



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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DEVELOPMENT COMMITTEE COMMUNIQUÉ

Summary Statement

The Development Committee met today, October 12, 2008, in Washington DC.

Our meeting took place at a critical time for the global economy, with financial markets experiencing unprecedented turmoil. Developing and transition countries (DTCs) - many of them already hit hard by current high prices for energy and essential foodstuffs - risk very serious setbacks to their efforts to improve the lives of their populations from any prolonged tightening of credit or sustained global slowdown. The poorest and most vulnerable groups risk the most serious – and in some cases permanent – damage.

Against this background, we endorse the commitments made yesterday at the International Monetary and Financial Committee.

We stressed that aid volumes need to be consistent with existing commitments and we called for full compliance with these commitments.

In support of these concerted actions, we called on the World Bank to join with the IMF in drawing on the full range of its resources - finance, analysis and advice - to help DTCs strengthen their economies, maintain growth, and protect the most vulnerable groups against the impact of the current crises.

The World Bank Group stands ready to help its partner countries:

- The Bank's recently announced \$1.2 billion rapid financing facility is providing immediate help for countries coping with the impact of high food prices on the poor, and already has \$850 million approved or in the pipeline. We urge countries to consider making contributions to this fund.
- We encouraged the Bank and its partners to move forward with a planned new program – Energy for the Poor – that would provide rapid support for countries' efforts to strengthen social safety nets to protect the poor against the impact of high fuel bills.

- IBRD has the financial capacity to comfortably double its annual lending to developing countries to meet additional demand from clients. IBRD lending was US\$13.5 billion last fiscal year.
- We urged IFC to explore options for helping recapitalize banks in developing countries adversely affected by the global liquidity crisis, including the possibility of a fund.

We also supported longer-term efforts beyond the immediate crisis, including:

- Expanded help for energy-deficit countries to improve energy efficiency and improve domestic production to reduce their vulnerability to future price shocks.
- Reforms designed to increase the World Bank's responsiveness to its clients.
- A new strategic framework for the World Bank to play a stronger role in helping countries deal with the causes and effects of climate change, and the recent launch of the new Climate Investment Funds.

DEVELOPMENT COMMITTEE COMMUNIQUÉ

Main Text

1. We met in Washington DC today, Sunday, October 12, 2008.
2. We are concerned by the impact of the turmoil in world financial markets and the continued high prices of fuel and food. We welcomed member countries' commitment to take comprehensive and cooperative measures to restore financial stability and the orderly functioning of credit markets. The World Bank Group (WBG) and the IMF must help address these critical challenges, in particular the impact on developing countries, and draw lessons from the current crises. It will be crucial to maintain a focus on support for sustainable growth, poverty reduction, and the achievement of the Millennium Development Goals (MDGs). We welcomed world leaders' renewed commitment to the MDGs at the recent United Nations (UN) high-level event, and we reiterated the urgent need to forge a deepened global partnership at next month's *Financing for Development Conference* in Doha.
3. Developing and transition countries (DTCs) could suffer serious consequences from any prolonged tightening of credit or sustained global slowdown. Prices for fuels and staple foods remain at high levels. This is pushing up inflation in many countries and worsening income distribution, setting back progress towards meeting the MDGs, in particular the poverty and human development MDGs. Higher food and energy prices are also causing balance of payments problems, which are especially severe for low-income energy importing countries, many in Africa. We recognized that countries face difficult policy challenges, including dealing with the distributional effects of the commodity price shocks and protecting the most vulnerable groups with carefully targeted assistance, controlling inflation, and managing the shocks, while maintaining sound public finances and sustaining growth.
4. We recognized the important role of the DTCs in the global economy, and called on the international community, including the WBG and the IMF, working in a coordinated way, to draw on the full range of their financial, analytical and technical assistance resources and policy advice to help DTCs strengthen their economies and maintain growth, and protect the most vulnerable groups within their populations against the short and medium term impact of the current crises. Poorer countries, with their limited sources of fiscal revenue, will be especially dependent on timely and predictable flows of Official Development Assistance (ODA). In this regard, we emphasized the enhanced importance, in the current context, of donors meeting their ODA commitments. We especially appreciate the strong increase in overall WBG commitments to members in fiscal year 2008. We welcomed the WBG's collaboration with the UN and other partners, particularly through the *UN High Level Task Force on the Global Food Crisis*. Supporting President Zoellick's call for a *New Deal for Global Food Policy*, we welcomed the expedited financing provided through the *Global Food Crisis Response Program* and parallel efforts to increase substantially the level of WBG financial and analytical support for food and agriculture. We welcomed the progress on the *Energy for the Poor* initiative and encouraged the WBG, with the help of donors, to finalize the proposal. This will provide rapid assistance to social safety nets, and support projects to reduce countries' longer-term vulnerability to high and volatile fuel prices. We also welcomed the IMF's mobilization of the *Poverty Reduction and Growth Facility (PRGF)* in response to its members' needs, and the recent reform of its

Exogenous Shocks Facility, which provides for easier and more rapid access to concessional assistance in response to shocks.

5. The need to address these new global stresses adds to an already extensive agenda of critical issues confronting the international community. These include meeting the challenges embodied in the MDGs and providing the necessary funding for their achievement in a transparent and accountable way. ODA volumes need to be consistent with existing commitments and we called for full compliance with these commitments. We also highlighted the role of domestic resources for development. We called for: continued attention to the sustainability and full delivery of debt relief initiatives; addressing issues of global public goods including climate change; supporting health delivery systems in developing countries and countering international health scourges including HIV-AIDS; promoting gender equality and the empowerment of women; and maintaining and building upon the system of open international markets, including completing the *Doha Development Round* and delivering increased aid for trade. These challenges are particularly acute in conflict-affected countries and those in fragile situations, where we need to step up our efforts at collaboration, knowledge-sharing and ensuring adequate and timely resources. We called upon the Bank to intensify its efforts to operate flexibly and effectively in fragile and post conflict situations, and we welcomed the upcoming signing of the *UN-World Bank Partnership Framework and Fiduciary Principles Accord for Crisis and Emergency Situations*. The above agenda serves as a reminder of the crucial importance of intensified international co-operation and multilateralism in effectively addressing shared global challenges.

6. In this context, we welcomed the endorsement of a substantive *Agenda for Action* at the *Accra High Level Forum on Aid Effectiveness* by a broad partnership including stakeholders engaged in South-South cooperation. We noted in particular the reinforced commitment to: mutual accountability; support for country ownership through capacity development and institution building and increased use of strengthened country systems; enhancing value for money; transparency and predictability of aid and its underlying conditions; and the reduction of aid fragmentation. We urged development partners including the WBG to develop action plans to implement the Accra Agenda for Action and look forward to seeing the Bank's action plan before our next meeting.

7. In light of the new global challenges, we called on the Bank to urgently review the implications for its strategy and operations, and to articulate detailed objectives and actions. We asked management and the Board to work together to enhance Group synergy and make the Bank a more efficient, flexible, decentralized and client focused organization. We look forward to reviewing progress in this regard. We encouraged the Bank to complete its strategic review of IBRD's capital.

8. We discussed and welcomed the strategic framework for the World Bank Group on *Development and Climate Change*. The framework benefited from extensive consultations with member countries and other stakeholders. It provides a basis for the WBG to fulfill its core mission of promoting economic growth and poverty reduction, at the global, regional and country levels, in the context of the challenges posed by climate change. While re-emphasizing the primacy of the UNFCCC negotiation process, and taking account of the *Bali Action Plan*, we encouraged the WBG to support climate actions in country-led development processes in a

holistic manner, and to customize support to climate change adaptation and mitigation efforts, as well as capacity building needs, in its member countries. Recognizing the enormous financial gap for addressing climate change, we encouraged the WBG to strengthen its resource mobilization efforts, including facilitating access to additional concessional financing, ensuring complementarity with other financing mechanisms (notably the *Global Environment Facility* and the *Adaptation Fund*), supporting the development of market-based financing mechanisms, leveraging private sector resources, and seizing opportunities for innovation. We encouraged the WBG to play an active role in supporting the development and deployment of clean and climate-resilient technologies, and facilitating relevant R&D and technology transfer. In this context we welcomed the recent successful launch of the *Climate Investment Funds (CIF)*, including the *Clean Technology Fund* and the *Strategic Climate Fund*, as a positive first step, and called on the WBG to give increased attention to mobilizing resources for adaptation.

9. The package of reforms enhancing voice and participation of all developing and transition countries (DTCs) in WBG governance and work, brought forward by the Bank's Board, addresses many aspects of voice and participation in light of the Monterrey Consensus. This is an important first step in the ongoing process of comprehensive reform. This package includes both concrete immediate steps and commitments to further work. An additional Board seat for Sub Saharan Africa on the Bank's Board will be created. DTC voting shares in IBRD and IDA will increase, giving special emphasis to smaller members. Further realignment of Bank shareholding will be taken up by the Bank's Board in an important shareholding review that will develop principles, criteria and proposals for Bank shareholding. The review will consider the evolving weight of all members in the world economy and other Bank specific criteria consistent with the WBG's development mandate, moving over time towards equitable voting power between developed and developing members. The Board would develop proposals by the 2010 Spring Meeting and no later than the 2010 Annual Meetings, with a view to reaching consensus on realignment at the following meeting. There is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates. In addition, Bank Management has committed to continue enhancing diversity of management and staff and decentralizing decision-making. We asked the WBG's Boards and Management to take prompt action to implement this agreed first step. We look forward to the periodic reports on progress and future proposals for a subsequent realignment of Bank shareholding as part of comprehensive reform.

10. We welcomed the continuing work by the Board to review and further strengthen internal governance at the World Bank.

11. The Committee's next meeting is scheduled for April 26, 2009 in Washington, DC.