



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)



EIGHTY-THIRD MEETING
WASHINGTON, D.C. – APRIL 16, 2011

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Statement by

Ben Knapen

**Minister for European Affairs and International Cooperation
of the Kingdom of the Netherlands**

**representing the constituency comprising Armenia, Bosnia and
Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, former
Yugoslav Republic of Macedonia, Moldova, Montenegro, The
Netherlands, Romania and Ukraine**

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Over the past few years the World Bank Group (WBG) has worked hard on an effective and immediate response to the financial crisis. These efforts have been very important in mitigating some of the immediate effects on low and middle income countries. Even though developing countries' resilience has been remarkable, for a large part because of structural policy improvements, huge challenges remain and we cannot afford to be complacent. Reaching the Millennium Development Goals is a top priority. Other challenges, both in the short and longer term, are high food price volatility, and the risks to the development of fragile and conflict-affected countries. Our constituency, therefore, welcomes the attention to these topics on the current agenda of the Development Committee (DC).

To respond to current and new challenges to development, the WBG needs to continue to work on improving its effectiveness and client responsiveness, particularly in IDA countries. In this context, our constituency welcomes the recent and successful replenishment of IDA-16. A well-funded IDA, together with the capital increases for IBRD and the prospected capital increase for IFC, confirm the central role of the WBG in the multilateral architecture. It is now important to keep the momentum, and we stress in particular the need for further decentralization and transformative governance reforms.

Conflict-affected States

Our constituency is particularly pleased with a strong analytical outcome and potential for implementation of the World Development Report (WDR). It provides an excellent and evidence based approach to countries in fragile and conflict-affected situations (FCS). As the WDR recommends, a stronger focus is needed on citizens' security, justice and jobs as priority objectives for progress. The WDR is also on target with regard to the role of women in conflict-affected situations. Capable, accountable and legitimate institutions are the missing link between violent or peaceful resolution of national and regional conflicts, whether related to natural resources, food insecurity, cross-border crime, economic shocks, or drugs trafficking. Currently, international interventions are fragmented, slow to enter, quick to exit, and often delivered through parallel systems.

Our constituency strongly supports implementation of the recommendations of the WDR. Practical measures to integrate the findings in Country Assistance Strategies, Risk and Results Frameworks, implementation of MDTFs and IDA will be crucial for a successful start of this long term undertaking. Hesitation can lead to undesired derailment of the process and waning of international attention. Moreover, strengthening (field-based) partnerships with the United Nations, regional organisations, donors and other partners should be a priority as well. The WDR clearly shows that there is no one-size-fits-all solution, especially in the case of fragile and conflict-affected states. Our constituency therefore supports country specific approaches based on needs assessment and context analysis. In line with these assessments, the right balance of instruments should be chosen, based on existing capacities, to deliver early results. We encourage the Bank to propose measures to realign the results and risk management frameworks for FCS and look forward to the discussion on this topic.

Food security and food price volatility

The current increase in prices of agricultural commodities and food in international markets impacts vulnerable countries, especially net food importing developing countries, and parts of their population. While these current price increases in international markets draw attention to the importance of international price volatility and the relation with development and food and nutrition security, we would also like to underline the relevance of domestic and local price developments and longer term investments in food security. The current thinness of international markets implies that further integration could help dampen the impact of shocks in supply and demand, reducing price volatility for countries that are dependent on international markets for supply. Integration, however, should go hand in hand with measures to enable producers, including small holders, in developing countries to benefit from opportunities, both in local, domestic and world markets and mechanisms for risk management, both for governments and the private sector. More insight is required in the links between local, regional and world markets and the distribution of costs and benefits of the larger international chains.

In order for developing countries and developing country farmers, to benefit from access to local and international markets, a comprehensive approach towards agricultural development is a prerequisite, taking into account the whole value chain. This includes rural infrastructure (roads, water, electricity and information on market prices, weather etc. through mobile telephones and internet). The WBG, in cooperation with other relevant organizations in this field, has an important role in moving this agenda forward. First, development of, and investment in, the agricultural sector in developing countries is needed to improve productivity and market access. Also, farmers should have the tools to both prevent and mitigate risks, and once they occur, be able to deal with the possible negative impact. This requires innovation and solutions that address the specific challenges of developing country farmers: innovative measures and investments to mitigate risks and adaptation to extreme weather events, further investigation on financial products for hedging against risks associated with price volatility, weather events and energy prices and remote sensing in relation to crop assessment and weather insurances. Given the fact that, according to FAO, the funding of research in developing countries by the private sector, especially in Africa, is generally extremely low, government investment in food security could stimulate private sector investments in agricultural research and innovation.

Food importing countries that are confronted with substantial increases in their food import bill and a deterioration of their budget, should be supported in managing these effects and, when needed, provided with financial support. The World Bank could also play a role in further developing risk management instruments, together with developing country governments, to reduce their vulnerability to price volatility and enable them to support their population in times of high prices, preferably through social safety nets, that can target those most in need.

The World Bank's role in the international aid architecture

Our constituency stresses the importance of the World Bank's role as platform for the donor community. This role includes convening and collaborating with other development partners at the global, regional, and at the country level. Moreover, it comprises working with development partners to support country leadership of its own development agenda and the use of country systems. We encourage the World Bank to strengthen this platform function, which we see as crucial in light of the need for continued progress in reducing aid fragmentation and enhancing coordination. Effective delivery of aid remains a central concern in the increasingly complex global aid architecture.

Results Orientation

Our constituency welcomes the Bank's enhanced monitoring and communication of "development results". We endorse the expansion of IDA's Results Measurement System and steps towards an integrated development results and corporate performance framework. In this regard, we look forward to the Corporate Scorecard which will report on operational and organizational effectiveness and the implementation of internal reforms, and will play an important accountability role. We emphasize the integrated nature of the scorecard

and the need for a balance between qualitative and quantitative indicators. We would welcome the introduction of the scorecard at the next Annual Meeting.

We equally support World Bank Management's proposal for a new lending instrument to respond to changing development needs and demand from borrowing countries. We want the instrument to focus directly on improvements in sectoral or other development programs and place direct emphasis on results by making them the basis for disbursement. Such an approach is in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, which together express the international consensus in favour of strengthening ownership, accountability and results. Our constituency cautions that any procurement resulting from the use of the new lending instrument is based on solid systems and provides a level-playing field for the international business community.

Reform agenda

Our constituency would again like to stress the importance of continued progress with decentralization, especially of delegation of decision-making authority to the field, to improve its client responsiveness and effectiveness. One of the greatest strengths of the WBG lies in global reach and expertise in combination with local policy dialogue with governments, national parliaments and other stakeholders. While further decentralisation should take into account lessons learned and must be based on a consideration of costs and benefits, in our view, more efforts are needed. Possible barriers within the organization must be addressed and work on the matrix system should be continued.

We strongly support efforts to undertake a comprehensive and holistic review of the WBG's compensation and benefits package. Human resources policy, of which compensation is an element, should contribute to the Bank's ability to attract, retain and motivate top talent both in the field and in Washington. This requires a human resources and compensation policy that is competitive, but that also fosters flexibility and that reflects the mission of the World Bank as a publicly owned development bank. Hence, although there are valid arguments to take developments in the private sector into account, the public nature of the organization should, at least, be equally weighted.

Our constituency believes that reforms to the WBG's internal governance structures and accountability framework are an essential measure in making the institution function more effective. We appreciate progress on a merit-based and transparent selection process for the president and senior management, irrespective of nationality or geographic considerations, and on the framework for the dual performance feedback of the Board and the President. We regret, however, that other proposals for strengthening corporate governance and accountability at the WBG are not on the agenda. While these proposals may seem less attractive as topic for discussion, we stress the need to advance discussion between shareholders and management during the Annual and Spring Meetings. Therefore we continue to advocate enhancing shareholder stewardship and oversight by strengthening the DC.

Enhanced financial capacity

In our view, the WBG should be able to play a leading role in addressing development needs, attending to the challenges of the current millennium and supporting crisis responses and recovery actions. Our constituency welcomes the recent successful completion of the replenishment of IDA, as well as the approval by governors on a capital increase for the IBRD and looks forward to a swift approval of the IFC capital increase.

IDA is a critical cornerstone on which country-led and donor-coordinated support is built. We welcome the focus on special themes - fragility and conflict, climate change, crisis response and gender - which will substantially enhance IDA's ability to support low-income countries.

Furthermore, we value IFC's contribution to achieving sustainable development and its continued diversified growth in both IDA countries and middle income countries. In line with the history of IFC, where individual members have been given the opportunity to provide additional support to IFC, and given the relatively modest

size of the capital increase for IFC, we welcome further exploration of the hybrid option to enhance IFC's financial capacity.