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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on behalf of the Nordic and Baltic Countries
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Meeting of the Development Committee on October 9, 2010

The World is one - and the First, Second and Third World are gone. In economic terms this is very evident, with Developing and Transition Countries (DTC) contributing about half of global growth and leading the recovery in world trade with their imports growing twice as fast as that of high income countries. And South-South trade now accounts for about one third of global trade.

Many low-income countries have registered elevated growth rates in the 21st century and are becoming attractive destinations for foreign investments, and not only recipients of aid. Better policies, governance and service delivery are key ingredients of their success. They are tomorrow’s transition economies.

We must build decisively and effectively on these positive trends to meet current and future challenges. Overcoming the impact of the recent crises and helping countries not yet benefiting fully from growth and development to engage in the global economy, is one such challenge. Ensuring that growth creates jobs, entrepreneurial opportunities and a meaningful role in society as the largest ever number of young people is joining the labour force in low income countries over the coming three decades, is another. Investing in girls’ education translates directly into benefits for society as a whole. A third set of challenges relates to the production of public goods and the mitigation of public “bads”. Reversing environmental degradation, containing climate change and creating a safer, freer and less conflict-ridden world, where people can interact and interchange their ideas and products for mutual benefit, are examples of this. We are in the midst of difficult negotiations of a new international climate agreement. The financing issue is one of the important elements in these negotiations. The World Bank has valuable experience covering a broad range of climate relevant activities. This experience should be used to its full potential when planning and carrying out the necessary investments in adaptation and mitigation.

The Nordic and Baltic countries expect to see a reformed World Bank in a pivotal role, as a catalyst, convener, adviser and financier, in the collective effort to meet these global challenges.

The resilience of developing countries to the crisis

We find it very encouraging, that so many middle- and low income countries have weathered the recent economic crisis much better than past crises. Again, good performance on macro-economic policies, building up buffers and implementing structural reforms in the years preceding the crisis mattered, enabling countries to sustain growth and protect core development spending.

But the recession also had significant negative consequences in developing countries, with an estimated 64 million more people falling below the threshold of extreme poverty. And social safety nets are still lacking or inadequate in many countries.

While the signs of recovery in developing and transition economies are promising, much depends on how the world economy actually develops in the coming years. Strengthening the recovery is therefore key. We call on all countries, especially the large and systemically important economies, to refrain from
protectionism and instead reinvigorate the Doha Development Round of trade negotiations and support an international financial environment favourable to investment in developing countries. And we encourage developing and transition countries to strengthen regional integration and south-south trade and cooperation.

Official Development Assistance (ODA) flows to developing countries remain indispensable both as a distinct source of development finance and as a means of leveraging private financial flows. We urge all donors and shareholders, including the new donors, to contribute to a generous replenishment of the International Development Association (IDA) and we reiterate the call made in the DC Communiqué from the Spring Meetings for a successful IDA16 replenishment based on a fairer and wider burden sharing. And we need to bring the agreed capital increases in the Multilateral Development Banks (MDBs) to a conclusion. In addition, more resources must be mobilized internally in developing countries and no effort spared to ensure that both internal resources and ODA produce more and better development outcomes through better public financial management and aid effectiveness.

We should assist developing countries rebuild and widen their fiscal space. The macro-economic policy buffers have largely been depleted as a result of the crisis and must be replenished at a pace commensurate with the need to maintain and accelerate spending in core areas. Internal revenue mobilization through improved tax policies and tax administration should be accompanied by measures to enhance the efficiency of the use of public funds and vigorous efforts to improve the business environment, so that more locally generated capital is reinvested domestically. Sound macro-economic policies, a predictable regulatory environment, as well as investments in social and economic infrastructure must be pursued to stimulate growth. And conditions for micro and small-scale enterprises need to be improved, so that they can fully contribute to growth and employment. The human suffering provoked by the crisis and the difficulties involved in regaining lost ground in human development underscores the need to build up safety-nets and insurance mechanisms during times of plenty, to shield those who are vulnerable in times of crisis.

We call on the World Bank Group (WBG) to continue to intensify its commendable work in providing advice and finance to assist developing countries in these areas. There are also important lessons to be learnt for the WBG from the recent crisis. There is room for further improvement of its role in crises prevention and as a provider of counter-cyclical finance to its member countries.

**Delivering on results and improving lives: IDA’s contribution**

IDA is a primary external source of funding of the effort to accomplish the Millennium Development Goals (MDG). Considerable progress has been made towards achieving the MDGs, but there is still a long way to go. We expect IDA to continue to be in the forefront. Gender equality is an essential driver of growth and poverty reduction and we urge the WBG to further intensify its work to promote women’s economic empowerment, their rights, access to services and income generation through the resolute use of all its instruments.

Both Development Policy Lending (DPL) and Investment Lending (IL) are key instruments in assisting IDA countries to attain the MDGs. DPL is particularly important as a source of fungible funding that helps countries improve their performance across the full range of governance, investment and service delivery of importance to the MDGs. The increase in ear-marked funding of the Bank runs the risk of side-tracking the institution, away from its core mandate. We therefore encourage management to press ahead with further reforms of the management of trust funds to secure their full integration in the institutions’ core business in line with the Post Crisis Strategic Directions. And we call on shareholders to engage in a dialogue about the implications for the Bank’s mandate, governance, results-orientation and aid effectiveness of continued growth of earmarked funding of the institution.
The MDG summit is providing a new and welcome momentum to the international effort to reach the goals. However, there are also those who wish to see more attention paid to investments that enhance growth in the short and medium term. But these views are not mutually exclusive, and the Bank is eminently positioned, also with new players and new perspectives at the table, to ensure that a comprehensive approach prevails, with investments in both the human, institutional and physical dimension of development.

We welcome results as an overarching focus for IDA 16, as it is vital that we are able to demonstrate to clients and shareholders that we are making the best possible use of scarce ODA funding. Important improvements to IDA’s Results Measurement System (RMS) are proposed; we welcome the expansion into a four-tier system, and the solid systems for tracking results at the country and sector levels. More work is clearly needed on the thorny issue of linking support for policy and institutions to outcome. And we would expect that measurable and ambitious actions are included in the RMS on the special themes decided for IDA 16.

**Post Crisis Directions/World Bank Group Reform**

To match challenges the World Bank Group is now implementing its strategy and reforming internal governance, as agreed at the Spring Meetings. And the global crisis has stretched the World Bank Group’s capacity to respond. Therefore, we call on management to follow through on the Post Crisis Directions and the five priorities it identifies. It now needs to be solidly internalised in the organisation, informing decision-making on strategic choices, priority setting and budgeting. And it needs to be linked to results. A vigorous implementation of the internal reform will allow the Bank to deliver results more efficiently and effectively in the five priority areas.

We strongly support the development of an Integrated Development Results and Corporate Framework, including indicators of operational and organizational effectiveness. The Bank has made a promising start. The Corporate Scorecard and the Results and Performance Framework will be pivotal means of demonstrating accountability for the Bank and its management. The proposed indicators and targets are generally relevant, and with further refinement they will enable shareholders to provide better oversight and guidance of the Bank.

**Strengthening Governance and Accountability**

Reforming the Annual Meetings and the way the Development Committee (DC) works, as envisaged in the Phase I and II of the reform should strengthen the engagement of Governors in strategic guidance and shareholder oversight. For that to happen, shareholders must be able to participate in the agenda-setting for the DC at an early stage. We emphasize our support for the continued governance reforms and we encourage Board Working Groups on Presidential Selection and Dual Performance Feedback to submit proposals in time for the Spring Meetings.

The World Bank provides important contributions to deliberations in for a such as the G20. However, only a small fraction of the Bank’s member countries is part of the G20, and we urge management to properly anchor and follow up such contributions through the Board, including with timely reporting.

Last, but by no means least, the Nordic-Baltic countries attach considerable importance to an open, merit-based and transparent selection process of the World Bank President, regardless of nationality.