Statement by

Mr. Douglas Alexander, MP
Secretary of State for International Development
and
Mr. Alistair Darling, MP
Chancellor of the Exchequer

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The Crisis and the response so far

We meet today amid the deepest and most widespread downturn and financial stress in decades. This will have a severe impact on the poor. The steep rises in food and fuel prices coupled with the impacts of the financial crisis have pushed millions to the brink. Seventy percent of the world’s poor are women many of whom are disproportionately affected by the crisis.

The past few months have witnessed an unprecedented coming together of the international community. The London Summit of G20 Leaders earlier this month set out a clear plan of action, recognising that the world economy faces the greatest challenge in modern times, and that a global problem requires a global solution. Leaders stated their determination not only to restore growth but also to lay the foundation for a fair and sustainable world economy.

A global recovery will not be sustainable unless it benefits the poorest and provides them with the opportunities they need to escape poverty. Leaders:

- reaffirmed their commitment to meeting the Millennium Development Goals and to achieving Official Development Assistance pledges, including commitments on Aid for Trade;
- made $50 billion available to low income countries, including through the Rapid Social Response Fund, investing in food security and supporting the World Bank’s Vulnerability Framework;
- agreed the IMF should double concessional lending access limits and capacity to increase its support to low income countries, and requested the IMF to bring forward proposals to use the proceeds of agreed gold sales to do so;
- agreed to review the flexibility of the Debt Sustainability Framework and call on the IMF and World Bank to report to the IMFC and Development Committee at the Annual Meetings; and
- called on the UN to establish a mechanism to monitor the impact of the crisis on the poor.

The World Bank and the IMF have shown they understand the urgency of the situation. Significant new resources have been mobilised to address the needs of developing countries in areas such as trade finance, infrastructure and social protection.

We urge the Bank to keep in mind the lessons from previous crises. This includes the need for speed and flexibility, a stronger focus on protecting the poorest and most vulnerable, and more effective collaboration with the IMF. Therefore we welcome the commitment by the Bank to triple social protection support to $12 billion over the next two years.
We commend Bank staff and management for the energy, effort and expertise they have deployed in seeking to meet these exceptional challenges.

**Going further**

However there is no room for complacency. Many low-income countries were already off track on most MDGs. And by the end of next year there will be about 90 million more people living in extreme poverty as a result of the financial crisis.

We therefore reaffirm the UK’s commitment to meeting the Millennium Development Goals and to achieving 0.7% by 2013.

We urge the Bank to continue its development of the Vulnerability Framework as a response to the needs of the poorest. We have pledged £200 million to the Rapid Social Response Fund and up to £300 million for the IFC’s Global Trade Liquidity Programme. We applaud the generosity of others, and encourage those who have not yet made contributions to do so.

We reconfirm our support for IBRD lending of $100bn over three years and stand ready to consider further increases to the World Bank Group’s lending capacity. However, in the first instance the Bank should present options for increasing lending using existing capital and resources.

It is clear that more needs to be done to ensure that the poorest countries have access to the resources they need to respond to the crisis. The commitments to IDA 15 and MDRI should be honoured. We urge the Bank to present options to maximise the scope for IBRD lending to IDA countries. And it must continue to frontload and fast-track IDA funding, and lead the way in convening all donors working at the country level to make the most effective use of all funds. Now more than ever we urge the Bank to adopt all of the Accra principles on the effectiveness of aid.

We urge the Fund to review the concessionality of its facilities for Low Income Countries, including a reduction in the PRGF interest rate to zero percent for the next two to three years.

We reiterate our support for the low-income countries Debt Sustainability Framework as the key tool for guiding borrowing and lending decisions and preventing a rapid reaccumulation of unsustainable debt levels in LICs. We look forward to the IMF/WB report on the flexibility of the DSF to be presented at the Annual Meetings.

**Governance**

The crisis has underlined the need urgently to reform the Bank’s governance and operational arrangements to increase its relevance, effectiveness and legitimacy so that countries have more confidence when they need to turn to it in good times and bad.

Phase 1 of the voice reforms, agreed last October, must be implemented as quickly as possible. We welcome ongoing work on Phase 2. But that work needs to be accelerated so that we reach agreement on a comprehensive package of reform by the 2010 Spring Meetings.

We call for shareholders to lead an accelerated process on Phase 2 so that principles, criteria and specific proposals for shareholding, corporate governance and management reforms can be considered at the 2009 Annual Meetings, alongside the recommendations from other relevant internal and external processes. Active involvement of all shareholders in this process will be essential.
Other challenges remain

While addressing the immediate impacts of the crisis, and the urgent issue of governance reform, the Bank must not lose sight of other critical challenges.

The UK remains committed to supporting the Bank Group’s role in meeting the challenge of climate change as part of the international community’s response.

We will continue to work with the Bank to deliver transformative change through the Climate Investment Funds and implementation of the Strategic Framework for Climate Change and Development. It must play its part in ensuring that economic recovery is as green and sustainable as possible. The Bank must also stand ready to play its role in the speedy and effective implementation of an ambitious global deal which safely limits emissions, to be agreed in Copenhagen in December 2009.

We also welcome the opportunity these meetings provide to engage with the Bank on a range of issues, including its work on maternal health, mainstreaming gender equality, promoting education and addressing the challenge of delivering effective aid, particularly in fragile environments.