilitating the flow of concessional climate finance should be an integral part of the Bank’s pursuit of the green growth agenda with the developing countries. Otherwise, client countries should be left free to pursue least-cost development approaches. It also needs to be understood that withdrawal of subsidies and imposition of carbon taxes is not a substitute for the climate finance developed countries have committed to provide.

Fourth, the Bank’s stress on inclusive growth is timely and appropriate in view of the persistent, and in some cases, growing inequality within countries and also because inequality poses threats to economic stability and sustained growth, as recent research has shown. I encourage the Bank to undertake more research into the nexus between inequality and growth. Growth, however, would be more inclusive when it is accompanied by more jobs. As things stand today, unemployment levels remain high across countries, with very few exceptions. This may be partly because technology is replacing jobs in some industries and services. This is, however, not a case for not embracing new technologies but for finding new directions for job creation efforts. The focus of these efforts should be on high-impact areas and job-intensive primary sectors. Given that SMEs account for half of jobs on average, the Bank Group should scale up support for the development of SMEs and improving their access to finance. Focused interventions are also needed to improve employability, particularly of youth and women, through supporting market-relevant education, training and skills development.

Fifth, given that trade and growth reinforce each other, trade needs enhanced focus in the Bank Group's work. This work should go beyond trade finance and behind-the-border reform. Some countries do not have enough exportable surplus while some others are heavily dependent on a single or a few commodities, and yet others suffer the consequences of trade restrictive measures and subsidies implemented by other countries. The Bank should be active on all these fronts, including playing a stronger advocacy role to bear influence on trade negotiations.

Finally, I appreciate that the Bank is contributing significantly to the discussions on the post-2015 development agenda. Nevertheless, I would expect that the WBG strategy would be aligned with the post-2015 agenda after that agenda has been adopted by the UN.

Change Process in the WBG

I would like to make a few points on the ongoing change process, including the emerging organizational, operational and financial strategies.

With regard to the organization structure, I appreciate the stress on more effective use of global knowledge in delivering solutions to clients. It is disappointing, however, that MNA region countries remain severely under represented among Bank Group staff, particularly at managerial and senior positions. The ongoing reorganization is an opportunity to set this imbalance right, and this opportunity should not be forgone.

The new client engagement model would be an important element of this work. In this regard, internal coordination between country teams and the new Global Practices (GPs), among the GPs themselves, and between GPs and cross-cutting areas would be critical in the process of Strategic Country Diagnostic (SCD). The need for selectivity in Bank engagements with countries is self-evident. However, care should be taken to ensure that selectivity is exercised consistent with the principle of country ownership. Also, given the importance of the private sector in the growth agenda, IFC must actively participate in the SCD process.

I welcome the commitment to achieve expenditure savings of \$400 million annually across the Bank Group over three years. I would expect that the bulk of savings would be realized by enhancing organizational and operational efficiencies and I look forward to positive results.

I am also pleased that the Bank has embarked on a series of revenue enhancing measures. To the extent these measures translate into higher costs for clients, these must be compensated by better quality of client services and quicker delivery. In this regard, I particularly welcome the President's aim to reduce the project cycle time by one-third.

Finally, I take note that the cost-reducing and revenue-enhancing measures would enable IBRD to scale up lending to \$100 billion over FY15-17 and sustain an annual lending volume of \$20 billion thereafter without further changing lending terms.

Disaster Risk Management

I am encouraged that the Bank has developed an agenda of a comprehensive approach to Disaster Risk Management (DRM) which has been integrated, together with climate risk management, into development priorities. I look forward to DRM and climate resilience receiving a special focus in the Bank's new organization structure. The new institutional arrangements should ensure that strong technical skills are available and the right coordination mechanisms exist to mainstream and support the DRM agenda.

A lot of progress has been achieved in recognizing the cross-cutting nature of DRM. I want to take this opportunity to thank the government of Japan to raise the profile of the DRM issue, and for its support to the Bank to scale up efforts to align DRM and climate adaptation activities. I have high hopes that this partnership will make fruitful connections between the Tokyo DRM Hub and other centers of excellence in the region, and with the WBG regional teams and clients. I would, however, encourage the WBG to continue deepening engagement in DRM, and to assume a proactive role in strengthening the capacity of our member governments to deal with natural catastrophes. In this regard, I cannot stress enough that preparedness is a lot less costly than reconstruction and rehabilitation after the tragedy of disaster; hence disaster prevention needs a special and continued focus.

Statement by Mr. Ahmed Bin Mohammed Al Khalifa, Minister of Finance, Kingdom of Bahrain¹

On behalf of our constituency, I would like to welcome this timely discussion on the global post-crisis economic situation and ways of addressing these challenges by the One World Bank Group.

While we may feel that the global economy is taking a turn for the better, we need to be mindful of its slow recovery, particularly in some advanced economies. This will likely pose numerous challenges to growth in developing countries, especially for smaller and more vulnerable emerging economies.

In an increasingly interconnected global economy, developing countries need to focus on enhancing their systems to respond to external financial and monetary risks and internal macroeconomic vulnerabilities. The challenge here is to balance short-term risk mitigation and long-term interventions in a way that fosters stronger, more inclusive, and sustainable growth.

Long term growth is the aspiration of every country. However, in this “new normal”, we realize that attaining growth will be much more challenging than the pre-crisis period. Countries in the Middle East and North Africa region and elsewhere will need to tackle these challenges through an “inclusiveness and sustainability lens” and focus on designing and implementing productivity-boosting reforms grounded on structural and country-specific sectoral reform priorities.

These structural reforms, which are broadly dependent on resource availability, will focus on improving the enabling environment for business, strengthening trade regulations and practices, and providing reliable physical, technological, and financial infrastructure.

We emphasize the importance of human capital development as a key input to ensuring strong, inclusive, and sustainable growth. With increasing global youth unemployment rates concentrated in developing countries, strong action needs to be taken to ensure that every citizen has an opportunity to participate in the labor market.

Sustainable development should not be overlooked. We commend the World Bank for its efforts to mainstream disaster risk management. However, more should be done to ensure greater preparedness and resilience against natural shocks in all countries, particularly in low income countries and small states. Climate resilience is of similar importance. The Middle East and North Africa (MENA) region is

¹ Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, Yemen

vulnerable to climate change, countries are in need of broad and feasible mitigation and adaptation solutions that protect their development achievements and help realize the twin goals.

Growth should be shared within and between countries. Indeed, no country should be left behind, and no region should be left behind. Average growth rates in MENA will not exceed 3.6 percent in the coming three years and remain consistently below the needed 4 percent to reduce extreme poverty to 3 percent by 2030.

The deterioration in the economic situation and increased political instability in several Arab countries, has led to an increased sense of discouragement, especially among the youth. The situation calls for increased and coordinated action by the governments, in consultation with the World Bank Group and other international and regional partners, to create high quality jobs, develop the private sector, and build strong safety nets for those most in need.

To address these challenges, it will be essential for the One World Bank Group to be more selective, collaborative, and innovative in its forthcoming efforts.

The new Strategy, complemented by a record IDA replenishment, and numerous organizational changes, can enable the World Bank Group to provide quality and timely support to its client

A unified World Bank Group approach to support the countries' complex policy and financial problems will be vitally essential. We expect the new Country Engagement Model to increase its selectivity and understanding of country specificity. With the prime goal of increasing development results – driven by innovation in knowledge and instruments - more resources must be pushed to the field, and collaboration should increase with a wide range of organizations and partners.

The potential of a “new normal” of slow growth calls for accessible and advanced solutions by the World Bank Group. We expect increased innovation in the financial and non-financial instruments provided by IBRD, IFC, and MIGA. We also expect knowledge solutions to be well-rounded, drawing on the knowledge of the Global Practices and the five Cross Cutting Solutions Areas.

The “post-crisis” global economy poses a number of complex obstacles for all countries. We hope that the One World Bank Group can play a vital role in solving these obstacles and supporting its member countries achieve stronger, more inclusive, and sustainable growth.

Statement by Mr. Alberto Arenas, Minister of Finance, Chile²

We are meeting at a time when developing countries are facing new challenges to secure World Bank Group (WBG) twin goals: to end extreme poverty and promote shared prosperity. The developed world has shown signs of recovery reflected, for example, by improvements in economic growth and business confidence, and reduction in unemployment rates.

Since the announcement of the tapering, the developing world is confronting more adverse external financial conditions, with capital outflows, increases in the cost of borrowing, and currency depreciations. The slower growth path in major developing countries like China is also affecting other developing countries that have oriented their trade towards those markets. Against this backdrop, better growth

² On behalf of Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay.

prospect for large developed economies will provide tailwind for economic growth in developing countries. Whether this tailwind will be enough to counteract the headwinds coming from the slowdown in major developing countries and tighter financial environment is something we still do not know.

The post-crisis adjustment that developing countries need to face, underscores the relevance of building a resilient economy, with solid macroeconomic fundamentals, and with proper and well-financed safety nets to protect the poor and vulnerable segments of the population. Some developing countries have succeeded in the construction of macroeconomic buffers, such as wealth funds, and sound and credible fiscal and monetary policies that allow them to effectively come up with countercyclical macro responses. However, there are still many developing countries exposed to high cyclical risks.

Today, the challenges for the developing countries are to sustain growth and to take decisive steps towards the end of poverty and fostering shared prosperity. There are important policy complementarities that can help to reach both objectives. New research has shown that inequality may be harmful to growth and that well-designed policies to reduce it may not only not harm growth, but rather boost it. Fiscal policy plays a crucial role in this dimension. Improving access of low-income families to good quality education, for example, not only is crucial to increase human capital and growth. It also contributes to making growth inclusive. To implement this type of policies in a sustainable way, public finances need to be balanced. As the document “Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries” clearly states, expanding coverage of the personal income tax –with the appropriate progressivity— and reducing regressive tax exemptions would contribute both to finance growth enhancing policies, such as an education reform, and improve income distribution. Building a more inclusive society is not only ethically desirable but also reinforces social, political and economic stability – which in turn improves business and investment climate, and ultimately growth.

The WBG twin goals are extremely important in the promotion of greater levels of social cohesion, which is a prerequisite for long-term and sustainable economic growth. Among these objectives, the implementation of the new Country Partnership Framework will allow for more focused interventions in each country. This, in turn, will allow for a more effective and efficient use of the WBG resources. With the creation of the new Global Practices (GP) and the Cross-Cutting Solution Areas (CCSA), client countries will benefit from a more integrated WBG approach. This will also enhance south-south knowledge sharing, allowing countries to take advantage of the best practices in different areas.

In coping with the challenges of securing strong, inclusive, and sustainable growth in the post- crisis, the WBG should work closely with the authorities of client countries, identifying the most pressing needs. Given its global footprint, its capacity to mobilize resources, and its comparative advantage to bring to the table the best global practices in relevant areas, the WBG should be the preferred development partner for its client countries. At the same time, it should help client countries to leverage their financial resources and support them in moving forward along their development paths.

We underscore the importance that the WBG keep a balanced level of engagement with all regions, while remaining cautious about the financial risks of the institution and at the same time ensuring a sustainable stream of revenues from its operations. The LAC region has made important progress in terms of poverty reduction and shared prosperity. However, it is still a region where almost 1/3 of the population lives in poverty, more than 1/3 is considered vulnerable and significant levels of inequality persist³. Thus, the

³ Ferreira, Francisco H. G., Julian Messina, Jamele Rigolini, Luis-Felipe López-Calva, Maria Ana Lugo, and Renos Vakis. 2013. “*Economic Mobility and the Rise of the Latin American Middle Class*”. Washington, DC: World Bank.

WBG engagement in the region needs to be more focused and enhanced, and we expect that the WBG's new structure will be much better suited towards this end.

The WBG twin goals are extremely important to generate sustainable and inclusive growth, which will determine the well-being of this and future generations. We welcome the lead that WBG has taken on this issue.

Statement by Mr. Mitsuhiro Furusawa, Vice Minister of Finance, International Affairs, Japan

1. IDA 17th Replenishment

It is great pleasure for us to express our congratulations on the successful IDA 17th replenishment (IDA-17).

We are very pleased that IDA received the largest level of contributions ever, even at a time when many donors are facing severe fiscal constraints and limited capability to provide financial assistance. This clearly demonstrates the success of the new loan contribution scheme, through the wisdom gained by donor countries and the World Bank's secretariat in order to secure the amount of funds necessary for assisting developing countries. This record level of support also underscores IDA's leading role in supporting sustainable growth and poverty reduction in developing countries. We put emphasis on the IDA's role of providing valuable development expertise, as well as on the effect that loan programs from IDA to its client countries urge them to pursue sound and responsible macro-economic policy that enables them to pay back their debts in a timely manner. The experience of Japan, which used to be a borrower from the World Bank, must be a good example of the effect.

Japan announces that it would contribute about 312.0 billion yen in the form of subscription and about 194.0 billion yen in the form of a concessional loan to the IDA. These contributions reflect our appreciation of the fact that the strategic focus of IDA-17 is now consistent with ours. For example, the IDA made decisions to enhance its assistance in the field of healthcare in order to realize inclusive growth; to include disaster risk management (DRM), together with climate change, among the priority assistance areas based on the increasing international awareness of the importance of DRM in development agenda; and to strengthen measures to reduce poverty in Asian countries such as Myanmar, which re-joined the international community only recently, and India, where a large number of people live in extreme poverty despite a rise in the average income level. We are pleased to report to you today that a related bill necessary for Japan to provide an additional subscription to the IDA was approved by the Diet on March 28th.

2. Japan's Support for Developing Countries

Japan, which used to be one of the largest borrowers from the World Bank, has achieved significant economic development and is now a major donor country as the second largest shareholder of the bank. We believe that the development and growth of the private sector is important for developing countries to achieve sustainable economic growth and reduce poverty in light of their own experiences and those of East Asian countries. For this reason, Japan has placed emphasis on support for infrastructure development, which forms the foundation for the above, the formulation of development policies, and technical assistance for human resource development. In addition, Japan has recently been also placing emphasis on assistance in such fields as disaster risk management, global environmental issues, and healthcare, as it pays attention to factors that could impede inclusive and sustainable growth. The World Bank has also integrated such idea into its strategies, so Japan will deepen its cooperative relationship with the World Bank in terms of policy as well as finance.

(1) Disaster Risk Management (DRM)

Large-scale natural disasters, once they occur, take a heavy toll on the lives of people. They also lead to annihilating years-worth of development efforts in an instant. In particular, poor and socially vulnerable people are likely to be affected most. If the disaster response capability is lacking, inequality may grow. Therefore, it is important for each country to incorporate DRM into its development agenda and to appropriately implement development plans reflecting the need to prepare for natural disasters. As a country well-experienced in responding to various disasters, we believe that we have a responsibility to promote global cooperation in the field of DRM and we are working with the World Bank to promote the mainstreaming of DRM in development policy.

We welcome the World Bank's inclusion of a progress report on mainstreaming DRM as one of the Development Committee's background papers. We are also pleased that in-depth discussions have been held on the achievements of the Annual Meeting in Tokyo and the Sendai Dialogue in 2012, and that practical measures are being implemented under the framework of the Sendai Report. As mentioned above, DRM is included in the special themes of IDA-17. We urge the World Bank to appropriately position DRM under the newly introduced Systematic Country Diagnostic (SCD) and the Country Partnership Framework (CPF).

In February, Japan and the World Bank started a new joint program for mainstreaming DRM. Japan will expand technical assistance for disaster risk management suited to developing countries' needs and will support the formulation of development plans reflecting the need to prepare for natural disasters. We urge the World Bank to make effective use of the World Bank DRM Hub based in Tokyo in implementing projects on this important issue. We also urge the further promotion of DRM assistance in developing countries, including opportunities for disseminating Japan's technology and expertise.

(2) Global Environmental Issues

Global environment issues pose the serious risk of impeding sustainable economic growth in developing countries and are some of the most pressing challenges facing humanity. Japan has been supporting international efforts to preserve the global environment, including those to address climate change. In particular, Japan has highly valued the role of the Global Environment Facility (GEF), which has been engaging in a broad range of activities through innovative approaches for more than 20 years. The importance of tackling climate change, among other issues, has been recognized increasingly more keenly at many occasions, including the 38th session of the Intergovernmental Panel on Climate Change (IPCC) held in March in Yokohama, Japan. Since the new financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) has yet to be operationalized, Japan is of the view that it should make a realistic choice and concentrate its contribution on the GEF, which is the only active financial mechanism at the moment. In addition, the role of the GEF will further expand because of new tasks, such as mercury management under the Minamata convention adopted in Kumamoto, Japan, in 2013, and measures for biodiversity conservation and restoration in line with the Aichi Biodiversity Target adopted in 2010. It is critical, therefore, that the GEF secures sufficient resources at its sixth replenishment currently negotiated under the leadership of CEO Ishii. Japan, having taken the lead in these international initiatives, intends to make a significantly increased contribution to the GEF. In order for the GEF to be able to capitalize its strength and bring about benefits with material impact on the global environment, Japan expects all donors to follow suit and make sufficient contributions to the GEF.

(3) Healthcare

Healthcare serves not only to protect people's health and lives but also to build the foundation for economic and social development. The state of global health is changing significantly. In addition to the necessity to cope with aging populations, there are various health needs, including the need to address non-communicable diseases such as high blood pressure, diabetes and cancer. As a result, the importance of universal health coverage (UHC), whereby all people can receive healthcare services at an affordable cost when needed is being increasingly recognized. Japan achieved Universal Health Coverage in 1961.

Since then, Japan's healthcare system has evolved to become fairer while containing costs. To the present, we have achieved the longest life expectancy in the world and an outstanding level of healthcare. Today, Japan faces new challenges. Healthcare costs are growing due to a rapidly aging population and the rising costs of medical technology. To improve the sustainability of the healthcare system, Japan is currently considering several reform measures to rationalize and streamline medical services. To share lessons from our experiences, Japan and the World Bank conducted a two-year study called the "Japan-World Bank Partnership Program on Universal Health Coverage." As the culmination of the joint study, in December 2013, a ministerial conference named "Global Conference on Universal Health Coverage" was held in Tokyo to share challenges and experiences in the Universal Health Coverage among countries and to disseminate Japan's experience and knowledge. The conference brought together country delegations including health ministers from Ghana, Myanmar, Senegal and Vietnam, representatives of multilateral organizations, academic experts, and representatives of civil society organizations, for discussions on achieving inclusive and sustainable growth through UHC.

To expand Japanese healthcare systems and services through the promotion of UHC, since last year, Japan has concluded Memorandums of Cooperation in the field of healthcare with Bahrain, Turkmenistan, Cambodia, Laos, Myanmar, Turkey and Vietnam. Japan will continue to promote cooperation in the healthcare sector in partnership with the World Bank.

3. Expectations for the World Bank Group (WBG)

On the theme of this Development Committee, "Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries," we would like to present what we expect the WBG to implement.

First, we urge the WBG to contribute to the discussion of the post-2015 development agenda so that managing risks for sustainable development will be appropriately positioned in Post-Millennium Development Goals (Post-MDGs). The Post-MDGs, on which inter-governmental negotiations will start in September this year, will have a significant impact on how to address critical challenges related to international cooperation for assistance for developing countries amid the increasingly complex international circumstances in the post-crisis global economy. The risks that could impede sustainable growth, including natural disasters, global environmental issues and the increasingly diverse health-related needs, are difficult to deal with through the market mechanism and public mechanism of developing countries themselves, so they should be addressed under the framework of international public assistance. We would like to request the WBG to cooperate with development partners, including Japan, to contribute to the discussions on Post-MDGs in order to reflect such ideas.

Second, in order to achieve the two strategic goals set to resolve global development challenges, ending extreme poverty and boosting shared prosperity, it is necessary to accelerate the pace of economic growth especially in South Asia and sub-Saharan Africa, where a particularly large number of people live in extreme poverty. As indicated in the discussions held at the Fifth Tokyo International Conference on African Development (TICAD V) in Yokohama in June last year, the key is growth in the private sector, which will be the engine of development. We would like to request the WBG as a whole to provide stronger support than ever before so as to make sure that economic growth led by the private sector takes root by taking advantage of the strengths that the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) have developed to exercise the function of a catalyst for effective use of private funds for development.

Third, we urge the WBG to communicate more with donors. At a time when developed countries continue to face a severe fiscal situation, it is increasingly difficult to secure sufficient assistance funds to meet the growing needs. In this situation, we would like to request the WBG to verify the use of funds and the achievements of projects and further strengthen efforts to fulfill the duty of accountability to donor countries. During the process of the recent negotiations for the IDA-17, President Kim visited our Diet,

Japan's parliament, explained the significance and effects of the WBG's operations, including those of the IDA, and exchanged opinions with Diet members. I hope that the WBG will continue to attach importance to dialogue not only with the governments of donor countries but also with parliaments and civic societies. We would also like to request the WBG to explain the need for a new replenishment, the significance of support provided through the WBG, and the effects of the support in a way easier to understand for taxpayers in donor countries. It is desirable to conduct public relations not only in English but also in various other languages, including Japanese.

4. Closing Remarks

Currently, the WBG is carrying out bold reorganization under the leadership of President Kim in order to become a "Solutions Bank" that implements support programs focusing on resolving development issues. The World Bank will make a fresh start with a new organization in July. We hope that the WBG will appropriately deal with diverse risks related to development in the increasingly complex global economic and social situations and that it will steadily implement policies toward sustainable economic growth and poverty reduction and achieve significant results.

Finally, for the WBG to achieve better development effects, it is necessary to promote reorganization and diversification of personnel at the same time. Specifically, the World Bank should actively employ staff members from non-English-speaking countries while acknowledging the language disadvantages that such staff members may face, expand the opportunities for employees of private companies to work for international organizations on loan, and employ professional lawyers and other qualified legal professionals, and specialists in the social sciences as well as in the natural sciences. For its part, in order to create a better world, Japan will contribute to the World Bank not only in terms of finance and policy but also in terms of human resources so that its contributions will be commensurate with its ratio of capital contribution to the WBG.

Statement by Mr. Mohamed Boussaid, Minister of Economy and Finance, Kingdom of Morocco⁴

The Meeting of our Committee is taking place in an international economic context marked by stronger signs of economic recovery in developed economies. This positive development does, however, pose significant risk to continued growth in developing countries, where the external environment continues to be fraught with uncertainty and heightened risk.

Indeed, the return to conventional monetary policy conditions in developed economies runs the risk of fueling greater volatility in capital and foreign exchange markets, a situation that is bound to reduce capital flows to developing countries and drive up financing costs.

Furthermore, although growth rates in developing countries are higher than they are in developed economies, they are falling. This slowdown in growth in developing countries is primarily linked to cyclical factors, but also to structural constraints that are impeding higher levels of productivity.

In order to promote stronger and more sustainable growth, it is therefore important, for the majority of developing countries, to continue reforms aimed at improving the investment climate and investment levels as well as productivity. For low-income countries, productivity will be boosted primarily through the development of basic infrastructure and agricultural techniques. However, in the case of middle-

⁴ On behalf of Afghanistan, Algeria, Ghana, Iran, Morocco, Pakistan, and Tunisia.

income countries, the objective of increasing productivity will, without a doubt, be contingent on policies that foster a better allocation of resources to the most productive sectors and a competitive business climate.

In this post-crisis period, we deem it appropriate to underscore the importance of an open international trade system, given the possibility that the expectations of a sizeable number of developing countries with respect to bigger export markets and more favorable terms of trade may not be met. In our view, it is in this context that strengthened regional integration and the development of South-South cooperation are particularly important to achieving sustainable growth, in particular through the promotion and deepening of trade and investment relations among these countries.

Cooperation of this nature would have an enabling effect, particularly for low-income countries, and especially those in Sub-Saharan Africa that face an underlying lack of infrastructure and low investment and savings rates and are completely dependent on exports, mainly of natural resources. Against this backdrop, we encourage the World Bank Group (WBG), with its organizational structure and new prerogatives, to support, at the institutional level, efforts and initiatives aimed at South-South cooperation, regional integration, and trade facilitation.

We also cannot, during this post-crisis period, overlook investment in infrastructure, which is essential for the provision of public services, reforms to improve the business climate from which the private sector will benefit, and higher productivity. In this regard, we commend the World Bank Group for the importance accorded to investment in infrastructure through, in particular, direct financing, support for public-private partnerships, and the project to mobilize greater private sector resources in the context of the Global Infrastructure Facility currently under preparation.

We recognize that private investment flows are playing a greater role as a source of development financing and are a key factor in the achievement of the Bank's objectives. We are also confident that in an enabling environment that includes, in particular, suitable infrastructure and policies that foster competition, entrepreneurship, and job creation, the private sector will be able to promote shared prosperity and offer meaningful prospects to all citizens, in particular women and young people. We therefore commend IFC and MIGA for the support they are providing to private sector development and we urge the WBG to adopt an institutional initiative aimed at strengthening its impact on development.

Furthermore, the sustainable development goal must be achieved not only under viable economic conditions, but also under viable environmental and social conditions. In this regard, special attention should be paid to climate change and the development of renewable energy. The well-being of current and future generations calls for the protection of our planet's future, the promotion of social inclusion, and management of the debt that will be inherited by future generations.

In the face of these challenges, we remain confident in the World Bank Group's capacity to address requests for greater financial and technical assistance and to continue to pursue the two goals of reducing extreme poverty and promoting shared prosperity.

Our confidence is based on the underlying premises of the initiatives launched by the World Bank Group under the leadership of President Kim, in particular the assurances provided with respect to the increase in lending volumes and the resulting increase in the World Bank Group's countercyclical response capacity to crises.

At the operational level, we are pleased with the record sum of US\$52 billion raised through the IDA 17 replenishment exercise, which is likely to facilitate achievement of the two ultimate objectives. We also support the priority accorded by the World Bank Group to Sub-Saharan Africa and South Asia.

We note the adoption by the Board of Directors of the proposals to improve the IBRD's margins for maneuver and we are pleased with the commitment to reduce the World Bank Group's administrative expenditures by close to US\$400 million by 2017.

From an organizational standpoint, we are confident that the World Bank Group's project to adopt a structure based on several fields of excellence combined with five cross-cutting areas, namely climate change, fragility, conflict and violence, gender, jobs, and public-private partnerships, will most certainly facilitate interregional transfers of knowledge and technical expertise.

We are also anxious to see the realization of the country diagnostic framework that will serve as a guide in making the most appropriate public policy choices for each country, depending on its specificities. The analysis of the results of this diagnostic exercise will therefore be decisive to the joint design and preparation of the new country partnership framework, which sets forth the commitment of the World Bank Group.

Lastly, we would like to thank the WBG for the presentation, on the margins of our meeting, on the status of work to integrate natural disaster risk management into its operations, as requested by our Committee at the Annual Meetings in Tokyo. In this regard, we are pleased to see the steady increase, between 2010 and 2013, in resources allocated by the Bank to disaster risk management.

We also note with satisfaction the growing number of countries seeking the World Bank's assistance in this area and the range of products and services offered by our institution to its clients. In addition to specific investment loans and technical assistance, this assistance includes development policy loans and loans accompanied by the deferred disbursement option, that is, results-based programmatic lending.

Statement by Mr. Arvind Mayaram, Secretary, Department of Economic Affairs, Ministry of Finance, India⁵

We are meeting at a difficult time. Though there have been some reassuring signs of revival of global growth, many challenges remain. Whilst there is recovery in some high-income countries, the growth rates continue to remain well below pre-crisis levels. Emerging market economies are growing relatively faster but again at much slower rates than before. The external environment for developing countries continues to be marked by significant risk and uncertainty. The withdrawal of quantitative easing in some high income countries is making emerging markets vulnerable to sudden capital outflows and rapid currency depreciation. Demand in rich countries is also picking up much too slowly. Overall, the restoration of robust global growth on a sustainable basis, remains a challenge for all.

The agenda before the Development Committee is timely and appropriate. We endorsed the twin goals last Spring, and the strategy in Fall. Now, we are amidst a World Bank Group (WBG) change process, the successful completion of which is central to the implementation of the strategy and the achievement of the goals approved by us. We reaffirm our support for the reform process.

The goals of reducing global poverty and building shared prosperity were articulated by the WBG based on certain growth assumptions. We will fall short on achieving the goals if developing countries do not grow as briskly as expected. It is equally important that developing economies pursue policies that make

⁵ On behalf of Bangladesh, Bhutan, India and Sri Lanka.

growth inclusive and sustainable. We need to monitor constantly the progress being made in achieving these twin goals. Only this can guide the WBG to use its limited resources in the most efficient manner.

Maintaining a stable macro-economic environment conducive to growth, and attracting investment to build infrastructure and create jobs are some of the important challenges before the developing world. The next set of challenges relate to channelizing the fruits of growth towards the bottom 40% of the population, and also ensuring gender equality.

These challenges demand policy responses both from the developing world and the developed countries. From the high income countries, we expect coordinated and clearly communicated monetary policies, a pro-growth fiscal stance and an open and fair trade system so that the external environment for the developing economies becomes more benign. Developing economies need strong policy action to further encourage investment and promote job oriented and inclusive growth.

From the World Bank Group, client countries expect more financial resources, integrated solutions, and efficient and expeditious operations. We commend the World Bank Group for setting a clear agenda, putting in place a strategy, setting in motion a change process and taking the first steps to increase the financial capacity of the WBG. We are supportive of the need to enhance the resources of the Bank, though not necessarily of each and every measure, especially as we find that the pricing changes as approved recently are not in consonance with the pricing principles of 2010 package endorsed by us. Such changes need to be brought before the Governors. Augmentation of financial capacity should be commensurate with the expectations of the borrowing members. We appreciate that Management has adopted a flexible and open approach to reviewing the measures that do not generate the intended consequences. In our view, long term adequacy of resources would require that capital infusion remains high on the agenda. Otherwise, the World Bank Group will not be able to fulfill the growing demand of its client countries and most probably fail in achieving the twin goals.

We welcome the steps taken for aligning the budget with the strategy, adopting a new approach for engagement with client countries and the ongoing structural reforms. The World Bank Group must continuously focus on the outcome of the change process. Clients need customized and evidence based solutions and these need to be delivered quickly. We also need a clearer picture of the manner in which the Bank would partner its clients in developing innovative solutions and designing transformational interventions. It can no longer be business as usual and the limited resources of the Bank have to be used effectively to catalyze the development process in client countries.

We commend the successful replenishment of IDA 17. Despite an uncertain economic environment, the international community stretched itself to achieve this result. It is also a matter of satisfaction that IDA has responded to the changing geography of poverty. The innovations in this replenishment deserve appreciation. It is now upon the World Bank Group to ensure that the intended outcomes are achieved in a timely and efficient manner.

We commend and congratulate the Disaster Risk Management (DRM) team for their efforts in mainstreaming disaster risk management throughout the operations of the World Bank Group. It is necessary to sharpen our focus on DRM. It will be important to equip this Global Practice with adequate human and financial resources. We also suggest greater South-South learning initiatives in this area.

We would also like the repositioned World Bank Group to commit itself to provide transformational, innovative solutions in the following areas that have great bearing on the development process and on the elimination of poverty in developing countries.

- i) **Agriculture and Food Security:** Greater emphasis and investment in improving agriculture productivity and diversification of agriculture would be vital for addressing issues of food security and creation of good jobs.
- ii) **Infrastructure:** This is a constraint that chokes growth in developing countries. It is not enough to recognize that the infrastructure deficit is going to be \$1 trillion annually. What is needed is a clear idea of how the Bank proposes to assist clients in meeting this deficit. It is important for the WBG to take forward the setting up of the Global Infrastructure Fund (GIF). We look forward to a flexible but strong facility that is attractive to clients and external investors and also has the ability to leverage the strengths of the Bank in project formulation and implementation.
- iii) **Urbanization:** It is a key challenge. Estimates indicate that nearly 1.25 billion people will be added to cities in developing countries in the next 15 years. Most developing countries lack capacity and resources to handle this challenge. Urbanization is an irreversible trend and developing countries need to enhance their capacity to manage it, plan for it and use the challenge as an opportunity for inclusive growth.

Finally, we hope the WBG will contribute to assist client countries in achieving the twin goals within the agreed time frame. We expect the WBG to be a partner of choice for clients in the fight against poverty and inequality.

Statement by Ms. Alexander Chikwanda, Minister of Finance, Zambia (African Group 1 Constituency)

Introduction

Sub-Saharan Africa (SSA) has continued to maintain a strong pace of economic growth on account of robust domestic demand and capital inflows. This trend is expected to continue as investments in infrastructure increase. This notwithstanding, poverty and unemployment remain high, and the uncertain global environment has only served to compound the risks to economic development. Achievement of sustainable and inclusive development under these conditions requires concerted efforts by our governments and the development community in general.

Growth in the Post-Crisis Global Economy - Policy Challenges for Developing Countries

Many of our economies find it more difficult to respond effectively to the external headwinds within the context of limited policy buffers. We therefore concur with the view expressed in the WBG's report, 'Growth in the Post-Crisis Economy: Policy Challenges for Developing Countries', that the risks posed by the global macroeconomic uncertainty warrant a careful management of the post-crisis transition.

As we strive to maintain our growth momentum, we call for more effective international coordination of macroeconomic policies. We urge policy makers in advanced economies to accord greater recognition to the strength of the linkages among regions and the consequences of their actions on the prospects for the poor in other regions. Specifically, we call for strong commitment by all development partners to take concerted actions aimed at promoting an era of global economic cooperation among countries for the betterment of people's lives worldwide with mutual respect for national values and cultural affinities.

Mainstreaming Disaster Risk Management in the WBG's Operations

We welcome the update on this topical issue and appreciate that disaster and climate risk management are now core elements of the new One WBG Strategy. We also welcome the integration of risk management in the Performance Standards on Environmental and Social Sustainability for both IFC and MIGA.

We note the growth in the share of the Africa region in the Disaster and Risk Management (DRM) portfolio, from 33 to 37 percent between 2010 and 2013. However, much more needs to be done to mitigate the effects of the intermittent droughts and floods in our countries, the majority of which remain among the most vulnerable and the least able to cope with disasters. We believe there is scope for broader WBG involvement in: (a) regional resilience programs similar to the ongoing program in the Sahel Region; (b) market-based insurance for the agriculture sector; (c) IFC project-level risk mitigation products and services for risk reduction; and (d) community-driven operations for the most impoverished and vulnerable communities. We therefore call on the WBG Management to scale-up activities in these areas. On our part, we commit to the DRM cause by ensuring that, among other things, funding is provided and suitable institutional arrangements as well as early warning and preventive mechanisms are developed and deployed.

Transformational Initiatives and Development Financing

With Official Development Assistance (ODA) on the decline, mobilization of domestic and international resources is increasingly becoming important. In this context, some countries are tapping into both the domestic and international capital markets to raise funds for infrastructure projects. These financing sources, however, only support about half of the annual infrastructure financing needs of the region. The challenge is to explore innovative ways to raise the necessary additional funds and broaden the source of financing for infrastructure development in a sustainable manner. We therefore call on WBG Management to take the lead in this endeavor through both private and public sector schemes.

Towards this end, we would like to commend our development partners and the WBG for a successful outcome of the IDA 17 replenishment, and welcome the new Partner Concessional Financing Scheme that seeks to shore up IDA's financial sustainability. However, the development challenges facing the region require additional financing sources. From this perspective, we urge the WBG to improve accessibility to IBRD resources by IDA creditworthy recipients. In the same vein, we call for a review of the policy on WBG non-concessional borrowing so that IDA countries can seek private non-concessional funding for transformative infrastructure projects. In this regard, we welcome IFC's efforts to mobilize capital from third parties, and we call for stronger participation and collaboration of IBRD, IFC and MIGA in attracting private sector.

The World Bank Group Change Process

We take note of the ongoing Change Process in the WBG, mindful that the efficacy of this process will be judged by the magnitude of its impact on our development objectives. We look forward to the streamlined and simplified internal procedures necessary for faster client delivery. We encourage the WBG Management to continuously improve its engagement with its staff during the Change Process to leverage their support for the successful implementation of the reforms. We note the WBG strategic budget exercise, the establishment of the Global Practices (GPs) and Cross-Cutting Solution Areas (CCSAs) as well as the planned introduction of the Country Partnership Framework (CPF).

However, we must express our deep concern and disappointment in the lack of diversity characterized by the recent recruitment of 16 Senior Directors for GPs and CCSAs, with no African representation at all. We regret that this represents a continuation of the marginalization of Africa. We would therefore like to reiterate our strong call on Senior Management, especially President Kim, to address this anomaly expeditiously to ensure staff diversity and inclusiveness at all levels to reflect the global nature of the institution.

Other Topical Development Issues

Natural Resource Management: Africa has increasingly become known as the world's new resource frontier, with new discoveries of oil, minerals and gas in several of our countries. Appropriate capacities would be cardinal to ensure Africa benefits optimally from these resources. While these discoveries offer

the prospects for Africa to accelerate growth and development of our countries, they require major investments to materialize. In this regard, we welcome the ongoing support from partners in capacity building for extractive sector management including value addition, establishing requisite legal and regulatory environment, fiscal framework for managing natural resources wealth, and in contract negotiations. In this context, we also reiterate our call for the WBG to devise and adopt a group-wide approach to work with our countries in promoting economic diversification.

Support to Africa's Middle Income Countries (MICs) and Small Island Developing States (SIDS): MIC's in SSA face development challenges that are no different from those of IDA countries, but their access to concessional resources has been limited due to their mere nominal classification as MICs. In addition, since the World Bank's MICs Agenda has taken long to be realized, these countries receive no benefits. Further, the Bank also needs to recognize the special needs of the SIDS. Due to their small size, limited resources, geographic dispersion and isolation from markets, SIDS face challenges which cause major set-backs to their socio-economic development. Therefore, within the context of the ongoing reforms, we call on the WBG to develop a tailored strategy to support the development agenda of the MICs and SIDs in SSA.

The Post-Millennium Development Goals (MDGs) Agenda: While we note that remarkable progress has been made in meeting the MDGs globally, many countries in SSA are behind on most targets. In this regard, we welcome the Sustainable Development Framework as a successor program to the MDGs as it underscores the world's commitment to eliminate extreme poverty and uplift the living standards of all people in a sustainable manner. We are also encouraged by and support the preparation of the United Nations' Post-2015 Development Framework, and look forward to continuous updates on developments in this regard.

Debt Relief: We remain concerned that Somalia, Sudan, and Zimbabwe are yet to benefit from the debt relief initiatives. This situation constrains their development efforts. We call for the development partners, especially the concerned creditors and the Bank to progressively support these countries overcome the apparent impasse in the debt relief process and meet the challenges related to debt burden.

Conclusion

In conclusion, Africa needs sustainable, inclusive and equitable development driven by robust economic growth, industrialization, infrastructure development, sectoral productivity, job creation and strengthened international cooperation, inter alia. While we reiterate our commitment to undertake the necessary prudent policy measures and concerted actions, we call on our development partners to be more strategically focused and results-oriented in their support to our mutual goal of poverty reduction and shared prosperity. As we witness the transformation of the WBG, we encourage heightened focus on streamlining systems and processes within the institution to ensure development effectiveness on the ground.

Statement by Ms. Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation, Kingdom of the Netherlands⁶

Introduction

We meet at a time when the global economy is showing some positive signs of recovery. Growth numbers in advanced countries are picking up and many low-income countries (LICs) are maintaining strong growth while reducing poverty. Growth in many middle-income countries is strong as well, albeit below potential. Despite encouraging signs, significant development challenges such as extreme poverty in fragile and conflict-affected states (FCSs) and internal inequality persist. All countries will need to implement the right policy mix to strengthen their fundamentals, as they need to rely more on their own economy to secure strong, sustainable and inclusive growth. The World Bank Group (WBG) has a central role to play in confronting these and other, sometimes overwhelming, country-specific challenges. In this regard we very much welcome the WBG's proactive and substantial support to Ukraine.

WBG strategy

Our constituency strongly supports the World Bank Group's vision of ending extreme poverty and promoting shared prosperity in a sustainable manner. Now is the time to deliver and implement the new strategy.

Ending extreme poverty is especially challenging in fragile and conflict-affected states (FCSs), which are home to some 1.5 billion of the world's poorest people. We encourage the WBG to strengthen its engagement in FCSs by enhancing the quality of its operations and by acknowledging the high-risk/high-return environment of FCSs. This requires a less risk-averse management framework. Furthermore, staffing policies should be strengthened to get the right people in the field. Collaboration with bilateral donors, regional development banks and enhanced partnership with the UN are essential to respond to the challenges in FCSs.

Our constituency believes that a focus on the 'bottom 40 per cent' is good for growth and may allow countries to successfully become middle-income and high-income countries. To achieve the desired inclusive and sustainable growth, productive jobs need to be created for men and women. We fully support the WBG's focus on this issue. Furthermore, it is essential to take climate change and environmental constraints into account.

The twin goals justify the major internal organisational reforms that are currently being undertaken. We support these reforms as a means to make the WBG respond more quickly and more adequately to client needs. We welcome the introduction of the Global Practices, which seek to maximise the use of evidence and enhance expertise and knowledge sharing across regions and entities. We also welcome the new Systematic Country Diagnostic, which aims to identify the most critical constraints on, and opportunities for, progress towards the twin goals. Both evidence and knowledge will be pivotal to successful engagement with client countries on the new Country Partnership Frameworks. To be effective, these frameworks should simultaneously be focused, flexible and owned by the client countries.

Margins for manoeuvre

In support of the twin goals, we concur that the WBG's finance and risk framework has to be realigned to strengthen financial sustainability and expand financial capacity. To this end, we support the strengthening of the financial capacity of the IBRD by adjusting the target equity/loan ratio of the IBRD and the Single Borrower Limit, increasing maturity differentiation on IBRD loans, re-introducing the

⁶ On behalf of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, former Yugoslav Republic of Macedonia, Moldova, Montenegro, the Netherlands, Romania and Ukraine.

commitment fee, and lowering expenditures by USD 400 million. Although this is a strong and balanced overall package, it is not painless. Our constituency countries' borrowing costs will be affected directly. In return, we not only expect the Bank to be more effective and responsive, we also ask for expanded lending envelopes.

A clear milestone in the process of strengthening the financial capacity of the World Bank Group is the USD 52 billion IDA 17 replenishment. Countries in our constituency really stretched to contribute to the successful outcome of IDA 17, not only through generous donations, but also through accelerated repayments from graduating constituency countries.

Modernisation and reform agenda

Our constituency acknowledges that the WBG has taken important steps in the modernisation and reform agenda. The process is ongoing and our constituency urges the WBG to ensure that these steps make the WBG an ever more strategic, effective and efficient partner for client countries. In this light, we welcome the steps taken to reduce the fragmentation of trust funds.

We also welcome the ongoing reviews of procurement and safeguard policies. Effective procurement and safeguards are core contributors to achieving development impact. Procurement helps countries get value for money, and enhances the development outcome of World Bank projects. Safeguards allow the WBG to maximise the positive impacts of its activities, and minimise the potential harm to the environment and communities affected.

Given the continuing background of constrained resources in many member countries, we reiterate that the WBG should set a clear example by bringing its relatively generous remuneration policy into line with the public development objectives it stands for.

Statement by Mr. Daniel Kablan Duncan, Prime Minister and Minister of Economy and Finance, Republic of Côte d'Ivoire, on behalf of the Group II African Countries

My statement focuses primarily on the topics appearing on the agenda of our April 12, 2014 meeting, namely (i) Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries; and (ii) the Progress Report on Mainstreaming Disaster Risk Management in World Bank Group Operations.

Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries

We welcome this discussion on growth in the post-crisis global economy. We agree with the general observation that the recovery underway in high-income countries (HICs) is critical to the health of the global economy and of the developing countries (DCs) in particular. This improved performance in the HICs undoubtedly presents an opportunity to regain the pre-crisis growth momentum and rebuild budget margins, particularly for Sub-Saharan Africa. It bears noting that in this region, several measures relating to macroeconomic management, solid investments in the extractive industries sectors, and, where appropriate, private consumption growth, have all contributed to efforts to effectively counter the impact of the global financial crisis.

Our countries must take action on both national and international fronts in order to increase growth rates to levels that would stimulate job creation and reduce poverty. At the country level, these actions include (i) maintaining short-term macroeconomic stability; (ii) addressing the factors hindering private sector development, such as the business climate, inadequate infrastructure, or fragility; (iii) improving productivity in agriculture, which remains the biggest employer of labor; and (iv) investing in human capital and productivity. At the same time, achievement of the development goals requires not only country-level efforts, but also a favorable international environment. The international community should

therefore (i) make a firm commitment to international coordination of macroeconomic policies for crisis prevention and mitigation; (ii) place particular emphasis on the promotion of growth and shared prosperity; and (iii) strengthen engagement of development institutions with client countries.

With respect to the role of the World Bank Group (WBG), reforms underway in the institution provide an opportunity for more effective engagement with African countries, in light of the positive trends in these countries and increased client demand. We also view the change process as an opportunity for the WBG to focus efforts on areas where the impact on poverty and income equality will be greater. We call on the WBG to promote regional development projects, primarily in the energy, agriculture, and infrastructure sectors, including transport.

We are cognizant of the fact that the development challenges in Sub-Saharan Africa require more resources than received with the IDA 17 replenishment exercise, and that private sector participation can make a significant contribution in this regard. To that end, robust WBG support to the region will require the participation of, and active collaboration with, the IBRD, IFC, and MIGA, as well as other financial institutions, including the African Development Bank (AfDB), with a view to attracting private sector actors for infrastructure development and strengthening, and enterprise development in the non-extractive sectors. Furthermore, ongoing IFC support to help improve the regional business climate will be a decisive factor in efforts to attract private sector actors.

We would like to make two main comments on this document.

The first comment pertains to the WBG policy proposals for the developing countries. While we fully appreciate the importance of the proposed measures, we would like these proposals to be strengthened further to facilitate achievement of the goals of reducing extreme poverty and promoting shared prosperity. We are of the view that to achieve its ambitious twin goals by the deadline it has set, the WBG must strive for more specific and innovative solutions, in order to expedite development progress in the developing countries.

The second comment relates to two issues of importance to our Group. The first pertains to access to IBRD resources by IDA recipients that can also receive financing on the international bond market, while the second concerns the WBG's non-concessional loan policy and the need to allow IDA countries to seek private non-concessional loans for infrastructure development projects. It is our hope that the findings of the joint IMF-World Bank review underway will help address the financing issue and the challenges associated with infrastructure development projects, which are the main obstacle to competitiveness and growth in the developing countries.

Progress Report on Mainstreaming Disaster Risk Management in World Bank Group Operations

With respect to the progress report on mainstreaming disaster risk management in World Bank operations, we appreciate the work done by WBG staff to mainstream the management of this type of risk in operations, and request that a results framework for future reports be put in place. We also request that the next report include more of the relevant recommendations set forth in the 2013 World Development Report (WDR 2013).

We call on WBG senior management to step up the pace of capacity building in our countries, regions, and communities, in light of the fact that it is at these levels that disaster risk management programs and projects are designed, implemented, and monitored. We urge the WBG to adopt a regional disaster risk management approach, particularly in Africa, where climate phenomena often transcend national borders.

We ask that the WBG replicate its successful regional risk management program currently being implemented in the Middle East and North Africa and in Sub-Saharan Africa. With this in mind, we call

for specific support for the African facility to manage drought and flood risk, which was established under the African Union and is intended to cover the entire African continent.

We note with regret that no country has accessed the resources earmarked under the IDA Immediate Response Mechanism, and recommend that the WBG conduct a review of this mechanism with a view to ensuring that it adequately meets the needs, conditions, and capacity of our countries.

Statement by Mr. Koenraad Geens, Minister of Finance, Belgium⁷

Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries

A year ago, we endorsed the vision for the World Bank Group (WBG) on a strategy to achieve the goals of eradicating extreme poverty and promoting shared prosperity in a sustainable manner. Last October, we approved the new WBG Strategy and gave guidance for its timely implementation. It is now time to focus on implementation and on translating our inward looking endeavors into outward looking solutions.

The document submitted for discussion provides a solid analysis of the world's economic development trends and a set of policy recommendations to ensure sustainable high economic growth as a basis for reaching the World Bank Group goals. It appears that, despite modest improvements, the post-crisis outlook remains precarious and current growth patterns are not just unsustainable, they are inefficient. Many developing countries remain trapped in low productivity while structural deficiencies are holding back growth and make them increasingly crisis-prone. Financial outflows, deleveraging, sporadic conflicts, and persistent exposure to natural and man-triggered disasters complicate prospects further. In this unsettled environment, delivering quality social services while reconciling high growth rates with environmental sustainability and macroeconomic stability will be an extremely complex, if not inextricable, endeavor. Moreover, growth should not be an end in itself, and the key downside risk is that overly accommodative economic stimulus could boost growth in the short run but may result in overheating and reignite imbalances thereafter.

We concur that a combination of consistent and prudent macroeconomic policies, better social protection programs and redistributive policies, and deep structural reform to boost productivity and competitiveness would reduce external and domestic vulnerabilities and raise medium-term growth. Still, the question of whether growth will translate into tangible improvements and be sufficient to reach our targets by 2030, needs to be answered.

In light of these challenges, we had expected that broad country-specific and regional solutions as well as detailed plans on what the WBG should and is able to do – or do differently - to help countries address the challenges would have been made more prominent in the document before us. This could have stimulated a productive discussion on how the strategy better positions the Bank to help countries to address the challenges they will face to revive growth in the post-crisis global economy and to support the policy changes that they will have to undertake in order to meet these challenges.

Unfortunately, the role of the Bank as described in the document seems to lack precision in that respect. There is an urgent need for a better definition of policies and operations that the WBG will deploy to maximize the impact on achieving the goals.

To achieve significant progress towards the twin goals:

⁷ On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey.

- developing countries must realign their economic and social policies to ensure and sustain progress in poverty reduction and shared prosperity, both within and outside the WBG's Country Partnership Frameworks. Priority should be given to raising productivity and competitiveness in key sectors through structural transformations and reform packages that are conducive to development oriented foreign investments and private initiative, in particular in LDCs. Prudent government policies and socially and environmentally responsible private sector are pre-requisites to ensuring sustainable growth rates and creation of decent jobs that are also good for development.
- our institution – acting as one-WBG – must recalibrate its business model to ensure that each operation in each country fully serve this objective, focusing firmly and selectively on eliminating principal impediments to sustainable and inclusive growth at the country level. The WBG analytical capacity should be embedded in its internal structure to enable early detection of vulnerabilities and timely provision of tailored policy advice and remedial actions. The new Systematic Country Diagnostic should function as an all-embracing platform for identifying these obstacles, elaborating policy responses, and measuring the resources needed to support development.
- the WBG must expeditiously complete the change process to ensure that the new structure is fully operational by the new fiscal year. We welcome the plans to considerably increase IBRD lending and are encouraged by the recently adopted measures to improve the Bank's margins for manoeuver. However, ramping up lending alone will not get us closer to the goals unless the Bank's financial support is targeted at areas of greatest impact on the twin goals and unless the capacity on the ground is strong enough to absorb such support in a timely and efficient manner.
- the WBG must enhance the quality of its operations and strengthen its environmental, social and fiduciary standards, especially in light of the announced heavier emphasis on projects in energy and infrastructure. In this regard, we strongly welcome President Kim's commitment that the Bank's Safeguards review will not lead to any dilution of the applied standards. We further expect that the ongoing safeguards review will harmonize social and environmental standards across the Group, giving due consideration to human rights, and that the resulting framework will encompass all pertinent social and environmental issues. We also anticipate that the new framework will enable broad participation of civil society, social groups and communities in project design and implementation. In addition, we encourage the Bank to extend the application of the social and environmental standards to other lending instruments. The WBG should also maintain its leading role in promoting good governance in its client countries and enhance its focus on corruption prevention under WBG-financed projects.
- the WBG must leverage its convening power to forge partnerships and mobilize resources for truly concerted action by international and bilateral donors. We encourage the WBG to engage with other MDBs and bilateral donors on a new footing moving from a mere division-of-labor approach to fully joint transformative country-specific actions.

We continue to rely on President Kim's leadership in steering the WBG through these turbulent waters and are looking forward to having a detailed and sequenced Strategy implementation plan which is free from uncertainties, which is the subject of adequate communication and which includes priority measures, realistic timelines, estimated budgetary, financial and human resources, and measurable outcomes along the lines we described.

Mainstreaming Disaster Risk Management in World Bank Group Operations

We welcome and continue to support the alignment of Disaster Risk Management with climate change adaptation. We believe that significant progress has been achieved with regard to decreasing the fragmentation of financial resources and staffing. We reiterate our plea that disaster risk management measures should be also integrated in social protection programs, investments in agriculture and other climate sensitive sectors, as well as in the development of financial markets to create comprehensive DRM systems.

We recognize the efforts deployed in incorporating Disaster Risk Management into the new Country Partnership Framework model, thereby better informing policy and investment decisions. We would also like to stress that disasters are not confined to the national borders of a country and, therefore, urge Management to reflect the Disaster Risk Management agenda in regional strategies.

Statement by Mr. Pravin Gordhan, Minister of Finance, South Africa⁸

Global Economy

We welcome the improvement of economic prospects and growth in high-income countries. The increase in growth in these countries would assist in facilitating the growth momentum in the developing countries and emerging market economies, whose macroeconomic fundamentals remain strong. Sub-Saharan Africa's growth is projected to continue on a robust trajectory, mainly as a result of increased investments in the natural resources sector. While we continue to have a positive outlook on the global economy, downside risks remain. Sustained growth in developing countries could be undermined by the near term risks associated with the exit strategies from unconventional monetary policies by Advanced Economies. Tightening financial conditions could lead to a slow down in emerging markets, especially those with integrated linkages to the global markets. This could further lead to a slowdown in external demand for developing markets and low-income countries' exports.

To avoid these negative consequences, we call for continued and improved communication on monetary policy actions from developed countries. Developing countries need to have sufficient access to multilateral sources of financing to assist in navigating difficult situations that may arise from negative spill-over effects. In the interim, macroeconomic buffers need to be strengthened and structural transformation augmented to boost productivity. The World Bank Group (WBG) can play an important role in this regard through the provision of knowledge, advisory services and financing, to ensure sustainable long-term inclusive growth.

World Bank Group Institutional Reform Process

We note the progress made to date in aligning the institution to achieve the goals endorsed by Governors at the last Spring Meetings. The Bank is positioning itself to assist client countries in eliminating extreme poverty and reducing inequality in the long-term, and in meeting the challenges of the post-crisis growth in the medium-term, should the economic environment deteriorate. In this regard, we note the measures put in place to grow the revenue of the Bank and strengthen its balance sheet. We however request the Bank to remain vigilant to ensure that they mitigate any unintended consequences of these measures in order to increase revenue and improve the Bank's margins for manoeuvre in the medium-term.

⁸ On behalf of the Angola, Nigeria and South Africa.

We acknowledge that at present, the Bank's capacity is constrained and that the steps needed to make the Bank more effective and efficient may entail difficult trade-offs. Strengthening the Bank's business capacity and financial sustainability will also require both improved revenue flows and greater institutional efficiencies. To this end, we welcome the Bank's Expenditure Review process, which has been the objective of realizing significant savings. While these savings may have far reaching consequences in improving the way the Bank operates in the medium-term, we hope that a reduction in the cost base in the short-term would not negatively impact the quality of service delivery to clients. We therefore call on the Bank to appropriately communicate with all stakeholders and to be transparent, while providing as much information as possible on the outcomes of decisions made.

We welcome the focus and priority being placed on the complex and acute development challenges of Fragile and Conflict-Affected Situation (FCS) as well as Sub-Saharan Africa (SSA) and South Asia, as the regions with the highest incidence of poverty. Keeping Africa on the centre stage will help deepen and further consolidate the progress being recorded, at this moment to prevent a slowdown in growth. Africa will need significant investments in infrastructure to realize its full growth potential. We look forward to further engagement with the Bank on the use of additional sources of financing, such as the Global Infrastructure Facility, to supplement current resources in supporting transformational infrastructure projects at national and regional levels.

We also look forward to the operationalization of the Bank's new country engagement model (CEM), which includes the Systematic Country Diagnostic (SCD) and Country Partnership Framework. A strong statistical database is vital to any successful SCD in our countries. In this regard, we are encouraged by the priorities accorded to strengthening the statistical capacity of client countries, by the WBG. We hope that the CEM will result in a more focused and strategic engagement with countries. We note that the drive to become countries' development partner of choice and a "solutions Bank" will be informed by a new organizational structure, the Global Practices and Cross Cutting Solutions Areas, which will be where the talent and knowledge of the Bank resides. While appreciating the progress made in defining the organizational architecture, we call on the WBG to strive harder in achieving diversity goals, especially in respect of underrepresented regions. The WBG can be assured of our full support towards operationalizing the strategy at the country-level, while taking full ownership of our development process. We look forward to keeping track of the WBG's performance and progress through the new Group Corporate Scorecard.

IDA-17 Replenishment

We welcome the record replenishment of USD \$52 billion and commend IBRD and IFC for their continued support to IDA. We also welcome the participation of new donors in this replenishment and the introduction of concessional partner loans, as a way for partners to increase their contributions to IDA. We are encouraged by IDA's increased focus on FCS and urge that this be strongly complemented by increased mobilization of private sector funding through IFC and MIGA. In addition, we view IDA's strong and more targeted investments in regional transformational projects in SSA as an important component to shaping the future of sustainable growth on the continent. We look forward to the work of the internal task force to assist some of our countries navigate the difficult process/period of graduation from IDA.

Progress Report on Mainstreaming Disaster Risks Management (DRM) in WBG Operations

We welcome the progress report on the implementation of the recommendations of *The Sendai Report* and commend the increased integration of DRM into policy and investment operations, as well as in Country Partnership Strategies across the Bank Group. The efforts of the IFC and MIGA in supporting investments that incorporate climate resilience should be extended to SSA countries especially, those in the Sahel, which have persistently experienced extreme weather conditions over the years. Capacity building at national, sub-national, local and cross-border levels will also ensure effective results outcome.

We urge the Bank to provide, more broadly, improved information on hazard exposure to enable the relevant country authorities to take pro-active measures to safeguard human lives and assets. Furthermore, disasters do not respect national boundaries, a regional solution through effective liaison with regional bodies to disaster risk management is essential to any efforts in tackling this problem. Lastly, we welcome the establishment of the Tokyo Hub to serve as a global centre for mainstreaming DRM in to both WBG operations and national development planning and investment programs.

Statement by Ms. Justine Greening, MP, Secretary of State for International Development and Mr. George Osborne, MP, Chancellor of the Exchequer, United Kingdom

Economic context and development

The global economy began 2014 with continuing signs of improvement but full recovery is not yet secure, and risks to economic recovery have not gone away. Sustained economic development is essential for sustainable poverty reduction and to enhance resilience to economic shocks. Such development requires both domestic reforms and stronger global integration and co-operation. The World Bank Group has a critical role in all of these, to promote economic development, generate jobs, and leverage private flows.

World Bank vision

The UK commends World Bank President Jim Kim's reform efforts so far. The ongoing change process is positioning the World Bank well to improve effectiveness and remain relevant in a changing world. A flexible, efficient, country-focused and coherent World Bank Group that works effectively to deliver the twin goals of poverty reduction and shared prosperity is essential. As always, reprioritisation is needed in some areas. As we all know, a larger bank is not always the right option.

We are pleased to see the focus on the different parts of the World Bank Group working more effectively together. The proposals for the new structure, putting economic development and private sector engagement centre-stage, are welcome. Improving infrastructure and delivering economic development will be essential to delivering on our commitments to lift people from poverty.

Resilience, fragile States, conflict and crises

The progress that the Bank has made in improving its engagement in fragile contexts is important to meeting the new goals. The Bank's emphasis must be on managing rather than avoiding risk. Humanitarian emergencies, conflict, and crisis require robust engagement from the World Bank Group and the global community. Managing the social and economic fallout is central to supporting timely recovery and minimising the human cost for countries in crisis. The World Bank must continue to challenge itself to improve results in difficult environments.

The on-going and recent crises in Syria, Ukraine, the Sahel, Sudan and other regions each have their specific challenges and need targeted intervention in the coming months. The Bank is rightly changing its attitude to risk to an intelligent focus on taking and managing the right risks rather than excessive risk aversion, and has an important role to play in many of these regions.

Gender and anti-discrimination

The UK is strongly supportive of Jim Kim's commitment to tackle discrimination and welcomes his openness in addressing the issue. This is a global problem, with an unacceptable cost. A consistent, yet sensitive, approach is needed across all countries to tackle discrimination in all its forms.

Significant progress has been made on enhancing the Bank's support for women and girls. We are pleased to see the World Bank's commitment to promoting gender concerns across the whole of the World Bank Group, including IFC and MIGA. Gender equality is a top priority for the UK; a new law

has recently been passed that requires us to consider how any and all of our development assistance will contribute to reducing gender inequality. We look forward to working with the World Bank on this issue, including how changes made at the organisational level will bring positive change to women's lives. We welcome the World Bank's focus on issues with transformative impacts. We would like to see a strong focus on harmful social norms including Female Genital Mutilation/Cutting and Child, Early and Forced Marriage.

Post 2015

We are entering into a crucial time for the post-2015 development agenda. It is essential that UN member states agree a clear, compelling and inspiring framework that builds on and goes beyond the Millennium Development Goals.

The Bank can play an important role by providing technical support and building the evidence and data sets that will be needed for a goals framework that leaves no one behind.

Statement by Mr. Steven Ciobo, Parliamentary Secretary to the Treasurer, Australia⁹

We meet at a delicate juncture in the global economic recovery. Growth in high income countries is slowly showing signs of improvement, but the external environment for many countries remains uncertain. The tightening of fiscal and monetary policy in the developed world remains necessary in order to restore balance following the period of post-crisis stimulus. However, this may lead to short-term volatility and, over time, tighten access to capital for many countries, including those represented in our constituency.

In this context, it is important for all countries to renew their commitment to the reforms required to reduce vulnerabilities and spur growth. At the recent G20 Finance Ministers meeting in Sydney, G20 Finance Ministers and Central Bank Governors committed to implement policies to grow collective GDP by more than 2 per cent above the current trajectory over the next five years. Countries will present these policies in their comprehensive growth strategies to the G20 Leaders' Summit in November.

This Development Committee meeting provides an opportunity for all nations to consider the measures required to boost levels of growth and thereby reduce poverty. This includes action to deliver the structural reforms required to increase productivity and improve the enabling environment for private investment. A healthy private sector is the key driver of the sustainable growth required to reduce poverty. Growth must be balanced and inclusive, creating the confidence for private firms to innovate, invest and expand, and thereby create the jobs that help lift people out of poverty.

This meeting also provides an opportunity to reflect on progress made in efforts to position the World Bank Group to better respond to the shifting global context. It is six months since the Development Committee approved the World Bank Group Strategy, designed to transform the Group into a more effective development institution that can deliver on the twin goals of eliminating poverty and boosting shared prosperity.

⁹ On behalf of the constituency comprising Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands (Republic of the), Micronesia (Federated States of), Mongolia, New Zealand, Palau (Republic of), Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu.

Today we reiterate our support for the Strategy and urge continued effort in its implementation. Much has been achieved in the past six months. Substantial savings measures have already been announced and the outlines of the full \$400 million in savings have been developed. A package of financial reforms has been progressed, which will increase the Group's overall financial commitments by up to two-thirds in the coming years. A record IDA replenishment has been achieved and a new, more strategic budget process to sensibly allocate scarce resources is underway across the institution. Considerable progress has been made towards the implementation from 1 July of the Global Practices, which will improve the Group's ability to mobilise and deploy its knowledge.

These reforms have required hard decisions. We recognise that they are causing uncertainty across the organisation. It is therefore important that we recall why these reforms are necessary: in order to position the Group to better serve its clients and thereby eliminate poverty and boost shared prosperity. It is equally important that we renew our commitment to the reform process: only by increasing the Group's financial reach, deploying knowledge more rapidly and flexibly, better managing risk and more effectively drawing on the strengths of the various arms of the World Bank Group, can we hope to achieve the twin goals.

Much remains to be done and further hard decisions will be required. We look forward to the finalisation of the new Country Partnership Framework architecture, which will be key in driving collaboration between the different arms of the World Bank Group and, in particular, in identifying the 'transformational investments' in which the Group can play a unique role. Once the Global Practices are operational, it will be vital that they work effectively to encourage collaboration across the institution and result in the rapid deployment of knowledge in a way that is responsive to client needs. Procurement and Safeguards reviews are underway and it is essential that they reduce project preparation times and manage the implementation burden on client countries, while maintaining the high standards for which the World Bank is renowned.

We welcome the update provided by management on the Global Infrastructure Facility and look forward to its further development, including through the G20. The facility is an example of the unique and catalytic role that the World Bank Group can play when it works at its best: applying convening power and technical capacity to unblock constraints to private sector investment and thereby stimulate growth and poverty reduction.

We also welcome the update provided on progress in mainstreaming disaster risk reduction across the World Bank Group's activities. A number of the examples highlighted in the update arise from work in the Pacific. They serve as a reminder of the particular vulnerability of Pacific countries to disasters and climate risk. We urge continued attention to this important work.

As implementation of the Strategy proceeds, it is vital that the World Bank Group remain attuned to the diverse needs of its membership. Global aggregates should not be the only measure of success; the Group will need to keep a focus on small members too. Our constituency spans a vast and varied area, from landlocked Mongolia to the small island states of the Pacific. A number of these members face unique challenges related to their size, isolation and capacity constraints. We will continue to closely monitor reforms such as the Global Practices, the Country Partnership architecture and the Procurement and Safeguards reviews to ensure they remain responsive to the needs of all members, particularly small island states. 'Transformational investments' will look different in different contexts – we wish to reinforce that the Group's capacity to be genuinely transformational is perhaps most evident in small, resource and capacity constrained countries.

As a constituency we also remain strongly supportive of World Bank Group's work in supporting gender equality. Gender equality is not just a moral imperative but an economic necessity: improving women's

workforce participation increases growth rates and contributes to shared prosperity. We encourage the World Bank Group to take further steps to support countries to address constraints to gender equality, including those relating to broad-based economic participation. This includes the development of innovative analytical tools to support better policies and action on the ground.

Finally, as shareholders, we will continue to monitor and track the Group's ongoing focus on results. Ultimately the success of the World Bank's reform efforts will be measured on the ground, through progress towards our twin goals of ending poverty and promoting shared prosperity. We welcome the Group-level Corporate Scorecard, and look forward to continued work refining it to reflect emerging challenges in a swiftly changing world.

Statement by Mr. Jacob Joseph Lew, Secretary of the Treasury, United States

Since the Development Committee met last October, our shared priority has been delivering on the bold vision for achieving the World Bank's twin goals – reducing extreme poverty and boosting shared prosperity. The United States strongly supports the World Bank's efforts to strengthen its own capacity so that it can provide more strategic, evidence-based solutions, grounded in the best global knowledge, to its clients. Progress is being achieved on a number of fronts, from financial measures that will improve the World Bank's long-term financial sustainability to better tools that will diagnose a country's constraints to achieving durable growth.

A strong and reliable World Bank is in our collective interest. The headway that the world has made coming out of the financial crisis is cause for much optimism. However, the path to sustainable, inclusive growth should not be taken for granted. The World Bank plays a crucial role in shaping policies, partnering with the private sector and providing financing to spur growth, protect the most vulnerable and build resilience. We are particularly cognizant that the World Bank's transformational impact is not confined to its lending; its ability to act as a thought leader and global convener is just as critical.

The stakes are high and the challenges are great, but the prospects for global inclusive growth motivate us to further deepen our cooperation with all World Bank member countries for the common good.

Leveraging the private sector

We know that we cannot realize our 21st century development goals with public dollars alone. Addressing the developing world's infrastructure needs is a prime example of how the World Bank can help, providing expert advice on establishing an enabling environment that encourages private investment and preparing a pipeline of bankable projects. Achieving higher rates of public and private investment in infrastructure will require a focus on strong governance, sound macroeconomic policies and transparent regulatory frameworks. It is for this reason that President Obama's Power Africa Initiative – which aims to add 10,000 megawatts of new, cleaner electricity generation over the next five years in partnership with sub-Saharan African countries and the private sector – emphasizes that the countries' policy reforms are every bit as important as the financial investments.

Promoting social inclusion

Social inclusion is the basis for shared prosperity. Yet, more than 100 countries still discriminate against women and many more discriminate against minority groups. The gains from social inclusion are both intrinsic for human well-being and instrumental for sustainable economic growth. An economy cannot reach its full potential if some of its members are held back because of discrimination. World Bank projects can promote opportunities for all people – regardless of race, gender, religion or sexual orientation – by systematically including representatives from under-represented or minority groups in the design of its activities. Furthermore, one of the most transformative roles that the World Bank can play is

to urge countries to improve legal frameworks to provide access to economic and social opportunities for all, ensure protection against discrimination and allow for recourse when needed.

Tackling global challenges

Given its convening power and global reach, the World Bank can bring together a broad set of stakeholders. This convening power is especially important when dealing with global challenges like food security or climate change, which are too vast and complex for any one country – or even a group of countries – to effectively manage on their own.

The World Bank, working with many development partners, is scaling up support to help the world's poorest farmers produce more food and earn higher incomes through the Global Agriculture and Food Security Program (GAFSP). GAFSP is already working with 25 countries to support their efforts to reduce hunger and poverty. GAFSP's financing is boosting crop yields, helping farmers become more resilient to climate change and piloting new approaches to nutrition-sensitive agriculture. The United States remains strongly committed to GAFSP and looks to other partners to make new financial commitments so that GAFSP can continue its successful and much needed work.

It is also time to redouble our efforts on climate change so as to protect the next generation. President Obama articulated our commitment to addressing this challenge, both at home and abroad, in his Climate Action Plan. We applaud the World Bank's support of lower carbon growth and its efforts to help eliminate regressive fossil fuel subsidies.

Accelerating poverty reduction

Although the global extreme poverty rate has fallen by half since 1990, deep pockets of poverty persist in low income and middle income countries alike. The world needs a global institution devoted to eradicating poverty, and we are fortunate to have such an institution in the International Development Association (IDA). IDA is the single biggest source of development finance for low-income countries. One of IDA's key strengths is its continued evolution, which helps to ensure that IDA remains at the cutting edge of development practice. As part of the seventeenth IDA replenishment, donors, clients and World Bank management agreed to increase funding to tackle the toughest issues in fragile states and to help those countries tip the balance toward stability. Going forward, IDA will also place a stronger emphasis on private sector development, enhance its focus on climate change, and press for greater integration of gender in its projects and outcomes. As ambitious as we were in making these forward-looking commitments, we must now be equally ambitious in implementing them.

The IDA replenishment came at an historic time, with the shifting development landscape, new development actors, and the implementation of the new World Bank strategy. At this critical juncture, the United States looks forward to engaging actively in the strategic thinking on the future of concessional finance and the long-term vision and financial sustainability of IDA.

Assuring accountability

As a global standards bearer, the World Bank plays a catalytic role in developing countries by serving as a model of best practices. Strong social and environmental safeguards promote long-lasting economic development. High quality procurement standards create a level playing field for all businesses while supporting good development results. We rely on the World Bank to work on the toughest problems in the toughest places on earth. This work in some of the riskiest environments underscores the importance of robust safeguards and procurement policies, bolstered by adequate and expert staffing, and complemented by independent accountability and oversight mechanisms.

Implementing World Bank reforms

Addressing these diverse development challenges requires an expert, nimble and well-performing World Bank that is responsive to its clients. The depth and breadth of the proposed reforms in President Kim's agenda require a keen focus on implementation and tracking of progress. We applaud the efforts to develop a more evidence-based country partnership model and to strengthen the World Bank's work on consultation and engagement with the beneficiaries of Bank-financed projects. And finally, the package of financial measures that we agreed on earlier this year will maximize the impact of the World Bank's existing financial resources and improve its long-term financial capacity by boosting revenue flows and reducing administrative costs.

As the preeminent global development institution, the World Bank shapes the agenda for international development organizations around the world. We look forward to continuing to work with President Kim, World Bank management and staff, shareholders and other stakeholders to deliver on the promise of a World Bank for the 21st century.

Statement by Mr. Shi Yaobin, Vice Minister of Finance, The People's Republic of China

The global economic growth has been experiencing changes. Macroeconomic policy shifts in developed countries have reversed the direction of capital flowing, posing new challenges for developing countries. In this context, the international community should pay more attention to development, transfer more resources to developing countries, and provide stronger support for their economic growth, so as to inject lasting dynamism to sustain global economic development.

As the largest multilateral development organization in the world, the World Bank Group should play a bigger role in stabilizing the global economy. First, the Bank Group could enhance its support for economic growth in low-income countries and further strengthen cooperation with middle-income countries. With concerted efforts to unlock their huge potential, these developing countries are expected to be the stabilizer and new engine for the global economy. Second, the World Bank Group should encourage more capital flow into the real economy and productive sectors. Historically, large-scale and disorderly capital flows had often triggered crisis. The Bank Group should therefore help channel capital inflows into real economy, by working across its institutions and with development partners, and fully utilize its global convening powers and comparative advantages in resources mobilization, financial innovation and projects development.

The Chinese economy is currently performing well. In 2013, GDP grew by 7.7%, mainly driven by domestic demand. Structural adjustment has made remarkable progress. The proportion of tertiary industry increased to 46.1%, surpassing the second industry for the first time, and provided strong support for employment growth.

However, there is concern about China's local debt issues and financial sector risks, and worry that lower growth rate in the country may have a significant impact on the global economy. In this regard, I would like to make three comments. First, the possibility of systematic and regional financial risks in China would be very slight, the governmental debt ratio has been continuously keeping under the internationally recognized red line, meanwhile, the government has strengthened preventive measures, including gradually incorporating government debt into budget management, strengthening discipline on local governments in borrowing, and implementing the Basel III financial regulatory measures. Second, domestic investment will not decline substantially. With GDP per capita just over 6,000 U.S. dollars, rapid progress in industrialization and urbanization associated with this development stage will create huge investment demands. And high savings rate and sufficient foreign exchange reserves are also expected to provide strong support for investment growth. In the meantime, China will accelerate

development of financial markets so as to improve investment return. Third, a package of reforms has been put in place, which will bring huge reform bonus. Growth rate is expected to be about 7.5% in 2014, and the steady growth and further optimization in economic structure will help sustain global economic growth. In short, China's comprehensive deepening of reforms and further opening up will bring new opportunities for sustainable development of the domestic and global economy.

Statement by Mr. Guido Mantega, Minister of Finance, Brazil¹⁰

More than five years have passed since the eruption of the world economic crisis in 2008. Although most advanced economies have recently been performing better than in 2011 and 2012, growth rates are still below the ones achieved in the pre-crisis period, and risks remain on the downside. Furthermore, unemployment continues to be a matter of deep concern in many regions of the world. A stronger and more balanced growth of advanced economies is a *sine qua non* condition for world development, but it should not come at the expense of the stability of international financial markets and capital flows. Shifts of monetary policies in countries that issue reserve currencies have well-known adverse impacts on the world economy, including on emerging markets. Against this scenario, we welcome the document prepared by staff of the World Bank Group for this meeting ("Growth in the Post-Crisis Global Economy: Policy Changes for Developing Countries"). We are especially satisfied with its call for attention to the need for appropriate coordination and communication of macroeconomic policies in a transition period. We believe international financial institutions are appropriate fora for improving economic coordination and communication.

The adoption by the World Bank of the twin goals of ending extreme poverty and promoting shared prosperity in our last meeting was most welcome. The countries of our constituency have been focused on similar targets, with successful results. In Brazil, for instance, the adoption of economic and social policies, such as the conditional cash transfer, has resulted in a sharp decrease of poor people from 35.7% in 2003 to 16.0% in 2012. In the same period, almost 18 million formal jobs were created and unemployment rates are currently below 5% of the economically active population. Our constituency and the World Bank have, therefore, many experiences to be shared in the coming years. We thank the WBG support in this path, and urge it to continue to be the multilateral platform for all regions in their paths of inclusive development. In this sense, the Brazilian-World Bank partnership through the creation of a knowledge hub in Brazil is serving as an important facilitating platform for knowledge sharing.

Sustainable increases in welfare bring about new challenges. Infrastructure is a particular matter of interest. Reducing poverty and sharing prosperity implies stronger demand for airports, railways, water supply, energy, and international trade, among others. Developing countries need to enhance infrastructure investments and therefore they need well-structured projects and appropriate long-term finance. The World Bank presents the instruments to play a greater role in that respect, provided that recipient countries can exercise ownership and play the most important role in choosing priorities and designing policies. We welcome the evolution of the concept of the Global Infrastructure Facility that is currently under discussion. Other particular areas the WBG can play important roles are South-South cooperation, especially in the area of technological transfer, as well as the leverage of private funds. We urge the Group to continue developing ways to engage even more in these areas and support countries in their exchange of experiences.

¹⁰ On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname and Trinidad and Tobago.

We welcome the update on the implementation of the Sendai report and congratulate the WBG for the results achieved in disaster risk management. This is an issue with direct impacts on the development process. We support the efforts made by the Group to share global knowledge on this topic, as well as to finance projects that can enhance the resilience of countries to both natural disasters and events resulting from climate change. The sharp increase of the number of events and their intensity provoked by climate change creates a harder challenge to the international community, especially in what concerns the smallest and most vulnerable countries. We are particularly grateful to the response of the WBG to the Philippines in the aftermath of Typhoon Yolanda. The Group responded quickly to requests by the Government of the Philippines and approved a comprehensive recovery and reconstruction support package to alleviate the adverse impacts of the devastation suffered by the country.

We take note of the measures approved to increase the lending capacity of the Bank. The further differentiation of pricing, based on maturity and the increase of the single borrower limit (SBL), however, cannot be seen as the solution for solving the problems of capital adequacy of the institution. Other measures should be carefully analyzed. Besides, the 50 basis points been charged to SBL-capped countries that go above the previous limit should be considered as their extraordinary contribution to development.

We have been carefully following the discussions on the internal reforms. They represent a major step towards a WBG that is more focused on its main goal and more responsive to its borrowing partners' needs. We welcome the institutional structure changes and hope they will be able to deliver on the proposed objective to increase the flow of knowledge internally, creating faster and more innovative solutions for client countries. As regards the new country engagement model, we strongly believe that it must continue to respect country ownership and the demand driven structure of the institution. The new Country Partnership Framework (CPF) should continue to be a document establishing guidelines for the engagement of the WBG and client countries. It can be informed by strategic country diagnosis but not determined by it: CPFs must become the result of a true partnership between Bank and countries and fundamentally a document owned by both parties. Furthermore, changes cannot disrupt the ongoing operations or much less cause interruptions to the programs. It is also concerning to note that the Bank is dramatically lagging behind in its expected commitments and disbursement in some regions for the current fiscal year. We take note of the current expenditure review and support the notion of increasing the efficiency of expenditures. This, however, cannot be done at the expense of quality of our work.

We congratulate the Bank for the successful replenishment of IDA 17, take note of the innovations included in this cycle, and look forward to a successful implementation.

Finally, we reiterate our long standing position that no change can be of greater significance for the future role and relevance of this institution than the Voice and Representation reform we have started in 2008. Our agreement then was that the second review of shareholding of this reform would be concluded in October 2015. Given the importance of this reform to our legitimacy, and the complexity involved in such discussions, we call on Executive Directors to start work on the shareholding review agreed by Governors in 2010 to be concluded no later than October 2015.

Statement by Mr. Gerd Mueller, Federal Minister for Economic Cooperation and Development, Germany

Our global economic system is increasingly reaching its limits – both in social and in environmental terms. For centuries, our planet provided cheap raw materials for the global economy and absorbed the waste of industrial production. Now it has been stretched beyond its limits in both regards. This is not only reflected in rising prices for raw materials; the frequency and severity of weather-related disasters is

also increasing. The destruction of our natural environment is becoming a threat to our vital resources. If global temperatures rise by 1.5 degrees by 2030, there will be a 40 per cent decrease in the area available for growing maize – the main staple food in large parts of Africa. Typhoon Haiyan did not only claim thousands of lives, it also cost the economy about 15 billion dollars. There are hopes that political leaders are seeing the writing on the wall. For instance, China's Prime Minister has warned against "blind" development and called for efforts to address air pollution.

But our economic system is also reaching its social limits. The divide between rich and poor has been growing rapidly in many countries. The share of wages in national income is declining almost everywhere. At the same time, corporate profits have reached new record highs. Inequality is growing rapidly, and this is posing an increasing threat to economic growth. This view is shared by the IMF.

In my view, globalization is not an end in itself. It needs to be given direction so that it will benefit the people and respect the limits of our natural environment. We need a socially and environmentally sound global economy. Otherwise we will not manage to reduce poverty on a lasting basis. I am sure that President Kim is aware of this challenge, as the future of the World Bank Group, too, is closely intertwined with this issue.

Germany is expecting the World Bank Group to implement its new strategy systematically, make headway on its internal reforms and use its resources in a targeted way, and thus live up to its responsibility for equitable, sustained development progress.

If we want to eradicate poverty for good, give all people opportunities to benefit from growing prosperity, prevent crises and disasters and balance sustainable growth with the integrity of creation, we cannot continue with business as usual. We need a paradigm shift, and we will need to focus our joint efforts on a number of central aspects:

1. Swift stabilization of crisis regions

Crises – be they political, economic or disaster-related – are the biggest enemy of sustainable development, of hopes for a better future and of the eradication of hunger and poverty. They destroy livelihoods and trigger refugee flows. If a society does not have enough resilience, crises also give rise to new crises. The tragedies in Syria, the Central African Republic and South Sudan and the political struggle in Ukraine show just how important it is for the international community to work for stability, a peaceful balance of interests, and economic progress, especially in fragile states and regions.

So we need to jointly focus our efforts on stabilizing regions that are particularly at risk and on quickly lending impetus to development there – inclusive development that benefits the population at large and gives people new opportunities. This also includes disaster preparedness and crisis prevention. We call on the Bank to implement its IDA commitments in fragile states quickly. This means that we need higher resource allocations, combined with higher efficiency and effectiveness on the ground. And we need to strengthen local resilience, with a focus on human and institutional capacity.

2. Reforming financial markets

The last few months have shown us once more that economic recovery and stability can easily lose momentum again and that development achievements can be jeopardized very quickly and severely. So it is important to draw the right conclusions from economic and financial crises. We need to strengthen financial systems at the national and international levels with a view to crisis preparedness, and we need to enhance our crisis response instruments.

The World Bank, too, should further increase its related efforts, working with the IMF: in terms of analytical work, in global policy coordination, and in providing advice to emerging economies and developing countries. A comprehensive approach in developing countries and emerging economies does not only mean deepening and stabilizing financial systems but also improved management of cross-border capital flows – and, if need be, targeted regulation of capital flows.

At the international level, I consider two aspects important. For one thing, we should review the "international shock architecture" and further enhance it if necessary. Based on cooperation between the World Bank and other institutions, the right instruments need to be provided to deal with medium-term financial and economic crises without too heavy a toll on the long-term financial capacity of the World Bank and other institutions. So far, no concrete steps have been taken to follow up on the recommendations of the Independent Evaluation Group.

Secondly, we must give high priority to reducing volatility in international financial markets. Introducing a financial transaction tax – as has been decided by Germany and ten other European countries – can help stabilize financial markets and increase the contribution of the financial sector to meeting the cost of important tasks for our future, such as sustainable development and climate action. I support the demand that a significant proportion of the revenue from such a financial transaction tax be used for development cooperation.

3. Eradicating hunger, achieving food security

I firmly believe that nobody in this world must be left behind. And I also firmly believe that the eradication of poverty and hunger is possible. In the world's poorest regions in particular, we must jointly do everything we can to advance rural development through socially and environmentally compatible structural change. We need to foster climate-smart food production, rural infrastructure development and responsible land use. Farmers need innovation and access to extension, inputs and loans. And we need to ensure that all people, everywhere, have access to affordable, healthy, sufficient food. This particularly goes for women and children. The opportunities to make this happen are there. It is our job to seize them.

Stronger rural areas and agriculture-based growth create new jobs – one more aspect to show that they are a crucial ingredient to poverty reduction and sustainable development. This is an area where the World Bank Group, too, can do even more. It should seize the opportunity to take on a lead role in implementing a climate-smart agricultural strategy and to align its programs with that strategy. It should also reinforce its efforts for responsible land use and for strengthening people's land rights.

4. Sustainable growth

We need to make sustainability the guiding principle of all our actions. In the long term, we will only be able to safeguard the integrity of creation and sustain development achievements if we make climate change mitigation and adaptation the cornerstones of our efforts, if we use natural resources more efficiently and if we produce more while using fewer resources. This goes for us in the industrialized countries but also for developing countries and emerging economies. The conclusion of the IDA 17 negotiations sent an important signal in this regard, as we decided that all programs will now be assessed for their climate and disaster risks and/or the improvement of climate and disaster resilience.

All countries should share the responsibility for climate action. This means that we need to make even more determined efforts to seize the opportunities of climate-friendly, resource-saving development models. The World Bank Group in particular can demonstrate its transformative power in this field, especially by giving even stronger support to renewable energy and by pursuing an ambitious climate strategy. This also means putting the measurement of prosperity on a broader basis and using new

indicators. The World Bank should make further headway on its work in this field and provide input to the debate about the post-2015 development goals. In order to translate this strategic focus into practice, the World Bank Group's Corporate Scorecards must not only reflect the goals of the strategy but also its sustainability dimension. Sustainability must be built into all levels of the Scorecards in an appropriate manner, relying on indicators that cover, in particular, carbon emissions and climate action and resilience, but also land, water and air.

5. Making globalization more equitable, strengthening social and environmental standards

Globalization offers many new opportunities and options, but it needs to be given direction. Globalization is not an end in itself and must not serve solely the interests of the markets. Above all, it must serve the people. So we need to impose limits on markets in those instances where they seek to generate profits at the expense of the people. Our goal is an environmentally and socially sound market economy which gives priority to matters that are crucial to the survival of humankind, and which ensures that environmental and social standards are embraced by the business and financial sectors. This requires sustainable investment in economic growth, because new jobs can only be created in an economy that remains strong in the long term. The World Bank Group needs to put an even stronger focus on this, for instance by supporting investment in infrastructure and harnessing the potential of the private sector. The World Bank Group's special asset in this regard is its capacity to reinforce social and environmental aspects. The reforms of the social and environmental safeguards and of the World Bank procurement system are very important with a view to establishing these aspects even more firmly in the Bank's operations. It must be ensured that World Bank projects meet top standards in terms of human rights and social and environmental concerns. The World Bank should broaden the scope of those issues that are already being addressed and include new issues so as to close gaps that still exist in its regulations. In our view, this includes, in particular, the protection of land rights, climate change mitigation and adaptation, and human rights aspects.

6. Exercising social responsibility

In the past few years, a great deal of progress has been made in terms of reducing hunger and poverty, but there have also been some undesirable developments. In many instances, economic growth and increasing prosperity have benefited only few people. In most countries, income inequality has continued to become worse. The rich have become richer while the vast majority of the poor have been unable to reap the benefits of economic development. Even though we have been able to reduce the number of people in extreme poverty to less than 1.2 billion in the period since 1990, there are still as many as 2.7 billion people whose income ranges from 1.25 to 4 US dollars a day. We need to make this a new focus of our work. Development must reach all people, based on gender equality, and it must be socially equitable. I therefore welcome the fact that the World Bank Group has set itself the target of enhancing the share of the bottom 40 per cent in growth and prosperity. In future, we must ensure that growth is inclusive. Nobody must be left behind. This especially goes for women, minorities, and marginalized social groups. Poverty reduction alone is not enough. Growth must reach all social strata. I therefore call upon the World Bank to design its new country model in such a way that it not only addresses inequality issues in the context of analytical work but also gives attention to positive distribution impacts for the benefit of the bottom 40 per cent when programs are selected and projects are designed. To that end, the results of the Corporate Scorecards, which constitute central management tools, should be incorporated systematically into the World Bank's strategic and operational work.

When it comes to implementing this agenda, Germany counts on close cooperation with the World Bank Group and its President Jim Yong Kim. The definition of the new World Bank Group goals and the adoption of the new strategy in 2013 were important steps to make the Group fit for the future. The course of modernization on which President Jim Kim has embarked needs to be continued systematically. We

regard the World Bank Group's new structures and its focus on poverty reduction and inclusive growth, with due consideration for all aspects of climate action and sustainability, as a fundamental prerequisite for our joint success. Gender equality and labor rights are also important concerns that should be addressed.

Human rights, adherence to international agreements and international law, transparency and an active civil society are crucial prerequisites for development. If they are not in place, there is a great risk that our assistance will fail. We should remind ourselves of this time and again. In this spirit, Germany will continue to lend President Jim Kim its full support in meeting the great challenges that lie ahead.

Statement by Mr. Kittiratt Na-Ranong, Deputy Prime Minister and Minister of Finance, Thailand¹¹

We meet today against a backdrop of continued global recovery. There are signs of recovery in high-income countries. Growth is firming up especially in the United States and somewhat stabilizing for European countries. Global growth impetus would emanate from the advanced economies. External demand from advanced economies bodes well for emerging and developing countries. We must note that growth in developing countries and emerging markets has been pivotal in cushioning the impact of the slowdown in advanced economies. Also, despite the cyclical slowdown in emerging markets, growth rates are still relatively high. We wish to see the momentum in these positive developments continue and lift the global economy out of current protracted slowdown. Without sufficient and sustainable growth, global extreme poverty reduction will remain elusive.

Growth in the Post-Crisis Global Economy: Policy Challenges for the Developing Countries

We appreciate the very timely and perceptive Report produced by the World Bank Group (WBG) – “Growth in the Post - Crisis Global Economy: Policy Challenges for Developing Countries”. It paints a somewhat encouraging picture of the global economy but is realistic enough to acknowledge that growth will not return to pre-crisis levels. More importantly, the Report’s assessment of significant risks and uncertainties merit close attention. Recent geopolitical tensions exacerbate the already tight financial conditions, affecting investor sentiments amid heightened risk aversion. These risks pose critical challenges for global growth. Emerging markets are particularly vulnerable to these risks. Capital flows and exchange rates continue to be volatile largely from ‘tapering’ of quantitative easing. The consequences of such volatility not only pose short term policy challenges but impacts long term investment decisions.

In this regard we agree that, in some circumstances, temporary measures on capital controls may be required by countries facing excessive external volatility to contain the impact from global reflows. Sound economic fundamentals are also critical to mitigate the unfavorable impact from monetary policy signals in advanced economies. Recognizing these external challenges and drawing lessons from past crisis many developing countries have adjusted and continue to undertake reforms by strengthening social safety nets and domestic financial systems, improving fiscal positions, enhancing investment climate, diversifying their economy to strengthen domestic resilience and boost long-term growth. We would like to add that the efforts by developing countries to carry out the structural reforms are necessary but not sufficient. For sustainable and inclusive growth, the promotion of international trade is also critical. In improving investment climate, cross border logistics must be met with free and fair exchange of goods and services without which economic growth will be constrained. The WBG in its October 2013 DC

¹¹ On behalf of Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam.

Statement, reiterated that safeguarding and building on the openness and fairness of the international trading system is vital to global growth. In this regard, we would like to see the WBG take part in assisting the international community in promoting cross border trade to complement and support agreements reached during the WTO's 9th Ministerial Conference held in Bali. This would enhance economic and development opportunities including opportunities for small and medium sized enterprises to better integrate countries into the global trading system.

In an increasingly interconnected world, domestic policies and reforms alone appear insufficient. Monetary policy in advanced economies needs to balance domestic needs and its global implications. There is still much more that advanced economies can do to support economic activity and boost confidence especially in strengthening bank balance sheets while maintaining accommodative policies. A more coordinated and predictable monetary policy well communicated will go a long way to reduce risks and volatility in markets. An orderly policy withdrawal will help to stabilize developing countries' external balance.

In this regard, we see a very critical role for the WBG. The Governors had collectively approved the WBG Strategy that calls for coordinated group wide efforts capitalizing on its convening power to work with other MDBs, donors and the private sector to deliver development impact in pursuit of its twin goals. This is the time to clearly demonstrate this strategy into action to assist clients. Therefore, we call on the WBG in collaboration with other multilateral institutions and in consultation with client countries most affected and vulnerable to the post crisis environment to help them make necessary adjustments to cope in the short term as well as undertake structural reforms to build resilience over the medium and long term. The WBG must be attuned to the individual circumstances of each client in offering assistance. More often than not, the WBGs expertise is required regarding not only the 'what' but on 'how' reforms or adjustment can be implemented. We also encourage the WBG to work closely with governments and the private sector in the ASEAN region. The region is set to become an ASEAN Economic Community in 2015. It is a dynamic region with young population, abundance of natural resources with huge potential. The WBG can engage in large transformational interventions, crowd in investments in the ASEAN region as well as support intra-regional trade and assist companies in ASEAN to link up with global supply chains. The WBG must be a strong partner in the ASEAN Economic Community.

We would also like to emphasize that economic growth must be inclusive. The benefits of economic growth must be felt by the people. It is insufficient to have policies to boost economic growth and increase GDP per capita but excludes a significant segment of the population. This is a recipe for social and macroeconomic instability and will impede growth too. Recent reports have amply catalogued the pitfalls of income inequality which has become pronounced in recent years. This is an issue that must be addressed in a holistic manner. Growth, equity and sustainability are not mutually exclusive. They must be pursued in a mutually reinforcing manner leading to higher income and better quality of life for all. The WBG's goal of boosting shared prosperity may be able to address the issue of growing inequality. This is an area ripe to collect and collate evidence on what works and what does not and the various tradeoffs in policies and instruments to address these issues. Evidence and analytics on reforms that contribute to broad based and inclusive growth is much needed. Clients need assistance to strengthen capacity to make policy choices and help them in sequencing and implementation.

We also take the opportunity to reiterate our views on the need for the WBG to pay special attention to small and island states. Small and island states face numerous challenges; small population, nascent private sector, remittance dependent, vulnerable to climate related natural disasters, and logistical challenges due to their remoteness. A radically new mindset is necessary to address issues that are unique to these countries. Country focused interventions are vital and much needed and at the same time there is ample scope for truly transformational activities for the WBG acting in concert with other development partners to take a regional view in its development interventions.

World Bank Group Reforms

We must commend the Management for the significant progress on the reforms to realize the WBG's twin goals and strategies endorsed by the Governors in 2013. These reforms are wholesome but at the same time challenging. We urge Management to stay the course and move towards an organization that is lean with a stronger financial footing, responsive to the needs of all members and deliver tangible and sustainable impact on the ground.

A revamped WBG must work in unison to meet the needs of the various clients. There must be a difference in the country engagement model that gives primacy to development priorities of the client and deliver the best that the WBG has to offer by itself and in partnership with other MDBs, development partners and donors. We expect the quality of engagement across all stakeholders to increase as well as the development impact of its interventions. All interventions should keep its line of sight focused on the twin goals of eradicating poverty and boosting shared prosperity. We realize that it would take time. However, we can gauge progress through a well thought out WBG Corporate Scorecard with a few key indicators and relevant targets including intermediate targets. Such a score card is an important communication tool and will provide assurance to all stake holders that progress is being made and also is useful for Management to undertake midcourse corrections if needed.

A Successful IDA17 Replenishment

We would also like to record our appreciation to Management and to all IDA donors for the record IDA17. It is a significant accomplishment given the very difficult global economic conditions and fiscal constraints faced by many donor countries. It reflects the confidence in IDA and acknowledges its track record of working in some of the poorest countries in the world to bring customized and innovative solutions and make a difference to millions of poor around the globe.

We are also happy to place on record that among the countries that pledged to IDA17 from our constituency four were first time donors. Brunei Darussalam, a non-IDA member, made a one off contribution and Indonesia, Malaysia and Thailand. At the same time, Singapore an existing donor, reaffirmed its commitment to IDA. These contributions signal that our authorities believe in IDA as an important instrument to achieve the goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. Our authorities look forward to working closely with the IDA team.

Infrastructure Financing

We have been following with much interest WBG led discussions on infrastructure financing. Annual investments in infrastructure in emerging markets and developing economies (EMDEs) is estimated between USD900 billion to USD1 trillion. An additional USD1.2 to USD1.5 trillion is needed to achieve higher economic growth. Institutional investors in OECD alone have USD79 trillion in assets under management with very little in infrastructure and in EMDEs. This gap must be bridged or narrowed. Long term financing is scarce in an environment where government finance is constrained by limited fiscal space, recapitalization of European banks, risk aversion, uncertainty due to monetary policy normalization. There is a need to create conducive investment conditions, adequate instruments and mechanisms and risk mitigation structures to attract a wide segment of investors. The WBG can play a critical role in helping to address some of these issues. We welcome the efforts of the WBG to create a platform to address many of these issues and play a catalytic role in developing bankable infrastructure pipeline and crowding in a wide range of investors including other MDBs, private equity, SWFs, and the private sector. We also welcome efforts made to obtain feedback from a wide range of potential partners and clients. These consultations will help to create a platform that is well structured to deliver on the high demand for infrastructure projects in EMDEs. We look forward to progress in this effort and expect to have concrete proposals on structures, governance and operational principles to ensure that bankable projects can be prepared and financed.

Mainstreaming Disaster Risks Management in World Bank Group Operations

We are pleased to see the WBG is taking the lead in mainstreaming disaster risks management (DRM). The WBG is uniquely positioned, given its global reach to play a pivotal role in advocating the critical need to integrate disaster and climate risks management in development priorities. Beyond advocacy, we recognize WBG's advisory role and its global operations that are fully informed and take into account disaster and climate risks. We fully support making disaster and climate risks management a core part of WBG strategy. This effort will help to institutionalize DRM and build up a body of knowledge and experience that can be shared among clients and the development community.

Climate related natural disasters are increasingly frequent and destructive. The WBG has responded very quickly to assist countries affected by such natural calamities and have taken the lead to coordinate among bilateral and multilateral agencies. The Crisis Response Window (CRW) of IDA is a very valuable instrument designed to respond to such calamities. In this regard, we welcome the swift response of the WBG to the catastrophic Tropical Cyclone Ian that struck Ha'apai islands of Tonga on 11 January 2014, and the arrangements to access USD10 million from CRW of IDA for much needed reconstruction work.

On a broader note, we must note that small island states are particularly vulnerable to climate induced disasters. Natural disasters disproportionately affect a large percentage of the population and sets back economic progress. The very survival of island states is being threatened by climate induced rising sea level. A longer term risks management, adequate funding and access to climate change funding are urgently required. On this note, we urge the WBG to use its convening power, deep knowledge and experience on disaster and climate risks management to recognize the vulnerability of small and island states and work with development partners to increase access to climate finance funds and intensify ex-ante disaster and climate risk management.

Conclusion

The post crisis economy and the challenges it poses provide a real opportunity for the WBG to demonstrate the operationalization of the strategies and effectiveness of the organizational and operational reforms. Clients must see a tangible difference in the quality of engagement, the alignment of intervention to the twin goals and country priorities. We are confident that the Management of the WBG would step up to the high standards and expectations of Governors. We are encouraged that President Kim would seek client feedback systematically on WBG effectiveness. We again reiterate our support for the reform initiatives and look forward to periodic updates.

Statement by Mr. Joe Oliver, Minister of Finance, Canada¹²

As Canada's new Minister of Finance and Governor to the World Bank Group, I am honoured to represent this constituency at the Development Committee of the Boards of Governors of the World Bank and International Monetary Fund.

Significant progress in developing countries' economic growth and poverty reduction has been made over the last two decades. The percentage of people living in extreme poverty in 2013 is less than half of what it was in 1990. We should all celebrate this historic achievement. Yet, 1 billion people still live in extreme poverty and benefits of global growth are not evenly shared.

¹² On behalf of Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

Since last fall, the global recovery has progressed but remains weak. Despite strengthening in some advanced economies, the pace of activity in some key emerging market economies has weakened. Moreover, recent geopolitical risks have risen, which has created additional uncertainty. Taken together, the recovery is fragile and unemployment rates remain too high in many countries. In this context, ambitious and collective actions are needed, supported through the Group of 20 (G-20), the International Monetary and Financial Committee and the Development Committee, to secure strong, inclusive and sustainable growth and prevent the global economy from settling into a weak growth trajectory.

The World Bank Group has an instrumental role to play in helping developing countries manage the post-crisis transition and in maintaining the recent momentum in poverty reduction. Over the last year, it has undertaken a number of internal reforms to better position itself to respond to the evolving and uncertain external environment. On behalf of our constituency, I want to commend the World Bank Group for moving forward with ambitious reforms and for continuously striving to improve its policies and operations so we can meet the overarching goals of eradicating extreme poverty and promoting shared prosperity. More specifically, I would like to take this opportunity to signal our constituency's support for the Bank's work in five key areas.

Maternal and Child Health

In recent years, remarkable results have been achieved in the global effort to improve maternal, newborn and child health. The World Bank Group has played an important role through its work with developing countries in the health sector and other sectors which have an impact on women's and children's health.

But even with this progress, much work remains. The reality is that the global targets for two key Millennium Development Goals—reducing child mortality and improving maternal health—are unlikely to be met. Progress has been slowest in most parts of sub-Saharan Africa and almost non-existent in many conflict-affected states. At the same time, our understanding of the issues has evolved, highlighting new challenges that need further attention if the results obtained to date are to be sustained.

All members of the global community—donors, non-governmental organizations, the private sector and developing countries themselves—will need to redouble their efforts to accelerate progress on women's and children's health. But success will not be achieved solely with more funding and more initiatives; we must also work better, smarter and more collaboratively if we are to reach every woman and every child.

I therefore encourage the World Bank Group to deploy its “science of delivery” approach to helping countries build and strengthen institutions and systems in the health sector and other areas which impact women's and children's health.

Going forward, our constituency will continue to work with the World Bank Group, and other international partners, to ensure that maternal, newborn and child health remains a core part of the post-2015 global development agenda. In this regard, Canadian Prime Minister Stephen Harper will host a high-level Summit on Maternal, Newborn and Child Health on May 28-30, to mobilize leaders and health experts around the next phase of efforts on maternal, newborn and child health.

Long-Term Financing for Infrastructure and Private Sector for Development

Unlocking long-term financing for infrastructure is critical to achieving development goals. The undersupply of infrastructure in developing economies has been estimated at around US\$1 trillion per year through 2020. To overcome existing constraints to financing infrastructure in client countries, it is essential that the World Bank Group focuses on finding ways to improve underlying investment conditions, including through advancing regulatory reform, protecting standards through the implementation of safeguards, and offering technical expertise. The World Bank Group can also play an important upstream role in helping to develop a stronger pipeline of bankable projects. Our constituency

encourages the Group to use all the tools at its disposal and its convening power to mobilize resources and stakeholders in support of sustainable infrastructure investments. We believe the Bank can be an important complement to work already underway, particularly within the G-20, to promote greater private sector participation and facilitate investment in infrastructure.

The World Bank Group has the potential to play a greater role in responsible resource development, and harnessing the extractive sector as an engine for sustainable development. In partnership with the G-7, the G-20, other donors, international financial institutions and multilateral organizations, the World Bank can also play a key coordinating role in ensuring efficient support to countries looking to leverage their own natural resources towards poverty reduction.

Agriculture and Nutrition

The World Bank Group will have an important role to play in the development of climate-smart agriculture, and approaches to help partner countries achieve the “triple win” of increasing productivity and incomes, improving nutrition and reducing climate impacts.

Agriculture and food systems also play a central role in achieving the goals of the Scaling Up Nutrition (SUN) movement by ensuring the availability and accessibility of diverse and sustainable diets. As part of this agenda, both Canada and Ireland attended the SUN donors meeting on the margins of the Spring Meetings while also co-hosting a high-level seminar looking at the lessons from past approaches to nutrition sensitive agriculture, while identifying how these lessons should help guide and inform this critical agenda going forward.

Meeting the Needs of Small States

Our constituency welcomes the continued commitment of the World Bank Group to small states and looks forward to translating this into meaningful, transformative changes for the Caribbean countries in our constituency.

The Caribbean economies have been struggling in the face of spillovers from the prolonged and uneven global recovery and growth has remained slow since our meeting last fall. Hence, more needs to be done to speed up the recovery. In this regard, we call for enhanced support from the World Bank Group to ensure macroeconomic and financial stability, and the strengthening of private sector growth. Building public-private sector partnerships in key growth areas such as infrastructure and energy will translate into new jobs, reduce poverty and ensure shared prosperity.

In addition, as increased vulnerability to climate events remains a reality for small countries, our constituency looks to the World Bank Group to find creative ways of responding and supporting the necessary resilience in small states.

Strengthening the Bank’s Financial Capacity

The need for solid financial stewardship is essential to a strong World Bank Group. In this vein, our constituency welcomes the measures recently brought forward by the management to augment the World Bank Group’s financial capacity. We understand that the Bank is currently assessing the potential benefits of further financial innovations, including exposure swaps among multilateral development banks and a proposed Global Infrastructure Facility. We encourage the World Bank Group to continue to find ways to play a catalytic role in financing development priorities. Our constituency sees these initiatives as positive for the World Bank Group as a whole and hopes it will encourage other international financial institutions to look at how they can better utilize their existing resources and strengthen their capacity to deliver development assistance.

Looking Ahead

Given the current challenges Ukraine is facing, our constituency is supportive of the World Bank Group's readiness to provide \$3 billion in aid in 2014 to support the people of Ukraine during the difficult transition. Over the next months, it will be essential for the Group to work closely with other international financial institutions to ensure support can be delivered efficiently, effectively and in a coordinated manner.

I would also like to highlight that both our borrowing and non-borrowing constituents are pleased with the outcome of the 17th replenishment of the International Development Association (IDA). Contributors have recognized that IDA17 was a unique replenishment given the importance of transitional support for India. This constituency's continued strong support to IDA is underscored by the fact that Canada's contribution of \$1.4 billion maintains its rank as the sixth largest contributor to IDA and that Ireland maintained its contribution to IDA17 at the same level as IDA16 despite significant austerity measures at home. Our constituency believes that IDA is now at an important crossroads, and we look forward to having further discussions on the long-term vision for IDA over the coming years.

In closing, on behalf of our constituency, I would like to thank President Kim for his vision and leadership in steering the World Bank Group and in particular the change process. His work has contributed to establishing a solid foundation for the World Bank Group going forward, and our constituency remains committed to supporting this transformation.

Statement by Mr. Michel Sapin, Minister for Finance and Public Accounts, France

I am glad that my first trip outside of Europe as Finance minister gives me the opportunity to emphasize that the multilateral system is of great importance to the French government, as a pillar of international financial stability and inclusive and sustainable development.

The World Bank, by its universal ambition, is at the heart of this system, and we expect it to play a leading role in facilitating the coordination between donors and driving innovative initiatives that are necessary in responding to growing needs with constrained resources.

Faced with the complexity of these issues, a paradigm change is required: rather than trying to *do*, we must *catalyze*. Despite their financial strength, International financial institutions will not solve, on their own, the challenges of development - but their experience, expertise, and their ability to gather and engage with stakeholders in recipient countries are their primary assets.

Though representing a very small proportion of financial flows to developing countries, Multilateral development banks – particularly the World Bank- have a crucial role to play in order to lead, organize and mobilize aggregate flows, including private flows, and thereby bringing about the end of extreme poverty in the world as well as shared and sustainable prosperity.

This will require, within the framework defined by the discussions on the United Nations post-2015 Sustainable Development Goals, rethinking the place of each institution in the multilateral system, the role of each instrument. This will also require devising the best way to develop synergies between public and private actors as well as articulating poverty reduction and sustainable and inclusive development.

The most concessional resources - those provided by donors to the International Development Association - focus on the most demanding challenges, where the situation is most difficult. I'm thinking especially of Fragile states: it is in these countries, which suffer from limited access to funding and have limited institutional capacity, that the role of the World Bank is the most valuable.

We must learn the lessons of the crises in Mali and in the Central African Republic. We must - this is an imperative duty - do everything in our power so that the likelihood of similar crises is minimized. There are three main priorities we must focus on for this purpose.

First, better coordinate our response to crises. The World Bank's leadership in crisis response is widely acknowledged - France had already welcomed the Bank's action in response to the financial crisis, the food crisis in the Horn of Africa and the crisis in Mali. However, the crises in Mali and Central African Republic have emphasized even more strongly the importance of dialogue and of quick and effective donor coordination: I particularly welcome the World Bank's involvement at the Donors' Conference "Together for a New Mali" held on May 15th 2013. We must strengthen this coordination and make it more systematic. This will be one of the main themes discussed at the roundtable on the Central African Republic that France and the World Bank organized on April 11, 2014.

Then, focus on prevention. The human and financial cost of these crises, of military intervention, of regional repercussions, and then of reconstruction is considerable - much higher than the cost of prevention. How many structuring infrastructure projects, how many World Bank-supported institutional reforms would it have taken to avoid these tragedies? I cannot say with certainty, but I know for sure that we can do more, and that these efforts will prove highly beneficial not only for the countries themselves, but also for the entire international community.

Finally, strengthen regional integration. In Mali as in the Central African Republic, the roots of the crisis as well as the solutions to it lie in a fundamentally regional context. The World Bank - with its financial strength and its experience in policy dialogue - is among the few actors that can impulse a virtuous circle where growth in each country strengthens growth and employment in the whole sub-region.

I am satisfied with the way these priorities were reflected in the decisions of the IDA's seventeenth replenishment: more resources to fragile states, and above all a strong determination to make 'Fragile states' one of the key priorities of intervention and to implement ambitious organizational innovations to intervene there more effectively.

The World Bank's non-concessional instruments should, for their part, seek maximum leverage. We can and must make better use of our resources.

I therefore welcome the **financial reform initiated by the Group**, which will increase lending volumes while preserving, through appropriate pricing, the financial sustainability of the institution. Now that the measures to strengthen its revenues and optimize its balance sheet have been adopted, the group now has to - and this is a key point - rationalize budgetary expenditures, and especially to develop and implement a more efficient budget process focused on operational strategic priorities.

Beyond the Group, I also want to stress the importance of designing collective solutions. Multilateral development banks are working on **risk exposure exchange and pooling**: France - which raised the issue at the last Annual Meetings - considers this a very promising avenue because it could allow International financial institutions to collectively strengthen their interventions, without endangering their balance sheets. The impact would be particularly critical in North Africa, enabling the Bank to scale up financing of infrastructure projects and thereby spur growth and employment.

Finally, we need to explore ways of more effectively mobilizing private investors' response to huge infrastructure needs. **I welcome in this respect IFC's mobilization results:** IFC has our full support to strengthen interventions in sub-Saharan Africa and in "Frontier states" - two priorities which are well

reflected in its action plan. The project to create the GIF could also help bring more projects to bankability.

More broadly, we need to rethink the dichotomy between concessional and non-concessional arms, between public and private sector support, between support of growth and environmental sustainability, between project financing and development policy financing - all these oppositions lose their relevance as developing countries follow differentiated growth patterns and as MDBs instruments diversify.

The ultimate goal of all these considerations must of course remain that of a more efficient and transformational fight against poverty, especially in the poorest countries. The objectives and the strategy adopted by the Group of the World Bank last year lead us in the right direction. We will have to move forward focusing on three priorities to achieve these goals.

The first priority is to strengthen the unity of the Group of the World Bank. The Strategy must permeate all activities of the Group and translate concretely into a common set of objectives and a complementarity of instruments between the different branches of the Group. I'm thinking for example to "pockets of poverty" in middle-income countries or to private sector development in Fragile states: the role of each branch of the Group should be thought of as a whole.

The second priority is to better coordinate the international architecture of development aid – which is a challenge that goes far beyond these Spring meetings. Situations of fragility and conflict require close cooperation with the United Nations; cooperation with Regional development banks should also be strengthened: this is true in sub-Saharan Africa, Asia or Latin America. The South and East of the Mediterranean basin, given the complexity of challenges and the multiplicity of actors, especially requires actual teamwork.

The third priority is finally to target a systemic impact for World Bank actions, beyond individual projects. This requires improving the cooperation framework with recipient countries and using each development project to spread best practice. In this respect, the reform of public procurement and of environmental and social safeguards plays an essential role: it should strengthen country ownership without affecting the quality of the projects.

These three priorities, which are crucial to fight poverty, are equally relevant and necessary to tackle the challenge of climate change. The milestone of the COP21, which we will host in Paris in 2015, is comparatively close to the work that remains to be done before we reach an agreement applicable to all, legally binding and ambitious enough to reach the 2°C goal. We will need an active implication of the World Bank, good coordination between all actors and a search for systemic impact.

Let us step up efforts on these three priorities and we will have strengthened the international aid architecture up to the new challenges facing it.

Statement by Ms. Marie-Gabrielle Ineichen-Fleisch, State Secretary for Economic Affairs, SECO, , Switzerland¹³

Growth in the Post Crisis Development Economy

The general outlook for the global economy is moderately optimistic. There is evidence that economic growth has resumed in virtually all regions around the world, albeit at a varying rate. This encouraging trend has yet to translate into inclusive and sustainable development for all. High levels of inequality and persistent unemployment, in particular among the youth, raise concern that the benefits of economic expansion are not being shared equitably within societies. High inequality can inhibit progress in health and education, cause political and economic instability, and thereby reduce the pace and sustainability of growth. At the same time, the promise of greener and sustainable economic development is becoming less achievable as the frequency and severity of climate change-related natural disasters increases. In view of this, growth will only contribute to sustainable social and economic development if sound, responsible and inclusive policies and investments are put in place. It is the mandate of the World Bank Group (WBG) to support its public and private partners in achieving these objectives. The WBG internal reforms and the expanded financial capacities should strengthen this mandate and be assessed based on whether they enable the WBG to achieve these goals.

We expect the WBG to contribute to the identification of the most important obstacles to inclusive growth and shared prosperity at the global, regional and national level. As a global knowledge institution the Bank should enable its partner countries to develop and implement context-specific, innovative and evidence-based policies that address these obstacles. Realistic design and implementation necessitates an adequate assessment of the specific political and economic factors affecting policy reform. Given the dependence of returns on appropriate government policies, the promotion of effective and efficient public spending must remain a key component of the Bank's mandate. As is the selection and implementation of key investments in infrastructure and within social sectors. Bearing in mind the overwhelming importance private innovation and resources play in the achievement of these objectives, we expect IFC and MIGA to join, support and promote the best-performing private partners in the production of economic and social goods, especially in frontier markets and in contexts characterized by high risks and opportunities.

We welcome the rapid support that the World Bank Group has lately offered – acting together with the IMF - to Ukraine to ensure its macroeconomic stability, stimulate a long process of structural reforms and significantly contribute to the sustainability of the Ukrainian economy.

World Bank Group Engagement in Client Countries

The engagement of the Bank Group in client countries must be selective and focused on identifying those key development issues that tailor client demand with the WBG's comparative advantage. Where appropriate, the Bank should embrace a holistic approach, taking into account the technical, social, economic and political dimensions of the challenge being addressed. Bank Group financing must combine a comprehensive bundle of transformational programs that promote the development of a country or a region. The Bank's global knowledge and expertise must be better integrated and readily available towards local delivery. In advanced countries, knowledge may be requested as a stand-alone service and is often sufficient to provide a meaningful contribution. A more specialized and selective WBG should foster collaboration with other development partners in a coordinated effort to support client governments.

¹³ On behalf of Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan.

When committing its resources, consideration of the living conditions and dignity of the poorest segments of the population will be paramount. Sharing the benefits of growth and prosperity will therefore be central to the design of any policy and intervention proposed by the Bank Group. Potential conflicts of objectives and trade-offs must be made explicit and collaboratively addressed. Public participation, expanded by the strategic use of social media, will aim to ensure that any action taken translates into tangible benefits for the population.

The WBG's Contribution to the Promotion of Shared Prosperity

The success of the WBG will be measured by the progress realized by its clients in a selected number of strategic areas that are critical to achieve the WBG's corporate goals of poverty reduction and shared prosperity, such as jobs, access to affordable and clean energy, climate smart infrastructure and disaster risk management.

Jobs

We encourage the WBG to enhance its focus on employment and the creation of decent jobs. Ninety percent of jobs in developing countries are provided by the private sector. Therefore, the WBG should strengthen the underlying success factors for employment and private sector development: Targeted and demand-oriented education systems, an enabling business environment, improved access to finance and – last but not least – modern, reliable infrastructure. In all these areas, efficient cooperation within the WBG, and between the private and public sector, is key.

Education and vocational training systems must be oriented towards the dynamic needs of labor markets. They must be targeted and accessible for specific groups such as youth, women, minorities, or handicapped people. We encourage the WBG to partner with interested institutions and remove the constraints to job creation.

We support the Bank's work on Doing Business. Investment climate reforms in relevant fields including simplification of business entry, competition policy, taxation, inspections and permits can improve the performance of SME. Global trade can be another powerful engine for growth and employment. IFC's trade finance, and the Bank's support of single trade windows, are examples contributing to the global trade facilitation agenda.

Strategic partnerships with financial intermediaries give access to finance to traditionally under-served groups, such as MSMEs, or women entrepreneurs.

As to infrastructure, private public partnerships can mobilize additional expertise and capital for transport and energy infrastructure which are essential for doing business and creating jobs.

Access to Affordable and Clean Energy

The WBG has a strong comparative advantage in the field of energy-related activities. It can lead the way in helping clients create an enabling environment that fosters public and private investments and contributes to a sustainable development of the energy sector. It can take an integrated, programmatic approach providing policy dialogue, technical assistance and the mobilization of public and private sector resources. The WBG's policy dialogue in the area of fossil fuel subsidy reform is particularly welcome, as it helps improve the financial performance of energy suppliers, strengthen governance, and to send the right price signals to consumers. We also see the benefits of the Group's objective to balance energy demand with its impact on climate change by helping client countries realize affordable alternatives to fossil fuels. Moreover in view of the considerable financial needs of developing and emerging economies, IFC's and MIGA's wide-ranging financial instruments are essential to mobilize and support private investment in the energy sector.

Climate Smart Infrastructure

The World Bank and IFC and MIGA will have to work hand in hand to support developing countries to build climate smart infrastructure. The demand for greener infrastructure in large cities is currently expanding due to health concerns and an increase in climate change-related costs. IBRD/IDA's support for integrated urban policies, including institutional development, policy dialogue and infrastructure financing in a number of related sectors as well as IFC's complementary support to specific private infrastructure projects can help reach this objective. But the financial needs for infrastructure in developing countries are such that currently public and private capital is not enough.

The WBG's efforts to explore options for developing a Global Infrastructure Facility (GIF) are welcome. The Bank can act as a keystone in linking the demand for long term financing with the supply of funds, while at the same time addressing any regulatory and/or governance risks. We encourage the WBG to work on the development of a market for infrastructure bonds to attract institutional investors so as to achieve significant development results in middle- and low-income countries.

Disaster Risk Management

Resilience to disaster and climate-related risks will be critical to reaching the WBG's ambitious goals and sustaining development achievements. The increasing frequency and severity of climate change-related disasters affects the poorest in society most, destroys hard-won development gains, and holds back development progress. The WBG must therefore continue to mainstream Disaster Risk Management (DRM) into its operations.

WBG leadership demonstrates a sustained high level of corporate commitment that, together with the priority IDA17 gives to climate change and DRM, provides a strong platform from which to face the challenges ahead. These will include aligning DRM and climate adaptation agendas, achieving the integration of DRM in the relevant post-2015 development goals and in increasing the convergence of donor efforts. We particularly welcome the WBG's intention to expand the use of market-based solutions. We therefore look forward to seeing IFC and MIGA increasingly involved in helping our clients to become more resilient against Climate and Disaster risks.

World Bank Group Internal Reforms

The ongoing reorganization must enable the WBG to deliver substantial results in these strategic areas for poverty reduction and shared prosperity. Its success will depend, in particular, on a few critical dimensions.

First and foremost, the Bank Group will have to operate as one, combining the public sector expertise of IBRD/IDA with the private sector knowledge and mobilization capacity of IFC and MIGA. The ability to engage in a complementary way both on public and private resources in addressing development challenges is an obvious comparative advantage of the WBG. Therefore, and in accordance with the needs of its public and private sector clients, the Bank should step up joint projects, strengthen the incentive for collaboration and move to harmonized WBG policies.

Second, The WBG must endeavor to ensure a systematic exchange of knowledge and information between its Global Practices, Regions, and country units. A system of recognition and appropriate incentives must further ensure that the most suitable expertise is applied where required. The main challenge will possibly be, however, to combine the deep understanding of the context gathered by country teams with the technical expertise provided by specialists. To address this challenge, the Global Practices will need to collaborate substantively across sectors and create a strong partnership with Regions and country units. The occurrence of new "silos" must be avoided at all costs and an array of tools and incentives will have to enhance inter-practice performance.

Third, the administrative budget, expanded by the Bank and IFC executed trust funds, must be aligned with the WBG's strategy and provide the institutional incentives that foster the corporate priorities and the delivery of practical and successful solutions to clients. Incentives for budget decisions must shape the country work programs towards an optimum of client orientation and WBG knowledge delivery.

Fourth, the new scorecard and a well-developed monitoring system will have to provide management and the board with the information needed to assess the impact of reform in real time and implement swift corrections as required.

The swift implementation and progressive adjustment of these processes should enable the Bank to rapidly deliver on its mission to eliminate poverty and promote shared prosperity.

Statement by Mr. Anton Siluanov, Minister of Finance, Russian Federation

Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries

We concur with the choice of the topic for our discussion today. In our view, the World Bank's assessments and forecasts of global economic growth are quite balanced and adequate. We witness steady recovery of global economy from the extremely severe financial crisis, and the data indicate that the post-crisis tendencies are not fully over yet. We are particularly concerned about uncertainties on budgetary, banking, and financial fronts which hinder investment and consumption growth. The mere expectations of tightening up of fiscal and monetary stimuli by industrial countries had adversely affected global financial markets and real sector alike. These effects are particularly felt by the emerging market economies which have to adjust to developments in advanced industrial countries. This leads to increased exchange rates volatility, rapid capital flows, rising inflation, and overall risks to their medium- and long-term fiscal stability.

Under these circumstances it is particularly important to improve quality and efficiency of economic policies in the developing countries, and build solid foundation for renewed long-term growth. In our view, episodes of capital outflows and general contraction of external financing call for increased efforts to improve business climate and regulatory framework.

Other measures include structural reforms aimed at volume and quality of investment, including infrastructure and human capital investment, as well as policies aimed at reduction of inequality, creation of more efficient social safety net mechanisms, and strengthening of education and healthcare systems.

In the context to structural reforms we feel it particularly important to continue our close cooperation with the Bank in the area of vocational training, including better focus on quality and results, and developing partnership with the private sector in designing and financing appropriate modalities of vocational training. In our view, this approach will be instrumental in filling the skills gap, generating employment, and giving boost to priority sectors of the economy.

In this regard, we welcome the fact that the World Bank stands ready to offer significant anticrisis support to its members in the form of policy lending. We also agree with the intention to make preparation and implementation of large transformational investment projects, particularly in infrastructure, one of the Bank's priorities. In our view, particular attention should be given to the institutional capacity of the developing countries, in order to improve the quality of feasibility studies, and generally to make more projects bankable.

The IFC should also increase its role in mobilizing additional investment resources. We are particularly encouraged by the launch of a new MCCP platform which is expected to attract not only the banking sector but also some other investors, including largest institutional investors with their enormous

resources (estimated to be about \$ 90 trillion.) We see this instrument to be very promising, and are looking forward to seeing other innovative solutions along this line.

As far as the internal reform of the World Bank is concerned, we expect it to enhance the delivery of services to clients. Most importantly, we hope that the new country engagement model, including the country diagnostic instrument, will support selectivity and efficiency of cooperation with the country. At the same time, it is imperative that new country partnership frameworks fully take into account countries' priorities and strategies, and the clients' satisfaction should be a key parameter of the Bank's result matrix.

In the context of far-reaching reform of the World Bank it is important to intensify the program of revision and simplification of Bank's rules, safeguards, and policies. However reasonable and well-justified the existing ones are, they often imply additional cost of doing business which is ultimately borne by the borrowing client. It should be recalled that the simplification agenda was endorsed by the Governors in April 2010, and it would be helpful if the Bank reported to this Committee on its implementation.

Finally, let me say a few words on the budgetary aspect of the World Bank's reforms. Some budgetary adjustment is clearly inevitable in the view of dramatic organizational changes the Bank is undergoing now. However, we need to do our best to avoid negative implications such as, firstly, an excessive reduction of the administrative budget which may negatively affect the Bank's ability to prepare and implement complex projects, at least in some regions; and secondly, the overall loss of pricing competitiveness by the Bank. From this angle, we believe it is necessary to revisit possible outcomes of the reform of the Bank finances that may, on the one hand, help us to expand our portfolio, but on the other hand, reduce its quality and growth potential.

Statement by Mr. Gunnar Sveinsson, Minister for Foreign Affairs, Iceland¹⁴

- **The Nordic Baltic constituency remains supportive of President Jim Kim** and his efforts to firmly commit the World Bank Group to the goals of sustained poverty reduction and shared prosperity, as well as fostering an organization that better exploits synergies across the WBG.
- **For sustainable poverty reduction, a focus should be placed on fostering inclusive growth**, driven by private investment, trade and job creation, ensuring that all people in developing countries have equal opportunities to benefit from economic growth. We therefore urge the Bank to employ strategies and prioritize projects that are effective in promoting social inclusion. The aim should be to create virtuous cycles in which growth and social inclusion go hand in hand.
- **Empowering women and girls is vital in order to achieve our twin goals. We have high expectations for the new cross-cutting solution area on gender** and look forward to working together with the Bank on developing an ambitious group-wide gender strategy in the coming months.
- Sustainable use of natural resources is a prerequisite to reaching long-term sustainable economic growth. **We urge the World Bank Group to promote green growth and facilitate improvements in efficiency of natural resources utilization and investments in green**

¹⁴ On behalf of the Nordic and Baltic Countries.

technologies. The Bank possesses unique tools to help tackle climate change – including by helping to link the global agenda to the national priorities of our client countries.

- **We encourage the consideration and incorporation of human rights as a core component of the development process.** Human rights have the potential to play a key role in development with the aim to achieve better results and meeting the twin goals.

A changed World Bank Group

The Nordic and Baltic countries welcome the progress made in the change process and appreciate the good work of the World Bank Group staff and management in this regard. We strongly support the effort to build a more effective and efficient World Bank Group as we encourage President Jim Kim in his work to bring the change process forward in an open and transparent manner.

As the implementation framework for the change process takes shape, it is important to ensure the WBG's ability to advance the twin goals of sustainably eradicating extreme poverty and promoting shared prosperity. The successful IDA17 replenishment– both in terms of financing and the strong policy package – plays a significant role in this endeavor. The challenge ahead lays in delivery and implementation of the policy commitments. The Nordic-Baltic constituency stands ready to support you in the efforts ahead.

The transition of the global economy to a post-crisis phase poses substantial risks to developing country growth. It is thus important that the WBG is prepared to assist the developing countries to manage macro-economic risks and ensure continued advancement of the twin goals, for which **strong, inclusive and sustainable growth is fundamental.**

Social inclusion and human rights, a foundation for shared prosperity

Although poverty rates have declined globally during the past decades, inequality has risen considerably in many parts of the developing world. In fact, certain groups remain excluded from reaping development benefits. For sustainable poverty reduction, a **focus should be placed on fostering inclusive growth,** ensuring that all people, men and women, young and old, in developing countries have equal opportunities to benefit from economic growth.

Social inclusion is indeed central to ending extreme poverty and fostering shared prosperity. We therefore call for empowerment of the poor and marginalized to participate in growth and to take advantage of opportunities on an equal basis. We need to ensure that people have a voice in decisions that affect their lives and that they enjoy equal access to markets, services as well as political, social and physical spaces – regardless of race, ethnicity, gender, age, disability or sexual orientation. We need to level the playing field.

Social inclusion is also imperative if we are to address central drivers of conflict such as marginalization and inequality. We welcome the increased focus on fragile and conflict-affected states in the World Bank Group Strategy and in IDA-17 - and note that concrete actions need to be taken at the country level to meet the diverse challenges of these countries.

Of particular concern is the current situation in Ukraine. We commend the Bank and the Fund on their stepped-up engagement in the country and encourage moving forward with further support without delay. In this work we stress the importance of close coordination with the IMF, the EC and other donors.

Promoting social inclusion, ensuring non-discrimination and equal treatment for all is vital to underpin long term economic growth, sustainable poverty reduction and peace, as well as boosting shared prosperity for the bottom 40%. **We urge the Bank to employ strategies and prioritize projects that are**

effective in promoting social inclusion. The aim should be to create virtuous cycles in which growth and social inclusion go hand in hand – continuously reinforcing each other.

As rightly mentioned by a recent publication of the World Bank, “Inclusion Matters”, an inclusive society must have institutions, structures, and processes that empower local communities, so they can hold their governments accountable. In our view, it also requires a well-functioning domestic financial system that promotes financial transparency. Sound and transparent institutions, as well as **predictable and non-distortive tax systems** are needed to increase the general trust and willingness to pay taxes, and efficiently collect and allocate public resources. Mobilization of domestic resources through tax collection capacity and widening the tax base as well as enhancing greater transparency is critical to development and in creating equal opportunities for all. Furthermore, curbing illicit financial flows is a part of mobilizing increased financing for development.

Closely related to the social inclusion agenda, we **encourage the consideration and incorporation of human rights as a core component of the development process.** Human rights have the potential to play a key role in development with the aim to achieve better results and meeting the twin goals. The explicit reference to the protection of human rights in the WBG strategy is a good starting point, underlining the importance of this issue. We also look forward to integrating human rights in the framework on environmental and social safeguards currently being revised.

Gender equality is both a right in itself and smart economics

In this context we especially want to underline the importance of gender equality.

Gender equality and the empowerment of women are key elements in responding to the challenges ahead. Investing in women has a multiplier effect on productivity, efficiency and sustained economic growth. Therefore, focus should be placed on increasing women’s access to economic opportunities and resources, including jobs, financial services, property and other productive assets, as well as market information. In addition, reinforcing incentives and abilities of women to pursue these opportunities through training and skills development as well as strengthening their voice, agency and participation in households, the economy and the broader society is essential. At the same time, we must recognize that gender equality is not only means of achieving economic growth and social inclusion, but also a fundamental right in itself. Ensuring equal access to resources and opportunities is an important part of women’s empowerment.

We appreciate the important steps taken by the World Bank to develop targeted gender interventions and deepen gender integration in its work. However, while gender efforts have been strengthened, gaps persist and it is clear that the road ahead remains long. Continued vigilance is needed.

Gender equality should be systematically integrated into all activities of the Bank, in all sectors – not least the core economic ones. Words are important, but action must follow. We therefore need to ensure that gender equality is not only adequately addressed in the policy and design phases, but also in the implementation and results reporting phases of our work. The IDA17 gender commitments represent an important step in this direction. We particularly appreciate the intensification of the efforts in collecting and disseminating gender-disaggregated and gender-relevant data.

In order to generate tangible results, promising policies and research must be translated into evidence-based practices to close the gaps. Developing sufficient capacity calls for sufficient “on-budget” resources to support gender equality, incentives to encourage staff to consider gender dimensions throughout the project cycle, and dedicated gender expertise at country level. In this light, we urge the Bank to deepen gender integration, way beyond efforts funded through Trust Funds, to reach the desired outcomes.

We have high expectations for the new cross-cutting solution area on gender and look forward to working together with the Bank on developing an ambitious group-wide gender strategy in the coming months. Only a rigorous identification and analysis of the existing gaps, challenges, and priorities in integrating gender in WBG work can provide a solid basis for a sound gender strategy going forward.

Environmental sustainability and natural resources

Growth should not be achieved at the expense of the environment - it has to be compatible with the limits imposed by the resources of our planet. Focusing only on economic growth without taking ecological and climate related constraints into consideration may yield short-term gains, but will deplete the natural resource base and thus undermine opportunities for future development. Environmental sustainability has therefore to be fully integrated in all work of the World Bank Group.

Sustainable use of natural resources is a prerequisite to reaching long-term sustainable economic growth. We urge the World Bank Group to strongly promote green growth and facilitate improvements in efficiency of natural resources utilization and investments in green technologies. Responding to the enormous needs for access to energy, in a sustainable manner, is one of the pressing development challenges of our times. In our view, and in line with the Sustainable Energy for All initiative, the Bank is well placed to help meet these challenges effectively by promoting renewable and clean energy in developing countries. Viable solutions should include increased usage of geothermal energy, which is an underutilized energy source in many developing countries.

Moreover, sustainable use of natural resources will contribute to a more peaceful world. Extractive industries have fueled conflict and violence in numerous places and we encourage the World Bank to continue its important work with improving natural resource management and enhance its efforts to **break the links between natural resources, armed conflicts and human rights abuses.** We hence welcome the WBG's support of the Extractive Industries Transparency Initiative (EITI), aimed at ensuring transparent and sustainable natural wealth.

Finally, climate change is speeding up environmental degradation. The world's poorest countries are the most vulnerable to the effects of climate change. Natural disasters, the impact of man and corresponding climate change effects pose a threat to the global goal of eradicating extreme poverty by 2030. These are certainly risks that cannot be overlooked on the pathway toward reaching the twin-goals.

Urgent action on climate change is thus essential to address the threat it poses to poverty reduction and sustainable economic growth. The Bank possesses unique tools to help tackle climate change – helping to link the global agenda to the national priorities of client countries, as well as assisting in mobilizing substantial funds for climate interventions, including through collaboration with the private sector. We welcome recent progress made in this direction with the establishment of the Vice-Presidency to address climate change, and the renewed identification of climate change as a special theme in IDA-17. We welcome the Bank's prudent approach to working with the Green Climate Fund, and continue to urge the Bank to actively contribute to the work on the Sustainable Development Goals and to frame its new strategy with flexibility in the context of the formulation of the post-2015 agenda.

The last twenty years have seen a reduction in poverty which presents an opportunity to visualize the end of extreme poverty. However, many challenges remain for developing countries in the post-crisis global economy, not least in fragile and conflict-affected countries that are on the dual quest of peace and development.

If we are to bend the arc of history, **a shift to a greener and more socially inclusive pathway towards growth and development is necessary.** For lasting progress in our fight against poverty, we maintain high hopes for a more agile, action-oriented and results-minded World Bank Group urgently and effectively responding to the multiple economic, social and environmental challenges of our times.

Statement by Mr. Luis Videgaray, Secretary of Finance and Public Credit, Mexico¹⁵

In 2013, global growth was modest and lower than originally anticipated. Prospects in 2014 and the medium term are for a steady--albeit fragile--recovery. The economic activity in the United States has gradually improved and the Federal Reserve has initiated the normalization process of its monetary policy, by slowing down its rate of asset purchases. Indeed, the fact that the tapering itself is taking place is good news--as it reflects the fact that one of the largest economies in the world is recovering. Most--if not all--countries in our constituency will experience direct positive spillovers from such growth. With this said, we must be wary of a premature acceleration of the tapering process. If such acceleration were to take place without a clear improvement in economic activity, this could generate greater financial market volatility and a higher level of risk for the global economy.

However, key uncertainties remain; these may contribute to weaker-than-expected global activity and greater volatility in international financial markets, impinging adversely on Emerging and Developing Economies (EMDEs). Under the current global conditions, EMDEs have suffered a deceleration in economic activity, both due to the weaker external demand and the presence of domestic macroeconomic vulnerabilities in some countries, often related to the lack of structural reforms. As a result of the aforementioned normalization of monetary policy in the US, EMDEs have also been exposed in some cases to capital outflows--particularly in economies where macroeconomic imbalances are relatively larger. In general, these capital outflows have increased interest rates, fostering rising costs of credit, triggering currency depreciations, reserves shortages and a rise in inflation rates. Nonetheless, the adverse impact of these events has been significantly reduced in those EMDEs that are perceived as having strong macroeconomic frameworks and well-defined paths for structural reforms.

Against this backdrop, EMDEs must work promptly to rebuild their resilience--strengthening their macroeconomic fundamentals, as well as their external and fiscal buffers against adverse shocks. In parallel, it is also crucial for EMDEs to implement ambitious structural reform agendas, designed to encourage investment, increase production capacity and educational levels--thus raising productivity and boosting growth. Such reform agendas would help improve investors' confidence, resulting in higher investment and global growth in the medium term.

Several developing countries in our constituency are already implementing structural reforms that are critical for job creation, increased productivity and long-term sustained growth. As an example, Mexico has been successful in maintaining a stable macroeconomic environment and has implemented a comprehensive reform agenda seeking to enhance competition and strengthen and modernize its labor market, and financial and energy sectors, among other key sectors of the economy. The reform agenda will relocate resources from low- to high-productivity jobs and firms, increase efficiency across industries, promote greater formality in the labor markets, and foster competition-friendly domestic business environments alongside macroeconomic stability.

¹⁵ On behalf of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Kingdom of Spain, and República Bolivariana de Venezuela.

The World Bank Group, as the leading multilateral development agency, should engage directly to help its member countries address the challenges posed by growth in this post-crisis economy, in coordination with other multilateral agencies such as the International Monetary Fund, the United Nations Development Program, and regional key-players such as the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. The aim should be to support EMDEs as they define the main tasks at hand to foster economic growth, increase productivity and eliminate extreme poverty by 2030.

The World Bank Group should strengthen its strategy focused on EMDEs, with the objective to help member countries identify and tackle the challenges that the current economic environment presents by analyzing which structural reforms are needed most. Support should also be provided as EMDEs implement measures geared towards raising productivity and investment--in physical and human capital--to foster environmentally affordable prosperity and to improve the institutional frameworks of EMDEs.

In this context, the adoption of a new World Bank Group strategy anchored by its twin objectives of eradicating extreme poverty by 2030 and fostering shared prosperity amongst the poorest 40% of its citizens and within the context of a sustainable development will prove vital in reigniting economic growth. The 17th replenishment of the International Development Association (IDA) will be the main instrument for pursuing the World Bank Group goals in the world's poorest countries – home to roughly one billion people living on less than US\$1.25 per day (about 80 percent of the world's poor). Deliberate action will be required to sustain economic growth and make it more inclusive across and within IDA-countries, as well as to address an evolving range of development challenges, including fragility, gender equality, climate change and disaster risks.

In the face of complex challenges and constrained aid budgets, these ambitious goals also demand making the best use of scarce resources and enhancing collaboration with development partners, including the IFC in close partnership with the private sector. Furthermore, the World Bank Group should also strengthen its interaction with middle-income countries in the pursuit of the twin goals.

The effectiveness of the new strategy will rest in the capacity of the World Bank Group to deliver best practices across all regions of the world, including by promoting cross-cutting solutions, as opposed to the individual project approach used in the past. The prioritization of the Bank's interventions in transformational projects that will bring benefits to a larger universe of stakeholders--including through regional operations--will also be important. The emphasis of the new strategy in promoting knowledge sharing and joint strategies among IBRD, IFC and MIGA will be instrumental in turning the Bank group into a results oriented institution.

The Senior Management of the Bank must make sure that the strategy agreed in last year's annual meetings is embraced by the institution and new instruments such as the Systematic Country Diagnostics and the Country Partnership Frameworks are promptly implemented and form the basis on which the World Bank Group will direct its dialogue and interaction with its member clients.

Finally, we would like to stress that multilateral coordination is our best asset to face global economic difficulties and to achieve our goals of fostering shared and sustainable prosperity, in order to eliminate extreme poverty by the year 2030. We have no time to waste. The moment to implement the necessary policies--strengthening macroeconomic frameworks and engaging into ambitious structural reforms--to reignite global economic growth is now.

Progress Report on Mainstreaming Disaster Risk Management in World Bank Group operations

We are pleased to see that the *2012 Sendai Report* has set the stage for increased awareness of the need to integrate disaster and climate risk management into development priorities. In this regard, we

congratulate the World Bank Group for accepting the challenge and becoming the leader in the promotion of awareness and the provision of technical and financial support to developing countries.

The increased demand for disaster risk management related activities and the funding by the World Bank Group during the period FY2010-FY2012, from US\$2 billion to US\$3.8 billion, is impressive. Moreover, the fact that in the last two years, the proportion of operations supporting ex-ante disaster risk management activities has significantly increased, in relation relative to post-disaster reconstruction, is evidence that developing countries have understood and assimilated the tremendous benefits of investing in prevention, even though the results of these actions may not be immediately evident.

Our Constituency strongly supports and endorses the proposed way forward for the World Bank Group to continue consolidating its position as the partner in disaster risk management. In particular, we look forward to the creation in 2015 of the new climate change agreement, an area in which countries of our constituency have been leaders among developing countries and are willing to lend their support to the successful development and implementation of this agreement. We also support the post-2015 Framework for Disaster Risk Reduction that will bring disaster and climate resilience to the forefront of the development agenda and the new Country Partnership Frameworks, IDA-17, and the robust demand from client countries that will provide opportunities to further integrate disaster and climate risk management into World Bank Group operations.

Statement by Mr. Ignazio Visco, Governor, Bank of Italy¹⁶

Introduction

Addressing the challenges to growth in developing countries as a central theme of these Spring Meetings is timely and relevant to the wider discussion taking place in other fora, like the G20. The analysis presented by the World Bank is accurate and the policy recommendations go in the right direction.

In the relative short-term, countries need to be prepared to manage the major risks associated with the gradual return to normal of monetary policy in highly advanced economies; in the longer-term, they will have to adopt appropriate policies to tackle the drastic reduction in productivity growth that, as shown in the *Global Economic Prospects*, is at the root of the slow post-crisis recovery.

A sound combination of fiscal and monetary policies to address short-term challenges, together with growth enhancing structural reforms is the appropriate way forward.

The Role of the Bank

The ingredients of the policy recipe are well known. Reducing the external deficits and rebuilding fiscal buffers are key to increasing the resilience to shocks. Reforming the business environment, improving access to finance, investing in human capital and in infrastructures will boost growth potential and people's well-being in the long run when blended with policies designed to protect the environment and to foster a fair income distribution.

The challenge comes in tailoring the appropriate policy mix to the specificities and the needs of each country. This is where the Bank can add value and its new organization will hopefully make it more relevant in helping countries to remove impediments to growth.

¹⁶ On behalf of Albania, Greece, Italy, Malta, Portugal, San Marino and Timor Leste.

The key to success in this endeavor is the Bank's new strategy and, in particular, its new model for policy dialogue with countries: the Country Partnership Framework, which is based on the two pillars of an enhanced diagnostic of each country's development challenges and an improved identification and delivery of possible solutions.

The challenges ahead

Since last October, when the Bank's new strategy was endorsed, significant progress has been made toward its full implementation.

Visible changes have been approved in order to steer the institution on a more solid financial path. An agreement has been reached on increasing the price and offering more choices on duration of the Bank's financial products; shareholders have agreed to allow management to leverage more and manage Bank's equity with more flexibility. An expenditures review process is ongoing to improve efficiency and free up resources. A new budget process has been designed to allow the Bank to allocate human and financial resources more strategically.

The new organizational model moved forward. The Global Practices and the Cross Cutting Solution Areas have been staffed through personnel reorganization; their senior directors have been appointed.

However, more needs to be done before the Bank's new strategy can bring in the desired results. In the spirit of full cooperation this Chair recommends that the following three issues be further considered.

Global Practices

The new Global Practices are expected to improve knowledge sharing. However, as we pointed out last October, there are good reasons to fear that the fourteen new Global Practices may turn into fourteen new silos unless a strong institutional coordination mechanism is devised and a proper system of incentives to cooperate is put in place. The accountability line between Regional Units and Global Practices should be fully clarified.

Counter-cyclical role

Many shareholders are requesting that the Bank, as a global financial institution, preserves its counter-cyclical capacity, complementing what other institutions are doing. The overall economic prospects for emerging markets and the background papers for these meetings illustrated the importance of this role. Helping countries to be resilient to short-term fluctuations improves their long-run growth prospects. In this respect, the increase in lending capacity of the Bank is welcome. In addition, more efficient use of the existing capital of the four institutions and the introduction of a new lending instrument tailored to support countries' short-term needs could provide additional buffer.

Data Gap

The Bank needs to step up its investment in the Data Agenda, especially in the Surveys on Household Consumption and Income, which are crucial to its core business. The evidence-based analysis of countries' development challenges, which the Bank is putting at the center of its new approach to country engagement, requires that the Bank increases its potential in data collection, dissemination, standard setting, and capacity building. Moreover, the Bank needs to stay relevant in the ongoing discussion with the UN regarding the post-2015 development agenda by providing a platform for tracking progress, especially on the goals closer to its mandate.

Tracking progress

The momentum of the change process needs to be maintained to ensure that the World Bank Group (WBG) delivers the results we are all waiting for, while preserving financial sustainability. Support can be sustained and strengthened by all parties (shareholders, stakeholders and staff) if progress can be

tracked. To this end the design of the WBG's new Corporate Scorecard is welcome and its full implementation is expected by the upcoming Annual Meetings. In this vein, other measurable benchmarks and criteria would be most welcome. One noteworthy example in this direction is the new financial anchor proposed in the last Medium Term Business and Financial Plan (whereby overall costs would be covered by business revenues) which this chair regards as an important step toward a simple and efficient accountability device.

Prepared Statements Submitted by Observers

Statement by Mr. Takehiko Nakao, President, Asian Development Bank

On behalf of the Asian Development Bank (ADB), I would like to thank the Development Committee for the invitation to attend its 89th meeting as an observer. Today I will discuss some of the key development challenges in the Asia and Pacific region. I will then outline ADB's proposed strategic directions to help this dynamic region in meeting its changing needs.

PROGRESS AND CHALLENGES IN ASIA AND THE PACIFIC

The Asia and Pacific region continues to advance and take on an increasingly prominent role in the global economy. Rapid growth has lifted hundreds of millions out of extreme poverty. In 1999, almost 1.3 billion people in the region lived on less than \$1.25 a day. By 2010, that number had dropped by nearly half, to about 733 million.¹ Most countries in the region have transitioned into middle-income status, and hundreds of millions of people now enjoy better quality of life.

But this success is only half the story. Many challenges remain; I will briefly mention four of these.

First, despite impressive progress, the region remains home to 60% of the world's extreme poor and two-thirds of the world's hungry.² In addition, a large number of people just live above the poverty threshold and are just one job loss, illness, crop failure, or natural calamity away from falling into poverty. Further, vulnerability to external shocks in a global world has emerged as a major development issue.

Regarding the Millennium Development Goals (MDGs), progress has been uneven. Collectively, the region has achieved the goal of reducing, by half, the proportion of people living in extreme poverty. But the achievement of several MDGs is far too slow. The MDGs for reducing the number of underweight children and those related to child health and maternal mortality will not be reached by 2015. The region is also off track on the environmental MDG related to access to basic sanitation, which is associated with health outcomes.

At the same time, people's aspirations in the Asia-Pacific region are higher today than 20 years ago when the MDGs were developed. While the urgency of meeting the current MDGs remains, the evolving post-2015 agenda should take into account these rising aspirations for more ambitious levels of human development.

In this regard, we believe that the current poverty threshold of \$1.25 a day is no longer sufficient to provide for basic needs in the region. In fact, in most developing countries in Asia and Pacific, the national poverty line is set at higher levels.

A second emerging challenge is the increase in inequalities within and across countries. The Gini coefficient for the region increased from 39% in the mid-1990s to 46% in the late-2000s. Development experience has shown that rising inequalities threaten social cohesion and stability, and ultimately economic growth itself. The challenge for the region, therefore, is not only to sustain growth, but also to reverse the trend of increasing inequality and make growth more inclusive.

¹ World Bank. 2013. Povcalnet online database.

² Food and Agriculture Organization of the United Nations. 2012. *The State of Food Insecurity in the World 2012*. Rome.

Third is the environment. The region's rapid growth has led to various environmental stresses, including challenges arising from climate change. The frequency and severity of catastrophic events are increasing, and hit the poor the hardest. The region cannot ignore the warning signs of recent deadly floods in Thailand, the People's Republic of China and the Philippines. Demographic changes and rapid urbanization will also have profound effects on the region's development.

The fourth challenge I will touch on is regional cooperation and integration. Regional cooperation and integration offers vast potential for accelerating growth and reducing poverty, but the region has yet to fully realize this potential. While considerable progress has been made in economic and financial cooperation, the recent global crisis has added a sense of urgency for cooperative actions going forward. More needs to be done to promote intraregional trade, which can complement domestic demand to help drive growth and dynamism in the post-crisis world. This will require large investments in regional infrastructure to improve regional connectivity and measures to strengthen trade and finance links.

MEETING THE CHALLENGES OF A TRANSFORMING REGION

Let me turn now to ADB's strategic directions. In 2008, ADB approved its long-term strategic framework, *Strategy 2020*, which focuses on three development agendas—inclusive economic growth, environmentally sustainable growth, and regional integration.³ We are now finalizing a midterm review of this strategy to prepare ADB to meet the challenges of a transforming Asia and Pacific region. At the heart of the review is a focus on how ADB can improve its operations on the ground and provide better service to its member countries.

THE MIDTERM REVIEW WILL BE DISCUSSED BY ADB'S BOARD OF DIRECTORS IN THE THIRD WEEK OF APRIL 2014, AND PRESENTED DURING ADB'S ANNUAL GENERAL MEETING IN ASTANA IN MAY 2014.⁴ I WILL PROVIDE A BRIEF OVERVIEW OF THE EVOLVING STRATEGIC DIRECTIONS.

The review found that *Strategy 2020*'s broad strategic directions remain valid and relevant in today's development context. However, it also indicated the need to sharpen and rebalance ADB's operational focus to respond better to the region's evolving needs.

ADB needs to sustain its efforts to eradicate extreme poverty and strengthen inclusiveness of its operations to reduce inequalities. We also need to build up the resilience of vulnerable populations to economic downturns and environmental dangers. Regarding climate change, we need to support climate change adaptation in addition to mitigation efforts in our developing member countries. And we need to deepen our support for regional cooperation and integration. Infrastructure investment will remain ADB's major focus in pursuing these agendas. However, we will improve our infrastructure operations through greater attention to achieving results, sustainability, and leveraging of resources.

As I noted, most developing Asian economies have achieved middle-income status. We will therefore strengthen our engagement with middle-income countries on their broader development challenges. This will include strengthening our private sector development work, and becoming more actively involved in providing knowledge solutions. In addition to project financing, ADB will seek to become a more active

³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

⁴ The full report of the *Strategy 2020* Midterm Review can be accessed at <http://www.adb.org/documents/midterm-review-strategy-2020-meeting-challenges-transforming-asia-and-pacific-r-paper>.

project developer and a resource mobilizer in order to raise financing from other development partners, including the private sector.

To do all these and more, we need to strengthen ADB's capacity and effectiveness. This requires that we recalibrate our business model and institutional setting, improve project implementation, mobilize greater resources, strengthen our knowledge work, and promote innovation to improve delivery of services. ADB's resources, while important, will remain only a small part of development financing in the region. We will need to use these resources creatively while exploring innovative ways to expand ADB's capital base. We will also need to invest in a diverse and inclusive workforce, and ensure value for money and cost-effectiveness of ADB's administration and operations.

CONCLUDING REMARKS

Ladies and gentlemen, the midterm review provides ADB with the opportunity to innovate and adapt to meet the challenges of a transforming Asia and the Pacific region. This will help ADB in becoming an even more relevant, responsive, and effective regional partner.

Once again, thank you for this opportunity. We at ADB look forward to our continued partnership with you for development in Asia and the Pacific.

Statement by Mr. Kanayo Nwanze, President, International Fund for Agricultural Development

The protracted crisis that has dominated national and global economies alike for so many years is finally showing signs of abating. The sense of relief is almost palpable. We know that the rebuilding process may take time and that growth may be slower than in the pre-crisis years, but it appears that, for many of the nations that have undergone economic contraction, the worst may now be over.

In recent years, the best rates of economic growth have been in developing countries. Africa has been a particularly bright spot, with six of the ten fastest growing economies in the world. The continent also has the world's fastest growing population and the highest growth rate of urbanization, along with a rapidly expanding middle class. These signs of global recovery are welcome, but for many developing countries, the situation remains precarious. Export markets that had helped many developing countries post solid growth in recent years may prove less robust in years ahead. Internal structural problems may prove a further impediment to future growth.

While international attention is currently focused on the status of the global recovery, the improving economic outlook means little to the poorest sectors of society – women, children and men who live on US\$1.25 or even US\$2 a-day. For them, the threat of crisis is a daily and recurrent problem, with little connection to the global economic scene. For a poor farmer, the danger comes not from international markets but from more age-old sources such as the weather -- especially prolonged high temperatures or floods – pest infestations, such as locusts, the death of a goat, or the illness of a spouse or child. Any one of these events is sufficient to test the limits of their ability to cope. For the world's poorest and hungriest people, the threat of crisis will remain until they are on a sounder productive and financial footing with reliable access to critical resources and nutritious food.

The growing inequality among and within countries points to the increasingly urgent need to address not only the rate but also the quality of economic growth. Growth, whether economic or related to higher food production, does not automatically translate into better livelihoods or food security. India for

example, is home to about one-third of the world's poorest people, despite being an economic powerhouse in recent years. In sub-Saharan Africa, the number of extremely poor people has actually risen from 290 million in 1990 to 408 million in 2010, while the proportion of people living in absolute poverty has declined only slightly, from 56.5 per cent to 48.5 per cent in the same period, despite the improvements in many national economies.

Tackling this inequality – both within developing countries and between developing and advanced economies – must now be a priority for everyone working to reduce global poverty and hunger.

Earlier this year the World Economic Forum identified inequality as the risk most likely to cause damage globally in the coming decade. Separately, a recent report by economists at the International Monetary Fund found that income inequality is not only “ethically undesirable”, but “the resulting growth may be low and unsustainable”.

Inclusive agriculture as a part of growth

Redressing income inequality requires addressing the imbalance between the urban and rural areas of developing countries. Agricultural development has always been one of the key vehicles for poor rural people to escape poverty because most of these women and men depend on small farms for their livelihoods. Investing in smallholder agriculture is an efficient way of tackling poverty. Numerous studies have shown that GDP growth generated by agriculture is at least three times as effective in reducing poverty as GDP growth generated by other sectors; and for sub-Saharan Africa, it is estimated to be as much as 11 times higher than investment in other sectors. Developing the agriculture and food sector – the largest employment sector in the world – holds out the greatest potential for reducing inequality through broad-based, job-rich growth.

In this area, IFAD speaks from experience. Our core business has always been to enable poor rural people to overcome poverty and hunger. To do this we invest in smallholder farmers – who themselves are the largest on-farm investors in developing countries. Our efforts create the conditions for them to grow their businesses. They represent the biggest share of the small private sector in developing country agriculture. We also support other small and medium-sized rural businesses that can be powerful engines of growth and job creation.

Developing business opportunities in poor rural communities often demands creativity. For example, in Madagascar, smallholder family farms needed a better way to distribute the little water available. Drip irrigation is an effective way to do this. However, there was no reliable source of inexpensive irrigation parts. Experience with other micro-irrigation projects had shown that after the aid agencies had left. An IFAD-supported micro-irrigation project conceived the idea of recycling old rubber sandals as a source material for the plastic fittings of treadle pumps. Small businesses were developed to import the relevant spare parts and to make the plastic fittings. The local economy benefited from the jobs that were created, including for street workers who collected the old sandals. About 10,000 vulnerable farmer households were able to grow crops for two more months annually, with a better yield because they could get the irrigation equipment they needed at prices they could afford, and the local residents benefitted from a more reliable source of food.

To eliminate income inequality, we must also build capacity at the local level for smallholders to manage a wide range of growing and often climate-related risks. For example, weather index-based insurance – linking pay-outs to measurable indicators, such as rainfall or temperature – is one way to give smallholder farmers in developing countries insurance coverage when traditional agricultural insurance is not available.

Timor-Leste is one of the poorest countries in the world. Two-thirds of the population is considered food insecure. Poor farmers there say that Timor-Leste has three seasons: wet, dry and hungry. There are, in fact, two hungry seasons, which together add up to 7 months of the year. During these months, households go without staple foods such as rice or maize. More than 60 per cent of the children in our target area are chronically undernourished. Low crop productivity has long been a problem in Timor-Leste, but when farmers were first offered higher yield maize seeds, they hesitated. The farmers were losing 30 per cent or more of their stored maize every year to rodent and weevil damage. They were unable to secure what they were already producing. So IFAD joined forces with the Timor-Leste Ministry of Agriculture and Fisheries and the Australian Government to provide better storage as well as better seeds. The partnership brings together an existing IFAD project providing storage technology with an existing Australian project for seed production and research.

Working together, we expect to increase food availability in Timore-Leste by as much as 70 per cent through a combination of better yields and lower post-harvest losses. The secure storage creates an incentive for farmers to adopt high-yielding varieties, and should allow them to wait for the off-season to sell their surplus, when prices are higher. This example also shows that low production and waste are two parts of a complex dynamic which locks rural people into cycles of hunger and poverty. Higher production and productivity, but also conserving the food that farmers grow, should be our priority. Complex problems demand systematic solutions, and as this example shows, partnerships.

Inclusive agricultural development also has an important role to play in creating stability in fragile states because food and nutrition insecurity is a significant factor in civil conflict. This is the case in Yemen, where IFAD-supported projects have continued to protect and promote rural livelihoods despite the country's critical security situation. In one the poorest and most insecure governorates in Yemen, about 5,000 women and men have benefitted from community-led advisory services that have introduced new crop varieties, protected horticulture, and drip irrigation. The project's investments in domestic water supply are saving women up to 300 hours a year that they previously spent collecting water. Evaluations have found a considerable improvement in household food security and reduction in child malnutrition. Not only is the project popular with beneficiaries, who have invested their own money into the domestic water scheme, but it has contributed to improving stability in the area. Project participants reported a significant decline in violent conflict in project areas.

As the world's urban areas grow, cities will need to be fed by the food grown in rural areas. The sustainability of urban areas will also depend on healthy rural ecosystems, and the environmental services provided by rural people. And urban areas, which are already struggling to create enough jobs to meet demand, will also benefit from more modern, diversified rural economies that offer decent jobs for women and men alike and thus slow the migration to urban areas.

When rural people profit from development, everyone benefits from the resulting improvements in food and nutrition security, natural resource management, reduced inequality and greater social stability. If we want sustainable growth in the post-crisis economy, we will need to narrow the income gap between rural and urban areas by ensuring that small family farms have a central role in development efforts.

Statement by Mr. Guy Ryder, Director-General, International Labour Organization

Summary

- A massive global jobs gap which opened at the height of the financial crisis continues to widen and will do so in the years ahead unless growth both accelerates and is also job-rich.

- Had pre crisis trends in employment growth continued, 62 million more women and men would have been in work in 2013. Furthermore, unless growth picks up, that gap will widen further to 75 million by 2018.
- Global unemployment continues to rise, reaching 202 million in 2013.
- In 2013, the number of workers in extreme poverty declined by only 2.7 per cent globally, one of the lowest rates of reduction over the past decade.
- Income inequalities have widened and the wage share in GDP has fallen in many countries, including the world's largest economies. Growing inequality in the personal income distribution has accompanied the declining trend of the labour income share.
- Growth is likely to continue to be anaemic until household incomes show more resilience.
- Coupled with measures to boost infrastructure investment, support small enterprises and boost skill development, a focus on restoring and improving household purchasing power especially at the lowest income levels is essential if a slide into a low growth trap is to be avoided.
- Consumer demand has been constrained by a long-term trend decline in the share of GDP going to labour income in many countries both developed and developing. Wage growth has lagged productivity growth in many countries for over twenty years.
- G20 Finance Ministers aim to lift our collective GDP by more than 2 per cent over the coming 5 years is a welcome step. However an integrated strategy for both the demand and supply side of labour markets is needed to both lift growth and make it jobs rich across the globe.
- Nationally specific plans can draw on a framework of common policy experience on priorities such as the extension of social protection systems, skill development and wage determination.

Weak labour markets and increasing inequality cause recovery to falter

1. A massive global jobs gap which opened at the height of the financial crisis continues to widen and will do so in the years ahead unless growth both accelerates and is also job-rich. Weakness of global demand is holding back employment creation and wages which in turn is feeding back to retard recovery further. One consequence is a slowing of the pace of poverty reduction in the developing world. The global economy is not yet on a path to strong, sustainable and balanced growth.
2. Furthermore income inequalities have widened and the wage share in GDP fallen in many countries, including the world's largest economies. Growth is likely to continue to be anaemic until household incomes show more resilience. With inflation low in many countries, there is an opportunity for governments, employers and unions to work together to lift minimum wages, align wage developments with productivity and strengthen social protection systems.
3. Coupled with measures to boost infrastructure investment, support small enterprises and boost skill development, a focus on restoring and improving household purchasing power, especially at low income levels, is essential if a slide into a low growth trap is to be avoided.
4. The risks of slipping into a prolonged period of slow growth are high given dampening effects of continued fiscal consolidation and a winding back of exceptional monetary support in advanced economies. Persistent financial volatility is a serious concern for developing and emerging

economies and could damage their efforts to sustain growth. Investment has declined to record lows in some advanced economies, with many businesses sitting on huge cash holdings or increasing dividends rather than investing in productive capacity. Expectations of weak growth in the future and uncertainty about future sources of demand are inhibiting recovery in private sector investment. Reviving international trade also depends on demand recovery.

5. A coordinated effort to restore consumer demand in both developing and developed countries through improvement in disposable incomes of households is essential to get growth moving onto a stronger path. It would stimulate private investment, ease fiscal pressures and speed the unwinding of excessive public and private debt burdens.

The Global Jobs Gap

6. Slow overall growth, weak job creation and weak income growth in advanced economies has spilled over to middle and low-income countries in the form of weaker export demand. This in turn has reduced demand for raw materials and energy. This transmission of low demand has affected labour markets across the globe, with increases in unemployment observed in East Asia, South Asia and Sub-Saharan Africa as well as in advanced economies. Global unemployment continues to rise, reaching 202 million in 2013.
7. Had pre crisis trends in employment growth continued, 62 million more women and men would have been in work in 2013. Furthermore, unless growth picks up, that gap will widen to 75 million by 2018.⁵
8. Although unemployment rates are still relatively low in most developing and emerging economies, low quality, low-productivity employment presents an on-going challenge. Much of the underemployment occurs in the informal economy, which accounts for a significant share of employment in developing economies, reaching over 80 per cent in some low income countries. The gradual shift towards more formal employment patterns has slowed in some countries.
9. Youth unemployment is continuing upward and reached 75 million in 2013, a rate three times that of adults. In some countries, almost one-quarter of young people aged 15 to 29 are now neither in employment, nor in education or training (NEET).
10. Long term unemployment is on the rise in many advanced economies. Jobseekers who are out of employment for long periods suffer erosion of skills, making it more difficult for them to find new employment. In addition survey evidence suggests employers may discriminate against job-seekers who have been out of work for prolonged periods. This is debilitating for the individuals concerned, the families and communities in which they live and the growth potential of the economy.
11. Female employment participation rates lag those of males in all countries although there is wide variation. The ILO estimates that in 2012, 73 per cent of working age males were in employment compared to only 48 per cent of women.⁶ The IMF has estimated substantial GDP per capita losses attributable to gender gaps in the labour market.⁷

⁵ Global Employment Trends 2014 – the risk of a jobless recovery, ILO

⁶ Global Employment Trends for Women 2012, ILO, December 2012

⁷ Women, Work, and the Economy: Macroeconomic Gains From Gender Equity, IMF, September 2013

Slowdown in pace of poverty reduction

12. The number of working poor continues to decline globally. In 2013, 839 million workers (or 26.7 per cent of total employment) had to cope on US\$2 a day or less. This is a substantial reduction on the more than 1.1 billion total of working poor of the early 2000s. However, progress has slowed. In 2013, the number of workers in extreme poverty declined by only 2.7 per cent globally, one of the lowest rates of reduction over the past decade.⁸
13. Although the growth of the world's working age population is gradually slowing, it is still increasing by around 40 million a year. Looking ahead to 2030 and the post 2015 sustainable development framework under discussion in the UN, the challenge is to create around 670 million opportunities for decent work to absorb labour market entrants, close the jobs gap caused by the crisis and accelerate the pace of poverty reduction.

Falling wage share and widening income inequality damages growth

14. Consumer demand has been constrained by a long-term trend decline in the share of GDP going to labour income in many countries, both developed and developing. Wage growth has lagged productivity growth in most advanced economies for most of the last twenty years.⁹ In some countries the trend was masked by unsustainable household borrowing before the crisis, but the debt overhang must now be repaid, further constraining consumer demand. Asset price bubbles that built in housing and stock markets in some advanced economies before the crisis also temporarily supported consumption through a “wealth effect”. In retrospect, a structural problem of falling labour share had emerged over a long period but had been temporarily offset and masked by financial market innovations, which were themselves unsustainable, as revealed by the crisis. These long-term structural problems are now weighing on demand and slowing recovery from the cyclical effects of the crisis.
15. Growing inequality in the personal income distribution has accompanied the declining trend of the labour share in market income distribution. Over the period from the early 1990s to the late 2000s, inequality increased in most advanced economies. Inequality also increased in Asia, including India and China, and parts of Africa, particularly Southern Africa. In Latin America, inequality increased slightly in a few countries in the region, but fell in most of the region. Nevertheless, Latin America remains the most unequal region of the world and South Africa the most unequal country. Recent IMF research confirms that lower net inequality is robustly correlated with faster and more durable growth.¹⁰
16. Both market and post market income distribution can be ameliorated by public policy measures. Minimum wages have proved an effective policy tool which can provide a decent wage floor and thus secure a minimum living standard for low-wage workers and their families. While a minimum wage set too high can theoretically deter hiring, a large and growing body of empirical evidence shows that at actually enacted minimum wage levels there is either no effect on hiring or very minor effects which can go in either direction. A large body of empirical studies also finds that union density, higher coverage by collective bargaining and more centralized and coordinated

⁸ op cit Global Employment Trends 2014 ILO

⁹ Global Wage Report 2012/13: Wages and Equitable Growth, ILO, 2012

¹⁰ Redistribution, Inequality, and Growth, Ostry, Berg, Tsangarides, IMF, 2014

bargaining all have an equalizing impact on the distribution of earnings, reducing differentials along a number of dimensions such as skill and gender. The extension of collective bargaining agreements in countries such as Germany, Austria, Sweden and Norway has been found to be associated with more egalitarian wage structures. Several studies estimate that the decline of union membership and erosion of collective bargaining institutions accounts for around one third of the rise in inequality.¹¹

17. Inequality produced by market distribution can be reduced through progressive tax systems and social protection systems that redistribute toward lower income groups. Tax and transfer systems can reduce inequality substantially – as demonstrated by countries such as Sweden and the Netherlands. However, reforms since the mid-1990s have lessened the progressivity of income tax systems in a number of advanced economies and reduced transfers, making fiscal policy less redistributive.¹² In addition, the redistributive impact of taxes and transfers is smaller in other parts of the world.¹³

Reviving growth and development

18. G20 Finance Ministers have agreed to “develop ambitious but realistic policies with the aim to lift our collective GDP by more than 2 per cent above the trajectory implied by current policies over the coming 5 years.”¹⁴ This is a welcome step. However, the employment intensity of growth has been disappointing in most countries in recent years, and modelling of the impact of an additional 2 per cent growth shows that it would still leave a major deficit of 45 million jobs in 2018 compared to pre-crisis trends. An integrated strategy that addresses both the demand and supply sides of labour markets is needed to both lift growth and jobs across the globe.
19. Many countries are considering ways to lift growth through stimulating infrastructure investment and supporting the growth of small and medium-sized enterprises, especially through improving their access to finance. Such plans need to be scaled up and may need support from the multilateral development banks. The direct and indirect job content of such measures can also be maximized by careful design of infrastructure projects.
20. The main route out of poverty for individuals and nations is decent and productive work. The ILO therefore warmly welcomes the World Bank Group’s focus on the twin goals of decreasing the percentage of people living with less than \$1.25 a day to no more than 3 per cent by 2030 and promoting income growth of the bottom 40 per cent of the population in each country. Creating jobs and narrowing inequalities are essential both to rekindle a faltering global recovery and to underpin medium term sustainable development.
21. Nationally specific strategies tuned to the differing challenges countries face are essential. However, all countries will need to address global forces such as high and often growing income inequality, developmental transformations, large demographic and technological changes as well

¹¹ The role of collective bargaining in the global economy: Negotiating for social justice, Susan Hayter (ed.) Edward Elgar ILO 2011

¹² Income Inequality and Fiscal Policy, Bastagli, Coady, and Gupta, IMF, 2012

¹³ The impact of taxes and transfers on inequality, Malte Luebker, ILO 2011

¹⁴ Communiqué of Meeting of Finance Ministers and Central Bank Governors Sydney, 22-23 February 2014

as the further expansion of global value chains and increasing international and regional trade integration. These trends will create new opportunities for more and better jobs in some areas but lead to job losses in others. Countries will need to strengthen policies in a number of areas including:

- Anticipating and responding to changing skill needs.
- Providing good labour market information systems to guide career and training decisions.
- Ensuring the acquisition of good foundation skills as the base for learning new skills.
- Giving strong incentives to engage in lifelong learning with a focus on the low-skilled.
- Having effective public and private employment services in place that can help match people to jobs that correspond to their ability and which can provide training to improve employability and sustained improvements in job prospects.
- Adapting labour market regulation to facilitate mobility within and between workplaces through amongst other things effective support to unemployed and other vulnerable groups via strengthened labour market and social protection systems.
- Promotion of well-designed minimum wage setting and collective bargaining mechanisms.
- Strengthening and extension of social protection systems.
- Promoting the participation of underrepresented groups in the formal labour market.
- Tackling barriers to the creation of formal jobs.
- Facilitating innovation and entrepreneurship.

Statement by Dr. Ahmad Mohamed Ali, President, Islamic Development Bank Group

On behalf of the Islamic Development Bank Group, I would like to express my sincere thanks to the World Bank and the International Monetary Fund for the invitation extended to us to participate in the 89th meeting of the Development Committee, an important platform for discussing global development issues and providing solutions.

Global Economy in the Post-crisis Era

This year's Development Committee meeting is taking place at a period when the world economy is in recovery mode from a protracted global recession. The world economy is expected to pick up in 2014 due to growth in the US and the Euro-area which has ended its prolonged economic recession. The emerging market economies, the engines of global growth, are witnessing slowdown in recent years. In spite of this development, the headwinds facing the world economy include high levels of public debt, volatility of capital flow on the back of U.S Federal Reserve's announcement of tapering its quantitative easing, high unemployment rates, and continued turmoil to some extent in the Middle East and North Africa. Against this backdrop, the advanced economies face difficult policy choice of striking a balance between the imperative of fiscal consolidation and the need to support a sustainable recovery and growth.

In the post-crisis era, there is a need to focus more on collaborative and collective policy actions to sustain the recovery. In this context, the IsDB Group wishes to reiterate its commitment to further leverage its partnership with the international development community to achieve a sustained global recovery and foster social and economic progress of the poor and the underprivileged people.

Accordingly, I would like to take this opportunity to briefly share the IsDB Group views on the economic prospects of its member countries and the initiatives taken to address their short and long-term challenges.

Economic Prospects of IsDB Member Countries

Based on the recent IMF data, the 56 IsDB member countries are expected to achieve an average growth of 4.5 percent in 2014, well above the world's average. Member countries from Sub-Saharan Africa (SSA)¹⁵ and Central Asia (CIS)¹⁶ regions will record a growth of 6.7 percent and 6.0 percent in 2014 from 5.8 percent and 5.9 percent in 2013 respectively. The economic growth in the Middle East and North Africa (MENA)¹⁷ member countries fell slightly in 2013 to an average rate of 2.5 percent due to the ongoing turmoil and the growth is expected to improve to 3.7 percent in 2014. Growth in the Asian member countries¹⁸ will likely reach 4.8 percent in 2014. However, the medium-term growth prospect of member countries is subject to downside risks due to the fragile international environment and country-specific problems.

Having said this, there are broad development issues that the IsDB member countries are facing which have evolved over the years. Some of the issues are short-term in nature while others are medium-to-longer term. The short-term issues include sustaining growth momentum and strengthening fiscal stability; achieving food security; dealing with youth unemployment. The medium-to-longer-term issues encompass human capital development, enhancing infrastructure development, improving investment climate, declining Official Development Assistance (ODA), addressing climate change, and boosting financial inclusion.

IsDB Group Responses

Scaling-Up Development Assistance: The IsDB Group continued to record strong performance in 2013 despite a challenging global economic and financial environment that posed major challenges to its operations and the economies of member countries. The Bank Group approvals stood at US\$10.6 billion in 2013, representing a growth of 6.1 percent over 2012 level. Of this amount, the IsDB's Ordinary Capital Resources (IsDB-OCR) financed US\$5.4 billion while the International Islamic Trade Finance Corporation (ITFC) approved US\$5 billion, and the Islamic Corporation for the Development of the Private Sector (ICD) approved US\$426 million. In addition, the the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)'s insurance commitments totaled US\$2.2 billion with its business insurance operations amounting to \$3.4 billion in 2013. This performance marked the second consecutive year that Group approvals per annum exceeded \$10 billion. The IsDB Group extends its support to critical sectors in order to achieve high multiplier impacts on the economies of member countries.

Major thematic areas supported by the IsDB Group are the following:

Fostering Inclusive Development: Inclusive development is critical for poverty reduction. It helps in narrowing deep-seated inequalities, addressing social injustice, and achieving sustainable economic growth. In the face of current and emerging challenges, achieving inclusive development has received considerable attention in IsDB Group financing activities through investing in social sector, particularly education and health. Bank's financing on education mainly focused on basic, tertiary education as well

¹⁵ Member countries in SSA are: Benin, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra-Leone, Somalia, Sudan, Togo and Uganda.

¹⁶ Member countries in CIS are: Albania, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

¹⁷ Member countries in MENA are: Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE and Yemen.

¹⁸ Member countries in Asia are: Afghanistan, Bangladesh, Brunei, Indonesia, Malaysia, Maldives, Pakistan and Suriname.

as vocational training and technical education to enhance the opportunities of all segments of the society. In the area of health, the Bank mainly focused on: (i) prevention and control of both communicable and non-communicable diseases, and (ii) strengthening health system to improve access to quality healthcare services.

Supporting Agriculture Development and Food Security: Agriculture plays a critical role in achieving food security and reducing poverty in member countries. For this singular reason, the Bank has been active in financing the sector with special focus on three major strategic priority areas: (i) supporting rural infrastructure (water, roads, and electricity); (ii) enhancing agricultural productivity; and (iii) supporting rural microfinance and non-farm productive activities. In 2013, significant parts of the Bank's interventions in agriculture sector were devoted to Smallholder Agricultural Productivity Enhancement Program (SAPEP), East Africa Dry lands Program (EADP), Millennium Villages Program (MVP), Sustainable Village Program (SVP), and Community Driven Development (CDD). The IsDB Group also deepened its collaboration with other key development partners to drive forward its agenda of ensuring food security and rural development in its member countries.

Addressing Youth Unemployment: Given the fact that, in recent years, youth unemployment has become a major development challenge facing member countries, the IsDB Group has formulated two-pronged strategy: a special employment support program to increase job availability and a supply-side initiative built on direct engagement with the youth to enhance skills to better match the needs of employers. The direct engagement strategy has led IsDB to launch "Youth Employment Support (YES) Program for Arab Countries" with a focus on implementing projects in Arab countries in transition to facilitate job creation. On the supply-side, the Bank has developed a special program called "Education for Employment (E4E) Program" to narrow the mismatch between skills and capabilities of the educated people and needs of the labour markets in MENA region. A direct impact of these programs is the expected creation of approximately one million new jobs for the youth in these countries over a five-year period.

Enhancing Infrastructure Development: In recognition of the importance of infrastructure development in stimulating growth, the IsDB's intervention in infrastructure sector has remained strong and consistent over the years. By the end of 2013, the IsDB has financed infrastructure operations in member countries totaling US\$25.7 billion. Interventions in the transportation sector are predominantly in Least Developed Member Countries (LDMCs) in Sub-Saharan Africa (SSA) and Central Asia. Additionally, over the past two decades, the IsDB Group has also facilitated, through political risk insurance cover, over US\$4 billion in foreign direct investments (FDI); more than 80 percent of this went into infrastructure project financing. In 2013 alone, infrastructure investments amounted to about \$1 billion were supported.

Strengthening Economic Cooperation and Integration: One of the major characteristics that differentiate the IsDB from other MDBs is that all its 56 member countries are from the developing world, including 25 countries considered as 'Least Developed'. Because of this unique membership, the IsDB is viewed as an exclusive platform and/or model for South-South and Triangular Cooperation. Promotion of cooperation among member countries has always remained the underlying theme of IsDB Group operations since its inception. In 2013, the IsDB has been very active in: (i) promoting regional and inter-regional trade and investment through financing, trade credit and political risk insurance and capacity building for investment promotion agencies in member countries; (ii) supporting cooperation among Islamic banks and other development financing institutions; (iii) improving the exchange of experience and know-how among member countries; (iv) giving high priority to regional projects; and (v) providing Technical Assistance on WTO-related matters, especially for those countries seeking WTO accession.

Fostering Islamic Finance: The IsDB is at the forefront of promoting and advancing Islamic financial services industry through partnership with governments, private sector and multilateral financial institutions. It has also been developing the Awqaf sector for charitable purposes. It continued to facilitate the development of the sector by providing technical assistance for creating the requisite legal, regulatory, supervisory and Shari'ah frameworks, improving access to Islamic finance for the poor, developing the Islamic finance architecture, supporting Islamic Infrastructure Institutions, participating in equity investments, and creating a common platform for the regulators of the Islamic financial services industry to enhance constructive dialogue. In addition, the IsDB has launched its IsDB-MDP (IsDB Microfinance Development Program) to support expanding access to financial services to those currently not accessing them. The IsDB Group has also established the Financial Product Development Centre (FPDC) to enhance its leadership in the development and promotion of innovative Islamic financial products within the framework of Maqasid Al-Shari'ah. The IsDB Group, in collaboration with the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and other Islamic Financial Institutions, stands ready to assist in mainstreaming Islamic finance in the ongoing restructuring of the global financial system.

IsDB Group Major Initiatives

In 2013, the IsDB Group undertook several and diverse initiatives such as capital increase, resource mobilization, reverse linkage program, hosting of the Secretariat of Deauville Partnership, and activities related to the 40th Anniversary celebration. Let me shed some lights on the major ones.

Capital Increase: The Board of Governors of the IsDB at its 38th Annual Meeting held on 21-22 May 2013 in Dushanbe, Tajikistan adopted a resolution to increase the authorized capital of the Bank from Islamic Dinar (ID) 30 billion (US\$46.2 billion) to ID100 billion (US\$154 billion) while the subscribed capital was also increased from ID18 billion (US\$27.7 billion) to ID50 billion (US\$77 billion). This reflects the Bank's strong balance sheet and the need to address the ever-increasing development needs of its 56 member countries.

Resource Mobilization: Finding new sources of funds either through market or co-financing with development partners have proven to be inevitable and pre-requisite to scaling up the IsDB operations in responding to the current and emerging needs of member countries. Accordingly, the IsDB has been active in the sukuk markets culminating in two landmark transactions in 2013. The first transaction was US\$700 million private placement in March 2013 (maturing in March 2018); and the second transaction was US\$1.0 billion public placement in June 2013 (maturing in June 2018). The Bank has also issued sukuk for 300 million Malaysian Ringgit (US\$92.3 million) with a five-year tenor in the Malaysian capital markets, in July 2013.

Member Country Partnership Strategy (MCPS): MCPS is aimed at aligning the IsDB Group activities with the member country's development plans and priorities through consultative process with all the key stakeholders including public sector, private sector, civil society and development partners. Over the last four years, sixteen MCPSs have been completed and are under active implementation.

Reverse Linkages: The Reverse Linkages (RL) initiative is one of the major engagement pillars of the MCPS which aims at sharing knowledge and exchanging experience among member countries. Through the RL initiative, the member countries become the primary, forefront and direct agents in the provision of specific expertise, knowledge, know-how, investments, success stories, best practices and other specialist services to other member countries with IsDB playing the facilitating role. So far, the thematic areas under Reverse Linkages include Islamic financial sector development, poverty reduction, community development, and promoting affordable access of the poor to renewable energy.

Trade-related Development Assistance: The IsDB Group believes that Aid for Trade initiative is critically important to help its member countries, especially the LDCs and small and fragile states to benefit from increased trade and economic growth, as well as from economic cooperation and integration. In this perspective, the IsDB Group, through the International Islamic Trade Finance Corporation (ITFC), has recently launched the Aid for Trade Initiative for Arab States (AfTIAS). It is a multi-donor, multi-country and multi-agency program, aiming to foster Arab trade through enhancing enterprise competitiveness and facilitating trade.

Secretariat of the G-8 Deauville Partnership IFI Coordination Platform: The IsDB became the second MDB after the African Development Bank to successfully host the Coordination Platform secretariat from September 2012 to December 2013. During the IsDB-hosted secretariat, a major G8 Deauville Partnership Investment Conference was organized in London, in September 2013, in partnership with the UK G8 Chair and EBRD to promote dialogue between the Arab transition countries and the investment community as well as to showcase investment opportunities. Prior to this event, the IsDB, in partnership with the G8 Chair, OECD and IFIs, also supported the organization of in-country investment conferences in Tunisia and Egypt, in June 2013.

MDGs and Post-2015 Development Agenda: Given the fact that the IsDB was not involved in the formulation of the MDGs, but it aspires to be proactive in the process of determining the MDG successor. In this context, the Bank plans to organize a number of events to generate ideas and come up with a set of recommendations on key ingredients for successful contribution to the current and future global conversation related to the post-2015 development agenda.

Celebrating 40th Anniversary: The IsDB Group will be celebrating its 40th Anniversary during the 39th Annual Meeting of the Board of Governors, which will take place in Jeddah, Saudi Arabia on 24-26 June 2014. Accordingly, the Bank is conducting an independent study on the IsDB Group's 40-years performance assessment, in terms of its intervention effectiveness in member countries and Muslim communities, and its strategic direction in the next decade.

Concluding Remarks

I would like to take this opportunity to reiterate that the IsDB Group continues intensifying its support to critical sectors for achieving high multiplier impacts on the economies of member countries in alignment with their development priorities. However, we are aware that tackling the diverse development needs of the 56 IsDB member countries is beyond the financial capability of one single institution. For this reason, the IsDB has continued to forge strategic alliance with other development partners to leverage additional development assistance to its member countries.

I am confident that the deliberation of this meeting will be fruitful and its outcomes will proffer solutions to myriad development challenges facing member countries. With this, I would like to reaffirm that the IsDB Group, as always, remains committed to fostering global synergy for addressing the development challenges of our time.

Statement by Mr. Angel Gurría, OECD Secretary-General, and Mr. Erik Solheim, Chairman, OECD Development Assistance Committee (DAC)

The international community is set to transition into a critical new phase in its fight against poverty. A number of key issues must be addressed if it is to be successful: disparities between countries must be reduced, as well as a range of inequalities within them. Providers of development co-operation must maintain their commitments on the quantity and quality of the resources they provide, and they must help

developing countries mobilise more domestic resources. The OECD is uniquely placed and equipped to support these and other efforts with a number of adapted tools.

Sustained efforts are crucial to meet the MDGs

As the target year for the Millennium Development Goals (MDGs) approaches, the global community can take pride in important advances in human development. Several MDG targets have already been met or are within close reach. Nevertheless, we must also step up efforts in crucial areas:

- Environmental sustainability is under severe threat. This calls for a new level of global co-operation. The growth in global emissions of carbon dioxide is accelerating, and emissions today are more than 46% higher than their 1990 level.¹⁹
- Most maternal deaths are preventable, yet progress in this area is insufficient. Efforts need to be accelerated. Access to antiretroviral therapy needs to be expanded, and efforts to prevent HIV should be deepened.
- Too many children are still denied their right to primary education and the world is unlikely to meet the target of universal primary education by 2015.

International co-operation efforts need to address the disparities between countries

Most MDG targets in fragile states will not be met. Where progress has been made, it is easily reversed as countries relapse into conflict. Regional disparities remain important, with Africa still lagging behind other regions and off-track on five out of the eight goals²⁰. Rural-urban gaps persist – for example, in access to reproductive health services and to clean drinking water.

We must ensure sufficient resources are made available to achieve the MDGs. It is therefore very encouraging to see that official development assistance (ODA) rose by 6.1% in real terms in 2013 to reach the highest level ever recorded.

The amounts of ODA provided in 2013 by Development Assistance Committee (DAC) members represented 0.3% of their combined gross national income (GNI). Five DAC members — Denmark, Luxembourg, Norway, Sweden, and the United Kingdom — exceeded the United Nations' ODA target of 0.7% of GNI.²¹ The United Kingdom increased its ODA by 27.8% to meet the target for the first time. Other DAC countries also posted impressive increases in ODA: for example, Japan (36.6%) and Italy (13.4%). The United Arab Emirates, which is not a member of the DAC, put up the largest reported ODA/GNI ratio: 1.25%. An annual survey of donor spending plans conducted by the DAC indicates that aid levels could increase again in 2014 and stabilise thereafter.

The post-2015 agenda must create a truly enabling environment for development

Over the last decade, strong economic growth in developing and emerging economies has seen these countries account for a rising share of global GDP. Despite this process of shifting wealth, a number of

¹⁹ United Nations (2013), *The Millennium Development Goals Report 2013*, United Nations, New York.

²⁰ African Union Commission, UNECA, African Development Bank, and UNDP (2013), *Assessing Progress in Africa toward the Millennium Development Goals*.

²¹ OECD-DAC data, available online at <http://www.oecd.org/development/stats/>

countries face slowing growth and risk getting stuck in a middle-income trap. OECD projections show that, at current growth rates, 96 out of a sample of 120 countries – both low- and middle-income – will fail to converge with the average OECD income level within 50 years²². This is worrisome. The growth prospects of middle-income countries (MICs) have crucial implications for poverty reduction efforts: large pockets of poverty exist in MICs, and a growth slow-down in these countries could have negative spillovers on other developing countries through trade and investment linkages.

Countries need to go beyond boosting productivity and competitiveness; ensuring that development is inclusive and environmentally sustainable is also vital. Income inequality within some important converging economies (China, India, Russia and South Africa) has increased, while it has declined markedly in Brazil – albeit from very high levels.²³ In addition, although recent strong economic growth has played a major role in lifting many people out of poverty, many of these people remain vulnerable.

The future development agenda needs to offer more than a simple extension of the MDGs. The development agenda that emerged around the MDGs placed an emphasis on poverty in low-income countries. In doing so, it focused less on addressing inequality and vulnerability, and the concerns of large segments of the population in the developing world, notably in middle-income countries. It will be important that the post-2015 agenda leaves space for countries to define their own priorities within broad international development objectives. More will need to be done to create an enabling international environment so that every country can pursue its own realistic national plan, reflecting its own choice of development priorities and policies.

Growth needs to be both inclusive and environmentally sustainable. The post-2015 agenda should recognise the importance of employment growth; a more equitable distribution of income growth; inclusive social protection systems; and environmental protection. Decent job creation is a key driver of improvements in living standards and human development, and equity is an important ingredient of social cohesion and development. The protection of the environment is also essential for the sustainability of economic growth and development. It should become an overarching objective in industrialisation and development strategies and policies.

The root causes of gender equality deserve particular attention. Leaders should commit to gender equality through a stand-alone goal, complemented by gender-specific targets and indicators in the other goals, to tackle widespread and persistent inequalities which leave women among the poorest and most marginalised people in societies across the world²⁴. The new framework will need to confront the discriminatory social norms and practices that underlie gender inequality, such as early marriage or tolerance of violence against women.

Implementation of the new framework will require action on a number of fronts:

- A financing framework will have to be put in place, which will in turn require a comprehensive approach for monitoring and measuring development finance.
- More will need to be done to address base erosion and profit shifting (BEPS) — tax planning strategies that exploit gaps and mismatches in tax rules to make profits “disappear” for tax

²² OECD (forthcoming), *Perspectives on Global Development 2014*, OECD Publishing, Paris.

²³ OECD (2012), *Perspectives on Global Development 2012*, OECD Publishing, Paris.

²⁴ OECD (2013), *Gender equality and women’s rights in the post-2015 agenda: A foundation for sustainable development*, OECD, Paris: <http://www.oecd.org/dac/POST-2015%20Gender.pdf>

purposes or to shift profits to locations where there is little or no real activity but where taxes are low — as well as to curb illicit financial flows (IFFs). These are two major obstacles to developing countries' own efforts to mobilise resources for development. Encouragingly, between 2010 and 2012, OECD countries returned USD 147 million and froze almost USD 1.4 billion of stolen assets.²⁵

- The efficiency of development policies – both in donor and developing countries – needs to be deepened. For donors, this means stepping up efforts to improve the effectiveness of aid delivery, while for developing countries it entails making better use of evidence, sharing knowledge of what works, and improving the mobilisation of domestic resources and private investment.
- Collective action will be critical to breaking silos and to building more integrated responses to global challenges. The Centres of Government will have an increasingly important role in building a common understanding and achieving consensus on the global development agenda.
- The international community needs to rekindle the spirit of solidarity underpinning the Millennium Declaration, and strengthen partnerships at the global, regional, national and sub-national levels.

Next week's High Level Meeting of the Global Partnership for Effective Development Co-operation (15-16 April 2014, Mexico City) is one opportunity to advance thinking and action in these areas. Looking forward, the Partnership can become part of the means of implementation of a post-2015 global development framework.

The OECD: A key partner for current and future development goals

Through its Strategy on Development, the OECD is applying a more comprehensive approach to better understand the magnitude and the inter-linkages of economic, social, environmental, and governance challenges; to identify effective solutions; and to create the conditions and capacities for inclusive growth and sustainable development.

Several initiatives are underway within the OECD to help address the challenges outlined above:

- The OECD is developing a proposal for a more accurate, comprehensive and inclusive system for measuring and monitoring official external development finance. Mandated by DAC ministers, it is collaborating with a number of key institutions – including the United Nations, World Bank, and IMF.
- At the invitation of G20 finance ministers, the OECD has developed an action plan to address BEPS in a co-ordinated and comprehensive manner, ensuring developing countries are part of the process.²⁶
- The OECD is at the forefront of efforts to improve international tax transparency. It worked with G20 countries to present, on 13 February 2014, a new single standard for the automatic exchange

²⁵ See OECD (2013), *Measuring OECD Responses to Illicit Financial Flows from Developing Countries*, OECD Publishing, Paris.

²⁶ OECD (2013), *Action Plan on Base Erosion and Profit Shifting*, OECD Publishing, Paris.

of tax information. The 121 member countries of the Global Forum on Transparency and Exchange of Information for Tax Purposes will monitor implementation.

- The OECD is scaling up work on Tax Inspectors Without Borders to help developing countries bolster their domestic revenues by making their tax systems fairer and more effective.
- Although the exact scale of illicit financial flows is unknown, they have devastating effects on developing countries. The OECD measures and reports on the efforts of donor countries to fight against these flows.²⁷

The OECD's multidisciplinary approach can help address the wide range of challenges faced by different countries. For example:

- The OECD strives to help mitigate the effects of climate change through green development co-operation policies; to strengthen the conditions that enable more investment in green infrastructure; to support international collaboration on green technology co-operation, development and transfer; and to open pathways for trade to support green growth.
- The OECD is supporting policy-makers to strengthen their countries' human capital. Through its PISA for Development initiative, it can support developing countries to improve the quality of education and achieve better learning outcomes. It can support global efforts to frame a learning goal in the context of the post-2015 agenda and to provide a single universal metric for measuring progress.
- As the only cross-country measure of discriminatory social institutions, the OECD Development Centre's Social Institutions and Gender Index (SIGI) is a valuable tool for designing effective interventions and evaluating progress towards any post-2015 goal and target.

Conclusion

Global development is at a critical juncture. The international community has set in motion a process — the MDGs and its successor framework — to drive development. Success will depend on collaboration and knowledge sharing among all actors. The OECD is working, and will continue to work, with partners to inform the design, implementation, and monitoring of the new agenda. This involves modernising the system for measuring and tracking external development finance, recovering domestic resources wasted through unfair tax systems and illicit flows, promoting policies that facilitate effective development co-operation, and providing evidence and analysis on key issues such as climate change, education, and gender equality. In all of its work, the OECD aims to contribute to the design of “better policies for better lives” — not just for OECD countries, but for every person in every country.

²⁷ See OECD (2013), *Measuring OECD Responses to Illicit Financial Flows from Developing Countries*, OECD Publishing, Paris.

Statement by Mr. Mukhisa Kituyi, Secretary-General, United Nations Conference on Trade and Development

Overview

Despite some stronger numbers in the second half of 2013, the global economy is still struggling to find a robust and sustainable growth path. To move onto such a path, greater policy coordination at international and regional level will be needed. Moreover, it will be important to avoid the policy mistakes which led to the 2008 financial crisis.

World output, which grew at 2.2 per cent in 2013, is likely to accelerate to closer to 3.0 per cent in 2014 and 2015. Most of this improvement reflects better performance of developed economies, which are expected to expand at an average of about 2.0 per cent in these years, with a return to positive – albeit moderate – growth in the Euro area. Meanwhile, developing and transition economies are expected to maintain current growth rates, around 5.0 and 2.5 per cent respectively. As a result, developed economies will increase their contribution to global growth to almost 50 per cent. This is not far from their pre-crisis level, but still much less than the more than two-thirds contribution to global growth they delivered in the 1990s.

In recent years, most major economies and regions have had to rely on domestic demand as the main driver for growth. Global trade flows remained weak in 2012 and 2013, growing in volume at under 2 and 3 per cent, respectively, far below the 7.5 per cent annual average before the crisis. During the past two years, the contribution of external trade was negligible – or slightly negative – in the United States, Japan and China. A significant improvement in net exports was registered only in the European Union, although this resulted mainly from import restraint and made little contribution to growth. In general, growth in countries from Africa, Latin America and West Asia also relied more heavily on domestic demand, with a small or moderately negative contribution from net exports. Many countries in those regions (and also several transition economies) continued to benefit from relatively high terms of trade by historical standards, which strengthened domestic income and stimulated domestic demand. The situation has been more diverse in other Asian countries, some of which benefitted from positive net-exports contributions to growth in 2013, such as India, Indonesia, the Republic of Korea and Thailand.

A number of developing and transition economies suffered from increased financial instability during 2013 and early 2014. The announcement of a progressive reduction of monetary stimulus in the United States triggered a broad-based sell off in emerging market economies' financial assets. This has led to currency depreciation, rising spreads on sovereign debt and less supportive monetary stances in some countries, which has had a negative impact on domestic demand and growth. This financial shock illustrates once again the volatility of global financial markets and the fact that developing countries are regularly affected by decisions taken by policymakers in systemically important advanced economies. It also underscores the importance of using macro-prudential policies – including capital controls – in developing countries to contain excessive inflows and outflows of short-term capital, and to reduce their possible adverse impact on the domestic economy.

These recent events serve as a reminder that developing countries, including relatively strong performers, have not "decoupled" their economies from the advanced economies, and that fragility and downside risks continue to pose serious policy challenges.

Challenges facing advanced economies

It is useful to group developed countries into three broad classifications based on their post-crisis performance. In a first group, which includes, inter alia, the United States, the United Kingdom, Australia and Canada, growth is mostly driven by asset appreciation and liquidity injections, rather than by income

generation resulting from higher employment and real wage gains. The picture in these countries is starting to resemble, albeit in incipient form, the unsustainable pattern of the pre-crisis years.

Injections of liquidity, heightened merger-and-acquisition activity and rising corporate profitability due in large measure to cost-saving and wage compression have helped to push stock market prices to record levels, including in countries outside this group. 'Margin debt,' i.e., borrowing in the financial markets to buy financial stocks, has further fuelled this process. The global MSCI index, which shows the evolution of main stock markets in all regions, has risen by about 50 per cent since 2010. The rise of stock market indices has also been accompanied by rising real estate prices. By increasing the net worth of private agents, these asset appreciations may boost private sector spending, thus stimulating economic growth. However, public sector spending, including infrastructure and social spending, which remain essential to sustain productivity growth and employment, has generally been weak (and in the case of the US actually fell).

In a second group of developed economies, which includes Germany and a few other countries of Northern Europe, growth is mostly due to net export gains. These gains follow from wage restraint, labour-market flexibilization and other cost-saving measures, which have been strongly promoted as recipes for recovery after the crisis. While it remains clear that exports cannot stimulate a generalised recovery, expanding markets in the first group of (debt-driven) economies offers this second group export opportunities.

But even in this second group of countries, the recent positive external performance is as much due to fewer imports as a rise in exports. For example, during the last three years before the crisis from 2005 to 2007, Germany generated a trade surplus of about 6.5 per cent of GDP, mainly due to the fast rise of exports, while the volume of merchandise imports also rose strongly. Between 2011 and 2013 the average trade surplus was only slightly higher at 6.7 per cent of GDP, while imports in volume virtually stagnated. The recovery in this second group of developed economies is subject to two sorts of challenges. By pressing too hard on cost-saving measures, a "race to the bottom" could exacerbate the weakening of global trade growth; at the same time, by relying on demand from faster debt-driven growth in a few developed economies, global imbalances may re-emerge.

A third group of developed countries continue to be damaged by weak private demand and austerity measures. This group notably includes several Euro zone economies that have been particularly affected by financial imbalances in the private and/or public sectors, which worsened as the costs of bailouts and economic contraction eroded fiscal sustainability. Within the constraints imposed by the institutional setting of the Euro zone and under the influence of pro-austerity ideas, these economies shifted to a contractionary adjustment path from 2011: in the last three years, the economies of Greece, Portugal, Italy and Spain shrank by 16, 6, 4 and 3 per cent respectively. The recent return to positive growth in some of these countries is insufficient to close employment and output gaps.

Furthermore, growth acceleration in the third group of countries under the current circumstances is unlikely. The weaker capital formation and skills development that results from this type of adjustment path weighs heavily on productive potential and competitiveness, making an export-led recovery even more challenging. Lower labour incomes and comparatively slower profit accumulation than in neighbouring countries reduces the prospects of consumption and investment growth. The only sustainable growth alternative for these countries would consist of international financial support combined with expanding global demand, or at least an expanding demand from their now surplus partners. But with little support for such an alternative, a deflationary bias is more likely to shape adjustment scenarios in these countries.

Japan cannot be easily placed among these categories. It experienced a long deflationary period before being strongly hit by the global crisis and the earthquake of 2011. Since then it has been adopting strong monetary and fiscal stimuli, with some degree of success. The impact on growth in the coming year of Japan's recent consumption tax hike will serve as a useful barometer of the durability Japan's reflationary policies overall.

Challenges facing developing and emerging economies

Growth in most large developing and transitional countries has slowed sharply since 2011. To evaluate the risk of that deceleration turning into stagnation or outright recession, it is necessary to place this trend in a longer time frame.

Up until the global financial crisis, developing economies had strengthened trade and production links with the more developed regions and among themselves. Financial globalization impacted developing economies through capital-flow cycles and the financialization of commodity markets, but overall developing economies managed to navigate the process of financialization better than many advanced countries. Finance in the developing countries maintained support for productive activities and employment generation, including during the financial boom that emerged in the early years of the new millenium. A number of developing economies increased their production of manufactured goods and integrated global supply chains, which accelerated trade with both developed and developing economies. Heightened manufacturing activity, urbanization and infrastructure development in large developing countries in turn raised demand for commodities and energy exports. In addition, governments in both sets of countries harnessed some of the gains of the enhanced economic activity to finance increased spending on social services and infrastructure.

During these years of rapid growth, many developing countries increased productive investment, reduced external and public debt ratios, accumulated foreign reserves and strengthened their macroeconomic fundamentals. All of this in turn enlarged their policy space for handling economic shocks. But even before the crisis, the new growth dynamics in the developing economies carried their own challenges. For example, manufacturing activity was heavily driven by demand from developed countries and depended on capital and technologies, which were to a considerable degree controlled by foreign companies. Many commodity producers found it increasingly difficult to move away from extraction and diversify into industry and service sectors, raising fears in some quarters of a middle-income trap. In addition, developing countries became increasingly vulnerable to shifts in financial flows, since capital controls were progressively removed as part of finance-led globalization.

Since the crisis, two broad sets of influences have shaped the economic strategies of developing economies. On the one hand, many developing economies have sustained reflationary policies for a longer period than developed economies. Since their financial and corporate sectors were much less engaged than those of developed countries in financial operations, the cost of repair from financial shocks was relatively lower, and pressure from market forces to impose fiscal adjustments was much weaker than in developed countries. On the other hand, the better performance of these economies vis-à-vis the developed economies meant that as policy in the latter shifted from fiscal expansion to monetary expansion, part of the liquidity created was channelled towards the developing countries, and on a scale that exceeded their capacity for absorption.

Arguably, while the crisis slowed – or on some accounts even reversed – financialization in advanced economies, developing countries became more integrated into the international financial system, exposing them to heightened vulnerability. Several factors lie behind this trend. First, the post-crisis expansion of liquidity by the major economies has been extremely large, not only in relation to the size of developing countries financial markets, but even in comparison with that of major financial centres. Second, financial

flows in this period have not been accompanied – at least not as much as in the pre-crisis period – by a growth of real demand from developed countries. Monetary expansion did not translate into increasing credit to households and firms wishing to expand consumption and investment; and the mobilization of this capital in developing countries did not respond primarily to real investment opportunities. Instead, these capital flows were predominantly oriented to short-term and speculative placements.

Such capital flows are inherently unpredictable, and may generate macroeconomic instability. On the side of the developed countries from which most of these flows originate, it is the pro-cyclical perceptions of investors about growth prospects and risks that influence both the total size of the liquidity expansion, as well as the proportions that flow from developed countries to the developing countries. On the side of recipients, most of these financial investments have flown into the private sector, making it more challenging to ‘manage’ such flows domestically, including through the use of counter-cyclical policies.

Challenges to debt sustainability

Debt sustainability remains a challenge for many countries, advanced and developing alike. While exploding public debt in some developed countries has attracted much attention, the challenges for developing countries to maintain debt sustainability must not be overlooked. Prior to the global financial crisis, there was an impressive and across the board improvement of debt indicators in developing countries, but the crisis has slowed the trend drastically; 2012 marked the third consecutive year that the growth of external debt has exceeded 10 per cent following nearly a decade of average annual growth of about 7 per cent, and 2013 is not expected to see any change in this trend.

Moreover, as noted earlier, the composition of debt has been changing. Bonded debt has increased at a very fast speed along with a much larger percentage of debt issued in domestic currencies. More than a dozen sub-Saharan sovereigns have started to tap international bond markets for the first time since 2007, almost all over subscribed. However, with the clustering of the issuance of both sovereign and corporate bonds since 2007, the maturity profile of debt has been shortening. Short term debt continued to increase from the 2011 elevated level, now constituting more than a quarter of total debt stocks. As a result of increasing debt and short maturity, debt servicing has been increasing in many emerging economies along with growing concerns about heightened vulnerability to shocks.

For the 49 least developed countries (LDCs), 2012 saw the total external debt increase by an estimated 7 per cent in nominal terms compared to 2011. As a result, the ratio of debt to GDP and the ratio of total debt to exports increased by almost 4 per cent in 2012. Both debt ratios were higher than the respective ratios of other developing countries. As of April 2013, there were two LDCs in debt distress and ten LDCs in high risk of debt distress.

Some Caribbean countries are stuck in a high debt and low growth trap which has made debt servicing difficult. Five Caribbean Countries are assessed in DSAs to be at a high risk of debt distress or in debt distress. They are among the most vulnerable countries given their reliance on tourism, remittances and frequent exposure to hurricanes.

The HIPC initiative is coming to an end. But maintaining debt sustainability has proved to be challenging for some completion point countries, a number of which are already at high risk of debt distress. Non-concessional external debt increased significantly for many countries.

In light of the recent debt crises and litigation relating to sovereign debt, there has been gathering political momentum to develop further avenues for the timely, efficient and fair resolution of sovereign debt crises. In addition to decades of research and analytical work, UNCTAD began technical assistance on the design of a debt workout mechanism in 2013. The need for a sovereign debt workout mechanism is an

evolving issue that has been recognized in the international community as an increasingly pressing one. This message was reiterated at the 9th UNCTAD Debt Management Conference, held on 11-15 November 2013 during a session on Sovereign Debt Restructurings in which UNCTAD presented its project on the Debt Workout Mechanism (DWM).

At the same time, there has been extensive external borrowing during the recent period from private corporations and financial agents. Indeed, by the second half of 2013, the external debt (loans and securities) of the private sector of the eleven major developing and emerging economies (excluding China and South Korea due to insufficiently disaggregated data) was about 60 per cent of the group's GDP, while that of the general government was only 18 per cent of GDP.

However any suggestion that the significantly lower external debt burden of the public sector may be sufficient to avert macroeconomic problems ahead is dangerous. The experience of the global financial crisis shows that crises caused by failure of risk perception by private agents end up badly damaging public sector finances. In the aftermath, persistent financial instability, coupled with austerity policies have been a proven recipe for a damaging deflationary spiral. While predicting financial crises in the developing world is a hazardous business, it is time for the multilateral community to draw lessons from recent events and put forward policies to avert a repeat of past crises.

Recommendations for an internationally coordinated strategy to revive growth

The analysis proposed above shows that individual economies are strongly interconnected through real demand and financial linkages. Developed countries following the path of austerity cannot credibly emerge without financial and real-demand support from their main partners, namely the surplus countries of the developed world. Developed countries now engaged in a path of debt-led, asset-backed private spending could only change strategy if supported also by surplus countries. Successful export performers cannot continue to rely on growth in external demand and large surpluses and can only grow in a more sustainable manner if they allow for real currency appreciation and domestic demand injections. Developing countries would not succeed in their mid- to long-term strategies if they continue to be battered by huge surges of capital flows in a deregulated global financial system. Therefore, the recommended policies will require a considerable degree of international coordination, ideally at a global level, minimally at the regional level.

The elements of such an internationally coordinated strategy can be simply spelled out. First, for growth to be sustained, domestically and globally, labour compensation has to grow at par with aggregate productivity. This will represent wage appreciation in most surplus countries, triggering the desired strengthening of global aggregate demand. Second, the support of the public sector in the provision of social and physical infrastructure is essential, as both in developing and developed countries physical and human capital investment have been neglected for far too long. Third, investments, both public and private, could focus on the research and development of environment-friendly technologies, particularly those which are employment intensive. Fourth, domestic finance has to be re-engineered and re-regulated with the aim of supporting employment creation and productive activities. Fifth, the system of international payments and transactions has to be made more consistent with sustained global economic growth and convergence. This means that regional and global financial arrangements should facilitate more trade in non-reserve currencies, that imbalances are corrected before they get out of control, with a strong contribution of surplus countries and by proper intervention of regional or global lenders of last resort.

Statement by Ms. Helen Clark, Administrator, United Nations Development Programme and Chair of the United Nations Development Group

Over the past few decades the world has witnessed important and in some cases remarkable development advances, and progress on the Millennium Development Goals (MDGs) has been significant. Global poverty has declined and over seven hundred million fewer people lived in conditions of extreme poverty in 2010 compared to 1990. This happened alongside strong growth in the global economy overall, particularly in a number of developing countries.

Following the economic crisis of recent years, however, global growth rates have slowed, and there are no signs of returning to pre-crisis levels. At the same time many of the world's poorest and most disadvantaged people have yet to benefit from development progress. Indeed, 1.2 billion people – the majority of whom live in Sub-Saharan Africa and South Asia – continue to live on less than US\$1.25 dollars a day; 870 million people go to bed every night hungry; 1.3 billion people do not have access to electricity; and almost 2.5 billion do not have access to the improved sanitation called for in the MDGs.

Global inequalities have also been on the rise: 75 per cent of the world's population live in societies where income distribution is less equal now than it was in the 1990s. On average – and taking into account population size – income inequality increased by eleven per cent in developing countries between 1990 and 2010, indicating that the benefits of growth have accrued disproportionately to better off segments of society.

Inequalities have a negative impact on the well-being of people and the prospects of society as a whole. Income inequality, for example, impedes long-term growth, and dampens the poverty-reducing impact of growth. It is also associated with a host of negative social outcomes, ranging from low health status and educational achievement to higher crime rates.

Children in the lowest asset quintile of East Asia and Latin America, for instance, are around three times more likely to die before their fifth birthday than are children from the same region who were born in the highest asset quintile. Women in rural areas in South Asia are 26 per cent more likely to be malnourished than are women in urban areas.

Inequalities can also generate political instability; erode social cohesion and government legitimacy; and undermine capacity for the decision-making necessary for reform.

Those who experience multiple and simultaneous deprivations, across the economic, social, political, legal, cultural, and environmental spheres, are cut off from opportunities to contribute to and benefit from their economy, society, and communities. In this scenario, everyone loses. The economy has less potential to boost productivity and generate revenue; societies are less cohesive; community members less likely to trust each other; and those who suffer exclusion and endure isolation, indignity, and discrimination, have little chance to improve their lives.

Rising income inequality has been driven in part by structural factors at the global, regional, and national levels. Growing levels of financial and economic integration have been accompanied by weak employment growth. Rapid technological change has favoured the highly educated and skilled, keeping real wages low for the less skilled and weakening the bargaining position of workers. Growing global financial integration has also increased countries' vulnerabilities to external shocks, thereby contributing to macroeconomic instabilities, which are often manifested in sharp swings in capital flows and exchange rates. In a number of cases, however, national policies are also at fault. Regressive tax policies, low public investment in rural areas, and reductions in provision for social protection and education are just some of the factors at work.

Current growth models have thrived on unsustainable patterns of consumption and production. A desire for shorter-term economic and political gains has often prevailed at the expense of environmental sustainability.

Greenhouse gas emissions, biodiversity loss, and ocean acidification are reaching alarming levels. As confirmed in the IPCC's Fifth Assessment Report released in March, the threat posed by climate change is no longer hypothetical. Its impact is being felt in countries around the world, with disproportionate impacts on poor people and countries. Climate change threatens to halt and even reverse development progress. The impact of rapid environmental degradation is increasingly being felt worldwide, but hurts developing countries and poor communities the most. It was estimated in the 2005 Millennium Ecosystem Assessment that over sixty per cent of the earth's ecosystems and their associated services upon which societies rely were already degraded, overexploited, or lost.

As UNDP's 2011 Human Development Report, "Sustainability and Equity: A Better Future for All", emphasises, the pursuit of equity and sustainability are inextricably linked - one will not be achieved without the other.

Moving towards more inclusive and sustainable patterns of growth

The promotion of inclusive and sustainable growth – growth which reduces poverty and inequality while also protecting our planet - is arguably the defining development challenge of our era.

The widening gaps in income and other dimensions of well-being are not unavoidable consequences of development progress. A number of countries have managed to reduce inequalities significantly while also generating significant levels of economic growth. As confirmed in the IMF's Discussion Note on Redistribution, Inequality, and Growth released last month, the evidence suggests that, on balance, inequality reducing policies are good for growth.

Growth which is inclusive and sustainable generates jobs and new opportunities benefiting the poor disproportionately. Much can be done by national and local policy makers to shape growth which is inclusive and sustainable. They can, for example, direct public and private investment to communities where the poor and excluded live and work; redistribute the benefits of growth through progressive taxes and universally accessible quality services; empower and enable women and marginalized communities to participate in decision-making; and establish ways of protecting the poor from economic shocks and natural disasters.

Employment is in many ways the lynch pin – linking economic growth to poverty reduction. Generating inclusive growth is very much about incentivizing and enabling the economy to grow in job-rich ways. It is important that the post-2015 development agenda prioritizes employment as a global goal.

Global trends also reflect the continued relevance and importance of implementing the UN's decent work agenda. Workers in the informal sector often suffer low and unreliable wages, and poor and dangerous working conditions. They have little legal recourse through which to confront corrupt, abusive, or exploitive practices. Legal empowerment initiatives which enable the poor to register their small businesses, receive training, and access social and financial services can play an important role. So can efforts to boost the productivity of small holder farmers through education, training, expanded access to financial services, and improved infrastructure.

Comprehensive social protection also underpins inclusive and sustainable growth. The work of the UN development system has helped to establish Social Protection Floors in a number of countries. These

floors are comprised of at least basic social security guarantees for health care, and for income security for children, older people, and those unable to work because of sickness, unemployment, advanced pregnancy, or disability.

Yet, more than 76 per cent of the world's population continues to live without adequate social protection coverage. Expanding people's access to it is both a way to advance human rights and sound economic policy. Well-designed social protection systems support household incomes, build human capital, and increase productivity. In the face of an uncertain global economic recovery and lower global demand, the adoption of a social protection floor is an opportunity for a country to help stabilize its economy, generate inclusive growth, and build social cohesion and political stability.

The UN system is working to promote a resilience-based approach to development which builds on the strength of individuals, their communities, and institutions to prevent and mitigate the impacts of shocks of any type - internal or external; natural or human-induced; economic, political, or social.

This integrated approach to resilience requires us to co-ordinate our policy responses in three broad categories:

- Anticipating their consequences, and how to mitigate them.
- Addressing primary drivers of vulnerability, redesigning and strengthening institutions, diversifying livelihoods and economic systems, and building the capacity of civil society networks to respond to risks and mitigate their impact.
- Building resilience at individual, community, and national levels, with adequate regional and international support measures, to protect development gains.

Over the last two decades, at least US \$2 trillion in economic losses have been attributed to disasters. As recognized by the Progress Report included as background for this Development Committee meeting, building resilience to disasters requires comprehensive approaches which integrate risk management into policies, plans, programmes, and budgets at all levels – from the local to the regional and national. Vulnerabilities must be managed and capacities enhanced at each level.

The World Bank and the UN are collaborating on a number of global risk reduction and recovery initiatives. For example, in line with the 2008 Tripartite Agreement on Post-Crisis Assessment and Recovery Planning, the European Union, the UN Development Group, and the World Bank are working to develop joint guidance in support of Post-Disaster Needs Assessments. The aim is to help countries establish comprehensive and collaborative approaches to post disaster recovery which are firmly anchored in an understanding of the human and social needs of disaster affected people.

Inclusive and sustainable growth in the post-2015 development agenda

The need for more inclusive and sustainable growth has been echoed by the more than 1.8 million people who have participated in the UN-facilitated global consultations on the post-2015 development agenda. These consultations revealed that many people see the world as being deeply unequal, and perceive that the dynamics of power and exclusion have left individuals, communities, and even whole countries behind.

People say that they want governments to focus on enabling inclusive growth, in particular through the promotion of decent employment and provision of quality social protection, including for women and girls. They have highlighted the need to address environmental sustainability, good governance, and

security as fundamental building blocks for overall development progress. These consultations also tell us that people recognize that no issue can be dealt with in isolation from others, and that sustainable and inclusive growth needs to be promoted in integrated and comprehensive ways.

The consultations showed that people around the world want to be involved in the design and implementation of the new global development agenda. They don't want to be consulted, but then ignored. This was taken on board in the outcome document of last September's leader level meeting on the MDGs and post-2015 at the UN General Assembly. Now Member States are considering how to arrive at a set of goals and targets which are comprehensive, integrated, focused, and easily communicated. They seek to build on the legacy of the MDGs, while also reflecting new opportunities and challenges for human progress. That is not an easy task.

While the UN development system is actively supporting Member States in their deliberations on the post-2015 agenda, we also remain firmly focused on accelerating MDG progress ahead of the 2015 target date.

The UNDG's MDG Acceleration Framework (MAF) has helped to provide focus and direction within existing national frameworks and to translate national political commitment into pragmatic actions for addressing slow-moving MDGs. Currently 52 countries are either developing or implementing, or have already completed, MDG Acceleration Action Plans - in areas ranging from food security and nutrition to health, education, water and sanitation, employment, gender equality, and the environment.

We have learned from their experiences how important it is to work across sectors and themes to produce integrated policy solutions; and to identify what the bottlenecks to progress actually are, and to address them.

UN and World Bank collaboration

The UN and the World Bank have joined forces to accelerate MDG progress and to advise and support Member States on an ambitious, coherent post-2015 agenda. The World Bank has provided invaluable analytical inputs and expertise through its participation in the UN System Task Team on the Post-2015 UN Development Agenda.

Moving forward, the two institutions will have complementary roles in facilitating the transition to and implementation of the new development framework. With a third international conference on financing for development on the horizon, the World Bank's input will be vital in helping to find consensus on a new financing framework and in leveraging resources and knowledge in support of the new agenda. The annual special high-level meeting of the UN Economic and Social Council with the World Bank and the IMF is a key opportunity to discuss our common vision on financing sustainable development and *a true global partnership for development beyond 2015*.

Collaboration between the World Bank and the UN System will also be critical in ushering in the "data revolution" for development called for by the report of the UN Secretary General's High Level Panel on post-2015, and by many Member States. We need better data, which can be disaggregated, enabling inequalities across gender, ethnicity, and other factors to be targeted in the new global goals and targets, and progress to be monitored. The new Memorandum of Understanding between the UN and the Multilateral Development Banks on Enhanced Collaboration for Improving Statistics is an important step towards achieving that.

Finally, nowhere are the needs for our joint efforts greater than in countries affected by conflict and fragility. The UN plays a special role there in restoring security and political stability, and in addressing

huge development challenges. The World Bank is a very important source of financing for rehabilitation and reconstruction.

Statement by Mr. Anthony Lake, Executive Director, United Nations Children’s Fund (UNICEF)

Five years after the global financial crisis, the economic outlook is brightening: growth is picking up in both developing countries and high-income economies. But inequalities and poverty persist in all countries. They remain universal afflictions. Over a billion people continue to live on less than \$1.25 a day. Inequalities within and between countries are growing, thereby threatening economic development and poverty reduction efforts. Children are among the most vulnerable to the effects of poverty and inequalities. Investing in them – in particular in the most vulnerable – is a strategic way to build a brighter future for all, and for generations to come.

Eradicating extreme poverty starts with children

Poverty affects children the most – both in numbers and impact. Nearly half of the world’s extreme poor are children. The World Bank estimates that 569 million children under the age of 19 live on less than \$1.25 a day. The monetary measure of extreme poverty compounds the multiple deprivations that most marginalized children experience. These children lack the most basic care and services they need to survive and thrive. They live in households that struggle to provide them with nutritious food, education, and basic health services. Such deprivations suffered during the early stages of life can cause irreparable damage to children’s minds and bodies.

Child poverty – in all its manifestations – damages not only childhoods, but also life opportunities. Evidence shows that children living in poverty are more likely to become impoverished adults and have poor children, creating and sustaining intergenerational cycles of poverty.

While the immediate costs of child poverty are borne directly by children themselves, society pays a high price through reduced productivity, untapped potential, and the costs of responding to chronic poverty and lower social cohesion. Child poverty harms us all.

To put it in the words of the UN Millennium Declaration, “As leaders, we have a duty to all the world’s people... in particular, the children of the world, to whom the future belongs.” Every child, in every society, has the right to a fair start in life. But addressing child poverty and deprivations is more than an issue of rights and of moral responsibility – it is also an issue of enlightened self-interest.

Investing in children is investing in the foundation of a sustainable world of progress

Today’s children are tomorrow’s teachers, innovators, environmentalists and peacemakers. The future of humanity, indeed the future of our planet, depends on giving them the best possible start in life – quality health care; nutrition and education; clean water and sanitation; protection from violence, abuse and exploitation; and a decent standard of living.

Investment in quality education for all creates entrepreneurs and a skilled workforce, and more thriving communities. Each additional year of schooling can increase GDP by 0.37 per cent and potential lifetime income by as much as 10 per cent. Learning outcomes are even more strongly correlated with a country’s economic growth: when an additional year of schooling is combined with improved learning outcomes, GDP goes up by 1 per cent. This is particularly true for girls. Progress on practically every development

outcome – mortality declines, fertility declines, economic growth, democracy, and equity – is positively correlated with girls being educated.

Investment in good health and nutrition for children yields huge dividends in their development and later health care savings. Lives free of vaccine-preventable diseases, HIV/AIDS, stunting and polio are lives that do not burden future health care systems and have a greater chance to realize their full potential. Indeed, evidence shows that as much as 24 per cent of the economic growth in low- and middle-income countries between 2000 and 2011 resulted from health improvements, including from reductions in child and maternal mortality.

At the same time, progress is still insufficient to achieve our common child survival goal – Millennium Development Goal 4 (MDG4) – by 2015. In fact, if current trends persist, the goal will not be met globally until 2028. As a result, an additional 35 million children would die between 2015 and 2028. *Committing to Child Survival: A Promise Renewed* brings together governments, civil society and the private sector in a common cause to end preventable child deaths within a generation. Since the launch of this global movement in 2012, 177 governments have pledged to accelerate efforts to end preventable maternal, newborn and child deaths. Nearly 20 governments have already taken concrete steps to turn this pledge into action. From Brazil to Zambia, governments are sharpening national strategies for reproductive, maternal, newborn and child health (RMNCH), setting targets, and developing country-owned RMNCH scorecards to monitor and strengthen progress. Country-led action on maternal, newborn and child survival is reinforced and sustained by the countless civil society organizations that are mobilizing around national targets for RMNCH. By raising awareness of national targets and tracking their fulfillment, civil society is increasingly leading the way in demanding accountability for the political promises made on behalf of women and children.

Investment in water, sanitation and hygiene (WASH) can also generate significant human development and economic gains. Improved sanitation in developing countries yields an average of about \$5.50 return for every \$1 spent. For example, provision of proper basic sanitation facilities in schools leads to increased school attendance and higher literacy rates, particularly among girls. Higher levels of education in turn allow them to contribute more meaningfully to their communities and economies.

The Sanitation and Water for All Partnership recognizes both the moral and economic imperative of investing in water, sanitation and hygiene. During the third *Sanitation and Water for All High Level Meeting* held this week, finance ministers reported significant progress on over 400 commitments made in 2012. Results include strengthened institutions, greater capacity and increased WASH budgets. For example, Kenya increased its WASH budget by 30 per cent, and Senegal tripled its allocations to water, sanitation and hygiene. Over 50 countries and donors also made new commitments, emphasizing smarter investments focused on greater sustainability and equitable access to achieve the vision of water, sanitation and hygiene for all.

Global movements such as *A Promise Renewed* and *Sanitation and Water for All* bring governments, individuals, businesses, academics, civil society groups, international organizations and communities together to accelerate progress around specific issues. They have demonstrated results. In the words of World Bank President Jim Yong Kim, such movements “can produce solutions to problems that appear insurmountable.”

Equity-focused strategies for all children

For too long, equity and social spending have been seen as a dividend, rather than also a driver, of economic growth. Yet, a growing body of evidence shows that equity-focused strategies spur sustainable economic growth over the long term. IMF economists Berg and Ostry found that, globally, a 10 per cent

decrease in inequality increases the expected length of an economic growth period by 50 per cent. Other recent studies point to the fact that measures to tackle inequalities – such as equitable investments in health and education – can be growth-inducing. As IMF Managing Director Christine Lagarde recently emphasized, “[We need to] make sure that ‘inclusion’ is given as much weight as ‘growth’ in the design of policies. Yes, we need inclusive growth.”

In this context, the importance of investing in all children, equitably, cannot be overstated. We must bring to the forefront children with disabilities, of indigenous communities, girls, and children suffering in conflict zones. As is becoming increasingly clear, this will entail addressing the behavioural and social drivers of inequity, including adverse social norms that uphold or condone discrimination against children and across generations.

No group has had its rights compromised and potential neglected more consistently or more cruelly than children with disabilities. So often, children with disabilities receive the least of everything, last – the least healthcare and nutritious food, the least education and protective services. Last year’s *State of the World’s Children* report called on governments to keep their promises to guarantee the equal rights of all children – those living with and without disabilities. With all the challenges they confront, children with disabilities face yet another devastating blow when people impose limitations upon them and judge them through the lens of what they cannot do rather than what they can. Too often, the true disability is actually our inability to recognize their true talents.

Last September, governments and civil society from around the world came together to renew their pledge to invest in opening doors of opportunity for people with disabilities and to gather the data necessary to design and deliver the policies and programmes that can help us reach this goal. Commitments included making schools and workplaces more inclusive and accessible; providing equal access to health care and nutrition for all; and designing sanitation programmes and facilities that take into account the needs of people with disabilities — even, or especially, in emergencies.

Children are often the most vulnerable in humanitarian situations. Crises present a particularly difficult environment in which to live and grow up, depriving children of safety and of their dreams for the future. In major crises such as in the Syria region, South Sudan and Central African Republic, the threat of disease outbreaks looms, schools are being destroyed, children’s right to education is denied, and severe child rights violations escalate. Combined, these afflictions deprive children of their rights today while affecting their future and that of their countries over the long term.

After three years of conflict and turmoil, Syria is now one of the most dangerous places on earth to be a child. More than 5.5 million Syrian children now see their future besieged by war. Neighbouring nations and host communities are struggling to absorb the influx of refugees, with a direct impact on their own youngest citizens. The lives of millions of children are at risk due to increasing violence, rising malnutrition and risk of illnesses. At the same time, years of missed education and deepening psychological distress undermine children’s productive growth and their ability — and indeed willingness — as future leaders, to build a more peaceful, secure and stable Syria, for the benefit of all. Millions of young people risk becoming, in effect, a lost generation. We must avert this — and we still can. To succeed, we must capitalize on progress made this week on the Comprehensive Regional Strategy and the *No Lost Generation* initiative, and secure long-term support for rebuilding lives, communities and institutions across the region. Accelerating our efforts to safeguard and invest in children of Syria and other conflict zones around the world represents our best chance to forge a better future for them, their countries and the world. If they are not going to grow up able and willing to heal the wounds of their nations, who will?

Looking forward

Building a more prosperous future for all children – in particular the most vulnerable – must be at the center of the global development agenda. Eradicating child poverty and deprivations is key to any progress humanity seeks to make. The post-2015 development agenda offers an historic opportunity — indeed a global responsibility — to get it right. Making equity a guiding principle of our efforts represents the best hope to reverse the downward spiral of inequality around the world and to instead set in motion an upward spiral of inclusive, sustainable growth and human development that benefits us all.

Statement by Mr. Xiaohun Yi, Deputy Director-General, World Trade Organization

After a disappointing year in 2013, the WTO forecasts world merchandise trade to grow by some +4.7% in 2014, developing (including emerging) economies' trade flows still outpacing that of developed countries'. With their imports growing faster than their exports since the financial crisis, developing countries pull the developed countries' recovery, and contribute to reduce global imbalances.

In this regards, the integration of developing countries and emerging economies in the world economy through open trade policies has done a lot to boost their own growth, and to offer growth to the world economy when it was convalescent. By sharing 50% of global trade and output each, developing economies, on the one hand, and developed economies, on the other, have never been so inter-dependent.

Bearing this in mind, the WTO has shown at its Ministerial Meeting in Bali that it was able to deliver meaningful trade agreements, of great benefit for developing countries, while providing enough space to implement specific domestic policies. The agreement to improve duty-free and quota-free treatment on LDCs exports is one example. The mechanism to allow for food security scheme in other developing countries is another example.

The WTO believes that further progress in the trade integration of developing economies requires continued World Bank involvement in trade, notably in two key areas, trade facilitation and trade finance. The development benefits of the trade facilitation agreement lie in implementation on the ground. Developing countries, including LDCs, will need generous and sustained support from their development partners over the next five to ten years to implement the policy and institutional reform they will need to undertake if they are to benefit fully from better border management at home and by their trading partners. I welcome the support that the World Bank Group is providing to developing countries, including LDCs, on trade facilitation. I urge Development Ministers to keep this issue high on their list of priorities for development assistance, and to be quick to grasp the opportunities it has for generating economic growth and development.

I would also like to commend the International Financial Corporation (IFC's), and the World Bank Group in general, for its continued involvement in supporting trade finance in low-income countries, an area in which WTO-World Bank cooperation can be regarded as exemplary. To be noted this year, for example, is the creation by the African Development Bank of a regional trade finance program in support of African traders, with technical support from both the WTO and the World Bank. Let us ensure that such fruitful cooperation continues in the future.



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)



DC2014-0001
March 25, 2014

NOTICE OF MEETING

The 89th meeting of the Development Committee will be held on Saturday April 12, 2014, commencing at 3:00 p.m. in the Preston Auditorium, the World Bank Main Complex, Washington, D.C.

This meeting will be preceded by an informal Ministerial-level lunch from 1:30 to 2:50 p.m., in MC13-121, which will provide members the opportunity to comment on strategic institutional matters.

AGENDA

Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries

Background Paper:

Progress Report on Mainstreaming Disaster Risk Management in World Bank Group Operations

FOR IMMEDIATE RELEASE



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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Washington, DC April 12, 2014

1. The Development Committee met today, April 12, 2014, in Washington DC.
2. Economic recovery in high-income countries shows signs of strengthening and growth continues in many emerging market economies. However risks remain. Fostering strong, inclusive and sustainable growth in today's interconnected global economy will require policy adjustments and appropriate coordination and communication. We encourage the World Bank Group (WBG) and the International Monetary Fund (IMF) to work jointly and with all member countries in pursuing sound and responsive economic policies; addressing underlying macroeconomic vulnerabilities; rebuilding macroeconomic buffers; and strengthening prudential management of the financial system.
3. The ability of the WBG to assist countries in achieving the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner, and to support member countries in addressing their development needs, should be enhanced by the implementation of the WBG Strategy that we endorsed at our last meeting. We welcome the progress made in implementing the change agenda, and call on the WBG to work effectively to complete the reforms. The WBG should build on its country engagement model as a platform for selectivity based on client demand and the new corporate goals, to deliver better, faster and evidence based solutions that result in transformative outcomes for the benefit of low and middle income countries alike. We expect the new WBG structure should lead to better global knowledge sharing to benefit all client countries, and to strengthening its role in support of south-south and regional cooperation. We welcome the WBG scorecard and look forward to regular updates on the implementation of the WBG strategy.
4. Strengthening the foundations for strong, inclusive and sustainable growth calls for macroeconomic stability, good governance, promoting public investment, improving the enabling environment for private investment, boosting quality investment in resilient infrastructure and improving access to finance. Social inclusion and policies that broaden income opportunities and the full participation of all groups, including women and the marginalized and vulnerable, are essential. Raising skills, productivity, and innovation capabilities are also key elements. An open business climate that fosters competition, more inclusive human capital development and well-targeted social protection programs

are good both for growth and for shared prosperity. Private investment flows complement development finance and are a vital factor in achieving our goals. In this context, we emphasize the importance of the roles of the International Finance Corporation and the Multilateral Investment Guarantee Agency, working as part of one WBG, in catalyzing private financial flows and promoting the development of a dynamic private sector that can help support sustainable growth, shared prosperity and real opportunities for all citizens in all client countries. Environmental considerations need to be integrated into policymaking: climate-smart policies are necessary for environmental sustainability and resilience, and could also generate side benefits for growth and jobs.

5. The level of ambition of the WBG Strategy demands better utilization of existing resources as well as strengthening the WBG's financial capacity. We are encouraged by and we welcome the conclusion of a successful IDA 17 replenishment, which included strong support from traditional and new donors, and innovative financing mechanisms. The record US\$52 billion approved by shareholders puts IDA in a strong position to maximize impact in supporting our poorest and most vulnerable member countries, including many fragile and conflict-affected situations (FCS) as well as small states, which face particular development challenges. We welcome IDA 17's commitment to maximize development impact with its special focus on inclusive growth; gender equality; climate change, including disaster risk management (DRM); and FCS. We are also encouraged that the subsidy resources needed to ensure the sustainability of subsidized IMF lending to low income economies have been largely secured. We value the IMF's work on how countries can use fiscal policy to address inequality in an efficient manner.
6. The measures taken to grow revenues, reduce costs, and make more efficient use of capital within a prudent risk framework will increase the WBG's financial capacity to serve its clients, both by supporting them with their specific development objectives and by providing countercyclical support in times of crisis. We look forward to continued progress in achieving a leaner cost base via improved organizational and operational efficiencies, as well as ongoing efforts to develop innovative approaches and mechanisms to mobilize additional financing. We encourage increasing the level and quality of investment in infrastructure, which is critical for growth, job creation, prosperity and poverty reduction in countries of all income levels. We call on the WBG to remain actively engaged with middle income countries to help them address their development needs. We also encourage the WBG to explore extending IBRD loans to well performing IDA-only countries while ensuring their debt sustainability.
7. We urge the WBG and the IMF to continue to strengthen their engagement with Sub-Saharan Africa and ensure that their financial, analytical, and capacity-building support is geared toward fostering country-driven structural transformation, reducing extreme poverty, boosting job creation, and making economic growth more inclusive and resilient. We especially welcome the WBG's stepped up engagement in addressing the regional drivers of fragility and conflict, most recently through the Sahel Initiative and continued implementation of the Great Lakes Initiative. The WBG should learn from these initiatives and apply lessons to the Horn of Africa, Central Africa and the Gulf of Guinea. We also commend the role of the WBG in helping to close the infrastructure gap of Sub-Saharan Africa, by attracting new investments and financing sustainable energy supply and distribution. We call on the WBG to assist clients to further develop nutrition-sensitive agriculture production, including through support to smallholders and cooperatives, and to broaden support for sustainable agriculture. We are encouraged that the IMF has now completed its program of establishing five technical assistance centers to meet needs across the entire region. We welcome the forthcoming IMF high-level conference in Mozambique that will bring together economic policy makers from Africa and beyond to discuss

some of the key challenges facing the continent. We call for enhanced focus and attention to the Middle East and North Africa region, and emphasize the importance of WBG support to Arab countries in transition.

8. We remain deeply concerned about the continuously deteriorating humanitarian situation in the Central African Republic, South Sudan and Syria. We commend the generosity of governments and families in neighboring countries who are hosting those displaced at significant economic and social cost. The WBG's work in FCS is fundamental to delivering on its goal to end extreme poverty, and active IMF engagement in FCS is key to achieving macroeconomic stability under what are often very difficult circumstances. We urge the WBG and the IMF to remain closely engaged in these as well as other FCS and countries in transition, in coordination with other development partners. We welcome the continuous support of the WBG and IMF to Ukraine given the challenges the country is facing.
9. We encourage the WBG to maintain strong collaboration with the UN system in the definition of the Post-2015 Millennium Development Goals.
10. We welcome the WTO Bali Ministerial Declaration on Trade Facilitation. We believe the agreement will increase competitiveness for developing countries by improving border management and reducing transaction costs and we call on the WBG to support countries in its implementation.
11. We are encouraged by progress made by the WBG in mainstreaming DRM in its operations and recognize the need to further intensify these efforts in country partnership frameworks. We recognize the challenges faced by small states vulnerable to the effects of climate change and natural disasters. We would welcome a further update on progress two years from now.
12. We remain committed to completing the implementation of the 2010 WBG shareholding realignment. We urge all members who are yet to subscribe to their allocated IBRD and IFC shares to do so without delay, and look forward to the next review of Voice by 2015.
13. We thank Jorge Familiar for his excellent services to the Development Committee over the past four years and wish him well in his future role as the World Bank's Vice President for Latin America and the Caribbean. The next meeting of the Development Committee will be held on October 11, 2014, in Washington, DC.



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)



DEVELOPMENT COMMITTEE MEETING

Saturday, April 12, 2014
Washington, DC

CONSTITUENCY LIST

April 12, 2014
Washington, DC

Marek Belka, Chairman
Jim Yong Kim, President, World Bank
Christine Lagarde, Managing Director, International Monetary Fund

Jorge Familiar, Acting Executive Secretary

<u>Members</u>	<u>Executive Directors</u>	<u>Countries</u>	<u>Group</u>
<p>Ibrahim Al-Assaf (<i>attending</i>) Minister of Finance Saudi Arabia</p> <p><i>Alternate Member</i> Fahad A. Almubarak Governor for the Saudi Arabian Monetary Agency</p>	<p>Ibrahim Alturki (Bank) Fahad Ibrahim. A Alshathri (Fund)</p>	<p>Saudi Arabia</p>	1
<p>Ahmed bin Mohammed Al-Khalifa Minister of Finance (<i>attending</i>) Kingdom of Bahrain</p>	<p>Merza Hussain Hasan (Bank) A. Shakour Shaalan (Fund)</p>	<p>Kingdom of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Republic of Yemen</p>	2
<p>Alberto Arenas Minister of Finance Chile Ministry of Economy and Finance</p> <p><i>Alternate Member</i> Alejandro Micco (<i>attending</i>) Undersecretary of Finance</p>	<p>Guido Forcieri (Bank) Alvaro Andres Rojas Olmedo (Fund)</p>	<p>Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay</p>	3
<p>Taro Aso Minister of Finance Japan</p> <p><i>Alternate Member</i> Mitsuhiro Furusawa (<i>attending</i>) Vice Minister of Finance for International Affairs</p>	<p>Hideaki Suzuki (Bank) Daikichi Momma (Fund)</p>	<p>Japan</p>	4

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<p>Mohamed Boussaid Minister of Economy and Finance Morocco</p> <p><i>Alternate Member</i> Mohammed Louafa Minister Delegate to the Head of Government responsible for General Affairs and Governance</p> <p><i>Temporary Alternate Member</i> Driss El-Azami El-Idrissi (<i>attending</i>) Minister Delegate to the Minister of Economy and Finance responsible for the Budget</p>	<p>Omar Bougara (Bank) Jafar Mojarrad (Fund)</p>	<p>Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia</p>	5
<p>P. Chidambaram Minister of Finance India</p> <p><i>Alternate Member</i> Arvind Mayaram (<i>attending</i>) Secretary Department for Economic Affairs Ministry of Finance</p>	<p>Mukesh Nandan Prasad (Bank) Rakesh Mohan (Fund)</p>	<p>Bangladesh, Bhutan, India, Sri Lanka</p>	6
<p>Alexander Chikwanda (<i>attending</i>) Minister of Finance Zambia</p> <p><i>Alternate Member</i> Maria Kiwanuka (Ms.) Minister of Finance, Planning and Economic Development Uganda</p>	<p>Denny Kalyalya (Bank) Momodou Bamba Saho (Fund)</p>	<p>Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Somalia (informally), Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe</p>	7
<p>Jeroen Dijsselbloem Minister of Finance The Netherlands</p> <p><i>Alternate Member</i> Lilianne Ploumen (Ms.) (<i>attending</i>) Minister for Foreign Trade and Development Cooperation</p>	<p>Frank Heemskerk (Bank) Menno Snel (Fund)</p>	<p>Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine</p>	8

<u>Members</u>	<u>Executive Directors</u>	<u>Countries</u>	<u>Group</u>
<p>Daniel Kablan Duncan (<i>attending</i>) Prime Minister and Minister of Economy and Finance Côte d'Ivoire</p>	<p>Agapito Mendes Dias (Bank) Kossi Assimaidou (Fund)</p>	<p>Benin, Burkina Faso, Cameroon, Republic of Cabo Verde, Central African Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Republic of Congo, São Tomé and Príncipe, Senegal, Togo</p>	9
<p>Koenraad Geens Minister of Finance Belgium</p> <p><i>Alternate Member</i> Marc Monbaliu (<i>attending</i>) Administrator General, Belgian Treasury</p>	<p>Gino Alzetta (Bank) Menno Snel (Fund)</p>	<p>Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey</p>	10
<p>Pravin Gordhan Minister of Finance South Africa</p> <p><i>Alternate Member</i> Lungisa Fuzile (<i>attending</i>) Director-General of the National Treasury</p>	<p>Mansur Muhtar (Bank) Momodou Bamba Saho (Fund)</p>	<p>Angola, Nigeria, South Africa</p>	11
<p>Justine Greening (Ms.) (<i>attending</i>) Secretary of State for International Development United Kingdom</p> <p><i>Alternate Member</i> George Osborne Chancellor of the Exchequer</p>	<p>Gwendolen Lucy Hines (Bank) Steve Field (Fund)</p>	<p>United Kingdom</p>	12
<p>Joe Hockey Treasurer of the Commonwealth Australia</p> <p><i>Alternate Member</i> Steven Ciobo (<i>attending</i>) Parliamentary Secretary to the Treasurer</p>	<p>Michael Thomas Willcock (Bank) Jong-Won Yoon (Fund)</p>	<p>Australia, Cambodia, Kiribati, Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Papua New Guinea, Republic of Palau, Samoa, Solomon Islands, Tuvalu, Vanuatu</p>	13

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<p><i>Temporary Alternate Member</i> Matt Flavel General Manager, International Finance and Development, Treasury</p>			
<p>Jacob Joseph Lew Secretary of the Treasury United States</p> <p><i>Alternate Member</i> Catherine Novelli Under Secretary of State for Economic Growth, Energy and the Environment, Department of State</p> <p><i>Temporary Alternate Member</i> Marisa Lago (Ms.) (attending) Assistant Secretary of the Treasury</p>	<p>Sara Margalit Aviel (Bank) Meg Lundsager (Ms.) (Fund)</p>	United States	14
<p>Lou Jiwei Minister of Finance Ministry of Finance P.R. of China</p> <p><i>Alternate Member</i> Shi Yaobin (attending) Vice Minister of Finance</p>	<p>Shixin Chen (Bank) Tao Zhang (Fund)</p>	China	15
<p>Guido Mantega Minister of Finance Brazil</p> <p><i>Alternate Member</i> Carlos Cozendey (attending) Secretary for International Affairs</p>	<p>Roberto Tan (Bank) Paulo Nogueira Batista, Jr. (Fund)</p>	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, Trinidad and Tobago	16
<p>Gerd Mueller Federal Minister for Economic Cooperation and Development Germany</p> <p><i>Alternate Member</i> Thomas Steffen State Secretary, Ministry of Finance</p> <p><i>Temporary Alternate Member</i> Thomas Silberhorn (attending) Parliamentary State Secretary</p>	<p>Ingrid Hoven (Bank) Hubert Temmeyer (Fund)</p>	Germany	17

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<p>Kittiratt Na-Ranong (<i>attending</i>) Deputy Prime Minister and Minister of Finance Thailand</p> <p><i>Alternate Member</i> Rungson Sriworasat Permanent Secretary Ministry of Finance</p> <p><i>Temporary Alternate Member</i> Somachai Sujjapongse Director General Ministry of Finance</p>	<p>Sundaran Annamalai (Bank) Wimboh Santoso (Fund)</p>	<p>Brunei Darussalam, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam</p>	18
<p>Joe Oliver Minister of Finance Canada</p> <p><i>Alternate Member</i> Paul Rochon (<i>attending</i>) Deputy Minister of International Development, Department of Foreign Affairs, Trade and Development</p>	<p>Alister Smith (Bank) Thomas Hockin (Fund)</p>	<p>Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines</p>	19
<p>Michel Sapin Minister for Finance and Public Accounts France</p> <p><i>Alternate Member</i> Ramon Fernandez (<i>attending</i>) Director-General, Directorate-General of the Treasury</p>	<p>Hervé de Villeroché (Bank and Fund)</p>	<p>France</p>	20
<p>Johann N. Schneider-Ammann Minister and Head of the Federal Department for Economic Affairs, Education and Research Switzerland</p> <p><i>Temporary Alternate Member</i> Marie-Gabrielle Ineichen-Fleisch (Ms.) State Secretary for Economic Affairs - SECO (<i>attending</i>)</p>	<p>Jorg G. Frieden (Bank) Daniel Heller (Fund)</p>	<p>Azerbaijan, Republic of Serbia, Kazakhstan, Kyrgyz Republic, Poland, Switzerland, Tajikistan, Turkmenistan, Uzbekistan</p>	21

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<p>Anton Siluanov Minister of Finance Russian Federation</p> <p><i>Temporary Alternate Member</i> Sergei Storchak (attending) Deputy Minister of Finance</p>	<p>Vadim Grishin (Bank) Alekssei V. Mozhin (Fund)</p>	Russian Federation	22
<p>Gunnar Bragi Sveinsson (attending) Minister for Foreign Affairs Iceland</p>	<p>Satu Leena Elina Santala (Bank) Audun Groenn (Fund)</p>	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	23
<p>Luis Videgaray (attending) Secretary of Finance and Public Credit Mexico</p>	<p>Juan Jose Bravo (Bank) Jose Rojas (Fund)</p>	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Kingdom of Spain, República Bolivariana de Venezuela	24
<p>Ignazio Visco (attending) Governor Bank of Italy</p> <p><i>Alternate Member</i> Carlo Monticelli Director, International Financial Relations, Ministry of Economy and Finance</p>	<p>Piero Cipollone (Bank) Andrea Montanino (Fund)</p>	Albania, Greece, Italy, Malta, Portugal, San Marino, Timor- Leste	25

OBSERVERS

Organization	Representative
African Development Bank	Mr. Donald Kaberuka, President
Arab Bank for Economic Development in Africa	Mr. Kamal Mahmoud Abdelatif, Director of <i>Operations (not attending)</i>
Arab Fund for Economic and Social Development	Mr. Adulatif Y. Al-Hamad, Director General and Chairman of the Board
Arab Monetary Fund	Dr. Abdulrahman A. Al Hamidy, Director General/Chairman of the Board
Asian Development Bank	Mr. Takehiko Nakao, President
Commonwealth Secretariat	Ms. Cheryl Bruce, Economic Advisor, Economic Affairs Division
Cooperation Council for the Arab States of the Gulf	Mr. Khalid Ibrahim M. Al-Alsheikh, Director, Finance and Monetary Department, Economic Affairs (<i>not attending</i>)
Council of Europe Development Bank	Mr. Rolf Wenzel, Governor
Development Assistance Committee	Mr. Erik Solheim, Chairman
European Bank for Reconstruction & Development	Mr. Erik Berglof, Chief Economist
European Commission	Mr. Andris Piebalgs, Commissioner in Charge of Development
European Investment Bank	Mr. Philippe de Fontaine Vive, Vice President
Food and Agriculture Organization	Mr. Nicholas Nelson, Director of the FAO Liaison Office for North America
Inter-American Development Bank	Mr. Luis Alberto Moreno, President
International Fund for Agricultural Development	Mr. Kanayo F. Nwanze, President
International Labour Office	Mr. Stephen Pursey, Director of Multilateral Relations
Islamic Development Bank	Mr. Abdulaziz Al-Hinai, Vice President Finance
Nordic Development Fund	Mr. Pasi Hellman, Managing Director
Nordic Investment Bank	Mr. Henrik Normann, President and CEO (<i>not attending</i>)
OPEC Fund for International Development (OFID)	Mr. Suleiman Jasir Al-Herbish, Director-General
Organization for Economic Co-operation and Development (OECD)	Mr. Angel Gurría, Secretary General Mr. Serge Tomassi, Deputy Direct, Development Cooperation Directorate
United Nations	Ms. Shamshad Akhtar, Assistant Secretary-General, Economic and Social Affairs Mr. Alexander Trepelkov, Director, Financing for Development Office
United Nations Conference on Trade and Development (UNCTAD)	Mr. Petko Draganov, Deputy Secretary-General
United Nations Development Programme (UNDP)	Ms. Helen Clark, Administrator
West African Development Bank	Mr. Christian Adovelande, President
World Health Organization	Dr. Margaret Chan, Director-General (<i>not attending</i>)
World Trade Organization	Mr. Xiaozhun Yi, Deputy Director-General