Statement by

Mr. Ahmed Bin Mohammed Al-Khalifa
Minister of Finance
Kingdom of Bahrain

On behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates and Yemen.
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Mr. Chairman, Governors, Ladies and Gentlemen

At the outset, I would like to extend a warm welcome to President Zoellick, who is coming to the Bank at a very critical juncture. I am sure, Mr. President that the multilateral development community and particularly this institution, will benefit from the rich experience that you bring to the table, especially as you spearhead the formulation of its Strategic Directions. I would also like to take this opportunity to bid farewell to Mr. De Rato, and to thank him for his contribution to our discussions, and his leadership of the Fund over the past few years.

Mr. Chairman, the Introduction to this meeting clearly sets the context for this strategic exercise. The World Bank, with its accumulated knowledge and cross-sectoral expertise, is ideally positioned to support developing countries during the upcoming challenging and volatile period. As indicated, while developing countries as a group have so far held up well, in part due to sound economic reforms and improved macroeconomic policies, a further tightening of credit conditions might undermine consumer and business confidence and lead to sharper corrections in trade flows and commodity prices, increase asset sell offs, with significant adverse effects on economic performance and growth, and delays in access to private market financing. It would therefore be prudent for the Bank’s strategic exercise to ensure that it prepares the most vulnerable developing countries for such turbulent times.

To enable maximum development impact, remain efficient, relevant and accountable, the Bank needs to narrow its focus to those areas where it has a clear comparative advantage. Given finite resources, difficult decisions and trade-offs would need to be made in determining these priorities. Furthermore, the mandate and core competencies of other development partners need to be taken into account. Finally, the Bank’s strategic direction needs to remain focused on its core mandate of poverty reduction achieved through interventions aiming for sustainable and equitable growth, building the investment climate and empowering the poor.

Mr. Chairman, for the Bank to be relevant to each of its different categories of clients – be they fragile, post-conflict, low income, middle income or emerging - the Bank needs to modify its standard business model towards providing adequate and innovative financing and knowledge services.

Notwithstanding the progress already made, the Bank has to renew, expand and ease access to its services to reduce the financial and non-financial costs of doing business; become more country-focused and flexible. Sub-sovereign lending, more innovative and tailored financial and advisory products and services would increase the relevance of Bank actions in Middle-Income Countries and thereby stem the declines in Bank lending. One of the Bank’s greatest comparative advantage, is its ability to link issues of global importance to action in very different country circumstances, and we should capitalize on this. Furthermore, the Bank’s expertise and extensive knowledge needs to be better shared among and offered to Middle Income Countries and across Low Income Countries, especially in those cases when substantive financial engagement is either not demanded or not otherwise appropriate. A sustainable business and financing model for the Bank’s advisory work is urgently needed, taking into account that
the Bank’s knowledge base is built by contributions made by its clients who pilot and share their development experiences.

In addition to reforming its products portfolio, the strategic exercise needs to review the Bank’s internal coordination processes, specifically, a focus on enhancing synergies between the various members of the World Bank Group – IDA, MIGA, IFC and IBRD. Reviewing the current IDA/IBRD boundary would help to respond to the needs of current IDA clients that are looking for private market borrowing without being eligible for IBRD. A more integrated IBRD/IFC would support the process of private sector development in Middle Income Countries. And a more involved MIGA/IDA would support fragile states in their reconstruction efforts. The various arms of the World Bank Group need to synchronize and work together, to maximize the development effectiveness of our resources, and deliver fully on the increasingly more sophisticated and nuanced needs of our clients.

Mr. Chairman, we would like to make some observations on the important issue of Global Public Goods (GPGs). Our support for GPGs should be consistent with the Bank’s country-based approach, and be concentrated on and limited to the areas within its mandate, where the WBG has clear comparative advantages and envisages effective results. More significantly, the Bank should coordinate extensively with the other global institutions that have been specifically established for the various global public goods, to reduce duplication and better targeting of scarce resources. It may be preferable to integrate this dimension in the Group’s work, as an important element, among others, of the development process.

Finally, we welcome the increased attention that Bank intends to devote to the Arab World. The challenges faced by these countries are many and diverse, with the most urgent and pervasive being the need to employ the rapidly growing cadres of young people, whose education may not have adequately equipped them for the modern work environment. We look forward to a more intensive dialogue with the World Bank Group to identify the most effective means of guiding the future development course of our countries.

Mr. Chairman, this has been an interesting and fruitful start to what will be a complex dialogue on the Bank’s Strategic directions. We look forward to further elaboration of the set of proposals based upon intensive consultations with key stakeholders in due course.

I would now like to turn my attention to the second item on the Agenda, that of scaling up and the role of IDA.

Notwithstanding the significant contribution of HIPC and the MDRI towards improving macroeconomic stability in low-income countries, a sharp increase in ODA is needed to reach the Gleneagles targets, and the pace of delivery of aid has been slow and uneven. Scaling up of ODA falls short of what performing countries and LICUS countries need and can effectively absorb.

While the World Bank Group will be contributing $3.5 billion of its own resources to IDA15, donors need to live up to the pledges they made at Monterrey and Gleneagles, recognizing that IDA is the linchpin of the international development financing system. A financially sound IDA can ensure coherence in aid delivery in the evolving aid architecture. Furthermore, IDA underpins the Bank’s ability to strengthen the country-based business model – the most effective global framework for aligning development assistance with national priorities and systems. It also provides a platform that promotes aid effectiveness through the implementation of the Paris Declaration on Aid Harmonization. To perform these roles, IDA relies on its core strengths, which include: its financial resources; its global reach; a multi-sectoral perspective; and its convening power.
In order to fulfill IDA’s role of helping raise ODA effectiveness, IDA will have to adapt and intensify its efforts to strengthen complementarity with vertical approaches to aid delivery; ensure appropriate sectoral funding; address critical global challenges; and enhance alignment and harmonization. Therefore, a successful IDA 15 replenishment will be decisive as to how the Bank can shoulder its responsibility to scale up.

Thank You, Mr. Chairman.