

BOARDS OF GOVERNORS • 2009 ANNUAL MEETINGS • ISTANBUL, TURKEY

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Report to the Boards of Governors of the Bank and the Fund
by the Hon. **AGUSTIN CARSTENS**,
Chairman of the Joint Ministerial Committee of the
Boards of Governors on the Transfer of Real Resources to
Developing Countries (Development Committee)
at the Joint Annual Discussion

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Mr. Chairman, Fellow Governors, Ladies and Gentlemen,

It is my pleasure to present to you my report on the work of the Development Committee, which met here on Monday. Full details are provided in our official communiqué.

The Committee expressed its appreciation to the Government of the Republic of Turkey for hosting the Annual Meetings.

We conveyed our sympathy to the people of Asia and the Pacific affected by the recent natural disasters. The Bank stands ready to assist them.

The global economy has shown signs of recovery, but risks remain. In many developing countries, the impact on poverty and the most vulnerable is rising. By end-2010, some 90 million more people risk being forced into extreme poverty. Hard-earned progress towards the Millennium Development Goals is in danger of being reversed. To protect the poor, we urged members to follow through on their commitments to increase aid and its effectiveness. Developing countries have an important role to play in the global recovery. Addressing financing constraints and investing in developing countries is critical for sustainable growth. We also acknowledged that the revival of world trade and investment will drive growth, and urged members to avoid protectionist measures.

We welcomed the vigorous response by the World Bank Group to the crisis. We support the World Bank Group's efforts to tackle long term development challenges in line with its comparative advantage, including investing in infrastructure development, support for private sector-led growth and employment, climate change, food security, fragile states, and governance reform, including the Stolen Assets Recovery initiative. We welcomed the ongoing work on a post-crisis strategy for the Bank and look forward to reviewing it at our next meeting. We called on the World Bank to work with the regional development banks to assess their respective roles and methods of collaboration.

We welcomed the timely and effective efforts of the IMF. We supported the joint efforts by the Fund and the Bank to increase the flexibility of the Debt Sustainability Framework and the Financial Sector Assessment Program.

We encouraged the World Bank to make full use of its existing resources, and are pleased that IBRD is on track to provide over \$100 billion in financing over 2009-2011. We welcomed progress in examining measures to improve the World Bank Group's financial capacity and sustainability. We committed to ensure that the Bank Group has sufficient resources to meet future development challenges, and asked for an updated review, including on the Bank Group's general capital increase needs, to be completed by Spring 2010 for decision. The review should also address all possible contingent approaches, as well as keep in mind the infusion of capital that would come from a special capital increase for voice reform. In considering potential general capital increase needs for IFC, the review should also examine the use of hybrid capital.

Core spending on health, education, social safety nets, infrastructure, and agriculture in low income countries needs to be protected, while maintaining debt sustainability. We committed to explore the benefits of a new crisis response mechanism in IDA to protect low income countries from crises in future to be considered as part of the IDA 15 Mid-term Review. We called on the Bank to develop a multilateral trust fund to support the Food Security Initiative for low income countries.

On the issue of voice and Participation of the Developing and transition countries, we stressed the importance of moving towards equitable voting power in the World Bank over time, through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission. In the next shareholding review, the formula should generate a significant increase of at least 3% of voting power for developing and transition countries. This would be in addition to the 1.46% increase already agreed under the first phase of the voting reform. It would benefit under-represented countries. While recognizing that over-represented countries will make a contribution, it will be important to protect the voting power of the smallest poor countries. We recommitted to reaching agreement on the voting reform by the 2010 Spring Meetings.

Continuing improvements in the corporate governance, accountability and operational effectiveness of the World Bank Group are essential for confronting the development challenges of the 21st century. We welcomed progress to date and asked for a report for our next meeting on progress and proposals for advancing these reforms.

Finally, as this is my final appearance as Chairman of the Committee, let me thank you all for the excellent support that Governors and others have provided to me over this period. I feel confident that you will provide the same degree of support to my successor as Chairman, Mr. Ahmed bin Mohammed Al Khalifa, Minister of Finance of Bahrain.

Thank you again.