



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)



DC2008-0004
April 9, 2008

**UPDATE TO THE DEVELOPMENT COMMITTEE
ON KEY ISSUES AND WORLD BANK GROUP ACTIVITIES**

I am attaching an update on key issues and World Bank Group activities since our last meeting, which I hope will be useful background for the Development Committee members.

Robert B. Zoellick

* * *

UPDATE TO THE DEVELOPMENT COMMITTEE ON KEY ISSUES AND WORLD BANK GROUP ACTIVITIES

APRIL 13, 2008

I. Introduction

1. The Committee is meeting at a time of some important achievements, including the agreement on the largest ever IDA replenishment, and the agreement at Bali to develop new international agreements on climate change, but also when the global community is faced with new and continuing challenges. One challenge is to take stock at the half way point to the MDG target year of 2015, and then take the action needed to help get the world back on track to meeting the MDGs – including scaling up aid to meet the Gleneagles targets. Another is to follow through on the Bali commitment to agree a viable set of actions, policies and support to avert the risk and mitigate the consequences of climate change, integrating these policies and actions with those needed to secure successful growth and development. Meeting these challenges over the medium term will be made harder by the impact on developing countries over the more immediate future of financial turmoil and slower growth in high income countries, and the impact on many poor countries and people of high energy and food prices. There is also the continuing challenge of achieving a successful outcome to the Doha round.
2. Against this background, the Committee's agenda focuses on some key issues: (1a) overcoming poverty in the poorest countries, particularly in Africa: achieving the MDGs, and growth strategies; (1b) fragile situations and post-conflict states; and (2) recent market developments, including higher commodity prices: challenges and opportunities for low and middle income countries. The Chairman's Luncheon will allow for further discussion on recent market developments, and on Voice and Participation. In addition, Ministers can raise other topics they wish to highlight, or suggest issues for future discussion. There will also be a separate meeting with expanded attendance on the challenge of climate change and building synergies between climate action and development. A full discussion of this topic and how the Bank Group can contribute is expected at the October meeting of the Committee. For both this and the Committee's main discussion this year's *Global Monitoring Report (GMR)* will act as a valuable background document on progress on the agenda for inclusive and sustainable development.
3. This note provides an update on work under these themes and also on some other key issues which the Committee has discussed in the past but that are not specifically on the agenda for this meeting, such as the crucial work on addressing issues of governance and corruption.

II. Strengthening the Bank Group Contribution: Strategic Directions

4. **Strategic Directions for the World Bank Group.** At its meeting in October the Committee discussed a vision of the Bank Group contributing to inclusive and sustainable globalization with strategic directions encompassing six themes:
 - Helping overcome poverty and spur sustainable growth in the poorest countries, especially in Africa.
 - Addressing the special challenges of states coming out of conflict or seeking to avoid breakdown of the state.
 - Developing a competitive menu of development solutions and customized services for middle income countries.
 - Playing a more active role in regional and global public goods.
 - Supporting development and opportunity in the Arab world.
 - Fostering knowledge and learning agenda across the Bank Group.
5. Since that time, discussion around the strategic themes has benefited from input throughout the organization, close engagement with the Board, stakeholders, and outside parties. Shortly after the Annual Meetings, working groups composed of staff from across the Bank Group undertook further diagnostic work and developed ideas to pursue the themes. The outcomes of this on-going process have been discussed with Executive Directors. These discussions formed the basis for the Bank Group Strategic Directions contained in the recent medium-term strategy and finance paper. Following the Board discussion, staff from across the Group had a chance to contribute actively to the dialogue through a series of open forums. During the course of the Spring Meetings, further dialogue will be held with Civil Society Organizations.
6. The strategy process is not intended to have a definite end point. The development and pursuit of a strategy can best be described as: beginning with strategic direction, assessing the external environment on a continuing basis, and pursuing an ongoing, iterative process of setting objectives; piloting, executing and learning; consulting with and learning from clients and partners; seizing opportunities; and continually assessing how best to move toward the goals suggested by the strategic directions.

III. Current Economic Environment

7. So far the impact on developing countries of financial turbulence and economic slowdown in advanced economies has been contained, thanks to strong fundamentals and macroeconomic policies. Growth in advanced economies is projected to slow quite sharply, but developing countries are expected to remain a key driver of global growth: while developing country growth will slow, it is projected to remain at nearly 7 % in 2008. Nevertheless there is a significant downside risk – and emerging market countries that are heavily dependent on capital flows or have large macroeconomic or financial imbalances could be particularly exposed. Some emerging market

borrowers are already facing wider spreads and higher new issue premiums, although both remain low compared to earlier periods of financial uncertainty.

8. In addition, importing countries face energy and food prices which are expected to moderate but remain high. Poor people in developing countries spend as much as half their incomes on food, with the urban poor the most affected. Policy responses include targeted safety nets for the poor in the short run and policies to increase energy efficiency and production and to promote agricultural growth in the longer term. In helping member countries face these challenges, the Bank Group stands ready to provide policy advice and financial support as needed, for example, in the form of extra budget support, support for social protection schemes and/or support for new agricultural investments.

IV. MDGs at the Halfway Point: Overcoming Poverty and Spurring Growth

9. **Poverty.** 2008 is the midpoint between the adoption of the Millennium Development Goals and the target year of 2015 - a time to take stock ahead of the UN Meeting on Finance for Development in Doha in December. As documented in the GMR, the news is mixed. The world is on course to achieve the first MDG, halving extreme poverty by 2015. Growth in developing countries has averaged 7% in the last 5 years. Even in Sub-Saharan Africa, where most countries are likely to fall well short of halving extreme poverty, some 18 countries with better-managed economies have grown at an average of around 5.5% over the last 10 years. But 20 other countries in the region, many affected by conflict, have remained trapped in low growth, with the incidence of extreme poverty actually growing. Globally, over one billion people still live on less than \$1 a day. Recovering lost ground over the next 7 years will be a major challenge – but faster progress is certainly possible.
10. **Human Development MDGs.** The risks of falling short on the human development MDGs are considerably greater: despite progress, most of these MDGs are unlikely to be met at the global level. Sub-Saharan Africa, and in some cases South Asia, are likely to fall seriously short particularly in health. The following areas are worth highlighting:
 - **Nutrition.** Malnutrition, especially among children under the age of two, is the single largest cause of child mortality. The damage to children's growth potential, cognitive development, educability, and adult earning potential that happens in these first few years of life is irreversible. Addressing the issue is made more urgent by the current rise in food prices and climate change. Food security is important, but other factors such as basic child care practices are even more critical. Tackling malnutrition effectively requires a multisectoral approach, with creative delivery mechanisms that engage communities, empower mothers, and in some cases engage the private sector. The Bank Group has an existing portfolio in nutrition, and is in the process of scaling it up through a multi-sectoral approach, especially in South Asia, Africa and Latin America -- the three regions most affected by malnutrition.
 - **Health and health systems.** New donors and aid modalities – vertical and earmarked funds and private donors – have contributed to a marked increase in

aid for health, but have also made securing aid effectiveness more challenging. Much of health aid is off budget. There are mismatches between increases in earmarked funds and absorptive capacity. The answer is to strengthen country health strategies and systems to provide an anchor for all aid flows. The DAC has chosen health as a special focus area in monitoring the application of the Paris principles. The Bank Group intends to shift its emphasis from support for individual projects to support for country health systems and partnerships with non traditional donors and the private sector.

- **Gender.** Progress in achieving gender equality has been greater in health and education than in agriculture, infrastructure, private sector and finance. In response, the Bank Group launched in 2007 a World Bank Group action plan that promotes investments to better integrate women into the economy: *Gender Equality as Smart Economics*. The Committee supported the plan and it has also been endorsed by the G8 Heads of State. Good progress has been made both in donor pledges and in beginning to provide support for action plan-related activities in Bank Group member countries to increase women's access to land, labor, credit and product markets. For instance, a gender action plan-funded study in Ethiopia found that providing space for both spouses' pictures on the land use certificate significantly increased women's registration for land ownership, and that this improved economic and social status, reduced conflicts, encouraged them to plant trees and to rent out land. This has led to Bank Group financial support for nationwide scaling-up of the program. Through the action plan, the Bank Group has also launched a research program as part of the Doing Business project on reforms that improve business opportunities for women. There will be a separate event on the action plan two days before the Committee meets to discuss in particular two policy approaches: (a) promoting economic opportunity for adolescent girls through incentives, such as conditional cash transfers, and through skills training matching labor market needs; and (b) promoting female entrepreneurship by reducing regulatory and legal constraints.

11. **Stronger, sustainable and more inclusive economic growth** will be central. It reduces poverty directly, and expands resources for human development and environmental sustainability goals. For many of the poorly performing countries in Africa faster growth will depend above all on a mix of security enhancement, political reform and consolidation, building basic government capacity and actions to increase private sector growth. For countries that have already begun to achieve higher growth, the challenge is to consolidate stability, further improve the private sector investment climate, strengthen infrastructure and improve regional and global links. The Commission on Growth and Development, established in April 2006 with the support of a number of governments, the private sector and the World Bank, will report this spring on its findings regarding the strategies and policies most likely to generate rapid and sustained growth in developing countries.

12. **Private sector development.** A thriving and competitive private sector is key to inclusive growth, providing opportunities for better incomes, and better goods and services for poor households. Private firms and entrepreneurs provide 90 percent of jobs. They are also the main providers of the goods and services - including playing a

critical role in providing basic infrastructure and social services to low-income households in many countries. Success in promoting private sector development depends on a combination of macroeconomic and country stability, a business environment characterized by sound regulation and low costs of doing business, and adequate infrastructure for both urban and rurally based businesses. In many countries, providing a sound business environment and adequate infrastructure to support agribusiness is a particular challenge - and of critical developmental importance given that an estimated 900 million of the world's poor live in rural areas. The *World Development Report, 2008: Agriculture for Development* estimates that growth originating in agriculture is around four times more effective in reducing poverty than growth originating elsewhere. The World Bank Group has strong capabilities to help governments improve the broader business environment, and is working to exploit synergies both between the different parts of the Group and also with external partners to support private sector development.

- **IFC** has increased its commitments to over \$8 billion per year (over \$12 billion in FY07 including direct mobilization), and it has done so while meeting its targets for development impact: commitments in IDA countries; in Sub-Saharan Africa; in micro, small and medium enterprises; in infrastructure, health and education; and in the financial sector. IFC uses its financial strength and global expertise to bring investment and advisory services where they are needed most. At the same time, with increased volatility in emerging markets, IFC may be called upon to play more of its counter cyclical role. This will require IFC to continue to focus on priority areas such as IDA countries and frontier regions, while managing its risks prudently and maintaining capacity to adopt a counter-cyclical role when needed. Leveraging the strengths of the whole World Bank Group in private sector development will be key to IFC's success. These challenges and the strategies for addressing them are outlined in IFC's road map for the next three years: *Creating Opportunity: Doing Our Part for an Inclusive and Sustainable World*.
 - **MIGA**. There is considerable scope to build on the Agency's success to date in leveraging private investment. Through the first eight and a half months of this fiscal year, MIGA has issued \$1.8 billion in new coverage, bringing the total active portfolio to the highest level in the Agency's history at \$6.5 billion. While building on the work of other parts of the Bank Group and supporting projects that are aligned with member countries' development strategies, MIGA is helping draw in foreign private investment without creating additional sovereign obligations. The Agency has focused on underserved countries and niche sectors: 40% of the current portfolio is in IDA countries, and 45% in the infrastructure sector. At the same time, with its strong track record in resolving investor/government differences, MIGA plays a valuable role in helping countries retain investment in less certain environments.
13. **Trade**. A successful Doha round remains one of the most important steps nations, acting collectively, could take to open markets and enhance inclusive and sustainable growth. The time has now come to consolidate progress in the WTO negotiations and conclude the Doha round. The current high level of food prices provides a window of

opportunity for action in the difficult area of agricultural reform. Only a WTO deal can address the global trade-distorting impacts of agricultural subsidies; reduce peak tariffs on labor-intensive goods that discriminate against the poor; reduce barriers in key emerging markets to help stimulate South-South trade; and secure a rules-based trading system. Failure to conclude Doha negotiations would undermine efforts to help the poorest countries—those that can least afford failure—benefit from globalization.

14. The Bank Group, the largest provider of concessional Aid for Trade to low-income countries through IDA over 2002-07, will continue to expand its support, while participating in the global efforts to better monitor Aid for Trade. As highlighted in the GMR, the “behind the border” agenda is also important. Countries need to invest in better transport, infrastructure and trade-related institutions to reap the benefits of trade opportunities. The Bank Group’s Aid for Trade priorities will therefore include increased support to home-grown export competitiveness programs; more training and capacity building; larger trade finance support through IFC; and additional data, tools, and instruments to better inform trade policy decisions (such as the World Bank Logistics Performance Index).
15. **Development Assistance.** Increased and more effective aid remains critical if many poor countries are to get back on track to meeting the MDGs. While developing countries must also – as many are – step up efforts to mobilize and make better use of domestic resources and private capital flows, for most low income countries aid remains the main source of development finance. The agreement reached last December by IDA donors on a record IDA 15 replenishment that will allow \$41.6 billion of new commitments over the period 2009–11, a 30% increase over IDA 14 is an impressive achievement. But the overall trend in aid volumes is much less encouraging, with DAC donors recording overall declines in real official development assistance (ODA) in 2006 and 2007. There is an urgent need to put in place the large and sustained increases in ODA needed to meet the Gleneagles targets of a \$50 billion increase, and a doubling of aid to Sub-Saharan Africa by 2010. Many poor countries in Africa and elsewhere are now well placed to effectively absorb increased volumes of aid. It is time for donors to deliver on their commitments.
16. **Aid architecture and effectiveness.** Countries need more effective aid as well as more aid. As the GMR documents, there are areas of progress in implementing the Paris declaration – improving harmonization, alignment and predictability. But much more must be done, and it is not only in the health sector that the task has become more complex with the emergence of new donors and new aid modalities such as vertical funds; in choosing how to address climate change, for instance, similar complexities will arise. The central role of clear and operational country-led strategies is more important than ever. The Bank Group is providing leadership by example, with policy reforms already in place to bolster ownership, alignment, harmonization and managing for results in both investment and development policy lending. It is working to reform investment lending policies to streamline processes and ease collaboration with others in investment lending; laying the policy basis for piloting use of strengthened country systems; and leading a legal initiative to harmonize multi-donor agreements. There will be an important opportunity in September, before

the next Development Committee meeting, at the Accra High Level Forum, to strengthen the process of implementing the Paris agenda.

17. **Debt.** Debt reduction has made a major contribution to the development process in recent years. The challenge now is to help the few remaining eligible countries reach the point where they qualify; and then to ensure that all low-income countries (LICs) maintain debt sustainability for the future. Twenty-three countries have now reached completion point, to gain irrevocable HIPC and MDRI debt relief, and a further ten have reached decision point. The IDA Debt Reduction Facility has also completed buybacks in two HIPC countries - Nicaragua and Mozambique - extinguishing almost US\$1.5 billion of arrears on commercial debt. The remaining eight pre-decision point HIPCs and ten interim HIPCs are fragile states and, as such, face particular challenges, including arrears to IFIs and to commercial creditors, as well as the broader legacies of conflict in many cases. Efforts need to be redoubled to assist these countries.
18. Beyond debt relief, the Bank Group is seeking to ensure LICs maintain debt sustainability, using the joint Bank-Fund debt sustainability framework and IDA grants to mitigate debt distress risk. Outreach on this framework to other creditors has been productive: several multilateral and bilateral lenders have harmonized with IDA and the OECD Export Credit and Guarantee working party has now adopted sustainable lending principles reflecting the framework. With continued dialogue, the aim is to build similar understandings with other significant LIC creditors. To help borrowers, the Bank Group is rolling out a debt management performance assessment facility, with about 12 countries covered to date, developing a medium-term debt management strategy toolkit jointly with the IMF, and discussing with others how best to mobilize and channel increased donor resources to this area.
19. **Support for Middle-Income Country (MIC) and other client countries of IBRD clients: recent innovations.** The World Bank Group has made considerable progress in converting the recommendations for *Strengthening the World Bank's Engagement with IBRD Partner Countries*, endorsed by the Development Committee in 2006, into tangible actions. MICs are an increasingly diverse group and the strategic review found that responding to their evolving needs must involve: (i) improving client responsiveness and flexibility; (ii) expanding the range and utilization of financial products; (iii) building a dynamic organization leveraging Bank Group synergies; and (iv) building knowledge to engage on 21st century challenges, particularly through local partnerships and enhanced South-South cooperation. On client responsiveness and flexibility, the Bank Group made progress by streamlining internal procedures through the introduction of simple and repeater projects, providing mechanisms for additional financing of successful projects, and revising emergency and rapid response lending policies to reduce delivery time. A key objective moving forward will be to continue streamlining and modernizing operational policies, implementing a risk-based project review, and increasing the use of country systems where standards are mutually agreed and verifiable. Progress is also being made on improving the Bank Group's capacity to provide timely, cutting-edge knowledge on key themes for MICs through the development of a business model that removes

impediments to the global delivery of expertise while supporting efforts to mainstream Bank Group knowledge services.

20. In the past six months, the Bank Group has made substantial progress in improving its financial products to better meet client needs. Borrowers now have access to IBRD loans at longer maturities, at prices that are lower and more transparent and with more flexibility for delivering customized financial solutions to clients. A key focus ahead will be on expanding knowledge and use of existing products and services, including risk management tools and the sub-national facility. In response to demand for market-based instruments to address catastrophic risk, the Bank Group launched the Caribbean Catastrophic Risk Insurance Facility (CCRIF), enhanced existing contingent loan products to address countries' emergency liquidity needs arising from catastrophes and other exogenous shocks, is implementing IFC's Global Index Reinsurance Facility (GIRIF) and is developing a platform to issue multi-country catastrophe bonds. Innovative approaches are being considered for funding climate change and green initiatives, as well as mechanisms for expanding local currency lending. The new GEMLOC (Global Bond Fund for Emerging Markets Local Currency) initiative seeks to catalyze the development of local currency bond markets in emerging markets. Asset management services are being broadened, including for sovereign wealth funds. Finally, the Bank Group has launched a strategic review of IBRD capital looking at issues of investing capital in line with risk bearing capacity and income needs.

21. Special challenges of countries in fragile situations and coming out of conflict.

With some 45 developing countries falling in this category, accounting for 19% of the population of poor countries but one third of their poor people, fragile states must be at the core of the Bank Group's development mission. The Bank Group is strengthening its approach with the goal of narrowing the gap between the fragile and conflict-affected countries and other countries by delivering effective programs, in collaboration with other partners, in support of economic and social development, peace and governance. A stronger Bank Group engagement requires better analysis, closer partnerships, and greater institutional and financial support to achieve concrete results on the ground. The Bank Group is working with others to improve its understanding of what works in these countries, linking development, security and diplomatic initiatives. One aim is to have practical examples of successful international support for peace-building transitions. For example, there is scope to build on the recently secured agreement to arrears clearance for Liberia, which can now return to a normal relationship with IDA. For countries in fragile situations or coming out of conflict, the Bank Group will strengthen in-country partnerships with local and international actors, expand its field presence, and augment its technical and financial support. It will also exploit synergies within the World Bank Group with important contributions from MIGA and IFC as well as IDA/IBRD.

V. Governance and Management of Natural Resources

22. Improving governance and anticorruption is part of everything the World Bank Group does. It should not be seen as a separate agenda item but as the foundation upon which the Bank Group's work is built and at the heart of development effectiveness. With approval of the Governance and Anti-Corruption (GAC) Strategy

in October 2007, the Bank Group is committed to helping countries strengthen governance systems, while finding ways to reach the poor who are left behind as a result of poor governance. While there is no “one-size-fits-all” approach, the Bank Group will adopt a consistent approach towards operational decisions across countries, looking also for collective and coordinated action by donors, international institutions, and other actors at the project, country and global levels. Within the Bank Group, a Governance Council has been established and will report to the President quarterly. In order to strengthen governance and anticorruption programs at the country level, 26 country teams have been identified to move the work forward. In these and other countries, Bank Group country teams engage with the government and stakeholders and identify the country’s development priorities, political economy and sectoral constraints, feasible ‘entry points’ for addressing GAC challenges, and risks to Bank Group projects and corresponding mitigation measures.

23. In January, the President announced that the Bank Group would fully implement the **recommendations of the Volcker Report to strengthen the Department of Institutional Integrity (INT)**. A Vice President for INT is being recruited, a Preventative Services Unit has been created within INT to provide upstream services to Bank Group operations, guidance for enhanced disclosure is being formalized, and a task force will develop the details for the transfer of internal investigation cases not involving significant fraud and corruption to the office of the newly appointed Chief Ethics Officer. Three members of the Independent Advisory Board will be selected to ensure the independence and accountability of INT. These comprehensive reforms and others recommended by the Volcker Panel should better integrate INT and its expertise into Bank Group operations, clarify roles and responsibilities of different parts of the World Bank Group, and document processes and procedures which will guide the approach to investigations and enhance the effectiveness of the Governance and Anticorruption Strategy Implementation Plan (GAC) with clear benefits to the development efforts in partner countries.
24. **The Stolen Asset Recovery Initiative (StAR)**. There should be no safe haven for those who steal from the poor. A partnership with the United Nations Office on Drugs and Crime (UNODC), StAR was launched during the UN General Assembly last fall. StAR helps developing countries recover stolen money and build capacity to deter asset theft, and works with major financial centers to lower barriers to recovery. While asset recovery can take many years, StAR has already helped Bangladesh form an inter-agency task force, which has recovered about \$150 million of stolen assets located domestically, and connect to major financial centers in Europe and Asia where stolen assets are believed to be located. Similar programs are planned for Indonesia and other countries. StAR is also helping to form a global community of practice on non-conviction based forfeiture, a critically important legal instrument that facilitates asset recoveries without criminal conviction. Asset recovery not only can help fund development programs, but, together with making deposits of stolen funds more difficult and their recovery easier and faster, can send strong signals to corrupt leaders that they cannot escape the law. All countries must do their part; in particular, ratify the UN Convention Against Corruption (UNCAC) and other measures to deter asset theft, make deposits of stolen assets more difficult, and facilitate their recovery.

25. The Bank Group is engaged in a number of other activities aimed at countering **illicit financial flows**, including through its continuing work in providing analysis, advice, capacity building and dissemination of good practice in anti-money laundering and counter terrorist financing; provision of advice and financial support to national customs and tax authorities to help curb tax evasion and the use of fraudulent invoicing and transfer pricing; membership of the international task force on the development impact of illicit financial flows; and support for the International Tax Dialogue, which among other things aims to reduce harmful tax practices. Further research on the issue of illicit flows will inform international discussion on the topic.
26. **Effective management of natural resource endowments.** On average, more than 40% of the wealth of low-income countries comes from natural resources. Managing these resources poses major challenges of economic management and governance, particularly at times like the present when commodity and energy prices are high. The Bank Group provides support to help countries manage their natural resources through a range of activities. In this effort it collaborates with other donors and international financial institutions (IFIs), and is currently managing several donor-funded global programs and partnerships, including the Extractive Industries Transparency Initiatives (EITI). The EITI, with its emphasis on transparency in revenue reporting, is a key entry point for sound natural resource management. However, the current framework of the EITI, while an important step, is not sufficient to assist countries in managing their natural resource sustainability. Therefore, the Bank Group is working with selected countries and a broad range of other partners to expand the EITI approach to an EITI++, which aims at addressing governance and transparency issues at all stages of the resource value chain--from awarding contracts to monitoring operations, to collecting taxes and royalties, to resource extraction and economic management decisions.

VI. Global Public Goods, Climate Change and Sustainable Development

27. The World Bank Group will continue to develop its role in support of regional and global public goods in all four areas discussed by the Development Committee during its last meeting in October 2007: communicable diseases/public health; environmental commons; financial stability; and trade. Specifically in the area of climate change, the Bank Group will focus its efforts over the next few months on defining and developing further its role in support of the climate change agenda, building on the work initiated in the UNFCCC meeting in Bali in December 2007.
28. Bali launched a process that should, and must, lead to global agreements to enhance action on mitigation, adaptation, technology development and deployment, and financial resources and investments. The World Bank Group has accumulated considerable relevant expertise to address the challenges of climate change in the context of its support for development and poverty reduction, as implementing agency for the GEF, and through the implementation of the Clean Energy and Development Investment Framework, with progress being regularly reported to the Development Committee since 2006. As the last implementation progress report appended to the SFCC Concept Paper shows, the Bank Group has continued to show achievements in the areas of energy access, mitigation and adaptation. The Bank

Group now stands ready to broaden its involvement in helping client countries to address climate change as part of their core development agenda.

29. There is a need for a shared vision for long-term cooperative action. The Bank Group is well placed to make an important contribution to this process, and over the summer, with the help from members and partners, will be developing and defining its strategy for doing so. Developing countries want to address climate change, but they also need economic growth and development, which means new infrastructure and access to energy. Poorer countries also need assurance that resources allocated to mitigation and adaptation will not infringe on meeting other development needs. Actions on climate change should be integrated into the development process. As outlined in the paper, *Towards a Strategic Framework for Climate Change and Development (SFCC)*, the Bank Group's proposed approach is built around six elements:

- First, climate change policies—for mitigation and adaptation – must be integrated into core development work.
- Second, while the World Bank Group is already providing financing for low carbon and adaptation investments, through the GEF, Carbon Funds and IDA, it needs to do more. The Bank Group has agreed to work with the US, UK, Japan and other interested governments, in collaboration with Regional Development Banks and other partners, to develop large scale concessional financing mechanisms to support the transition to low-carbon growth and climate resilient development.
- Third, the Bank Group can facilitate advancing new market mechanisms. The Bank Group has played an important role in developing the carbon market, and can contribute to expanding these markets with the Forest Carbon Partnership Facility, in an effort to reduce deforestation and improve rural livelihoods. The Bank Group is also working on a range of insurance products to help countries cope with natural disasters.
- Fourth, the Bank and IFC is working with countries to create an enabling environment for tapping private sector resources for climate-friendly development.
- Fifth, the Bank Group can work with partners to accelerate technology development and deployment. This also is an area where the private sector will have to play a key role. In addition, there might be important regulatory lessons to be learned from innovation efforts in other sectors.
- Sixth, the Bank Group can help step up applied policy research, knowledge management and dissemination, and also assist with capacity building.

30. The Bank Group can bring all these activities together in support of the negotiating parties and the UN, as they develop a new global climate change agreement. The Bank Group will be working with stakeholders to flesh out this strategy over the summer, with a view to receiving further guidance when it is discussed at the next Committee meeting.

VII. Strengthening the Bank Group and Key Partnerships

31. **Voice and participation of developing and transition countries.** The Fall 2007 Development Committee Communiqué “recognized that further consultations among shareholders were necessary to reach a political consensus on a comprehensive package and looked forward to a timely report on the progress achieved.” These consultations are still on-going. Their outcome will be used to inform work to be undertaken before the Annual Meetings to prepare proposals on comprehensive package.

- Enhancing voice at the Bank Group goes beyond structural issues, to include the way that business is done (country ownership, decentralization, streamlining of process) and the inclusion of developing country nationals and their experience at all levels of staff. In the last few months, four eminent developing country nationals have been appointed to the Bank Group's senior management ranks.
- With progress towards agreement on IMF quota reform, the Bank Group is ready to help shareholders review the implications for the Bank Group and develop proposals, taking into account that the Bank Group's circumstances are different from the IMF.

32. **Strengthening Bank Group/Fund cooperation.** Cooperation between the Bank Group and the IMF remains central, and senior management is determined to further strengthen the culture of cooperation between the two institutions. The Joint Management Action Plan (JMAP) on Bank Group-Fund collaboration launched before the Committee's last meeting, is being steadily implemented, aiming at translating identified good-practice approaches to collaboration into standard practices. The Bank Group and the Fund have initiated a joint intranet workspace for information sharing between Bank Group and Fund country teams, networks and functional departments.