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-FIRST MEETING
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Statement by

Jan Kees De Jager
Minister of Finance
of the Kingdom of the Netherlands

On behalf of 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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Our meeting takes place against the backdrop of a slow and uncertain recovery from a succession of global crises. Countries need to consolidate their recovery efforts, and refocus towards long-term growth and development. As the target date for attaining the Millennium Development Goals draws near, the global community must make a sustained effort to help developing countries reach the MDGs.

The crises put the World Bank in the spotlight. The institution is recognized for its robust crisis response. It is all the more clear that the World Bank Group is an important institution in the multilateral architecture. Its relevance, effectiveness and legitimacy needs to be guaranteed in the future. These Spring meetings are a crucial window of opportunity to decide on truly transformative package of reforms on governance, capital and voice.

Governance
We support the comprehensive strategic directions set out in the *Post Crisis Directions* paper. The five strategic priorities are clearly focused on the overarching objective of overcoming poverty and provide directions to the World Bank Group's ongoing reform efforts that are outlined in the internal reform paper. At the same time the World Bank will need to further elaborate on sectoral or thematic complementarity with the other MDBs, the UN and global funds, building upon the principle of selectivity.

We look forward to review concrete proposals to strengthen corporate governance, following the robust analysis of the Zedillo Commission, especially concerning the division of mandates between Board and management.

Effective implementation will be critical in order to capture the transformative potential of the Bank's reform agenda. In this respect we attach great importance to the Bank's safeguards on environmental and social sustainability such as compliance with Corporate Social Responsibility and Core Labour Standards. We call upon the Bank to ensure that these standards are upheld in all of the World Bank programs.

Financial Capacity
In our view, the World Bank Group should be able to play a leading role in addressing regular development needs, attending to the challenges of the current millennium and supporting crisis responses and recovery actions. In order to succeed, the World Bank Group should have a strong financial capacity. In response to the crisis, IBRD and IFC have made effective and efficient use of existing capital. However, we recognize the indicated capital scarcity and we welcome the options for strengthening the financial capacity of IBRD and IFC.

With respect to IBRD, a capital increase is consistent with the concept of fair burden sharing between different shareholders, in particular when taking into account the price increase decision taken last summer and the efforts of countries to release the national currency part of their paid-in capital. We support the General Capital Increase for IBRD of 58 bln USD, of which 3.5 bln USD in hard currency paid-in capital and the subscription modalities. We also welcome the contribution of the Selective Capital Increase to IBRD's capital position.

With regard to charges for long term maturities, we welcome an open discussion during the integrated financial review in June. We also support a review of the sustainability of the financial model.

We agree on a transfer of income in a situation of future excess capital, given the uncertainty with regard to future loan demand. However, the decision on the allocation of net income remains a prerogative of the World Bank Board and Governors. Moreover, in a decision on a possible transfer, special consideration should be given to the poorest populations. In addition, in our view the previous financial cushion of the Bank served well during the crisis. Therefore, we suggest being prudent in setting a target for the E/L ratio.

We welcome IFC's contribution to achieving development results and sustainable development and its continued diversified growth in both IDA countries and middle income countries, especially in the context of recovery from the crisis. We therefore support the proposal for a 7% to 8% per annum growth investment rate instead of the more moderate 5% to 6%.

In line with the history of IFC, where individual members have been given the opportunity to provide additional support to IFC, we welcome the proposed package of measures, including the SCI and the hybrid option, to enhance IFC's financial capacity. In this context, we support a substantial SCI.

Finally, we support and appreciate IFC's financial support for IDA, which contributes to IDA's resources and comes to the benefit of IDA countries. This support should be given as long as IFC's financial solidity and income position allow it.

Voice and representation

We support the proposed package of measures for the 2010 IBRD shareholding realignment, which will establish the agreed shift of at least 3% of voting power for developing and transition countries. We agree to the approach used for the 2010 shareholding realignment as the basis for the current Selective Capital Increase only. The approach should not, nor should elements thereof, establish a benchmark formula to underpin IBRD shareholding.

We are committed to continue work on the establishment of a dynamic formula, which primarily reflects countries' evolving economic weight and the World Bank's development mission. This formula should set a benchmark for IBRD shareholding and serve as a guide for the next shareholding review in 2015 and future reviews. We advocate the adoption of a simple, transparent and rules-based World Bank formula that ensures equal treatment of shareholders. At the same time, recognizing the vulnerable position of the smallest poor countries, in future shareholding realignments, their voting power should be protected. Moreover, for the next shareholding review in 2015, the classification criteria of countries should be reviewed, with the objective of introducing dynamism and the classification reflecting income levels.
We advocate a shareholder-driven and transparent process for the development of a dynamic formula, to be adopted before the next shareholding review. We also support the adoption of a roadmap.

A dynamic formula should reflect, next to economic weight, member's engagement with the World Bank's development mission, by incorporating development contributions by client countries, as well as financial contributions by donor countries. These elements should set the benchmark for under or over-representation.

In our view, client countries contribute through sustainable development and poverty reduction, as well as through their contribution to the enhancement of the development experience and knowledge of the World Bank. This contribution should be taken into account. We would welcome further work by World Bank staff on overcoming any practical obstacles to including client contributions.

A shareholding formula should also assign significant weight to financial contributions by donor countries. Continued and substantial financial support for the World Bank Group should be reflected in voting power and more generous donor contributions should be rewarded. In this context, we advocate a review of the concept of fair burden share, taking into account per capita income and size of the economy. In our view, rewarding donors on this basis is not only fair, but also necessary to attract resources, which is crucial for the development mandate of the Bank. A strong IDA is in the interest of all shareholders, advanced economies and DTCs alike. We also underline the importance of further measures by management to continue trust fund reform and stress the importance of incorporating trust fund contributions in future shareholding reviews.

For IFC voice reform, we support the increase of basic votes to 5,55% and the Selective Capital Increase to increase developing and transition countries' voting power. We advocate a pragmatic approach, in which shares are allocated on the basis of members' interest. Given the relatively modest share of developing and transition countries in IFC compared to IBRD, we advocate a size of the Selective Capital Increase that reflects the interest indicated by members. While we welcome the interest shown by developed countries, given the objective of the voice reform, developing and transition countries should be given priority access.

Reforms on voice and representation should be accompanied by voice-enhancing reforms in other aspects of Bank governance. As a first step, we should send an important signal by introducing a merit-based and transparent selection process for the president and senior management, irrespective of nationality or geographic preference.