



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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Statement by

Mr. 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
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Introduction

We meet at a time of still high uncertainty about economic growth and development. In the advanced economies, growth has slowed and financial stress is still high. 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. The worsening external environment and weakening in internal demand is also expected to lead to lower growth in emerging and developing countries. The capacity, speed and policies of the International Financial Institutions will be fundamental to protect the poorest countries and people from the slowdown in global growth. We appreciate the efforts of the World Bank Group (WBG) in supporting near-term financial needs of both middle and low income countries (LICs). We encourage the WBG to continue to respond flexibly and with agility, helping countries to move beyond aid.

Development challenges

Food security

An 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. The 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, in local, domestic and world markets and mechanisms for risk management, both for governments and the private sector.

To benefit from access to local and international markets, the whole value chain needs to be taken into account. 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 links in with the wider agenda of disaster risk reduction and resilience: investments in prevention provide better returns than investments in response. Development programming needs to be disaster risk sensitive.

In this light our constituency supports the Global Agriculture and Food Security Program (GAFSP). GAFSP has proven to be a key source of transparent and competitive financing for country-led, evidence-based agricultural development strategies in the world's poorest countries, encouraging countries to take a comprehensive and inclusive approach to agricultural investment and reform.

Social safety nets

Our constituency welcomes the increased attention for Social Safety Nets (SSNs). SSNs can be very welcome instruments to strengthen the resilience of LICs and conflict-affected countries in times of crisis and uncertainty. They can work in different contexts, be affordable, and change or save lives. The WBG can play an important role in supporting and helping build SSNs where these are missing, and to make them more effective and more targeted towards the most needed. In all these efforts, government ownership is crucial. Governments should be supported in crisis-preparedness, in making the right trade-offs and in making SSNs coherent with other policies. This can only be done by continuous learning, based on adequate data and the right monitoring instruments. In particular, care should be taken to work on SSNs which are fiscally sustainable and providing the right incentives to those involved. We urge the Bank to do this in close collaboration with other partners in the field, in particular the ILO and IMF.

Leveraging private sector

Our constituency welcomes the discussion about the role of the private sector in development. We also acknowledge the dual trend of “more private sector in development, and more development in the private sector”. In combination with the relative decline of donor’s contribution to development, donors should define how the relationship between them and the private sector can be further strengthened and expanded. The central issue is how public money can leverage private sector action to increase the development impact of the private sector. The WBG should focus on how to overcome barriers to private sector engagement in MICs, LICs and fragile states.

There are different options to liaise with new partners. New forms of partnerships have to be designed to work with these partners in an effective and efficient manner. Over the last years, programs and approaches for cooperation with the private sector have improved. IFCs approach to blending public and private money is an example. Also, innovative programs were established, such as the Currency Exchange Fund (TCX), which was designed by FMO with support of the Dutch Government. To our constituency it is essential that future improvements and innovations are strongly aligned with social impact considerations, such as development impact, social inclusion, gender equality and additionality.

The WBG has broad experience working with both the public and the private sector, and can play an essential role in this. The WBG’s knowledge, network and volume make it possible to take a holistic and strategic approach, differentiated for MICs, LICs and fragile states. In order to maintain and expand this role, our constituency encourages the WBG to incorporate private sector leveraging in its modernization agenda and to improve the linkages across the WBG. The WDR 2011, 2012 and 2013 may prove effective tools in this process.

World Development Reports 2011-2013

Our constituency commends the World Bank for choosing highly relevant topics for the previous two World Development Reports (WDRs) and this year’s WDR on jobs. The reports on fragility and security (2011) and gender and development (2012) provide global policy lessons relevant for many country contexts. We monitor implementation, especially actions that are needed on regional or country levels. We expect that the regional hub for fragile states will be fully integrated with the country-based IDA development model. We also stress the importance of active WBG participation in implementing the New Deal for State and Peace Building and support more attention within IDA for the fragile states agenda.

We have high expectations for the report on jobs. The WDR 2013 will bring a fresh look on job challenges and hopefully provide new answers. We request that the report will differentiate according to regional and country circumstances, and provide concrete and practical policy recommendations. We welcome the approach of the ‘three transformations’ – living standards, social cohesion and productivity gains – as a basis for the analysis. Creating jobs as such is not sufficient, the world needs good and productive jobs.

Reform agenda

Results and value for money

Our constituency strongly supports the WBG's commitment to achieve and show results. The ability to identify, measure and report on development results is central to the World Bank's effectiveness and enhances the accountability to shareholders. We welcome the approval of the new lending instrument, Program-for-Results, which places direct emphasis on results by making them the basis for disbursement.

Better results can also be achieved in the field of procurement. Effective procurement is indispensable to achieve development impact. It warrants borrowing countries getting value for money, and enhances the development outcome of World Bank projects. Therefore, our constituency attaches great importance to the Bank's current review of procurement policies. The Bank should incorporate new concepts and methods increasingly reflected in public procurement worldwide.

We would like to see quality (i.e. technical quality, standards, CSR criteria) to become more important in tender allocation. We encourage the Bank to align its procurement guidelines with more modern international agreements and allow greater incorporation of non-monetary considerations.

Internal organization

Our constituency appreciates IEG's thorough evaluation of the matrix system and supports its recommendations. We agree that in the changing external environment, where there is a shift from demand for development financing toward knowledge services, the importance of strong networks that enhance global knowledge is only growing. Hence, rebalancing of the matrix is required.

IEG states that the diverse challenges faced by client countries reinforce the relevance of the matrix system. We wonder whether the matrix can be improved within the current funding relations within the Bank. Notwithstanding decentralisation, it is important that the sectors continue to service the regions. We welcome the steps that Management has taken since its own review of the matrix system and encourage the Bank to focus on making further progress.

Selection of the new president

Our constituency has strongly supported the process that was followed to select the new World Bank President. It reconfirmed the importance of a merit-based and transparent process with Executive Directors able to nominate and then consider all candidates.

To make the Bank fit for purpose we expect a clear and early commitment of the new President to the Bank's ongoing modernization agenda and its rapid implementation. Equally important the President has to shape a strategic vision which puts the private sector center stage, strengthens the "Knowledge Bank" and addresses global challenges.