Statement by

The Rt Hon Andrew Mitchell, MP
Secretary of State for International Development

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Chancellor of the Exchequer

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We come to this Annual Meetings shortly after the UN MDG Summit. That showed us again, perhaps more starkly than ever, the enormous gap between the commitments we made at the turn of the millennium and the present reality. There have been successes to celebrate, but we have been challenged again by the poverty and deprivation that faces so many millions of people every day – the hunger, the sickness, the inability to provide for one’s family.

But we also saw a continued determination to tackle these inequalities, to act on this moral imperative. We saw governments, in the name of their citizens, reaffirm the UN’s central principle – that our common humanity binds us in common interest and gives us common cause. We are in this together.

So during these Annual Meetings, we hope the discussions will focus on how the World Bank can make a stronger contribution to realising our collective ambition of a secure, prosperous and sustainable world. The decisions at the Spring Meetings provided a strong foundation, and we need now to press ahead, and in particular to look at how better to meet the needs of the poorest countries.

Resilience of developing countries to the crisis

Even though recovery is taking hold in many countries, the impact of the global economic crisis is still being felt. But the report from the Bank and Fund is encouraging, painting a positive picture of the resilience of many countries.

The international community, particularly the International Financial Institutions (IFIs), has had an important role to play, and we acknowledge the exceptional efforts made by management and staff over an extended period of time. We also welcome the Bank’s increased focus on social protection, particularly in middle income countries, as it scaled up and speeded up its assistance.

But it was primarily the action of member governments that determined the outcomes for their citizens. We note the strong policy performance of many countries, including many of the poorest, in the run-up to the crisis. This provided a strong platform for action when the crisis hit. And we acknowledge the tremendous efforts many governments made to protect people during the crisis, maintaining critical spending and essential services.

There were though also weaknesses that were shown up, and the report highlights the weak capacity of some of the poorest countries to implement social protection programmes. We look to the Bank to help countries address this, and this must be backed up by the International Development Association (IDA) having the ability to provide additional resources when crises hit. As we know, as this crisis unfolded, IBRD could scale up its assistance significantly, but IDA could not deploy additional funding to the countries most affected. We welcome the action that was taken at the beginning of the year, deploying
unused resources to trial a new approach. We call on fellow shareholders and donors to agree a new permanent Crisis Response facility within IDA. When the next crisis hits, IDA must be in a better position to help countries respond quickly and effectively.

IDA

IDA has a key role to play in tackling the MDGs, including the one on hunger. The Resilience report underlines what we already knew – that our current efforts to tackle hunger and malnutrition are woefully insufficient, and renewed attention is needed to meet this most basic need.

We strongly welcome the commitments made at the MDG Summit. We share the ambition of the President and other shareholders to make faster progress on the lagging MDGs, and welcome the commitments the Bank made. It is clear that IDA will have an important part in fulfilling these commitments. It is also clear that IDA is constrained in its ability to do that effectively. It needs better tools to deliver better results.

And IDA needs a healthy replenishment. We recognise that some donors have made much more effort than others in the past to support IDA. The UK has been an especially generous donor, becoming the largest contributor in the current IDA period. It is in IDA’s interests that there is a fairer and broader base for its financing, and we call on both traditional and emerging donors to play their full part in the replenishment this time.

We strongly support the work in hand to develop a new Results-Based Investment instrument. That will enable the Bank to join common efforts to back governments’ drive for better outcomes. This reform is critical to IDA’s success, and we urge Bank management to be bold and shareholders to back them.

IDA has many strengths and the UK has long been one of its strongest supporters, not only providing substantial contributions but also working in partnership with the Bank in support of countries’ development plans. This includes working with fragile states, where IDA faces some of its biggest challenges, and where we urgently need to find better ways to secure peace and progress.

World Bank reform

Reform of course is not an end in itself. But a commitment to reform is recognition that it is possible to change, to innovate and improve, that there are ways to fulfil better the Bank’s mission. Given the urgency and importance of our task, it is essential that we impose that discipline on ourselves. We know that the Bank must evolve so that it can respond quickly and effectively to the development challenges that confront us now, and those that will emerge in the coming years.

There are currently many operational and organisational reforms in hand, and we appreciate the leadership, commitment and energy shown by the President and his team in moving the agenda forward over the last few months. We encourage them to continue and set our sights high.

At the Spring Meeting Governors also recognised the need to address weaknesses in the Bank’s corporate governance. We are disappointed that we do not have a clear set of corporate governance reforms to discuss, as was anticipated at the 2010 Spring Meetings. We urge Executive Directors and Management to work in the coming months to bring clear proposals to the Spring Meetings next year.

As all this work moves forward, we highlight two strands to this agenda on which we place particular importance – how to ensure better value for money and how to strengthen accountability between the Bank and shareholders and the wider public.
It is incumbent on all of us to maximise the value of the resources available for development. And that starts with the Bank’s own spending. High administration costs risk undermining public support, not just for the Bank but for development more broadly. It must be clear – not just in what we say but what we do – that we are committed to bearing down on costs, that we are striving for economy and operating efficiently.

In the programmes too, we need to make value for money our watchword. We need to ensure that we stretch every penny. We must have systems that ensure goods and services are bought in the most economical way possible.

And before we even get that far, the Bank has a critical role to play in helping governments consider the various options for achieving their goals. The Bank already produces high quality analysis on public spending choices, which is a very valuable contribution to this goal. We would like to see it complemented now by placing more focus on considering lower cost options as programmes are being designed. The cheapest option will not always be best. But the more sophisticated and costly approaches are not necessarily always better or most appropriate, and we need to be better at looking at a range of options.

Accountability is essential to establishing trust and maintaining public confidence. Transparency is an important aspect of this, and we applaud the new disclosure policy. It makes the Bank a standard bearer among international institutions, and we hope that others will follow this example.

The work on a corporate scorecard and results framework is another central plank, and I hope that next time we all meet, we can have a discussion based on these reports. Governors should play a central role in stewarding the Bank, not only in monitoring the work but also setting direction, helping management to resolve problems, and deciding on how to make trade-offs. We look forward to the Annual Meetings being a time when Governors are presented with a clear picture of the current successes and challenges facing the Bank, both on the programme and in the implementation of the reform programme. That should form the agenda for our discussions.

Conclusion

These are not theoretical discussions. There are only 4 years to go before 2015 and every penny has to count. We look to Bank staff to be in the vanguard of that drive. Every staff member should be asking themselves if they can save one more life by negotiating a better price, if they can get one more child into school by designing programmes better, if they can ensure one less person stays hungry by working more effectively with others. That is why value for money matters. And every governor needs to be demanding this level of performance, agreeing the operational changes that are required, and making tough choices. That is why corporate governance reform is needed.

We have had a decade since setting the MDGs, and there are only 4 years left. There is no time to reflect and delay. We must be ambitious and focused. The need to deliver better results is urgent.