Statement by

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On behalf of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, the Republic of Macedonia, Moldova, Montenegro, The Netherlands, Romania and Ukraine
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representing the constituency comprising Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, the Republic of Macedonia, Moldova, Montenegro, the Netherlands, Romania and Ukraine

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)

76th Meeting, Washington, DC, 21 October 2007

1. During the Development Committee meeting we will be discussing the following subjects: the World Bank Group’s Strategic Direction; scaling up and the role of IDA; Clean Energy for Development and Climate Change. In my written statement I shall not only focus on these issues, but also touch on other topics that I believe merit attention. They include the importance of Global Public Goods, since they are closely linked to the World Bank Strategic Directions, and the importance of strengthening the voice of Developing and Transition Countries in the Bank’s decision-making.

The World Bank Group’s Strategic Direction

2. In April, we stressed the importance for the Bank of setting clear priorities and defining its position in the international aid architecture. We were therefore pleased to hear President Zoellick’s reflections on a future strategy during his press conference at the National Press Club on 10 October. This strategy should reconfirm poverty reduction as the Banks overarching objective, while equipping the Bank for the task of addressing global concerns. Inclusiveness and sustainability must become key features of our interdependent global society. Global interdependence calls for global institutions, rather than multilateral organisations. We encourage the President to transform the Bank into such an institution. We therefore support his approach in formulating and discussing this strategy and look forward to his leadership in this process. We think this is a crucial factor for a successful conclusion of the IDA 15 replenishment.

3. According to my constituency, the Bank’s success in the coming decades will depend on its applying a number of underlying principles to its operations. First of all, the institution needs to have a solid capital base to execute its global mandate independently and cost-effectively. Second, the World Bank Group should retain its characteristics as a catalyst of finance, advice and research. Its engagement can only be based on its added value and comparative advantage over the market, bilateral donors and other multilateral institutions. Third, the World Bank Group should remain a global financial institution that operates from a non-biased, non-political mandate.

Adherence to these underlying principles also defines the scope of the Bank’s activities. We believe that the strategy should help the Bank to become more selective. This also means that the Bank should withdraw from countries and sectors where it no longer has a comparative advantage. Its main competence lies in its actions in-country.
4. In our view, the core competences of the Bank are:

- having the capacity to take the lead in generating and distributing financial and economic knowledge (the Bank as a knowledge institution);
- ensuring the implementation of existing international standards and, where needed, the development of new standards (for example with regard to debt sustainability);
- advocating and monitoring the fulfillment of international commitments (i.e. the Millennium Development Goals and the Paris Declaration), particularly those of rich countries regarding aid quantity and quality and trade;
- delivering funding, if necessary on a large scale.

5. We believe that the formulation of the new strategy should be coordinated with other actors including the United Nations, the Regional Development Banks and the public. Coordination with the work of the IMF, especially in Low-Income Countries and the financial sector is equally important.

6. To facilitate cooperation at country level, parties should agree at headquarters level on collaboration with vertical funds and division of labour. Vertical funds should align their interventions with the national priorities of client countries; the World Bank can help to create the conditions for these interventions at country level.

7. In the poorest countries, the Bank should primarily focus on building up a stable basis for further sustainable development while concentrating on projects or programmes which are not easily financed by the market because the social returns outweigh the financial returns. In fragile states, the Bank could focus its work on strengthening institutional capacity through the provision of advice and financing. Activities should take place in close cooperation with the UN and bilateral donors and should be in line with the policy dialogue between donors, the UN and governments.

8. The Bank should also play a leading role in achieving and maintaining debt-sustainability in low-income countries. Ensuring the participation of non-Paris Club official creditors and commercial creditors in debt relief operations is a real challenge. The World Bank, together with the IMF, has the strength, supported by its shareholders, to convince other creditors – including new bilateral donors, other multilateral institutions, and private and commercial creditors – to apply the Debt Sustainability Framework to their lending policies and to prevent borrowing countries from building up new, unsustainable debts. The Bank should also help developing countries to develop prudent debt policies as it is ultimately their responsibility to promote growth debt-sustainably. Official creditors should support the Bank’s efforts through initiatives such as the OECD's Responsible Lending Initiative, which also involves Export Credit Agencies and is aimed at achieving policy coherence.

9. We support the provision of new and innovative services to respond more adequately to demand from MICs. We would like to see the Bank more engaged in areas where it adds value, i.e. in responding to demand which is not met by the market, notably dealing with inequality and environmental challenges. We would also appreciate a more pragmatic approach to cooperation across the Bank, IFC and MIGA, to successfully offer clients a more effective package from its combined resources.

Global Public Goods

10. The Bank recently formulated a proposal for a global public goods framework. We welcome the Bank’s commitment in these fields, more specifically protection of the environment, communicable diseases, strengthening the international financial architecture, strengthening the global trade system and creating and sharing knowledge about development. We believe that the Bank should continue focusing
on these global public goods, but the role it plays will vary depending on the value it adds vis-à-vis other stakeholders. It may play a coordinating role or a role as financier or deliver expertise. Our constituency agrees with the paper’s criteria for Bank engagement with global public goods, but would also like to support the Independent Evaluation Group’s recommendation to stress the need for a significant comparative advantage and to add the principle of subsidiarity to these criteria. In this way, the Bank can play a separate, decisive role.

11. In defining its role, the Bank has to navigate a course between its natural focus on country priorities and the need to respond effectively to global challenges. The Bank’s global activities should be limited to those programmes and issues where it has the significant comparative advantage to operate as a middleman between the global agenda and national implementation.

12. Where possible, global public goods interventions should be funded through existing facilities, for example IDA. New funding mechanisms (as suggested in the LTSE paper) should only be put in place for areas not yet covered by existing facilities. Interventions on a regional level should be undertaken by the World Bank only in cases where it has a comparative advantage over Regional Development Banks.

**Scaling up and the role of IDA**

13. We subscribe to the view of IDA as a platform for the delivery of aid which brings together donors and their funding to address current challenges. IDA could fulfill this platform role by promoting “early stage infrastructure”: investing in human capital, physical infrastructure, contract enforcement, financial sector development and institution building. Together these form a solid basis for sustainable development which other actors, not least the recipient country itself, can build upon. In its activities, IDA should pay special attention to the specific problems of fragile states.

14. The immediate importance of the IDA 15 replenishment for the scaling up agenda is clear. Those resources should continue to be allocated to countries primarily based on performance. However, the role of the Bank in the process of scaling up needs further clarification. The Bank’s excellent work in the area of fiscal space will stimulate the country dialogue on revenue generation and will improve the efficiency and transparency of the government budget. We clearly see an advisory role for the Bank, in close cooperation with the IMF, to assist the country in formulating a fiscal policy which is conducive to sustainable and equitable economic growth and to develop alternative scaling up scenarios.

15. We invite donors to commit substantial resources to the IDA 15 replenishment, in addition to the allocation of net income by other members of the WB Group. These allocations should not crowd out bilateral contributions, but form an incentive to providing more funds.

**Clean Energy for Development and Climate Change**

16. My constituency would like to stress the importance of clean energy for the sustainable development of developing countries and the importance of access to energy for the poor in order to achieve Millennium Development Goal 7, in particular in Africa. We regret that so far execution of the plans has fallen short of achieving this goal.

17. During the 2006 Annual Meeting in Singapore, we discussed the Clean Energy Investment Framework (CEIF). Since then, good progress has been made in implementing it. My constituency agrees that the World Bank should start executing the first pillar of this framework, focusing on access to energy. With regard to the second pillar, which focuses on reducing greenhouse gases, there is a need for further analysis of instruments and funding methods. My constituency also believes that the reduction of carbon, as a consequence of deforestation, should be discussed. We therefore very much welcome the creation of
a Forest Carbon Fund, to be discussed at the 13th Conference of Parties (COP) to the Climate Convention in Bali, Indonesia in December 2007. My constituency would also like to stress the importance of maintaining livelihoods and conserving biodiversity. We ask the Bank to continue developing the third pillar, which focuses on adaptation. Thorough research is needed into the expected costs of adaptation.

18. The Netherlands’ government released extra funds to the tune of 500 million euros for clean energy for the years between 2008 and 2011. These funds will be used both bilaterally and multilaterally in the framework of the CEIF and the investment frameworks of the Regional Development Banks. We urge other countries, including the members of the G8, to shoulder their responsibility.

Voice

19. We strongly support the progress made in strengthening the voice of Developing and Transition Countries (DTC). The work carried out by the Bank is well timed, given the developments at the IMF. There are many options on the table that can make a difference. So we welcome the progress made in fixing the timeline for working out specific proposals. We would like to stress that the options presented in each phase are closely interrelated. Decision-making on each of the options should therefore take account of the others. The Netherlands considers each option to be part of the same package, aimed at enhancing the voice of DTC.