THE WORLD BANK GROUP

2008 Annual Meetings of the Boards of Governors

Summary Proceedings

Washington D.C.
October 11–13, 2008

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2008 ANNUAL MEETINGS OF THE BOARDS OF GOVERNORS

SUMMARY PROCEEDINGS

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INTRODUCTORY NOTE

The 2008 Annual Meetings of the Boards of Governors of the World Bank Group, which consists of the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA), and International Centre for the Settlement of Investment Disputes (ICSID), held jointly with that of the International Monetary Fund, took place on October 11–13, 2008 in Washington, D.C. The Honorable Zoran Stavreski, Governor of the Bank and the Fund for Former Yugoslav Republic of Macedonia, served as the Chairman.

The Summary Proceedings record, in alphabetical order by member countries, the texts of statements by Governors, the resolutions and reports adopted by the Boards of Governors of the World Bank Group. The texts of statements concerning the IMF are published separately by the Fund.

Kristalina I. Georgieva
Vice President and Corporate Secretary
THE WORLD BANK GROUP

Washington, D.C.
March, 2009

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Introductory Remarks

Allow me to welcome you all to the 2008 Annual Meetings of the International Monetary Fund and the World Bank Group. It is a great honor for my country, Macedonia, to chair these meetings.

At a time of unprecedented challenge and change in the global economy, it is reassuring that the Bretton Woods Institutions have at their helms leaders with outstanding experience and energy. I know that fellow Governors will join me in thanking Mr. Strauss-Kahn and Mr. Zoellick for their wise leadership in addressing immediate and longstanding global challenges through enhanced external engagement and comprehensive internal refocusing. Looking forward, I have full confidence that they will continue these important efforts and remain vigilant toward new risks. Governors will also wish to thank Mr. Carstens for his able chairmanship of the Development Committee, and Mr. Padoa-Schioppa for chairing the IMFC, as well as to congratulate Mr. Youssef Boutros-Ghali on his selection as the new IMFC Chairman.

Global Market Turmoil: New Challenges Call for Timely and Flexible Responses

Fellow Governors, events of the past year starkly reminded us of the wide range of pressing challenges facing the global economy. We are currently in the midst of one of the most serious global financial market crises of our time. This financial turmoil, along with the surging food and fuel prices that we have been seeing this year, has forced rapid and flexible reactions from policymakers. At the same time, other challenges—such as climate change, aid effectiveness, and governance of the Bretton Woods Institutions—remain imperative and demand action.

It is vital that we harness the comparative advantage of both the Fund and the Bank Group to tackle immediate threats quickly, while continuing efforts to address ongoing challenges. The Bretton Woods Institutions are well placed to work with member countries and other international and regional institutions to cushion the impact of financial turbulence so as to prevent a further expansion of the crisis. There is also urgent need to improve food security by going beyond an immediate emergency response. Yet, the unparalleled scale and complexity

of the challenges we confront today require that global institutions, like the Fund and the Bank Group, devise fast and flexible policy responses so that gains made over the past decade in macroeconomic stability and overcoming poverty are not reversed.

Advancing Surveillance Issues

Fund surveillance is a valuable tool in our efforts to promote macroeconomic and financial stability, but—to remain effective—surveillance needs to be continually updated and enhanced to address new challenges. The Fund's first ever Statement of Surveillance Priorities highlights the key elements of the global macroeconomic changes that surveillance needs to address. In particular, it correctly recognizes the increased potential for disruptive financial sector spillovers into the real economy, and the pace with which adverse macroeconomic impacts spread. To address these developments, the Fund intends to strengthen its analysis of macro-financial linkages, and extend Early Warning Indicators to advanced economies.

This updating builds on other efforts to make surveillance more relevant to changing global macroeconomic dynamics. Governors will recall the refocusing of exchange rate surveillance through the 2007 Surveillance Decision. Steps are now being taken to strengthen observance of the decision, and to improve the underpinning methodological framework. Looking forward, the Fund must build on this progress—and the findings of the Triennial Surveillance Review—and continue to adapt surveillance in line with the changing global economy.

Strengthening Fund-FSF Collaboration

Ensuring the greatest possible impact of Fund surveillance is also of vital importance. In this regard, we commend steps to strengthen collaboration between the Fund and the Financial Stability Forum. The Fund's lead role in macro-financial surveillance and its near universal membership complements the Financial Stability Forum's role in bringing together policymakers of the most systemically important financial centers, international institutions, and standard setting bodies.

Reviewing the Fund and the Bank Group's Lending and Policy Advice Roles

In recent years, positive developments in the global economy and strengthened domestic policy frameworks have contributed to diminishing requests for Fund lending. In the current pressing circumstances, however, the Fund needs to stand ready to provide fast, timely, and

flexible financial assistance to its members. In this respect, we are encouraged by the Managing Director's request that the Fund's Board activate its fast-track loan procedure. We are also encouraged by the determination of the Fund to continue adapting its lending instruments to changing circumstances. We welcome the innovative instruments being put in place, including the revamped Exogenous Shock Facility, which will provide faster assistance and in larger amounts to members experiencing a shock, as well as the consideration of a new liquidity instrument for crisis prevention. In this context, the recent review of the Fund's financing role in member countries, which found that Fund facilities have been used flexibly and have provided the needed support to the membership, is noteworthy.

Last year, the World Bank Group saw a record replenishment of $41.7 billion to IDA-15, jumpstarted by a $3.5 billion contribution from the Bank Group's own income. This is an important vote of confidence from the donor community in the Bank Group's work. We are further encouraged by the Bank Group's efforts this year to develop innovative financing instruments and to expand options for its clients. In particular, we welcome the simplification and reduction in IBRD loan charges, the extension in maturity limits, and the initiatives to expand local currency financing and to develop local bond markets.

We are also pleased to note the World Bank Group's strong capitalization and prudent risk management policies that have kept it strong, allowing it to expand finance in response to client demand. In the current environment, the Bank Group's role as a lender cannot be underestimated. We are also encouraged that the Bank has a team of highly experienced financial experts to help assist member countries strengthen crisis preparedness and to respond promptly to crises when they happen.

Financial support is only one aspect of the Fund's and the Bank Group's assistance to member countries. Policy advice is increasingly requested by governments as they face a more testing external environment and manage growing and complex economies. In this respect, the Fund is playing its part, helping countries assess the macroeconomic impacts of the food and fuel crisis, design targeted measures to alleviate its effects, and calculate the fiscal costs of the necessary policy responses. The Bank Group has already played an active role with the launch of a New Deal for Global Food Policy, which focuses—among other initiatives—on providing support to the World Food Program to facilitate food access to the poor, increasing investment in agricultural research, and acting to remove export bans and to reduce distorting subsidies and trade barriers. The Bank Group has established a $1.2 billion Global Food Crisis Response Program, which provides the overall framework for a comprehensive and rapid response. We urge the Bank to continue its engagement on this matter and provide policy advice and

financing to the neediest countries in coordination with donors, stakeholders, and civil society.

Regional Developments

Fellow Governors, while downside risks to the global economy and their impact on the Western Balkans cannot be underestimated, our region is better positioned than ever before to absorb these shocks. After a decade of reforms, rapid growth and stronger domestic institutions bode well for a progressive integration of the Western Balkan countries into the European Union. The Fund and the World Bank Group have been valuable partners in this respect. The World Bank Group's lending and advisory services are increasingly supporting activities in improving investment climate and infrastructure, in particular by developing power and transport networks that will ensure reliable energy supply and facilitate regional trade. In addition, several projects dealing with climate change and disaster-risk mitigation are also underway. I call on the governments of Western Balkans countries to work together to ensure the success of these efforts.

In line with the region, Macedonia has made considerable progress in recent years. Growth increased rapidly in the last two years, macroeconomic stability was secured, and a range of important reforms were undertaken. The government program "Rebirth in 100 steps" includes a multi-sectoral approach encompassing sound economic and regulatory policies to improve the investment climate, strengthen the labor market, promote high-quality education and training systems, and create an efficient social safety net. Macedonia's progress in the World Bank Group's Doing Business rankings reflects the improvements achieved so far in the business climate thanks to bold regulatory reforms. A number of efforts to modernize and improve the infrastructure are also ongoing, but major additional investments in infrastructure remain critical for future growth prospects. Macedonia's overarching goal is to complete the EU accession process and to achieve rapid convergence with EU member states' income levels in a fiscally, socially, and environmentally sustainable fashion. The Bank Group and Fund have been Macedonia's trusted and reliable advisors in its successful transition, and we look forward to a continued effective partnership.

Ongoing Core Challenges

My fellow Governors, helping member countries respond to pressing short-term threats should not divert the Fund and the World Bank Group from confronting other ongoing core challenges. Addressing

these core challenges will strengthen legitimacy and enhance effectiveness, thus increasing the chances of successfully tackling short-term threats.

Strategic Framework on Climate Change

The World Bank Group has rightly supported developing countries' efforts to integrate climate change considerations into their core development strategies while maintaining economic growth. The current discussion of the Strategic Framework on Climate Change and Development is testament to that challenge, and will allow the Bank Group to scale up plans going forward and further foster international collaboration on this important global public good. The World Bank Group has a catalytic role to play in helping to mobilize private sector funding, and in complementing existing and new financing mechanisms. The new financing instrument established via the Climate Investment Funds is a step in the right direction.

Aid Effectiveness: Accra Agenda for Action

Scaling-up of aid to low-income countries is another pressing challenge. Despite the welcome endorsement of the Accra Agenda for Action (AAA), more can be done to increase aid effectiveness. I urge all development partners to keep moving the agenda forward. In particular, I encourage donors to continue efforts to share good practices, harmonize monitoring systems, and scale-up capacity building efforts.

Enhancing Voice and Participation of Developing and Transition Economies

The Fund and the World Bank Group are pragmatic institutions and must adapt to a changing international environment. It is critical to ensure fair representation of all members and adequate participation of low-income countries in the governance of both institutions.

In April 2008, the Fund approved a forward-looking package of governance reforms that increases the representation of dynamic economies and strengthens the voice of low-income countries. I call on you—fellow Governors—to show leadership in speeding up domestic approval of this reform. Keeping in mind the distinct nature of its development mandate, the ongoing efforts to explore concrete options on voice and participation within the Bank Group are also a step toward enhancing the legitimacy, credibility, and accountability of its operations. We urge the Bank to reach a consensus on a comprehensive package of reforms as soon as possible.

But more remains to be done. I thus welcome the establishment of a joint steering committee of Executive Directors and Fund Management and the appointment by the Managing Director of a Committee of Eminent Persons, chaired by Trevor Manuel, to assess the adequacy of the Fund's current decision-making framework. I also welcome the work underway at the World Bank Group in the area of internal governance; including the recent announcement by the President of a High Level Commission, led by Ernesto Zedillo.

Closing Remarks

Fellow Governors, this has been a tumultuous year; unprecedented in many ways. The global economy is grappling with an acute financial crisis and a surge in commodities prices, which are undermining confidence in a globalized financial system and the open trading system. The challenges of globalization are stark, the threat is a retreat to protectionism, and solutions are not simple. At times of distress, however, great opportunities arise. We need to seize them through a more effective Fund and World Bank Group, and a strong commitment by member countries to pursue difficult economic and political reforms. For the world to successfully rise to this challenge, bold statements need to be followed by even bolder actions. With these remarks, I hereby declare open the 2008 Annual Meetings of the International Monetary Fund and the World Bank Group.

OPENING ADDRESS BY ROBERT B. ZOELLICK THE PRESIDENT OF THE WORLD BANK GROUP

Modernizing Multilateralism and Markets

Thank you for joining us at these Annual Meetings. I want to express my particular thanks to our Chairman, Zoran Stavreski, and, once again, to Agustín Carstens for his leadership of the Development Committee and his partnership as a friend. I cannot imagine a better Chair to work with during my first year.

I also want to single out my good colleague, Dominique Strauss Kahn. We work closely together, and I am fortunate to have a partner with such experience, insight, and fine humor.

We meet at an extraordinarily difficult time—a time of uncertainty and insecurity, with a danger that those fears push us away from—not towards—a more inclusive and sustainable globalization.

Recent weeks have made 2008 a precarious year—a meltdown in financial, credit, and housing markets. The continuing stress of high food, fuel, and commodity prices. Anxieties about the global economy.

People are hurting. Families are worried about what coming days will bring.

People are reacting with a sense first of confusion, then frustration, anger, and fear.

These are natural responses, just as we have seen in developed countries. The challenges of psychology will spread around the world as the financial and economic effects spread. We need to take them seriously.

October could be a tipping point for many developing countries. A drop in exports, as well as capital inflow, will trigger a falloff in investments. Deceleration of growth and deteriorating financing conditions will trigger business failures and increase the risk of banking emergencies. Some countries will slip toward balance of payments crises. As is always the case, the most poor are the most defenseless.

The events of this year are a wake up call. There are storm clouds over multilateralism and markets.

As food prices soared, agricultural markets started to break down under political pressures. Some 40 countries imposed bans or restrictions on exports of food. Others imposed price controls and halted trading. The UN strained mightily to get countries to double their contributions to food assistance for those most in need. Poverty, hunger, and malnutrition increased.

As the global system for agriculture ran aground, the World Trade Organization drifted into dangerous waters. The Doha Round has hit the rocks.

The Climate Change negotiations organized under the UN Framework Convention on Climate Change faces an uphill struggle, now steepened by the breakdown in the WTO.

While needs are growing, the international aid system is not keeping pace.

Donors bring ideas, energy, and resources, but they also can overwhelm national ownership by developing countries, harming the effectiveness of aid. In 2006, there were more than 70,000 aid transactions with an average project size of only $1.7 million. Last year, the average developing country hosted 260 donor visits. Vietnam had 752.

National governments are drawn increasingly to provide aid with their flag, not through multilateralism that encourages coherence and building local ownership. The G-7 as a whole is far behind its Gleneagles' commitments to boost development assistance.

Private financial markets and businesses will continue to be the strongest drivers of global growth and development. But the developed world's financial systems, especially in the United States, have revealed glaring weaknesses after suffering titanic losses.

The international architecture designed to deal with such circumstances is creaking.

A New Multilateralism

Even as the United States and the world dig out of the present hole, we need to look further ahead: We must modernize multilateralism and markets for a New Global Economy.

Some say today's crisis should take all our energy and focus. But the architects of Bretton Woods in 1944 laid the foundations for the future even as they still fought the armies of the past.

For us, tomorrow is already here.

New economic powers are on the rise.

The engagement of rising powers with the global economy has made them "stakeholders" in the global system that benefited them.

These rising powers want to be heard. They want to know what will be their role in making new rules for the global economy.

The developed economy "stakeholders," in turn, both benefit from—and are threatened by—the changes. Rising developing economies offer multiple poles of growth that assist their recoveries and offer new possibilities, but they also serve as fodder for scaremongers.

With growth rates averaging about 6.6 percent between 1997 and 2007, some 25 countries in sub-Saharan Africa, with almost two-thirds of the region's population, offer a vision of yet another pole of growth that might be developed over the coming decades. This could be a great achievement, not only for overcoming poverty and for development, but also freeing untapped talents and energies.

But it will be an achievement left unrealized unless we have the vision and the courage to stand up to the challenges of economic isolationism, and to offer the leadership to help make it happen.

We need a new approach.

At its best, multilateralism is a means for solving problems among countries, with the group at the table willing and able to take constructive action together. When multilateralism is dysfunctional, globalization can be a Tower of Babel, with competing national interests colliding to the benefit of none.

The Bretton Woods generation left two legacies: first, specific international institutions and regimes—in various states of service and repair. Second, and more important, that generation left an intellectual, policy, and political commitment to act multilaterally to turn the problems of an era into opportunities.

The New Multilateralism, suiting our times, is likely to be a flexible network, not a fixed system. It needs to maximize the strengths of interconnecting actors, public and private, profit-making and civil society NGOs.

The New Multilateralism must respect state sovereignties while solving interconnected problems that transcend borders.

This New Multilateral Network needs to be pragmatic. Its baseline work is to foster cooperation by encouraging exchanges of perspectives on interests, both domestic and international. Often just sharing information is a start.

We should encourage a search for mutual interests. Sometimes mutual interests can be fostered with incentives—and international institutions can become catalysts for action. Practical problem-solving builds a culture of cooperation.

Our New Multilateralism must build toward a sense of shared responsibility for the health and effective functioning of the global political economy. This means—chiefly and critically—that it must involve those with a major stake in that economy, those willing to share in the responsibilities along with the benefits of maintaining it.

We must redefine economic multilateralism beyond the traditional focus on finance and trade. Today, energy, climate change, and stabilizing fragile and post-conflict states are economic issues. They are already part of the international security and environmental dialogue. They must be the concern of economic multilateralism as well.

Priorities

A New Steering Group

The New Multilateralism will still depend principally on national leadership and cooperation. Countries matter.

We need a core group of Finance Ministers who will assume responsibility for anticipating issues, sharing information and insights, exploring mutual interests, mobilizing efforts to solve problems, and at least managing differences.

For financial and economic cooperation, we should consider a new Steering Group including Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, and the current G-7.

Such a Steering Group would bring together over 70 percent of the World's GDP, 62 percent of its energy production, the major carbon emitters, the principal development donors, large regional actors, and the primary players in global capital, commodity, and exchange rate markets.

But this Steering Group would not be a G-14. We will not make a new world simply by remaking the old. It should be numberless, flexible, and over time, it could evolve. Others may be added, especially if their rising influence is matched by a willingness to help shoulder responsibilities.

This new Steering Group should meet and videoconference regularly to foster a sense of group responsibility.

The IMF and World Bank Group, perhaps with the WTO, can help support this Steering Group. We can identify emerging problems, supply analysis, suggest solutions, and draw on our own broader membership to propose coalitions to address issues.

The Steering Group members will still need to work through established international institutions and regimes that include other states. But the core group would increase the likelihood that countries draw together to address problems that are larger than any one state.

We need this mechanism so that countries are not left to fail—with all the human, economic, and political consequences this entails for both them and their neighbors. We need it so that global problems are not just mopped up after the fact, but anticipated. We need it to develop the habit of dialogue and the necessary relationships of trust before the crisis hits. We need it to shape multilateral solutions.

International Finance and Development

We have seen the dark side of global connectedness. We need to navigate toward the light.

The first task will be to overhaul the failed system of financial regulation and supervision.

We must ask why so many thoroughly regulated and supervised institutions got into trouble. Any risk-based model, no matter how sophisticated and well supervised, depends critically on the assumptions. What happens when the assumptions fail?

The changing conditions that trigger failure will increasingly be dependent on shifts in the world economy. Just as the crisis has been international because of interconnectedness, the reforms will need to be multilateral.

The Financial Stability Forum (FSF), ably chaired by Mario Draghi of the Bank of Italy, has started to tackle these issues. Whether through an expanded FSF, a stronger FSF-IMF linkage, or the Steering Group, these financial supervisory issues will need to be addressed in a broader multilateral context.

We must bolster an IMF early warning system for the global economy, focused on crisis prevention and not just crisis resolution.

The financial shock waves in the United States and Europe will reverberate in the global economy. The stark reality is that developing countries must anticipate and prepare for a drop in trade, remittances, and domestic investment.

Countries with sound fiscal and balance of payments positions should be encouraged to spur domestic demand through consumption and investment. But others have yawning budget gaps, risky current account deficits, balance of payments problems, financial danger, or all four. The Fund and the Development Banks will need to assist.

The New Multilateralism must put global development on a par with international finance.

Economic multi-polarity offers stability and opportunity, just like a diversified portfolio of investments. But to boost more inclusive and sustainable growth, we need to think about aid differently.

Two weeks ago at the United Nations, international partners raised $16 billion for development projects. This money is vital, and we need more if we are to meet the Millennium Development Goals.

But we also must broaden our approach. We must listen to the growing number of Africans who are telling us they want markets and opportunities, not aid dependency.

Private capital and markets will remain the drivers of growth. We must look beyond projects and programs to new ways of doing the business of development.

At the Bank Group, we are changing our role from that of primarily a lender to a provider of customized financial and development solutions for overcoming poverty and spurring growth.

We are also building an IFC investment platform to help intermediate equity investment—not aid—from Sovereign Wealth Funds to Africa and other poor regions with growth opportunities. This is the "One Percent Solution" I proposed this spring.

Private capital—and especially equity—will be the critical factor in building infrastructure, supplying energy, financing businesses and trade, and fostering regional integration within an open global economy.

And it is already happening. In 2008, IFC provided more investment (including syndications) to our clients than our IBRD lending or IDA assistance. Over 40 percent of IFC's investments were in IDA countries this year.

Our Global Emerging Markets Local Currency Bond program, or GEMLOC, aims to catalyze the development of local currency bond markets in emerging market countries and facilitate south-south investment opportunities.

We are helping our clients—from small farmers to governments—manage development risks through insurance facilities for weather and catastrophic events. In partnership with DFID, we finalized a weather risk management transaction on behalf of Malawi. Under this transaction Malawi will receive up to $5 million if an index linked to rainfall drops significantly below the historical average.

We are developing our business with sub-sovereign entities so we can get at the roots of local poverty and strengthening governance and performance at all levels.

We are using our balance sheet and financing capabilities in combination with donors to broaden types of assistance: from the issuance of vaccine bonds in the Japanese retail market, to advance commitments to purchase yet-to-be-developed pharmaceuticals to save lives.

As we move into new fields with new instruments, we need to become better partners. To that end, we are ramping up our work to support health systems, promoting innovations such as results-based financing, and new ways of working with the private sector and civil society. Two weeks ago, at the UN's Millennium Summit, we joined with the UN, governments, non-traditional donors, the private sector, and civil society to boost support for malaria and for primary education with an additional Bank contribution of $2.6 billion.

The New Multilateralism also needs mechanisms to move much more quickly to help those who are most vulnerable in crisis. Right after suggesting the idea at our Spring Meetings, as the food crisis hit hard, the World Bank created a new $1.2 billion rapid financing facility for those endangered by high food prices—to fund nutrition, school feeding, seeds and fertilizers, and other safety nets. We are now expanding that Facility to cover those hit by rising fuel prices. These kinds of vulnerability mechanisms must be flexible, fast, and will need a regular flow of grant funding.

The World Bank Group must also adapt more quickly to meet new needs of its clients and interests of its shareholders. We need to better align our governance with the realities of the 21st century. Yesterday, we reached agreement on an initial reform package on Voice, Partici-

pation, and Responsibility. This is a start, but we will need to go further. Our Board has advanced work on internal governance.

I am delighted that Ernest Zedillo has agreed to chair a High Level Commission, to consider a modernization in World Bank Group governance so we can operate more dynamically, effectively, efficiently, and legitimately in a transformed global political economy. I have asked Ernesto to work with colleagues looking at the IMF. In 1944 the architects of the Bretton Woods system seized a moment to build for a changed future. We must be no less ambitious today.

The WTO and the Global Trading System

The Doha global trade negotiations in the WTO are gasping on life support. It is vital that the WTO and an open global trading system not be buried with them.

Trade negotiations will continue elsewhere. Recent research has shown how FTA negotiations can support broader opening of markets. But FTAs and preferential arrangements that are not broad-based could weaken global liberalization. They need to be linked to global disciplines. And the multilateral system remains the only option for lifting the heavy hand of trade-distorting support for agriculture, still running at some $260 billion per year in OECD countries.

One option to continue fostering global liberalization is to recognize trade facilitation as part of a development plan. There are opportunities to cut costs of trade far in excess of those imposed by tariffs and other trade barriers. The World Bank's "Doing Business" trading and "Logistics" indicators have done the diagnostic groundwork. Regional bodies such as APEC have pointed the way.

The World Bank Group is helping countries to simplify and harmonize procedures and documentation across a supply chain. We are currently working on a Trade Facilitation Facility to provide technical assistance, capacity building, and project preparation. We can support both country-level projects that respond to client needs and multicountry projects that can facilitate regional trade integration. And we can help with the implementation of trade facilitation commitments associated with multilateral and regional trade agreements.

A new trade facilitation and development agenda puts the self-interest of lowering costs of trading to work for a multilateral interest of encouraging more integration, efficiencies, and opportunities—meaning more growth, more jobs, less poverty.

This is multilateralism by practical steps, moving ahead where it is possible to do so.

Energy and Climate Change

The New Multilateral Network must also interconnect energy and climate change.

World energy markets are a mess. Producers, fearful of collapsing prices, are wary of new investments. Consuming countries want lower prices for consumers, but prices high enough to encourage conservation, efficiencies, alternative supplies, and new technologies. And the most vulnerable countries and people are victimized by the whole confusion—hit by high prices, price volatility, and climate change.

Most oil production is now controlled by national oil companies. These suppliers do not respond to market signals in the same way as private producers.

We need a "global bargain" among major producers and consumers of energy. A few years ago, China suggested that the major energy consumers organize to deal more effectively with the producers' cartel. This is an idea worth considering, though with a broader purpose.

At a minimum, such a bargain should involve sharing plans for expanding supplies, including alternative energy; improving efficiency and lessening demand; assisting with energy for the poor; and considering how these policies relate to carbon production and climate change policies. The World Bank Group can play an important role here. Last year, our funding for renewable energy and energy efficiency projects in developing countries grew by over eighty percent to reach US$2.7 billion.

Part of the bargain will also be to provide an opportunity for developing countries to make longer-term investments to reduce vulnerability to high and volatile fuel prices while supporting the poor with safety nets. With less than one quarter of Sub-Saharan Africans currently having access to electricity, improving access for the poorest is a critical complement to clean energy investments. Just as we are assisting those most vulnerable to high food prices by expanding agricultural production, we need to help those vulnerable to high and volatile energy prices by improving efficiencies, options for alternative supplies and off-grid technologies, and regional cooperation. At the request of shareholders, the World Bank Group is developing an "Energy for the Poor" initiative to help the poorest countries meet energy needs in efficient and sustainable ways.

We might consider taking the global bargain further. There might be a common interest in managing a price range that reconciles interests while transitioning toward lower carbon growth strategies, a broader portfolio of supplies, and greater international security.

Multilateral understandings about energy futures—leading to clear pricing for carbon—might also be vital for the United Nations Framework Convention on Climate Change.

A climate change accord also will have to be supported by new mechanisms to support forestation and avoid deforestation, develop new technologies and encourage their rapid diffusion, provide financial support to poorer countries, and assist with adaptation. As we discussed at the Bali Breakfast yesterday, we need to strengthen carbon markets. The World Bank Group's launch of two new facilities—the Forest Carbon Partnership Facility and the Carbon Partnership Facility—enables us to support clients seeking lower carbon development paths.

Two weeks ago, to help provide additional resources for these challenges, the Bank hosted a pledging session that raised $6.1 billion from ten countries for new Climate Investment Funds—resources which developing countries can use to address climate change issues within their own development and anti-poverty strategies.

Fragile States: Securing Development

Nowhere is the New Multilateral Network needed more than in the fragile and post-conflict states where the "Bottom Billion" live.

Too often, the development community has treated states affected by fragility and conflict simply as harder cases of development. Yet these situations require looking beyond the analytics of development to a different framework of building security, legitimacy, governance, and the economy. This is not security as usual, or development as usual.

Securing Development is about bringing security and development together first to smooth the transition from conflict to peace and then to embed stability so that development can take hold over a decade and beyond. Only by securing development can we put down roots deep enough to break the cycle of fragility and violence.

Our appreciation of how best to secure development—to synthesize security, governance, and economics to be most effective—is still modest. We face critical gaps in international capabilities.

Ultimately, the most important element in fragile or post-conflict states is the people of those countries. But it will take much stronger and longer-lasting multilateral assistance to help these people shift from being victims to becoming the principal agents of recovery.

At the World Bank, we are devising new, and I hope improved, partnerships with the United Nations and others. A new UN-World Bank Fiduciary Principles Accord will significantly speed up joint responses to crises. We are pushing ahead with desperately needed arrears clearance operations, and establishing a new $100 million State- and Peace-Building Fund to support a more strategic and innovative approach to conflict and fragility.

The Six Strategic Themes

Last year I outlined six strategic themes for the World Bank Group to help guide our work—for the poorest countries, especially Africa; fragile and post-conflict states; middle-income countries; global and regional public goods; expanding opportunity for the Arab World; and building knowledge and learning.

These strategic themes run throughout our work. I have highlighted a few examples today.

As we move forward with the six themes, we must continue to mainstream anti-corruption and good governance across all our activities. Publics are right to expect a sharper focus on governance and anti-corruption. Corruption is a cruel tax—first and foremost on the poor. We must fight it wherever we find it.

I am grateful to Paul Volcker and his fellow Commissioners for their excellent work—and practical recommendations. We are implementing the panel's recommendations and scaling-up our work— including by strengthening our Institutional Integrity Department, creating a new preventative and advisory unit to better share and implement lessons learned, and appointing an International Advisory Board to help advise our new Vice President.

This work is based on our fiduciary obligations. But it does not end there. We must build an institutional culture of honesty, integrity, and trust. And we must encourage and assist our clients—from the youngest procurement officer to Prime Ministers and Presidents—to embrace this culture, too.

Conclusion

As one executive director recently observed, since our last Annual Meetings a year ago, the World Bank Group has moved from crisis to catalyst.

Now the world faces a crisis. It is a moment for the World Bank Group to step up.

We have a sound capital base, strong liquidity, unmatched global experience with worldwide reach, and extraordinary people.

Yet we can and must do better.

The World Bank Group is at its best when it brings together global expertise, constantly challenged and updated; investments in people, markets, and institutions; and innovative financing—always conscious, as the Growth Commission emphasized this year, that there is no single template for development. Each country's circumstances are unique—and special. We must have the humility, practicality, and honesty to learn what works—and to fix what doesn't.

In that endeavor, our greatest asset is the staff of the World Bank Group here in Washington and around the world, who have worked tirelessly this year with clients and partners to support these efforts. Drawing talent from over a hundred countries, we are striving to show how people with vastly different experiences and from different cultures can come together to make a whole far greater than the sum of its parts.

I am fortunate indeed to gain from the richness of their diversity. I want to thank them and to let them know I am proud of them.

We also have an active Board with which we work every day. It has offered invaluable guidance as we advance to meet the needs of our clients, for which I am grateful.

In closing, a word of perspective:

Unless we can better share the opportunities and the responsibilities in the new global economy; unless we can look beyond the financial rescues to the human rescues; unless we can craft international policies that will help bring more peoples and more countries into the economic mainstream, we will not build an inclusive and sustainable globalization. And our world will not be stable—no matter how big our financial rescue packages. Fate presents an opportunity wrapped in a necessity: To Modernize Multilateralism and Markets. We must seize it.

REPORT BY AGUSTÍN CARSTENS
CHAIRMAN OF THE DEVELOPMENT COMMITTEE

Thank you for this opportunity to share selected highlights of yesterday's Development Committee discussion. A more comprehensive account of our work is available in our published Communiqué.

At our meeting, we discussed three broad sets of issues that are of great importance to developing and transition countries. I am going to focus my remarks today on these same three topics.

First, we spent most of our time discussing the current global situation, including the turmoil in world financial markets, with a special focus on the implications for the developing and transition countries.

Beyond the present crisis, we took some time to discuss two sets of issues that are of long-term significance. We discussed and agreed on an important set of reforms designed to enhance the "voice and representation" of developing and transition countries in the World Bank on this important matter.

Finally, we discussed and endorsed a new Strategic Framework designed to provide a basis for wide-ranging engagement by the World Bank in helping member countries grapple with the critical challenges posed to them by Climate Change.

So with that outline, let me share with you some of the main points of our discussions in these three areas.

First, the current economic situation and the financial crisis. Our meeting took place at a critical time for the global economy, with financial markets experiencing unprecedented turmoil. Developing and transition countries (DTCs)—many of them already hit hard by current high prices for energy and essential foodstuffs—risk very serious setbacks to their efforts to improve the lives of their populations from any prolonged tightening of credit or sustained global slowdown. The poorest and most vulnerable groups risk the most serious—and in some cases permanent—damage.

Against this background, we endorsed the very important commitments made at the International Monetary and Financial Committee, relating to measures to address the financial sector crisis.

Next, we stressed that aid volumes need to be consistent with existing commitments and we called for full compliance with these commitments.

In support of these concerted actions, we called on the World Bank to join with the IMF in drawing on the full range of its resources—finance, analysis and advice—to help developing and transition countries strengthen their economies, maintain growth, and protect the most vulnerable groups against the impact of the current crises.

Under the strong and effective leadership of President Zoellick, the World Bank Group stands ready to help:

- The Bank recently announced a $1.2 billion rapid financing facility, which is providing immediate help for countries coping with the impact of high food prices on the poor. We urged countries to consider making contributions to this fund.
- We encouraged the Bank and its partners to move forward with a planned new program—Energy for the Poor—that would provide rapid support for countries' efforts to strengthen social safety nets to protect the poor against the impact of high fuel bills.
- We noted that IBRD has the financial capacity to comfortably double its annual lending to developing countries to meet additional demand from clients. IBRD lending was US$13.5 billion last fiscal year.
- We also urged IFC to explore options for helping recapitalize banks in developing countries adversely affected by the global liquidity crisis, including the possibility of a fund.

Let me now turn to the second set of issues—our work on reforming the World Bank Group. When the Development Committee met this past April, we called for concrete reform options for the World Bank Group on these issues to be prepared in time for us to discuss them at these Annual Meetings. I am now very pleased to tell you that, based on intensive work undertaken by member countries and Bank management and staff over the past 6 months, we were in a position yesterday to review and advance a concrete package of reforms.

First, an additional chair will be created for Sub Saharan Africa on the Bank's Board. Second, the voting shares of developing and transition countries' in IBRD and IDA will increase, giving special emphasis to smaller members. Third, a realignment of Bank shareholding will be taken up by the Bank's Board in an important shareholding review that will work to an agreed timeline to develop principles, criteria and proposals for shareholding. The review will consider the evolving weight of members in the world economy and other Bank-specific criteria consistent with the WBG's development mandate, moving over time towards equitable voting power between developed and developing members. Fourth, there is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates. Recognizing the above package as an important first step in the ongoing process of comprehensive reform, we asked the Boards and Management to take prompt action to implement this first step.

Third and finally, we discussed and welcomed a new strategic framework that has been developed for the World Bank Group in the

field of Development and Climate Change. This framework provides a basis for the Bank Group to fulfill its core mission of promoting economic growth and poverty reduction, at the global, regional and country levels, in the context of the challenges posed by climate change. We encouraged the Bank Group to customize its support for climate change adaptation and mitigation efforts to the needs of its different member countries. Given the enormous financial gap for addressing climate change, we also encouraged the Bank to strengthen its resource mobilization efforts in this field. Finally, we encouraged the Bank Group to play an active role in supporting the development and deployment of clean and climate-resilient technologies.

STATEMENTS BY GOVERNORS AND ALTERNATE GOVERNORS

AFGHANISTAN: ANWAR UL-HAQ AHADY

Governor of the Bank

It is a great privilege to address this forum again.

Despite deterioration in the security situation during the past year, the government of Afghanistan has continued to implement existing restructuring programs, and has launched new major development efforts. We submitted our Poverty Reduction Strategy Paper (PRSP) to the World Bank and the IMF boards in April of 2008. Jointly with the government of France, we convened the Afghanistan Support Conference in Paris last June whereby donors generously pledged new contributions of over US$15 billion to help the implementation of our national development strategy. Our PRSP calls for US$50 billion investment in five years. We had about $14 billion in outstanding pledges, and I am quite confident that donors will pledge additional amounts during the next few years to help finance the implementation of our PRSP. We will submit our first year PRSP implementation report next April.

Over two years ago, we started our Poverty Reduction and Growth Facility (PRGF) program with the IMF. We plan to complete the third year of our PRGF program in summer 2009, which is fundamental in achieving debt restructuring under the Heavily Indebted Poor Countries (HIPC) program; and we have successfully implemented most of the PRGF recommendations for structural reform. Like in the previous years, last year we increased our revenues by 27 percent; this year we expect to increase our revenues by 32 percent. Despite increasing challenges in the way of collecting revenues, I am happy to report that we just met our second quarter revenue target.

However, like the rest of the world, Afghanistan has suffered from the drastic increase in the prices of food and oil. Between 2002 and 2007, inflation remained below 10 percent whereas last year it rose to over 20 percent. Increase in the food and fuel prices explains over 80 percent of the last year's inflation. Furthermore, this year's drought is projected to cause a decline of about 30 percent in the production of grain. Without major imports of grain, we anticipate major food shortages. Thus, to remedy this situation, in addition to asking donors for food assistance and expecting the private sector to import a larger

amount of food, the government has allocated US$100 million to purchase grain from international markets.

Last year, the economy grew by 11.5 percent; unfortunately, this year, due to the drought, we have lowered our expected growth rate to 7.5 percent. Even though we anticipate our structural reforms to enable the private sector to play a much more important role in economic growth in a few years' time, for now, donor assistance continues to be the largest contributor to economic growth. Of course, we are very grateful to our donors for helping us to rebuild our economy, but as I have said in the past, without addressing the issue of aid effectiveness, we are not likely to have impressive results. With better aid effectiveness, we believe we can have much higher growth rates. We are very pleased with the results of the High-Level Forum on Aid Effectiveness that was convened in Accra, Ghana, during the first week of September this year. We are thankful for donors agreeing to channel at least 50 percent of their assistance through the national budget by 2010. Cost-effectiveness, particularly in procurement, and genuine ownership of the developmental priorities by the recipients of aid are also very important factors in improving aid effectiveness. We are committed to mutual accountability, enhancing value for money, transparency, and predictability of aid, and we urge the World Bank Group to develop plans to implement the Accra Agenda for Action. Now that donors have agreed to channel a substantial amount of their resources through the national budget, I hope that we will also promote these other critical aspects of aid effectiveness.

Of course, the Bretton Woods institutions play an important role in the world economic affairs, especially in developing countries. The IMF's PRGF program in Afghanistan is a mechanism for market-oriented economic reform, which is expected to promote sustainable growth. We appreciate IDA's continued funding of some of our most essential development programs as well as rebuilding effective state institutions. Donors, including the World Bank, should support the governments of developing and post-conflict countries to develop greater capacity for responding to drastically changing external conditions. In this context, we commend President Zoellick in responding to rising global food prices. The Bank's Food Crisis Response Trust will help countries to increase food security over time; we indeed hope that the long-term solutions to food insecurity will receive greater attention. However, it is also necessary for countries like Afghanistan to receive immediate assistance to respond to the short-term crisis. We also welcome the World Bank Group's collaboration with the UN High Level Task Force on Global Food Crisis.

I also appreciate the discussion at the IMFC on Saturday on concrete steps to restore financial stability and the smooth functioning of

credit markets. Developing countries could indeed suffer greatly from a long global slowdown. It will be therefore crucial to maintain focus on support for sustainable growth, poverty reduction, and the achievement of the Millennium Development Goals (MDGs). We hope that the current financial crisis will not reduce the amount of assistance available for development. In this regard, we welcome the world leaders' renewed commitment to the MDGs at the recent United Nations (UN) High Level event. We also welcome the IMF's mobilization of the Poverty Reduction and Growth Facility (PRGF) in response to its members' needs, and the recent reform for easier and more rapid access to concessional assistance in response to external shocks.

We also strongly support the World Bank's continued focus on access to renewable energy, a key requirement for developing countries to achieve economic growth and make progress towards the realization of the MDGs. As discussed yesterday in the Development Committee, we recognize the importance of supporting the low-income countries in adapting to the effects of climate change, but we hope that this effort will not mean redirecting financial resources from other important development priorities. Furthermore, there is an additional concern about the increasing cost of projects due to screening of climate change impact.

In conclusion, despite the increased difficulties in our environment and the complexity of our problems, the government of Afghanistan has adhered to its economic reform agendas. Our developmental achievements are still impressive. We thank the IMF for advising us on establishing an economic system that will enhance sustainable growth and the World Bank for financing some of our essential developmental and effective state-building programs. Even though we face tremendous challenges, with your continued support, I am confident that we will overcome these problems.

AUSTRALIA: WAYNE SWAN, M.P.

Governor of the Fund and the Bank

Global Financial Crisis

We are facing a global crisis, which requires a global solution. Australia has been participating fully in the international response so far—through our membership of bodies such as the IMF, the Financial Stability Forum (FSF), and the Group of Twenty (G-20).

Progress this weekend represents a significant step forward in the response to the challenges we all face.

Australia is very supportive of efforts in the United States and elsewhere to manage immediate risks to financial stability and restore

market confidence, and of the US Treasury Blueprint for domestic financial regulatory reform. Our central bank is an active participant in cross-border initiatives to provide markets with liquidity.

For its part, Australia's banking system remains resilient, with stable profits, good balance sheets and few nonperforming loans. Our strong prudential and macroeconomic frameworks have also enabled us to withstand the turmoil well so far.

However, Australia's financial system is being affected by global events, in particular developments in international wholesale funding markets. As a preemptive move to guard against risks, we have decided to guarantee bank deposits for a period of three years and to guarantee, for a fee, wholesale term funding of banks and other authorized deposit-taking institutions to enable these institutions to continue to raise funds overseas in the current tight conditions.

These steps are in line with action taken in other countries and with the Group of Seven (G-7) agreement on Friday that the current situation calls for urgent and exceptional action to stabilize financial markets and restore the flow of credit to support global economic growth.

It is vital that the international community capture the lessons of the current global financial crisis and translate them into action. In the wake of the financial crises of the late 1990s, major players acknowledged the need to improve domestic regulation and strengthen the global financial architecture. Some useful things were done, but not enough.

We support the FSF recommendations and are working within the FSF and international standard setting bodies to ensure their full implementation domestically and internationally. This is essential to improving standards of disclosure, transparency, and prudential regulation of financial markets, and to rebuilding longer-term confidence in the system.

However, Australia believes the FSF recommendations should be enhanced by the inclusion of additional measures in support of conservative and consistent prudential standards that apply to all financial institutions of systemic importance. And we need to strengthen the global financial architecture through the existing forums of the IMF, the FSF, and the G-20.

Australia has proposed a five-point plan.

- First, all systemically important financial institutions, not just commercial banks, should be licensed—with licensing subject to full disclosure and analysis of on- and off-balance sheet exposures.
- This should be imbedded in globally agreed best practice standards of financial regulation whose implementation would be facilitated by the IMF and become an integrated part of the IMF's surveillance

activities. Central banks in each country would have responsibility for financial system stability.

- Second, counter-cyclical regulatory frameworks should ensure banks and other financial institutions build up capital in good times as a buffer for bad times, using predictable rules.
- Third, financial institutions need to have clear internal incentives to promote responsible behavior. There should be higher capital requirements for firms with remuneration arrangements that reward short-term returns or excessive risk taking.
- Fourth, supervisory systems must be more compatible with accounting principles that reflect reasonable assessments of the value of assets over time, so that accounting rules foster a more medium-term perspective.
- And finally, the G-20 would strengthen its input into shaping the work of the IMF and FSF and the implementation of agreed outcomes. The IMF would have a stronger mandate for prudential analysis. And the IMF and FSF would develop their capabilities for early warning of impending institutional vulnerabilities and provide timely advice on remedial policies.

Systemically important emerging market economies must have a role in strengthening the financial architecture. Indeed, while the epicenter of today's financial crisis is the major advanced economies, it is disrupting the flow of capital across the globe and therefore all systemically important countries must be part of the solution.

That is why Australia also sees a central role for the G-20—with its unique membership of systemically important countries—in providing political authority for reforms to the architecture. This will mean the G-20 placing financial stability at the centre of its work program.

Under our proposals, the G-20 would monitor implementation of FSF recommendations, encourage their wide adoption, and engage on the risks facing the global financial system based on regular scenario analysis provided by the IMF and FSF. The communication of these risks must also be significantly improved by combining the IMF's *World Economic Outlook* and *Global Financial Stability Report* into a single, more concise, and better-targeted report that clearly identifies vulnerabilities and recommends policy responses in a form that demands attention by global policy makers.

In addition, given their systemic importance, individual G-20 members would provide the IMF and FSF with better information on the stability of their domestic financial systems and cross-border exposures.

These proposals would, I believe, build constructively on the work undertaken to date to try to prevent future crises.

Australia has been active in the IMF's work to strengthen its financial sector surveillance and related policy advice, and ultimately its capacity to help prevent future crises. The IMFC has endorsed a strengthened IMF role in these areas, as part of the process of rebuilding the international financial architecture:

- The Fund will strengthen its early warning capabilities in relation to identifying and reporting on risks to global financial stability.
- The Fund will play a key facilitation, analytical and assessment role in helping build a more robust and coherent financial policy framework and advise members on policies to address the weaknesses revealed by the current financial turmoil.
- The Fund is strengthening its watchdog role in overseeing the implementation of policy reforms. With its wide membership and mandate, the Fund is uniquely placed to tailor, monitor, and evaluate the implementation of policy recommendations through its bilateral and multilateral surveillance activities.

To perform these roles effectively, the Fund will collaborate with the other multilateral forums to exploit complementarities and build international consensus.

Australia has been a key supporter of these reforms and welcomes their adoption.

We also fully support the use of the Fund's emergency procedures to make available substantial resources where necessary to help member countries cover financing needs, and the accelerated work on the possible establishment of a new IMF liquidity instrument.

Development Challenges

Many developing countries are likely to face a dual challenge: slower global growth and increased difficulty in accessing credit and investment, combined with inflationary pressures driven by high commodity prices.

The IMF and World Bank will need to work collaboratively and urgently to respond to these issues, recognizing their respective mandates and comparative advantages.

Countries must also continue to work together to meet shared challenges and be engaged in discussions on global problems such as high food and energy prices and climate change. These problems will also require considered policy responses at the national level, with input and advice from organizations like the IMF and World Bank.

Open trade and investment policies, including reduced subsidies and tariffs, can strengthen developing countries' economies, improving their resilience to respond to higher global food and fuel prices. Con-

cluding the Doha round is one of the most important collective steps the world can take now to boost global food supplies and improve long-term food security.

I commend the World Bank for its efforts in helping break the cycle of food insecurity. Australia is committed to doing its share in the current fight against global food insecurity and was pleased to be able to commit A$50 million to the World Bank's multi-donor trust fund.

Climate Change

For a long-term effective solution to climate change, all countries—both developed and developing—will need to be involved. Institutions such as the World Bank and the United Nations will also be required to work together to ease the challenges that climate change presents for developing countries, with the IMF also playing an important role in advising on macroeconomic impacts.

The Australian Government is committed to tackling climate change and is pursuing policies on energy efficiency, low emissions technologies and domestic and international adaptation. Discussions at the Bali breakfast highlight the important role of market-based mechanisms in tackling climate change. The central element of Australia's climate change policy framework is a national emissions trading scheme, the Carbon Pollution Reduction Scheme. Australia is also pleased to be able to support the UK as G-20 host in 2009, by co-hosting a G-20 climate change workshop in February 2009.

International financial institutions have an important role in complementing the work of the United Nations Framework Convention on Climate Change. The World Bank's Strategic Framework for Development and Climate Change presents a balanced approach for the World Bank in addressing climate change, while recognizing the core mandate of the Bank in supporting development outcomes in partner countries. Australia was pleased to be able to announce an Australian contribution of A$150 million to the Climate Investment Funds.

Governance Reforms

Today's world is very different from the world when the IMF and World Bank were conceived and it is important that these changes are reflected in institutional arrangements. Australia strongly supports efforts by the Fund and Bank to pursue governance reforms. All members will benefit from a Fund and Bank that have greater legitimacy and relevance, and are therefore more effective in fulfilling their respective mandates for international financial stability and poverty reduction.

The proposed voice and participation reforms considered by the Development Committee represent a good step forward, following the substantial quota and voice reforms agreed at the Fund. The Bank reforms will see an increase in the votes of developing and transition countries and a third chair for Sub-Saharan Africa—providing opportunity for the region to strengthen its voice in decision making at the Bank.

It will be important to build on this reform package to further strengthen the governance and policy framework of the Bank. Realigning voting interests in the Bank to reflect the increased economic weight of emerging economies will be fundamentally important to the long-term relevance of the Bank. Australia looks forward to working constructively with members on the challenging reforms that lie ahead.

At the IMF, Australia thanks the Independent Evaluation Office (IEO) for their comprehensive *Report on the Evaluation of Aspects of IMF Corporate Governance—including the role of the Executive Board* and looks forward to further work on these issues, including through the agreed work plan of the Executive Board and the independent assessment of the Committee of IMF Governance Reform, chaired by South African Finance Minister Trevor Manuel. Australia will continue to engage on proposals to strengthen the roles and accountabilities of the IMF Board of Governors, IMFC, Executive Board, and Management.

Sovereign Wealth Funds

Australia welcomes efforts to accommodate the growth of sovereign wealth funds, which are becoming increasingly important in global financial markets and have demonstrated that they can have a stabilizing influence in these markets.

We thank the IMF for their work in facilitating and coordinating the work of the International Working Group of sovereign wealth funds. We welcome the release of the Santiago Principles. If widely subscribed to, the Principles will build transparency and strengthen confidence in the independence and commerciality of sovereign wealth funds, supporting an open and stable international investment climate.

IMF Refocusing and Budget Reform

Finally, Australia would like to thank the IMF Managing Director for his work, supported by the Executive Board, in achieving significant refocusing of the Fund's work program on areas of comparative advantage, and budget reform involving substantial expenditure savings and the establishment of a new income model. These are difficult reforms not often seen in multilateral bodies and should not be underestimated.

Australia values its close working partnership with the Fund and Bank and we look forward to further ongoing productive dialogue with both institutions to promote global stability and sustainable development.

BAHAMAS: HUBERT A. INGRAHAM

Governor of the Fund and the Bank
(on behalf of the Caribbean Community)

As Governor for The Bahamas, I have been given the distinct honor to speak on behalf of the Caribbean Community (Caricom), namely, Antigua, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

We express our gratitude to the management and staff of the Fund and the Bank as well as the government of the United States of America for the arrangements made for these meetings.

These meetings are being held at a critical time. Global economic growth is being eroded by exorbitant increases in commodity prices gravely impacting the living standards of our people. The tremendous uncertainty in global financial markets is seriously threatening employment levels in our countries, with further negative effects on the living standards of our people.

The medium-term outlook for less developed countries and small island states, such as ours, appears especially challenging. However, we believe that these challenges can also present opportunities to us all if the appropriate international responses are effective.

For our part, we intend to do all we can to implement policies and measures that will reposition our economies for early, resilient, sustainable and strong growth to meet the aspirations of our peoples.

Rise in Energy and Food Prices

While we have been doing our best to overcome these difficulties, the sustained increases in energy and food prices have presented serious macroeconomic, social, and human development challenges for small, open economies such as ours.

Like others around the world, the governments of Caricom have been preoccupied with the accelerating rates of inflation fuelled by the unprecedented spikes in energy and food prices.

Since food and fuel account for a large component of our consumption baskets, the impact of the price increases has been hugely damaging to the living standards of our people.

Moreover, the growing cost of energy is affecting the travel plans of many internationally, with direct negative consequences for tourism, a principal industry for most Caricom countries.

The severity of the problem has compelled regional Governments to implement various support programs to mitigate the adverse effects on poor and vulnerable groups. These actions have placed additional burden on already strained fiscal accounts.

Since the high prices are expected to persist over the medium-term, there is an elevated risk of social and economic dislocation. We have therefore intensified our efforts to formulate sustainable regional agricultural and energy policies. We hope that these will bolster our ability to absorb external shocks.

Millennium Development Goals

Despite the challenges facing the region, our countries remain firmly committed to achieving the Millennium Development Goals by the year 2015. However, we cannot accomplish these goals and maintain these standards on our own.

We look forward to and we welcome continued assistance from the Bretton Woods institutions and from our development partners. It is within this context that we wish to express our sincere appreciation to the President of the Bank for his invaluable efforts in overseeing a successful IDA-15 replenishment exercise. This concessional window has contributed significantly to the economic development of some of our member countries.

We recognize IDA's eligibility criteria in terms of per capita GDP and that some of our members are surpassing these levels. But given the special circumstances of small island states, we urge the Bank to continue IDA support to the region.

Climate Change

We welcome the enhanced awareness and attention our developed country partners are paying to climate change. The recent G-7 meeting witnessed the adoption of a proposal by member countries to reduce green house gas emission by 50 percent by the year 2050.

The persistent challenge of climate change, with its dire twin prognosis of sea level rise and stronger and more frequent hurricanes, is especially troubling for the Small Island Developing States (SIDS) of Caricom.

Much of our land mass is within 1.5 meters of sea level and our most significant economic development has taken place in susceptible coastal zones. So we are very much aware of the impact of climate change on the productive sectors of our economies.

We have moved with urgency to effect numerous adaptation and mitigation strategies. We believe that our efforts, although small, will make a meaningful contribution to the global effort.

The introduction of the Climate Investment Funds (CIF) is timely, and we congratulate the Multilateral Development Banks for their efforts in designing a financial mechanism to assist developing countries in addressing climate change.

Public Debt

We cannot overemphasize the issue of public debt sustainability, which is a serious and growing concern in our region of primarily Middle Income Countries (MIC). Too often, our ability to address social issues is hampered as a result of heavy debt servicing burdens.

In the case of Jamaica, 54 cents out of each dollar collected in government revenue goes to debt servicing. Similarly, our Eastern Caribbean States are challenged by rising debt. Consequent to the collapse of the Doha Round of trade talks, it is possible that these countries could witness further deterioration of their debt positions and heightened social challenges.

While we are indeed grateful for the assistance of the Bank in determining options for addressing this issue, we believe that our classification as MIC countries limits the Bank's potential range of interventions. We therefore recommend that the Bank review the status of small island states and their unique needs.

Voice and Representation

We note the options presented for discussion by the Bank to increase the level of Voice and Representation for Developing and Transitional Countries (DTCs). We consider reforms arising from dialogue on this subject as salient to the effectiveness of the institution. Our hope in this regard is for an agreement on a roadmap that addresses in sequence, and in a timely manner, the options deemed necessary for significant enhancement to the Voice and Participation of developing countries in the World Bank Group.

Caribbean Technical Assistance Centre

Once again, we place on record our deep appreciation to the Bank, the Fund, and the Caribbean Regional Technical Assistance Centre (CARTAC) for their invaluable contributions to institutional and capacity building, and the improvement of economic management in the Caribbean. As we continue to implement the regional agenda and

strengthen our ability to respond effectively to challenges and to exploit opportunities, we will require well-coordinated assistance from the Bank, the Fund and international donors.

Notwithstanding the planned budget cuts, the Caribbean needs to remain a focus of the work of the Fund. To avoid crises, it is important that the Fund invest not only in those countries that are systemically important but also in those that are vulnerable.

Conclusion

Finally, Mr. Chairman, we know that the institutions listen carefully and with understanding to the views that we have expressed at these meetings.

We are sure that the institutions will respond urgently and positively to the needs that I have expressed today on behalf of the Caribbean Constituency, needs which are extremely urgent in the present unsettled global economic and financial environment.

We wish both institutions every success in their future endeavors to fulfill their respective mandates.

BANGLADESH: A.B. MIRZA MD. AZIZUL ISLAM

Governor of the Fund and the Bank

I feel privileged to have the opportunity to attend the 2008 Annual Meetings of the IMF and the World Bank at a very challenging time confronting the world economy. The financial market turmoil in some of the developed countries has the potential of exerting considerable negative impact on growth and poverty reduction in developing countries. We hope the ongoing government interventions would help calm the volatile situation and restore stability and confidence in the market place. This year, we are also halfway through our quest to achieving the Millennium Development Goals (MDGs). It is high time for us to take stock of the progress we have made and evaluate our performance on the mutual accountability framework enunciated in the Monterrey Consensus for future course of effective action.

According to current estimates while poverty will be halved on a global level by 2015, many countries are likely to miss this target by a wide margin. The MDGs relating to human development are unlikely to be met even at the global level. Climate change in conjunction with spikes in the prices of energy and food poses grave threats to the sustainability of development and to poverty reduction. The challenges ahead of us are, therefore, daunting. The core constraint in achieving progress in MDGs continues to be lack of adequate development

financing. We note with concern that real official development assistance from Development Assistance Committee (DAC) donors declined in 2006 and 2007. Many poor countries across regions have by now proved their ability to effectively absorb increased volume of aid. There is an urgent need now for the developed countries to fulfill their obligations to increase core development assistance to 0.7 percent of their gross national income.

We must also renew our commitment to further improve predictability and effectiveness of aid. We firmly believe that the Accra Agenda for Action provides an adequate blueprint to accelerate the progress we have made since the Paris Declaration. Strengthened donor harmonization and alignment with country systems are more critical now in view of the emergence of increasing number of donors and new aid modalities. We believe country ownership of the development agenda, use of country systems and a monitorable results framework will be critical for implementing the Accra Agenda for Action.

The recent surge in prices of commodities, oil, and food in particular, has seriously affected the poor in many low-income countries. While welcoming the call by President Zoellick for a 'New Deal for Global Food Policy' and his initiative to set up a 'Global Food Crisis Response Program' we call upon the World Bank to ensure that assistance under this facility is additional to the normal IDA allocation. We also welcome World Bank's recent moves to bring back agriculture sector in the forefront of its agenda for development assistance. Simultaneously, the international community must delve into the root causes of this crisis and remove policy distortions to ensure food security.

The worst victims of climate change are the low-income developing countries and the poor communities whose contribution to this catastrophic change is minimal. Recognizing the inextricable linkage between climate change and development, we welcome the strategic framework of the World Bank Group on development and climate change. We also welcome the establishment of two new Climate Investment Funds. We, however, reiterate our call to address the climate change issue on the basis of the principle of "common but differentiated responsibility" as articulated in the UN Framework Convention on Climate Change. While we support the need for integrating actions on climate change into the development process, we believe that these actions should not compromise growth. Climate change action plans must be country-owned and backed by additional grant resources and technology transfer. Countries most vulnerable to climate change due to their geographic locations should be given adequate grant assistance, additional to normal assistance package, to meet both adaptation and mitigation needs.

Enhancing the voice and representation of developing countries in the decision making of the Bank is critical for its legitimacy and credibility as a multilateral development institution. We reiterate our view that the package of reforms to achieve this should address, amongst others, realignment of shareholding through a Bank-specific formula including weight of member countries in the global economy.

Let me now say a few words about the Bangladesh economy. Despite successive natural calamities and exogenous shocks, macroeconomic situation continues to remain stable with growth over 6 percent per annum. Most of the MDGs are within our reach. Surge in fuel and food prices generated some inflationary pressure, as in many other countries. Notwithstanding targeted safety net programs of the government, the inflationary pressure has somewhat retarded our progress in poverty alleviation.

Let me conclude, with the renewed hope that we will translate our commitments into concrete actions to build a world free of poverty.

BELGIUM: JEAN-PIERRE ARNOLDI

Alternate Governor of the Fund

More than ever, all member countries should cooperate with the IMF and the World Bank in promoting financial stability, durable development, and poverty reduction. This requires that the Bretton Woods institutions continue to adjust to the rapidly changing structures of the global economy.

The ongoing financial crisis calls for more effective Fund surveillance, which must be conducted evenhandedly. In doing so, the Fund will need the full cooperation of its members.

The statement of surveillance priorities, which the IMFC endorsed this weekend, focuses on the right issues. Special attention must be devoted to strengthening financial sector surveillance. A reshaped Financial Sector Assessment Program must be better integrated in Fund surveillance. In this field, the Fund should fully exploit synergies with all relevant standard-setting bodies.

The Fund should take the lead in drawing lessons from the current crisis and recommend effective actions to restore confidence and stability, in cooperation with relevant fora and partners.

The Fund must act effectively in giving timely financial assistance to countries hit by the crisis and to help improve, as needed, their macroeconomic policy frameworks.

The Fund's lending framework has become too complex and no longer fits the needs of the membership. We welcome the fact that the Fund has launched a major review of its financing instruments. This review should cover all existing lending facilities, conditionality, access

limits, and the cost of borrowing from the Fund. The objective should be to establish a simpler, more coherent and predictable framework, and enable the Fund to fulfill its mandate effectively. We see merit in a single, flexible facility.

The reform of the Fund members' quotas and voice improves the representation for many countries. The governance of the Fund can also be further improved. The report of the Independent Evaluation Office on the Fund's corporate governance should be carefully considered as part of a more comprehensive review program as outlined by the Executive Board and the Managing Director.

The World Bank Group has embarked on the reform of voice and representation in its various institutions. We support the package that has emerged from the discussions. As we know it from the Fund, this reform is an ongoing process. The objective should be to endow the World Bank Group with a system that will allow regular adaptation to changing relative positions in the world economy while ensuring adequate representation of all members, including the smallest and poorest. This process should be complemented by internal governance reforms, based on the proposed Board effectiveness reform package.

The financial crisis must not let us forget the other crises that affect the poor. We refer, in particular, to the food and energy crisis. Although the prices of these commodities have declined in the recent past, for many commodities prices remain at historically high levels, and continue to affect the poor in low and middle-income countries. The World Bank Group and the Fund must act decisively to promote food security and help overcome the financial consequences for the poor countries.

Climate change is another challenge that calls attention. Whereas until recently the biggest problem was that of inaction, now we are faced with the specter of multiplicity of actions, bringing with it the danger of fragmentation and ineffectiveness. We strongly favor the full use of the existing financing instruments. The World Bank is well placed to play an important role in shaping the financing mechanisms to combat climate change, which is an integral part of the development agenda.

Poverty reduction remains an unfinished agenda. In a few weeks, in Doha, we will assess the progress made in promoting development since the Monterrey conference. That assessment will show important shortcomings. We must decide how to do better. In this, the World Bank and the IMF, with their unmatched experience and know-how are essential partners.

In closing, I would like to echo what the Managing Director of the IMF told us this morning: strong support for and strengthening the roles of the Bretton Woods institutions, is the best strategy to make our cooperation as effective as it needs to be. In this, we all benefit from the contributions of the institutions' competent management and staff.

BOLIVIA: LUIS ALBERTO ARCE CATACORA

Governor of the Fund

The world is in the midst of one of the most severe crises in the history of the capitalist system, potentially more serious than the Depression of the 1930s. According to experts, the worst is yet to come, thus we in the emerging and developing countries are deeply concerned. As we all know, the international financial crisis has its epicenter in the developed countries; yet the smaller countries such as ours are not immune, even though our capital markets are not integrated with the rest of the world. The effects of the crisis could be catastrophic for some low-income countries that are commodity producers, given their external vulnerability. The external repercussions in terms of prices and export volumes may endanger poverty reduction policies and jeopardize efforts to attain the Millennium Development Goals.

When the smaller countries faced macroeconomic imbalances, the IMF and World Bank recommended structural adjustment policies with financing subject to strict conditionality. Bolivia and other countries had no choice but to accept these recommendations; however, these policies—based on market forces and limited government involvement—merely fostered social marginalization, harmed the environment, and exacerbated poverty. Conversely, when the developed countries create a crisis like the present one through inadequate government supervision of the development of financial markets, no attempt is made to execute an emergency Financial Sector Assessment Program (FSAP), let alone adjustment programs.

IMF surveillance ought to focus primarily on the larger countries, however, the Fund and the Bank did just the opposite, resulting in the obvious adverse effects that have radiated across the globe. The crisis in the global financial system, which is attributable to inadequate regulation by financial supervisors and speculative behavior by transactors in the main financial centers, will be resolved at the expense of poor people in the developed and underdeveloped countries. The 21st century demands a qualitative change in managing the crises spreading around the world, be they in the spheres of finance, food, energy, or climate change. The developed countries must shoulder their responsibilities in this situation; they need to build a new international order focused on structural solutions to the economic, social, and environmental problems facing the underdeveloped countries.

The governments of the developed countries and multilateral organizations are proposing short-term financial solutions that do not necessarily address the structural causes of the crisis and, therefore, may not work. In the current context, the building of a new international order calls for financial architecture and regulatory institutions

that promote comprehensive, orderly, and equitable development for all countries.

Those of us whose countries are not to blame for the current crisis but are nonetheless suffering from its fallout should receive both financial and commercial compensation. Accordingly, it is proposed that the World Bank and IMF make available to small countries specific programs that entail resource allocations without conditionality.

One of the key lessons we have learned from the current crisis is that, unless the State plays its role as leader in the development process and active participant in the economy, the attainment of the MDGs and poverty reduction will be seriously compromised.

Finally, we are calling upon the President of the World Bank to accede to the Bolivian government's request to move forward Bolivia's denunciation of the Convention establishing the International Centre for Settlement of Investment Disputes (ICSID Convention) and withdrawal of its consent to have its disputes heard under ICSID jurisdiction.

CAMBODIA: CHEA CHANTO AND AUN PORN MONIROTH

Governor of the Fund and Governor of the Bank

We are pleased to represent Cambodia at this important annual discussion. We meet here today under extraordinary circumstances related immediately to the mandate of our two institutions. The crisis we face is multi-faceted and affects people all over the globe, mostly the poor and underprivileged.

A cataclysmic and still enlarging financial crisis of unimagined and unprecedented proportions has engulfed all of us, catching us totally unprepared and unable to fully grasp its magnitude, extensive labyrinth of complexity and adverse effects spreading to all parts of the globe. This is a man-made tsunami, long in the making. No one in the modern financial world could foresee it until its full force has come to unfold in the recent weeks. All the postmortem, which would, no doubt, be done on its causes, would not solve the gigantic problems we would all face for years to come. Of immediate consequence to the developing and poor nations is that the slowing economies of the developed countries are shrinking demand for goods and services they import from the former. This in turn will affect millions of jobs and send tens of millions below the poverty line from which they have only recently emerged. The mammoth financial bailout undertaken by the bigger economies to avoid an even bigger crisis puts at risk the level of development assistance and accommodation needed from them to meet essential millennium development goals in the rest of the world.

Inflation is running high all over the world reducing growth prospects, leaving the poor not being able to meet even their essential survival needs. Food shortages are occurring in part to due subsidies provided to diversion of food crops for bio-energy. Food and fuel prices continue to be high, volatile, and unpredictable. All these factors feed into each other, with compounding global effects. Shock waves have reached every corner of the earth. It is clear that free, unregulated markets cannot correct themselves.

All of us here need to admit that our two global institutions with all their research expertise failed to notice such developments in advance and alert the world. They did not do their global watchdog functions. They seem to have been more absorbed in the euphoria of preaching to developing countries and prescribing to them impossible conditions. Even as they imposed more and more reforms on borrowers, they had relegated pursuit of agricultural research, production, and productivity. Our institutions turned the spotlight on poor countries failing even to notice the mammoth turmoil brewing here in their own backyard.

But, the crisis we face gives us a real opportunity to start afresh. We need to critically review the mandate and functions of the two institutions so that they get out of 20th century mindsets and become more tuned, alert, capable, responsive, and ready to face the 21st challenges. Cambodia joins in the calls made by others to come up with new roles, shape, structure, and accountability for the two institutions so that they can truly keep a watch over global developments, not merely in the poorer part of the world. We need to set in place sensors and triggers that can alert us in advance about any crisis in the future and to enable us to take adequate alleviating action just as we do when we know of natural disasters in the making. We need to protect the world from such disasters in the future.

The review needs to be conducted by a body of experts, drawn from the academic world and public finance practitioners including from the developing world. A high-level body needs to be set up consisting of governors of the two institutions with proportional representation from all regions.

There is at the same time the need to expand and enhance intra regional cooperation and solidarity through regional bodies, institutions, and mechanisms. Effective regional bodies and intra regional investments could possibly cushion against future global shocks.

Even as the world manages the ongoing crisis, it is imperative that we don't lose sight of our long-term global commitments to alleviate the miseries of the poor in mostly developing countries. The task of poverty alleviation and reaching promised millennium development goals cannot afford delays or postponement. If any, it needs much faster acceleration and concerted action. Not only our two institutions

but all other international and bi-lateral partners should ensure that programs of assistance to these ends do not slacken but get enhanced. The present dark clouds over our skies should not stop us in our march.

Cambodia is getting fast integrated into the global economy. Because we are less developed we have so far been only bruised by the global events and not very severely affected. We already feel the pains of high inflation, slowing economy and reducing exports, which affect our earnest efforts to reduce poverty, which have shown impressive success so far but are at risk now. We can no longer sustain our recent annual double-digit growth rates in the near future. Our inflation will remain higher than we would like. Our immediate concern is not to let anyone slide back into poverty from which they have only recently stepped out. We see opportunity in the crisis to make our economic base more diversified by optimally using our natural endowments in rural areas where immense potential for increasing agricultural productivity remains untapped. The renewed focus on rural areas will also help us to immediately and directly address issues relating to poverty reduction. Direct assistance to poor farmers by way of improved seeds, inputs, and extension services will at once alleviate poverty and broaden the economic base in a sustainable manner. Both the World Bank and the UN have clearly acknowledged that this is the need in most parts of the world.

In the tasks ahead in Cambodia, we need continued help from our development partners and international and regional institutions in the following ways at least:

First, write off, or provide swap arrangements in regard to, past outstanding debts, some incurred during a war period dating back to more than thirty years ago. The released resources could be ploughed back into the rural economy and toward achieving millennium development goals.

Second, provide funds for direct assistance to the poor in rural areas to improve their livelihood through better inputs and practices in agriculture.

Third, open up markets in the developed world by reducing tariff and local subsidies for products that we can best supply at lower cost.

Fourth, international institutions start to function more effectively as the advocate of poorer countries in the international arena.

The Cambodian delegation looks forward to a meaningful debate and emergence of a clear course of action at this meeting.

We now turn to other matters on our agenda. We agree with the core objectives and the broad set of guiding principles as outlined in the paper on voice and participation at the Bank. We would like to stress that the voting powers of the smaller members should be protected. We

support the increase in IBRD basic votes, which will have a bigger impact on raising the voting power of smaller countries. Practical options for realignment of IBRD shareholding should be considered. We support an additional chair for Sub-Saharan Africa in the Bank's Executive Board. We want to see this effort implemented in the broader context of Board effectiveness and governance. On the selection of Bank President, we believe that the process should be consistent among the World Bank group, IMF and the Regional Development Banks.

We find that the six strategic directions in the Bank's Strategic Framework for Development and Climate Change support the vision of the World Bank Group of "contributing to an inclusive and sustainable globalization—to overcome poverty, enhance growth with care of environment, and create individual opportunity and hope." However, "public goods" are also vital to address adverse effects of climate change and should not be crowded out of IDA funds. The Bank should mobilize additional financial resources to support strong country ownership and target specific interventions.

We have noted with regret that, by using the International Procurement Agency (IPA) arrangement, the Bank financed portfolio for Cambodia suffered a decline last year and would do so next year. This would represent the worst portfolio performance since we began to receive assistance from the Bank. We are disturbed by such poor results.

We wish now to present to you some highlights of Cambodia's macroeconomic and financial performance. Our socioeconomic agenda is spelt out in the Rectangular Strategy we have developed and adopted in 2004 and is implemented through our National Strategic Development Plan, 2006–2010. The Royal Government formed after the recent general elections has reaffirmed this strategy and will continue it in its second phase.

As a result of clear vision and concerted action on a package of policy-oriented measures, despite some difficulties and attendant social pains, a number of positive developments are taking place in the country. Poverty level in the country declined rapidly in three years, from about 35 percent in 2004 to 30 percent in 2007. In 2008, we expect that GDP growth would continue at a healthy level, though declining from the two digit levels seen in the last few years. Per capita income rose to US$594 in 2007 increasing by over 50 percent in three years from 2004. Foreign reserves doubled during this period and now stand at $1.9 billion. Exchange rate with US dollar will remain fairly stable. Budget performance would continue to improve with rationalization and reorientation of public expenditures.

We are quite optimistic about prospects of revenues from exploitation of our oil and natural gas reserves. We will ensure that benefits accrue to and are available to all Cambodians whose common heritage

they are. The additional revenues will be used for targeted investments in priority sectors set out in our National Strategic Development Plan. We are fully committed to managing revenues from our natural resources in a transparent and effective manner for the long-term development of the country and with full accountability.

Inflation, which was well managed and contained until 2006, suddenly increased in the last quarter of 2007, spurred both by the external environment already pointed out and by internal pressures, including high liquidity in the system. It has continued at a high rate since then. This has prompted a more prudent management of prevailing monetary conditions. The monetary policy implementation has focused on managing the excess liquidity and the over-involvement of banks in the real estate sector, which could have adverse consequences. Among measures undertaken were increasing the statutory reserve requirement from 8 percent to 16 percent, increasing the capital requirement of the banks, and reduction in real-estate lending. In the area of fiscal policy, despite few expansionary measures to contain the impact of inflation on livelihood of the most vulnerable group of population, the general policy line of the Royal Government is limiting spending, increasing current budget surplus, reducing overall budget deficit, increasing Government's deposit in the banking system and redirecting spending towards productive sectors, especially agriculture and rural economy. However, the Royal Government, conscious of the trade-off between inflation and growth, will follow a flexible approach.

In strengthening of the banking system, we have moved away from judgmental loan classification to the prudential asset classification based on objective criteria, adopted strict criteria for the level of provisioning to be applied to various grades of loans, and enhanced credit information sharing system. The implementation of reforms and strengthening of the institutional structure of the banking sector in Cambodia has had an all round salutary impact on the financial health of the banking system, as evidenced by the significant improvements in a number of prudential parameters. The average capital adequacy for the commercial banks in June 2008 was 25.5 percent, well above the bench mark of 15 percent despite significant growth in the aggregate assets of the banking system. In regard to the assets quality, the non-performing loan ratio, which was as high as 14.8 percent in 2002 and 9.9 percent at the end of 2006, declined significantly to 2.6 percent as at the end of June 2008. These figures have been driven by loan loss provisioning by the banks as also by the improved recovery climate enabled by the more supportive legislative environment.

In sum, our system in the banking sector supervision has worked satisfactorily and the volume of business transactions undertaken by the sector has been increasing steadily. The level of financial deepening

has accelerated with increased financial services promoted through the progressive reforms implemented under Financial Sector Blue Print, 2001–2010, which was in late 2007 updated to Financial Sector Development Strategy, 2006–2010.

Reforms in other areas of the banking activities are also underway. These include strengthening and supporting the growth of microfinance institutions, the improvement of corporate governance and banks internal audit, enhancing credit information sharing system, and enabling financial leasing business for banks. We have also accentuated our efforts to ensure an efficient implementation of the Law on Anti-Money Laundering and Counter-Financing of Terrorism that was adopted in 2007 through the recent establishment of the Financial Intelligence Unit and will allocate resources to facilitate capacity of this unit.

Ladies and gentlemen, we wish to record our appreciation of the assistance Cambodia has received from the Bank and the Fund. We also urge that the Fund to exclude poor countries from its new scheme on "country contributions" or charging for policy technical assistance.

In conclusion, we wish to once again thank the Board, management, and staffs of the Bank and the Fund for their readiness to respond to the needs of Cambodia and for providing support over the years.

CANADA: JAMES MICHAEL FLAHERTY

Governor of the Fund and the Bank

We are experiencing a time of global economic and financial uncertainty that in some respects is unprecedented in the last half century. Virtually no country is immune to the risks stemming from the turmoil in global financial markets and many are facing serious dislocations from the sharp hikes and volatility in commodity prices we have witnessed. In these difficult times, having strong global institutions like the World Bank and the IMF is a tremendous asset. We must use the momentum for reforms in both institutions to ensure they are fully equipped to pursue their important mandates.

Global and Canadian Prospects

The global economy continues to be buffeted by shocks emanating from the turmoil in many parts of the global financial system and by increases in the prices of commodities central to people's standards of living. Growth in the major advanced economies has slowed sharply, and although emerging markets will remain the major driver of global economic growth, their pace of growth is expected to slow. This has made it increasingly important for countries to work together to pro-

mote a return to strong sustained global growth and stability. I believe that finance ministers should meet again in the coming weeks to ensure continual progress. The government of Canada also supports the idea put forward by President Sarkozy of a leaders' summit to review measures to strengthen the international financial system.

Many economies are better placed today to weather these shocks due to past improvements in policy frameworks. Canada, along with others, took the necessary measures in recent years to put public finances on a sound footing. This has provided us with the flexibility to respond to signs of a softening of growth with timely fiscal stimulus while continuing to maintain a balanced budget. While headline inflation has picked up globally as a result of oil and commodity price increases, the increased credibility of central banks who have adopted strong policy frameworks have generally kept inflation expectations well anchored. However, signs of higher inflation are more worrying in several emerging market economies, many of which are sacrificing some of their monetary policy independence by limiting the flexibility in their currencies.

Economic growth in Canada has weakened since the end of 2007 as a result of the United States slowdown, which, coupled with a higher Canadian dollar, has significantly reduced Canadian exports. However, as a result of the strong dollar and higher commodity prices, Canadian consumers and businesses have benefited from rising real incomes and profits. As a result, domestic demand growth in Canada remains solid despite slower growth overall. Moreover, Canada's economic fundamentals remain strong: employment has continued to increase this year; the unemployment rate remains near a 33-year low; the financial sector remains strong and well-capitalized; the financial positions of consumers, businesses and governments are sound; and core inflation remains low and stable. The IMF expects Canadian growth to be 0.7 percent in 2008, increasing to 1.2 percent in 2009.

Core inflation pressures remain contained at 1.7 percent in August 2008, despite a recent uptick in headline inflation. Total consumer price inflation was 3.5 percent in August, compared to a recent low of 1.4 percent in March 2008 reflecting increases in the prices of energy and food products following sharp increases in world prices earlier this year. On October 8, the Bank of Canada joined other major central banks in a simultaneous reduction of policy interest rates by 50 basis points. This significant action will provide timely support for the Canadian economy.

Canada's fiscal situation remains strong. In fact, it remains the best of the G-7 countries. According to the IMF's fall outlook, on a total government basis, Canada's budget surplus was 1.4 percent of GDP in 2007 and is projected to remain in surplus for 2008 and 2009. Canada

also has a very strong track record on debt reduction. Our total government net debt, as a percentage of GDP, has declined steadily from a peak of nearly 71 percent in 1995 to about 23 percent in 2007.

The IMF's Role in Low-Income Countries

Canada commends the recent work done by Staff and Management to address the particular needs of low-income countries through the presentation of a comprehensive approach to IMF engagement in these countries. In order to achieve economic growth and poverty reduction, and to reach the Millennium Development Goals, macroeconomic and financial stability are essential. This is why the Fund's work is so important and must remain focused and effective, especially in the context of a more stringent budget environment. Key to this will be avoiding the re-emergence of unsustainable debt in post-debt-relief members and preventing its emergence in other low-income members. Coherence with the World Bank and other institutions and development partners remains fundamental to the effectiveness of the Fund's activities in low-income countries, and should be strengthened further wherever possible.

IMF Governance Reforms

Subsequent to the successful conclusion of discussions on a new quota formula this past spring, it is now time to address a broader reform agenda for the Fund's governance. The April 2008 report of the Independent Evaluation Office highlights broad areas that need to be addressed, such as strengthening the strategic role of the International Monetary and Financial Committee, increasing the strategic focus of the Board of Executive Directors as well as clarifying its oversight role, and clarifying the accountability of the Managing Director and Staff. We also need to make further progress to open the selection process for the heads of international financial institutions. I believe that these are all relevant issues which, once resolved, will lead to a more legitimate and effective institution.

Surveillance Reforms

IMF surveillance is at the heart of the Fund's mandate of promoting global stability and important innovations have been made in this area. Recent developments in global financial markets underscore the appropriateness of the Managing Director's vision for the IMF as being an international centre of excellence on linkages between the financial system and the real economy. It will be critical to continue to

strengthen the IMF's analytic capacity in this area and to continue to improve the manner in which it communicates its analysis of macrofinancial developments to policymakers and the public.

In June of last year, the Fund adopted the 2007 Decision on Bilateral Surveillance over Members' Policies to further improve the effectiveness of its surveillance activities. Since then, we have noticed improvements in the focus of Article IV reviews, although the all-important goal of increasing the candor of surveillance reports remains a work in progress. The time has now come to support the full implementation of the 2007 Surveillance Decision, including the use of the ad-hoc consultations process to ensure that concrete results are achieved.

In this respect, I am very pleased that the International Monetary and Financial Committee have just endorsed the IMF's first Statement of Surveillance Priorities (SSP). I view the new SSP as an important complement to the 2007 Surveillance Decision in that the SSP provides the opportunity to enhance the focus of IMF surveillance on the most pressing issues, promote greater consensus within the membership on the key economic vulnerabilities and risk and the need to address them, and improve the accountability of the IMF for its surveillance outputs. It is important that we use the SSP to its full potential.

Review of IMF's Financing Role and Instruments

The recently launched strategic review of the Fund's lending tool kit is timely. The global economy has changed so much since the Fund's tool kit was originally designed that mere incremental changes are unlikely to ensure a modern and appropriate mix of lending facilities. While some aspects of lending have already been addressed, such as changes to the Exogenous Shocks Facility, critical work is also needed to ensure coherence and effectiveness across the range of instruments. More fundamentally, the Fund should look back at the context in which each lending instrument was first created to evaluate its relevance to address today's challenges.

Food and Fuel Prices

High global food and fuel prices continue to be a critical development concern, and we commend the Bank and Fund for drawing early attention to the crisis and helping to place it high on the international agenda. This crisis requires a rapid and effective response. In this regard, we welcome the prompt action taken by the Bank to facilitate a coordinated and multifaceted response. With offices in more than 100 countries, the Bank is well positioned to integrate a response to the food crisis directly into existing country programs, aligning with the

country's priorities in harmonization with other donors. Likewise, we are pleased with the prompt action by the Fund to provide advice, technical support and in some cases funding through PRGF programs. We also welcome recent reforms to the Exogenous Shocks Facility to make it a more effective crisis response tool.

Action is not only needed to relieve the immediate effects of the current food crisis. As the recent High Level Event on the Millennium Development Goals (MDGs) noted, the first MDG, to reduce hunger by half, is unlikely to be met by 2015. Thus, food security is an on-going and serious problem that must not be forgotten once the current crisis is no longer at the top of the international agenda. As an illustration of the size of the challenge, it is expected that food production in Sub-Saharan Africa will need to double or even triple over the next few years to meet local demand.

In this context, we encourage the World Bank to focus on investments to promote sustainable forms of agricultural production, especially those that would benefit smallholder farmers who are most in need of support. It is especially crucial to ensure that programs are designed to be equitable and to meet the needs of the most vulnerable, often women and girls. Another key part of the solution will be to foster innovations for increased agriculture productivity, including through public-private partnerships.

World Bank Reform

Enhancing the participation of developing and transition countries in the World Bank's decision-making processes is an important objective and we are pleased with the discussion and work to date on the Bank's Voice and Participation reform exercise. We will continue to support and participate in these efforts.

Adjustments to increase the voting power and shareholding of developing and transition countries and an additional seat for Africa at the Executive Board are important components of voice reform, and we look forward to agreements on these options. We believe that further measures to improve focus and communication within the Executive Board are equally important, and in this regard, we look forward to the World Bank's management and the Executive Board elaborating a set of specific reforms. We are also pleased with the steps the Bank has taken to improve the voice of developing and transition countries in their operational work, such as the appointment of more developing country nationals to senior management positions and the decentralization of their operations. We encourage the Bank to continue to explore what more can be done in this regard.

Stronger engagement of developing and transition countries in the World Bank's decision-making will yield many benefits. Strong participation of all members at the Board of Governors and the Executive Board will be a key backdrop for the Bank becoming an even better platform to support dialogue and collective action on global issues. It can help improve the design of new sector strategies and instruments as developing and transitions countries bring lessons learned from their own country programs to the table. Finally, more voice for the Bank's client countries at the operational level will help with the success of lending programs by ensuring that projects are properly tailored to country contexts and that governments have a true sense of ownership and accountability over them.

CHINA: YI GANG

Governor of the Fund

The U.S. financial crisis has taken a serious turn for the worse and continues to spread across the globe. Economic growth has slowed markedly worldwide and we face enormous uncertainty. For the international community, the most urgent task is to join efforts to stem further deterioration and spread of the crisis—the major threat to global growth—and restore global economic and financial stability. The Bretton Woods institutions should fulfill their mandates to maintain global monetary and financial stability and facilitate sustainable, balanced growth.

We hope the measures adopted by advanced economies to stabilize financial markets—particularly the *Emergency Economic Stabilization Act of 2008* in the United States—will be implemented quickly and yield positive results in restoring confidence and stabilizing the financial markets. China will continue to strengthen its cooperation with concerned countries and hopes that all governments will work together to overcome the current difficulties and restore international financial stability. From the medium- and long-term perspective, the reserve currency issuing countries must assume international responsibility, commensurate with their positions, for advancing structural adjustments, increasing savings, and preserving economic health and sustainable growth to benefit balanced and stable growth of the global economy.

In 2008, China has weathered the shocks of natural disasters and an adverse external environment. While maintaining stable and relatively rapid economic growth, clear progress has been made with structural adjustments. Consumption has increased, the trade surplus has narrowed, and the growth of foreign exchange reserves slowed. The industrial structure has been improved. Every effort is being made to protect

the environment through intensifying energy conservation and the reduction of COD and SO_2 emissions. Inflationary pressure has decreased with the CPI dropping in recent months to 4.9 percent y-o-y in August. In addition, financial institutions in China remain sound. After several years of comprehensive financial reforms, the capital adequacy of financial institutions have reached a historical high, corporate governance has improved markedly, and risk management strengthened significantly. There is ample liquidity in the market. Overall, the fundamentals of the Chinese economy are solid and resilient. We are confident we can weather the financial turmoil. With the global economic slowdown, it is important that China maintains its stable and relatively rapid growth.

We remain committed to expanding domestic demand—household consumption in particular—by providing a better social security system. In the rural areas we are improving medical schemes and making additional resources available for infrastructure and education. The successful implementation of these adjustments will further improve the external and internal balances.

Here, I would like to make special mention of the substantial progress in reforming the renminbi exchange rate formation mechanism. Exchange rate flexibility has increased markedly and the exchange rate increasingly reflects the fundamentals. From introduction of the exchange rate reform in July 2005 to end-September 2008, the real effective exchange rate (REER) of the renminbi calculated by the Bank for International Settlements appreciated 21.8 percent, an average annual rate exceeding that of the euro, the yen, and currencies of other emerging Asian economies. From the unification of exchange rates in 1994, the REER appreciated 54.47 percent. In the past two months, the renminbi has appreciated 15 percent against the euro. The ongoing improvement in China's balance of payments demonstrates that the renminbi exchange rate is closer to the fundamentals.

China attaches significant importance to the role of the Bretton Woods Institutions. The Fund should give the surveillance priority to the ongoing financial turmoil, deepen its analysis, learn lessons, and listen to the opinions of member countries. In providing a practical and effective guide for the Fund's surveillance and in adapting to global economic developments, the *2007 Surveillance Decision* should be reviewed and revised as soon as possible so that the Fund can determine where the true risks lie, and adopt effective measures to maintain a stable and orderly global economic and financial system. From the medium- and long-term perspective, the Fund must address the inherent deficiencies of the current international monetary system and foster an international financial architecture adaptive to the evolving global economy and financial markets.

As the largest multilateral development institution, the World Bank should re-assess the challenges confronting the developing countries—soaring food and fuel prices, higher financing costs, deteriorating balance of payments positions, and mounting inflationary pressures. With the advantages of its financing capacity and expertise, the World Bank should urge the developed countries to shoulder their due responsibilities in stabilizing the global economy through targeted measures, carried out in an even-handed and professional fashion.

We welcome the World Bank's active participation in the global response to climate change and formation of the *World Bank Group's Strategic Framework for Development and Climate Change*. In accordance with the *United Nations Framework Convention on Climate Change* and the *Kyoto Protocol*, we agree that in carrying out its core mission of poverty reduction and development, and, with no policy conditions attached, the World Bank should vigorously encourage the transfer of low-carbon technologies and provide recipient countries with practical aid in facilitating their response to climate change.

Enhancing the voice and representation of developing and transition countries (DTCs) in the World Bank's decision-making process is an essential component of its governance. Ensuring that all DTCs benefit in the reform process and the ultimate achievement of a 50/50 distribution of voting rights is the most fundamental and important objective of World Bank reforms. With the proviso that existing DTC Executive Director seats are not affected, we support the addition of a Chair for the African constituency, and endorse further discussion on the selection process for leadership of the World Bank in accordance with the principles of openness, competition, and merit.

CROATIA: BORIS VUJČIĆ

Governor of the Fund

It is my honor to address the 2008 Annual Meetings of the Boards of Governors of the World Bank and the Fund here in Washington D.C. This year stands out as a year in which the Fund undertook important governance and finance reforms, broadly supported by its membership. But, it also stands out as a year in which the landscape of financial markets is being changed, triggered by financial crises in the US market, and a year in which inflation came back. With no doubt, the latter two developments represent a test for the international financial system and add to the Fund's challenging task of promoting the stability of the international monetary system.

Allow me first to outline the major economic developments related to Croatia. Thereafter, I will touch on Croatia's relations with the Fund

and the Bank, and finally, I intend to discuss a couple of policy issues relevant for the Bank/Fund business.

Croatia, like other emerging European economies, was faced with increasing inflation rates during the last 12-month period, mainly due to increases in food and energy prices, but also due to demand pressures, given strong private consumption growth, especially in the last year. More than half of the July inflation rate (8.4 percent; annualized) can be attributed to increases coming from food prices, while an additional quarter comes from oil and electricity prices. However, we expect the inflation to ease by the year-end, and to come down towards 5 percent. In achieving this, the central bank will continue to rely on exchange rate stability that anchors inflationary expectations, as well as on polices that, on the one hand, restrain excess liquidity in the banking system, and on the other hand contain banks' credit activity within reasonable limits (i.e. on policies that help contain demand pressures and safeguard stability of the financial system). The role of the government also continues to have a paramount importance in curbing inflationary expectations by suppressing any wage demands (within their jurisdiction) that would go beyond productivity gains, which serves as an important signal. It thus helps prevent potential second-round effects (through the wage spiral) on inflation. No doubt, besides the prudent policies on the domestic front, future inflationary path will continue to depend primarily on global developments in food and oil prices. In this respect, we very much welcome the analysis on commodity prices and inflation provided in the coming World Economic Outlook, which gives no reassurance that the price hikes of food, metals and oil that we have been observing in the recent past are firmly behind us.

Ongoing distress in global financial and capital markets, particularly in the US, is not hurting Croatia's banking system, which accounts for three-quarters of the total financial system assets in Croatia, and represents the most important source of funding for the economy. Neither can we see any immediate risks that could arise in the foreseeable future (affecting the stability of our banks). This is so because Croatian banks have not been directly exposed, nor have their parent banks had any significant exposures to the developments in the US. And thanks to the central bank's measures (both monetary and prudential ones) that have helped build solid cushioning elements into the system over the recent past. On the one hand, these measures have restrained excessive credit growth and foreign debt build-up, while on the other hand, they have ensured a build-up of liquidity reserves in the banking system that can help the system in withstanding even the serious international financial market disturbances we are currently witnessing. We observe, though, some indirect effects of the distress on our banks: lending stan-

dards tightening and slightly increasing interest rates. But so far, these factors have not been affecting banks' activity in a way that would require the central bank's reaction. Also, we observe the impact of the distress on the Croatian capital market, but this has a very limited effect on broader economic activity, given the negligible role of the capital market in real economy financing, and even helps in both cooling private consumption and reducing banks' foreign borrowing, as money has started to move back from investment funds and shares into bank deposits.

Against this background, the Croatian economy is in a cooling mode this year; after the last year's very strong growth performance (5.6 percent) primarily fuelled by buoyant private consumption. The economy is expected to grow by roughly 4 percent this year, mainly due to decelerating private consumption and weaker net exports' performance. The budget deficit for 2008 is projected at 1.3 percent of GDP (ESA 95 methodology). The fiscal impact together with the fact that the pensioners' debt repayment scheme has entered into the second stage this year (with lower annual installments paid out to pensioners) will, however, have a far less expansionary effect on the economy this year than in 2007. Nonetheless, current account deficit is expected to deteriorate to –9.7 percent of GDP in 2008, (from –8.6 percent of GDP last year), primarily as a consequence of this year's oil price hikes. External debt, on the other hand, is likely to improve by 1.7 percentage points of GDP, to 86.9 percent of GDP in 2008. An important contribution to an expected relative decline in external debt will come from banks, since banks have been scaling back their foreign liabilities as a reaction to the central bank's measures.

While keeping a close eye on inflationary developments in the recent past, the Croatian authorities have remained strongly focused on external imbalances. In this respect, further fiscal consolidation that should help narrow the domestic savings-investment gap continues to be an objective of the policy stance. Government plans to achieve a balanced budget by 2010. On the monetary and financial fronts, the central bank has been taking new measures and vigilantly improving the existing ones for quite some time now, with a view to protecting the soundness of the banking system and supporting the overriding goal of external debt stabilization. As a result, banks' credit growth decelerated to reasonable levels over the last two years (but at no expense for productive investments), the banking system continues to be well-capitalized and sound, and it is well-positioned to withstand potential macroeconomic shocks of a reasonable magnitude.

Turning to my second point—Croatia's relations with the Fund and the Bank—I first want to stress that Croatia continues to have open and fruitful discussions with both the Fund staff (within the framework

of Article IV Consultations) and the Bank staff. The Bank has been supporting Croatia in its efforts to intensify structural and institutional reforms that should make Croatia better prepared for the EU membership through Programmatic Adjustment Loans. In addition, Croatia has benefited from the Bank's investment lending focused primarily on improving social welfare, enhancing economic competitiveness, protecting the environment, improving trade and transport infrastructure, and advancing Croatia's knowledge-based economy.

Croatia has also been actively and intensively participating in a number of the Fund/Bank initiatives aimed at strengthening the architecture of the international financial system. Let me note in this context that in late 2007, the Fund/Bank staff conducted an Update of the Financial Sector Assessment Program for Croatia, which at the outset confirmed the soundness and resilience of the banking system. Also, apart from the ROSCs included in the FSAP, Croatia participated in two ROSCs in the recent past: the ROSC on Corporate Governance and ROSC on Accounting and Auditing. Moreover, in close cooperation with the authorities, the Bank staff is currently performing a Diagnostic Review of Consumer Protection and Financial Literacy. Besides, I wish to thank both the Fund and the Bank for providing us with expertise and technical assistance in specific areas, which is very much appreciated.

Finally, let me touch on a couple of policy issues relevant for the Fund/Bank business. First, regarding the Fund's governance reform package, Croatia supported enhanced voice and participation of low-income countries in the Fund by adopting the relevant Amendment to the Articles of Agreement of the Fund, as well as the second ad hoc quota increase for underrepresented countries based on a new formula this year. Let me note that the new formula has brought much-needed transparency into the quota calculation process, and it also strikes right balance between the size of countries and their openness. However, it failed to deliver simplicity. In this regard, any further work on the quota formula should restrain from including new variables, especially those for which data availability and reliability is questionable. Second, Croatia gave its support to the Fund's efforts to develop a more sustainable income-expenditure framework by accepting the Amendment to the Articles of Agreement of the Fund aimed at expanding the Fund's investment authority. With more degrees of freedom to invest, the Fund has obtained an opportunity to put its own finances on a sustainable path over the medium-term. However, this opportunity requires more responsibility on the part of the Fund, especially in times of financial distress. Third, concerning the Bank, we believe that increasing voice and participation of DTCs, is important for further enhancing the legitimacy, credibility, and effectiveness of the World

Bank. We welcome the measures already taken by the Bank to increase country ownership and project communication, and we encourage the Bank to increase its efforts in this respect. Finally, we are pleased to see that the trend of improved development outcomes from Bank lending continued over the last three years, and that more and more projects are now better meeting their development objectives. Therefore, we see the ARDE as a tool for providing a good analysis of the state of the Bank's program portfolio.

Allow me in conclusion to thank our hosts for their hospitality and excellent organization of these meetings. Let me also express my appreciation to both Mr. Strauss-Kahn and Mr. Zoellick for their dedicated services to our institutions. I wish the Fund and the Bank success in their future undertakings.

ESTONIA: IVARI PADAR

Governor of the Bank
(on behalf of the Nordic-Baltic Countries)

I am honored to address the 2008 Annual Meeting on behalf of the eight Nordic and Baltic countries—Denmark, Finland, Iceland, Latvia, Lithuania, Norway, Sweden and Estonia. Our constituency strongly believes that the World Bank Group plays a crucial role in the fight against poverty and in the achievement of the Millennium Development Goals. We truly appreciate Mr. Zoellick's work as the President.

Today, I will mostly focus on gender issues that are very important. I will also talk about the needs of Africa, especially the fragile states, the World Bank's role in the Climate Change agenda and the importance of private sector development. But let me commence by saying a few words about the changing global economic environment.

Crisis in the financial markets, global slowdown and increased commodity prices that have led to high inflation, concern us all, not least the poorest countries. This changing external environment stresses the need for strong multilateral institutions to stand ready to play a counter-cyclical role. Indeed, the first priority for the use of IBRD and IFC capital must be preserving their ability to respond fast to potential increase in demand from client countries and companies. We all must remain committed to the long-term development agenda, regardless of the present events. Despite the current financial crises we encourage all donors to fulfill their commitments as agreed in the Monterrey Consensus, including the 0.7 percent of GNI to ODA; and also the full financing of the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries initiative.

We strongly believe that in order to meet the Millennium Development Goals, it is of vital importance to enhance our efforts on two

overarching issues, namely gender equality and climate change. As we all know, the aspect of gender is undeniably interlinked with all the development issues. Economic empowerment of women pays off and has a large impact on private sector development, health issues, child and maternal mortality, education and more.

The World Bank has estimated that it takes a doubling of resources in order to achieve the Millennium Development Goal number 3 on gender equality. With President Zoellick's six very concrete commitments to the gender equality and the timely implementation of the Gender Action Plan, the Bank is beginning to show a leadership in placing women at the center of development. We expect to see this important political leadership translating soon into sufficient resource allocations.

We are happy to note the World Bank Group's increasing involvement in Sub-Saharan Africa, and especially in the fragile states. Fragile states are often plagued by violence, conflict and instability. In such situations, the women and children are suffering the most. These groups are also often excluded from processes and efforts to overcome conflict and violence. We have an obligation, as donors, to give specific attention to the needs of these vulnerable groups.

We commend the Bank for taking on an active role in combating climate change whilst underscoring the leadership role of the United Nations Framework Convention on Climate Change in the climate negotiations. The World Bank Group is well positioned to successfully address climate change challenges over the long-term, including partnering with developing countries in order to help them to establish and execute climate sensitive development policies. However, the social dimensions of climate change cannot be ignored. The climate change impacts often differ by gender and we believe that the Bank's regional and sector strategies must adequately address it.

The role of the private sector as an engine of growth is well-known. In order for the private sector to successfully contribute to national development policies, institutions and regulatory frameworks are essential. We encourage the IFC, in close cooperation with other World Bank institutions and donors, to continue to pursue private sector development in the most difficult environments, in particular to Africa. The IFC and other donors play an important catalytic effect; and should continue investing in countries and sectors where the private sector otherwise would not.

We welcome the Bank's increased attention on the role of women in business. The Doing Business Report illustrates numerous obstacles, limitations and discriminations that still exist against women in many developing countries. These are not only obstacles to women, but obsta-

cles to development and economic growth. We commend the staffs of the World Bank and IFC for their ongoing work in developing the Gender indicator for Doing Business. We believe it will initiate debate and bring the much-needed attention to the regulatory issues confronting women entrepreneurs. The partnership between the World Bank and the Nike Foundation on the Adolescent Girls Initiative is another excellent example, supported by many countries in our constituency. We hope to see an increasing World Bank cooperation with the private sector also in terms of more strategic Corporate Social Responsibility and the economic empowerment of women. Our constituency will continue to work actively with the Bank on these matters.

The World Bank is a dynamic institution. This character allows its clients to fully benefit from the Bank's services. As they develop, former clients can take on more responsibility. Our constituency is a good example of this—all the Baltic countries have now graduated from IBRD client country status and are gradually joining the donor activities, where our Nordic neighbors have already set an impressive standard in delivering up to ODA targets and even exceeding them substantially.

Mr. Zoellick, on behalf of our Nordic-Baltic constituency, I would like to thank you for your dedicated leadership of the World Bank Group and wish you success for the years to come.

FIJI: PECELI VOCEA

Governor of the Bank

It is indeed an honour to address you on this annual meeting of the International Monetary Fund and the World Bank, on behalf of the government of Fiji. Hon. Zoran Stavreski, I offer you my congratulations on your appointment to chair this joint annual meeting.

The international economy has been beset with a series of challenges in the past year that has raised uncertainties on many fronts. Many advanced economies face recession whilst growths of emerging market economies are slowing down. The spillovers of the crisis including weak external demand, persistent inflation and tight credit conditions have become apparent and dim any hope of a quick turnaround in global growth.

The crisis unfolding in the financial markets is of historic proportion. The problems beginning with the sub-prime mortgage markets more than a year ago, have reached unprecedented levels. It is evident that problems and risks taken on by financial institutions were veiled by huge corporate profits. With financial globalisation, the turmoil on Wall Street has serious implications for the rest of the world, as systemic risks have the potential to ignite a global credit crunch.

The fact that countries have taken a comprehensive approach to relieve the stress on their financial institutions and markets indicates that the financial crisis has now become a global problem. The systemic nature of the crisis calls for extraordinary or even unorthodox measures to calm the markets, restore financial stability and improve confidence. At the same time, we caution that these measures be carefully designed to avoid stifling proper functioning of market mechanisms and themselves being sources of risks. Furthermore, the financial regulatory architecture needs to be modernised and sound risk management practices developed so as to avoid a repeat of such a massive global financial catastrophe in future.

Small and open economies like ours are deeply concerned about the financial market events, which no doubt will have wide-ranging impact on us. It adds to the already precarious situation we face in managing the risks related to commodity price increases. Policy making as a result, has become more challenging with the trade-off between inflation and growth whilst ensuring financial stability is at the forefront of policy makers' consideration. As such, the current crisis calls for more urgency in strengthening surveillance.

The series of crises that we have seen lately raises a lot of questions about the vigilance of the Fund and the Bank. In this regard, we wish to emphasize the following. Firstly, it is important to enhance the surveillance of advanced and systemically important economies. It is evident from the crisis that there may have been oversight on this front that has now proven disastrous. Secondly, the advanced and systemically important economies should also be included in the vulnerability exercise. Thirdly, the Fund should be more holistic in its exchange rate assessment. In addition, we believe that in implementing the 2007 Decision, the Fund should focus on the broad macroeconomic picture and policy mix with due consideration of a country's specific and unique circumstances in determining the appropriateness of a member's exchange rate.

The Bretton Woods institutions have a responsibility to cushion the effects of the fuel and food price increases on member countries. Quick action by the Fund and the Bank in analysing the impact of these price increases on low and low-middle-income countries, as well as the provision of funding assistance is acknowledged in this regard. To the Fund's credit, the provision of useful analysis and policy advice to the members through flagship reports such as the Global Financial Stability Report and the World Economic Outlook have been useful. We also welcome the flexibility exercised in the recent modification of the Exogenous Shocks Facility. On the Bank side, we appreciate the progress made in implementing the Global Food Crisis Response Program to support countries that have been severely affected by the

increase in food prices. We also look forward to a similar response program to assist countries mitigate the impact of high fuel prices.

Nevertheless, I believe more can be done and I am certain that members would prefer much swifter action by the two institutions during difficult times. As such, we urge the Fund and the Bank to be more flexible during adverse global developments. A review and reform of funding instruments within the Fund and the Bank may be necessary and would be welcomed.

Fiji has been affected by the hikes in food and oil prices, but more severely by high oil prices given our heavy dependence on imported fuel. Recent surveys conducted by the Bank attest to this. Our authorities have implemented measures to counter the impact of the high prices on sections of the population that have been most affected, but we submit that these measures can only provide short-term relief.

As such, we appeal to the Fund and the Bank for technical as well as financial support to alleviate the effects of high commodity prices on small and remote island countries like Fiji. In line with its mandate, we call on the Fund and the Bank to provide assistance in the form of budgetary support that can create the fiscal space and allow Governments to strengthen social protection programs for the most vulnerable. To improve energy supply, we seek the Bank's assistance in providing affordable financing and technical advice for projects that support viable long-term energy solutions. In this regard, we call on the Bank to review its position on the financing of a key renewable energy project in Fiji.

Poor and developing countries are more susceptible to the impact of climate change, and hence, will bear a bigger burden of the adaptation and mitigation costs. As a result, rehabilitation costs of climatic events are sometimes met at the expense of planned developmental programs, which add pressure to government finances. In this regard, we fully support the call for developed countries to take urgent action in contributing to the mitigation and adaptation costs of developing countries. Contribution of financial resources must go beyond the existing envelope of donor assistance for mainstream developmental programs. The World Bank's proposed strategy for climate change provides clarity on its role in expanding financial products and incentives, as well as in building collaborative relations amongst countries. However, the Bank must ensure that its products and programs for climate change take into account the special needs of member countries, particularly those most vulnerable.

Reforming the World Bank's governance structure is vital to the legitimacy and long-term viability of the institution. As such, we feel the Bank's unique mandate should be appropriately featured in the reform process. We note the progress made in the last few months and

we support the proposed increase in basic votes to enhance the voting power of developing and transition countries. We also support the establishment of a third Executive Director for the Sub-Saharan African region. In our view, the geographical size and needs of the region justify the need for an additional chair to contribute to Board effectiveness and the Bank's operations in Africa.

Allow me to provide an update on recent developments in Fiji. Given our current situation, we are aware that a clear and predictable plan for restoring democracy that is supported by the international community would be an important part of re-engagement. In this regard, I wish to assure you that the Interim Government continues to have effective control over the country. Peace and stability is maintained whilst positive progress towards democratic elections is being made. The population census is completed, a new supervisor of elections has been appointed and the election boundaries are being reviewed. Combating corruption and promoting good governance remains high on the agenda of the government. We are also in the process of finalising a Draft People's Charter that aims to set a platform for broad political and social reforms. All these efforts are geared towards a return to democratic rule. The recent court decision which was in favor of the current Authority will help fast track preparations for the upcoming elections and we hope that it will also facilitate full re-engagement of the Fund and the Bank with Fiji.

Fiji's domestic economy is on the mend following a severe economic contraction in 2007. A modest growth is expected this year and in the medium term. There are encouraging signs in some sectors, including a rebound in tourism and resumption of gold mining. But challenges remain in terms of raising investments and lifting our exports that would strengthen and sustain growth going forward. Managing inflation is equally critical in our efforts to maintain international competitiveness. Whilst the increasing commodity prices have made this task difficult, closer coordination between our monetary and fiscal policies will ensure that inflation remains in check.

Both fiscal and monetary policies have remained tight and domestic demand has been managed through controls. The resultant stability of the financial sector and reserves levels is testimony to the effectiveness of unconventional methods when the situation demands. However, we will reverse these controls when the situation improves, following regular reviews of their effectiveness. Fiscal consolidation has also seen our deficit and debt levels reduce since 2006, with plans to bring them down further. Mr. Chairman, despite the many odds stacked against us, Fiji has always honoured its debt and major obligations.

Fiji's financial system remains robust and is currently insulated from the international financial markets meltdown. We are progres-

sively implementing the findings of the FSAP to strengthen our supervisory and regulatory capacity, and enhance the ability of the financial system to withstand shocks. Furthermore, Fiji has just concluded an Article IV Mission and the results are awaited with enthusiasm. As always, we are appreciative of the policy advice and discussions such Missions generate.

Fuel accounts for about a quarter of our import bill and is a drain on our reserves. Demand management is now an important policy aspect for controlling our dependency on fuel and its derivatives and to promote increased efficiencies in our use of these products. Similarly, we are pursuing a number of initiatives to secure alternative sources of energy to reduce our dependency on fuel imports.

We appreciate the rationale behind the Fund's reforms relating to charging Technical Assistance, however, the fact remains that for some, TAs and training are the most tangible benefits we derive as members. The process of applying and seeing the TA through is also taxing on members in terms of time and personnel. As a beneficiary of such technical assistance, Fiji expresses concern that charging for technical assistance may hinder capacity and institutional building in low and lower middle-income countries, even with the system of differentiated charges in place. We are comforted with the reassurance that if ineffective, the charging policy will be reversed. Nevertheless, Fiji acknowledges the technical assistance that the Fund and the Bank have provided over the years. We also appreciate the work done by the IMF Pacific Technical Assistance Centre in Suva and the World Bank Regional Office in Sydney in assisting Fiji and other Pacific Island countries.

At this point, I would like to reiterate Fiji's request for a full re-engagement with the Bretton Woods Institutions. As Fiji continues to make concerted efforts towards democratic rule, we believe our development objectives could be achieved faster with the support of the Fund and the Bank through the provision of affordable financing, particularly, in the face of the current global crisis.

Finally, we wish both institutions well in their future endeavours and we look forward to your continuous engagement.

FRANCE: CHRISTINE LAGARDE

Governor of the Fund and the Bank

In this uncertain period with regard to the macroeconomic and financial conditions, the role of the international institutions as cooperation fora, at the forefront of which the IMF and the World Bank, is more essential than ever. The IMF, under the leadership of Dominique Strauss-Kahn, has continued to apply its ambitious reform agenda that

we fully support. The agreements found between Member States in the first half of this year on the reform of the IMF quotas and voting shares on the one hand, on the new income model on the other hand, were great achievements. A similar agreement has been reached at the World Bank and provides for enhanced legitimacy and effectiveness of the institution, consistently with its core mandate.

One year after the triggering of the financial turmoil, no one can contest that the most urgent obligation falling within the responsibilities of public authorities is to restore confidence in financial markets and more generally in the International Monetary System's resilience. In my opinion, the current international conditions make necessary that strong political guidance in the functioning of international institutions be ensured and that cooperation among international institutions and among national authorities be strengthened.

Maintaining strong guidance for both the IMF and the WB with clear objectives and effective instruments is key

The IMF and World Bank have firmly improved the response to their members' changing needs and to tackle the new challenges posed to the global economy in the 21st century.

Among the first lessons that can already be drawn from the current financial crisis is that international stability is indeed a global public good. Therefore, decisive actions have to be quickly taken to coordinate the different responses convened to mitigate the current financial crisis and prevent future crises to arise. The IMF, with its universal membership, should play its entire role over these issues, and contribute to set up a comprehensive approach aiming at strengthening our international financial system.

Strengthening surveillance should therefore be on top of objectives. In that respect, we welcome the strong focus held in the Triennial Surveillance Review and the Statement of Surveillance Priorities on better integrating financial sector and macroeconomic stability issues and strengthening the analysis of cross-country issues, which clarify IMF's objectives and are a necessary and timely first step in the adaptation and the reinforcement of the role of the IMF in terms of surveillance. Likewise, we look forward to the effective implementation of the 2007 Surveillance Decision over members' policies, while acknowledging the need to ensure even-handedness and the fact that the assessment of external stability should not be restricted to exchange rate developments.

Moreover, another priority should be to adapt IMF instruments to new types of crisis and evolving members' needs. We want to underline here that the global review of IMF lending toolkit must consider simultaneously the different axes as set out by the Managing Director. First,

an extensive review of the analytical framework must be undertaken so as to address gaps and overlaps in the toolkit and IMF mandate. In this respect, we agree that the IMF lending framework should be streamlined. Second, we urge the IMF to consider as a priority to put in place a crisis prevention facility aimed at emerging economies, given the risk of the crisis spreading to emerging countries. Third, in order to preserve the crucial involvement of IMF in low-income countries, we welcome the modifications to the Exogenous Shock Facility towards more rapid access and streamlined conditionality. The revised ESF will provide in complement with the poverty reduction and growth facility a full set of adapted instruments to those vulnerable countries the IMF must assist as part of its mandate. Fourth and lastly, the charge and surcharge and access-level policy must be re-examined. As per access-level, we need to take into consideration the significant growth of many emerging economies.

As the World Bank has also increasingly been called on to respond to emergency situations, its policies and processes were developed to meet broader circumstances. The World Bank's new framework for rapid response to crises and emergencies that has been initiated in 2007 gave keys in particular to address engagements in fragile states. This move has been maintained by addressing with strong commitment the global food crisis, by continuing to implement a reformed HR policy providing greater incentives and protection to the staff working in fragile countries and by concluding a fiduciary principles agreement with the United Nations, but it could be enhanced further to improve flexibility, speed and effectiveness. Mitigating the impact of high food and oil prices leads to complement existing financial instruments. In particular, we encourage the World Bank to work on two issues: first the creation of rapid response facilities providing budget support to poor countries facing exogenous shocks complementarily to the reform of the Exogenous Shocks Facility as already considered by the IMF; second the implementation of innovative lending instruments to reduce countries vulnerability : in this respect, a new lending policy could take into account the borrowing space opened by HIPC and MDRI initiatives and study the possibility of implementing concessional counter-cyclical loans.

Moreover, the efficiency of our institutions and their capability to tackle new challenges has to rely on renewed governance, as far as legitimacy is a key issue to strengthen our policies and decisions. The actual outcome of the quota reform has contributed to the enhancement of the IMF governance and provides for a relevant starting point for the World Bank, which has to maintain momentum after the important agreement reached yesterday. The agreed package represents a significant step forward to further increase the legitimacy, credibility,

and effectiveness of the World Bank. Although a more ambitious reform package for Sub-Saharan Africa would have been preferred by the French authorities, the additional chair for Sub-Saharan Africa is welcome and will enhance the voice of the poorest countries at the board ; in addition, their voting power will significantly increase both in the IBRD and the IDA; and the selection process for the President of the World Bank Group, genuinely merit-based, transparent and open to candidates irrespective of nationalities, is a welcome step.

Cooperation among international institutions and national authorities is key for restoring confidence and ensuring the proper functioning of the international monetary and financial system.

Appropriate cooperation and coordination is key in period of turmoil in a global system in order to restore confidence while avoiding overlapping.

The IMF contribution to financial stability is essential thanks to its universal membership, its global vision allowing in-depth analysis on the interlinkages between real and market developments and the combination of multilateral and bilateral perspectives.

The implementation of the Financial Stability Forum's recommendations should help solve many of the failures that the turmoil has revealed in risk management, the functioning of financial markets and the supervisory framework. At the EU level, authorities are committed to fully and swiftly implement the FSF recommendations.

While implementing those recommendations is urgent, there is also a need to further develop coordination between financial institutions, notably between the IMF and other international financial institutions such as the FSF, through joint initiatives and continuous information sharing. As we agreed in our IMFC session, the Fund shall focus discussion, and enhance cooperation, with a wide range of perspectives with the FSF, the G-20, and others on this issue in an inclusive setting. It will need to start this initiative immediately and to report to at the latest at our next meeting. Likewise, based on the close interrelations of national financial markets at the global level, the IMF, along with the G-20, is a very good place for associating all countries in implementing the recommendations that were issued on the international scene and targeted primarily to the more advanced countries.

As for the World Bank, we plead for a strategic review of the Bank Group's operations that would highlight its comparative advantages, but also areas where other development institutions should lead the international community.

Eventually, relations and coordination between the IMF and the World Bank are to be strengthened, especially as regards the lending

policies to middle-income countries. Stronger coordination is a key issue for insuring a global and consistent response to crisis. This issue calls for a clear vision regarding the respective roles of the IMF and the World Bank. We have to address the question of the limit of their respective actions and the complementarities of their operations.

To conclude in a few words, the role of the IMF and the World Bank is more essential than ever for ensuring international macroeconomic and financial stability. At the same time, the current conditions further underline the need for continuing implementing their reform agenda. The cooperation between the IMF and the World Bank has always been a core issue for France. I wish it will be strengthened in order to enable both institutions to further develop their legitimacy and their effectiveness. It will allow them to play a central role in building a sounder financial system.

GERMANY: HERMANN REMSPERGER

Temporary Alternate Governor of the Fund

At the current juncture, restoring the stability of the financial system must be a top priority for policymakers around the world. We should continue to cooperate closely to this end. We commend the U.S. administration for its resolute efforts to reduce stress in the U.S. financial system as the epicentre of the current crisis.

The European Action Plan of the euro area countries—set up this Sunday—facilitates the funding of banks, allows for an efficient recapitalisation of banks and ensures sufficient flexibility in the implementation of accounting rules. These unprecedented measures reflect the severity of the crisis and the willingness to restore confidence and the proper functioning of the financial markets.

In the longer term, fundamental questions of financial regulation must be addressed at an international level in order to enhance the resilience of the global financial system. In this context, the ongoing initiatives to globally implement the recommendations of the Financial Stability Forum are welcome and must be sustained.

Given its unique mandate and expertise, the Fund has an important role to play in supporting policymakers with its advice and expertise in these times of financial stress.

Fund surveillance has benefited considerably from efforts to strengthen the multilateral perspective and financial sector analysis. These efforts must be sustained, along with more candid and systematic risk assessments. The Fund should also continue its close cooperation with the FSF and help members implement the lessons drawn from the financial crisis.

In our view, the Fund's lending framework has proven effective and flexible enough in the past to support members in need. We are confident that this will continue to be the case. Some improvements to the tool-kit, such as a new pure signalling instrument for middle-income countries, should nonetheless be envisaged. The lending framework must, however, remain firmly based on the Fund's fundamental lending principles. These include in particular the concepts of conditionality, balance-of-payments need, and the exceptional access criteria. They are essential to safeguarding the Fund's resources and they have not hampered the provision of financial support in times of crisis.

We welcome additional efforts to further strengthen the governance framework. There is some room to further raise the efficiency and efficacy of the Fund's main bodies of governance. However, their respective roles and responsibilities, as laid down in the Articles of Agreement, continue to serve the institution well. We are therefore opposed to fundamentally alter this balance.

The financial crisis will dampen growth in many developing countries. This comes on top of the burden imposed by high food and fuel prices. As many of the poorest countries will suffer most from high commodity prices, rapid and workable solutions are called for. We therefore warmly welcome the "Global Food Crisis Response Program" of the World Bank. We also appreciate the "Energy for the Poor Initiative." It is an effective mechanism to deal with the high vulnerability of poor countries.

Climate change will impede developing countries' ability to eradicate poverty. It is therefore crucial that the International Financial Institutions, within their respective mandates, help find effective and efficient ways of reducing greenhouse gas emissions and mitigating the consequences of climate change. We are pleased to see the recent establishment of the Climate Investment Fund as an important step in this context.

Germany has committed about US$900 million to the Climate Investment Fund. We expect the World Bank to play a major role in mobilizing financial resources to contribute to poverty alleviation and economic growth in the context of climate change.

As to the Voice agenda, there is now a solid basis for reaching an agreement on enhancing the participation of all developing countries and countries in transition. The Voice reform should take into account results of the IMF reform. We welcome the additional chair for Africa in the World Bank board. And we also welcome the broad consensus to increase basic votes as this will serve best to provide increased weight for smaller countries.

Going forward, we believe that a selective capital increase is an appropriate way to ensure that dynamic emerging countries are ade-

quately represented. A meaningful voice reform should also lead to improved participation in formulating and implementing World Bank programs and projects.

GREECE: GEORGE ALOGOSKOUFIS

Governor of the Fund

The global financial system is facing severe problems, which require urgent and exceptional global action.

We must continue working together to restore confidence, ease the flow of credit, recapitalize the banking sector, and support global economic growth.

The financial crisis is taking its toll on global growth. All regions of the world have been affected, including the euro area economy.

The recent communiqué by the G-7 Finance Ministers and Central Bank Governors suggests a roadmap that will help stabilize financial conditions—if fully implemented. A similar roadmap has been decided for the EU by the latest ECOFIN Council and the recent Euro area summit.

Policy makers in the EU have agreed to closely coordinate the implementation of decisions to address the financial turmoil as well as the flexible application of the rules of the Stability and Growth Pact.

Greece is gradually experiencing the impact of the financial crisis although developments so far suggest that the Greek economy is showing greater resilience than many other European economies. This is indicated by Greece's relatively high growth rates and falling unemployment. In the first half of 2008, growth in Greece reached 3.5 percent compared to 1.8 percent for the Euro area economy. The Greek financial system also displays greater resilience. However, there is no room for complacency. Fiscal consolidation and the structural reforms agenda followed since 2004 will continue. This is the best shield in the light of the worsening global economic climate. At the same time, Greece is taking measures to sustain the soundness and credibility of its financial system.

With its internal reform nearing completion, the Fund is appropriately focusing on helping members meet global economic challenges. The unprecedented nature of the global financial crisis has created new policy challenges for the Fund and underlined the need for deeper analysis of macrofinancial links and spillovers. We welcome the new initiatives that are being undertaken.

Developing and transition countries (DTCs) make a positive contribution in the current international environment. According to the Fund, the expected growth in the global economy is almost solely due to the developing world as advanced economies are expected to

remain virtually stagnant. However, the financial crisis and the high oil and food prices create additional problems for the developing world.

The role of the Bank becomes even more significant in these difficult times. Recognizing this, Greece has doubled its burden share in IDA-15.

In this difficult juncture, we should all coordinate to restore confidence in the international financial system, continue supporting the developing and transition economies, and pursue coordinated policies to facilitate a global recovery. I am certain that we shall all rise to the task at hand.

HAITI: DANIEL DORSAINVIL

Governor of the Bank

It is a pleasure for me to echo the sentiments of my colleagues who preceded me at the podium in congratulating, on behalf of the Haitian delegation, the Secretariats of the Bank and the Fund, for the unequivocal work done to ensure the success of this year's Annual Meetings of Governors, as they have done in previous years.

One year ago, we were able to view the future, at least the near future, with a certain degree of optimism. Of course, we could not, and did not, anticipate the various shocks with which we have been hit during the past fiscal year, namely, price hikes, a food crisis, five months of political uncertainty, a succession of natural disasters that have had a devastating effect on several regions in our country and, at the moment, the financial crisis. Faced with these shocks, like many other countries, we have had to revise downward our growth objective for the year 2007–2008, from 4 percent to 1.5 percent.

Last year, while we could not have seen all that lay ahead, in congratulating Mr. Dominique Strauss-Kahn on his new position, we did emphasize the importance of reforms in the context of the role of the Fund in low-income countries. Furthermore, while commending the decision of the World Bank Group to allocate US$3.5 billion to the poorest countries, we stressed the need to review the criteria for granting resources to post-conflict countries, given that access to resources based on past performance is punitive.

Last year, we expressed regret over the fact that the damage sustained by Jamaica as a result of Hurricane Dean had brought to the fore the existence of conditions and criteria that are impeding disbursement of resources under the Caribbean Catastrophic Risk Insurance Facility. The partial assessment of the catastrophes in Haiti points to close to 800 deaths, 310 missing persons, approximately 200,000 families affected by the disaster, and damage to 110,000 homes. This year, we are expressing the same reservations, in even stronger terms, with

regard to our situation. That said, we wish to express our gratitude to the Bank and Fund, as well as to all partners here present, for the support shown to my country when it was put to the test.

While we view reform of the IMF's Exogenous Shocks Facility as a step in the right direction, we deem it inadequate. We reiterate our call to strengthen the reforms pertaining to the Fund's role in low-income countries. More specifically, we call on the IMF to take the steps necessary to ensure that low-income countries continue to benefit from the full amount of technical assistance they require. This concern is justified by the new contribution policy of member counties to financing assistance in this area.

We are cognizant of the Bank's efforts to boost available resources for Haiti. However, given the challenges that we have to tackle, we must point out that an IDA allocation of US$70 million over a three-year period remains small in relation to our work in the areas of development and poverty reduction. At this juncture, we reiterate our call for additional resources.

The tremendous loss of human life and physical capital heavily undermines growth and poverty reduction and leads to greater financing needs. We must provide urgently needed assistance to victims, rebuild our infrastructure, safeguard our environment, rebuild our capital, and restore our productive capacity to pre-disaster levels. National recovery and reconstruction efforts are being curtailed by the paucity of domestic resources. The Government recently managed to mobilize resources on the order of US$200 million to begin the recovery process. However, the reconstruction effort requires much more resources. With the assistance of the World Bank, the European Union, UNDP, IDB, and other partners, we have undertaken a needs assessment process, which should soon allow us, in light of recent events, to adjust the sectoral action plans of our Growth and Poverty Reduction Strategy (GPRS). Haiti maintains a committed and steadfast position with respect to medium- and long-term objectives in the areas of development and governance.

Notwithstanding these many shocks, Haiti continues to implement the reforms undertaken in the context of its financial program supported by the Poverty Reduction and Growth Facility (PRGF), and is making strides toward achievement of the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative. Fiscal Year 2008–2009, which started this month, marks the third year of the PRGF, and we expect to reach the completion point in 2009. However, the challenges are daunting.

The Government nevertheless intends to forge ahead with the reconstruction of the country and is calling for the support of its partners to successfully carry out this undertaking.

INDIA: ASHOK CHAWLA

Alternate Governor of the Bank, on behalf of Governor of the Fund and the Bank

We meet in Washington at a time when the global economy is under severe strain. The financial sector turmoil that originated in the U.S is now unfolding into a full-blown crisis across many developed economies and possible spillovers to rest of the world. Inflationary pressures arising out of elevated food and fuel prices have not yet fully subsided. The recessionary trend is slowly becoming a reality. After five years of high growth, the world economy is now on a sharply decelerating trend. More than 100 million people may have slipped back into poverty, and our efforts to eliminate poverty have suffered a setback by about seven years.

Nevertheless, crises do give us an opportunity to quickly take stock of what went wrong and to act in a concerted fashion—not just to alleviate the immediate effects of the crisis, but also to create a better world especially for its poor.

Global Food Crisis

The global food crisis is not a natural catastrophe. It is man made. The fall in world cereal production, low food stock levels, and crop diversion for the bio-fuel sector have played a major role. Add to these, the role of speculation and financialization of commodities, and we have an unprecedented crisis.

Some laudable international efforts are underway. However, we need urgent action on rationalizing the biofuels policy. We should also quickly reach agreement on removal of agricultural subsidies; arrive at a successful conclusion of the Doha Development Round; and create the conditions for a more efficient and fair global food trade.

The Financial Crisis and the Role of IMF

The current crisis and the attempts at its resolution have raised a number of concerns. In developed countries, risk management and supervisory practices have lagged behind the pace of financial market innovations and new business models. I am afraid there will be substantial fiscal costs with attendant implications.

The Fund's principal mandate is to provide the global public good of financial stability. The Fund attempts to deliver this mandate through two key tasks assigned to it—surveillance and providing the comfort of readily available financing to members. Separate efforts are already underway in several fora. It would be more appropriate to

organize the fragmented efforts on a global scale under the inclusive umbrella of the IMF.

Voice Reform in the World Bank Group

The ongoing Voice and Participation reform process at the Bank is a great opportunity to make a far reaching reform of its governance structures so that it continues to play a vital developmental role in global economic affairs.

We strongly support and call for immediate implementation of an additional Board seat for Sub Saharan Africa. However, we feel that the proposal approved yesterday on the important dimension of 'Voice as voting power and shareholding' has failed to live up to the promises made at the Spring Meeting of 2008.

While in the interest of consensus, we agreed to the proposals at the Development Committee yesterday, we believe that the efforts now to be made on realignment must lead to substantial and effective enhancement of the individual as well as collective voice of DTCs.

Development and Climate Change

We emphasize that issues relating to finance and technology are fundamental to the success of any global strategy to address climate change. New and additional resources that do not detract from the ODA must be provided by the developed countries. It is equally important to transfer clean, environment friendly technology to the developing countries at affordable prices.

The basis of international cooperation on climate change lies in the UNFCCC principle of "common but differentiated responsibility and respective capability." There is no escape from the reality that emerging and developing countries will consume more commercial energy. India is committed to evolve and pursue a strategy of environmentally sustainable development. We have formulated our National Action Plan on Climate Change and are committed to ensure that our per capita carbon emissions will never exceed the average of the per capita emissions of developed countries.

INDONESIA: BOEDIONO AND SRI MULYANI INDRAWATI

Governor of the Fund and the Bank

We are meeting at a time of great challenge and risk in the global economy. The global financial crisis, rising commodity prices, and a considerable slowdown in global economic growth, are presenting unprecedented challenges in the history of global economy. As this is a

global crisis, we need a global solution. We believe that given their mandates, the International Monetary of Funds and the World Bank must play the leading role in the crisis resolution, provide guidance on the appropriate policy responses, and reshape the works to better assess and prevent future crises.

Global Economy and Financial Market

The slowdown in the global economy continues to deepen, with the slow growth in both advanced and emerging economies. Risks to growth are firmly on the downside, particularly if the financial conditions should deteriorate further and that financial strains would be more intense. Emerging economies are increasingly affected by the spillovers from financial and economic stress in advanced economies, with clear signs of decelerating economic activity and continuing inflationary pressures. The immediate challenge is thus for macroeconomic and financial policies to support the recovery and stabilize financial conditions, while keeping inflation under control.

Monetary and fiscal policies are very important to anchor inflationary expectations and to mitigate negative feedback loops between the financial system and the economy in the near-term. In this regard, we welcome the policy responses in the US to provide support to the economy in the face of financial stress while ensuring adequate liquidity to the financial system. Direct fiscal intervention with the use of public sector balance sheet has already taken place in the US and in a number of advanced countries to contain systemic financial risks. Nonetheless, we view that closer and concerted policy coordination, particularly those among advanced economies, is the key to immediately address the liquidity problem in the global financial system and manage the orderly deleveraging process. It will also be critical to continue with reforms to strengthen the financial system.

Refocusing the Fund

We welcome the efforts of the Fund to identify the underlying causes of these potentially devastating problems. The current crisis once again provides an important lesson that the rapid financial innovation without proper market safeguards and adequate regulation and supervision can lead to systemic failures. This clearly calls for a redesign of international financial architecture. Reforms in regulation and supervision of institutions and markets are needed and to be coordinated on a global scale to mitigate the risk to global financial stability. We call on the Fund, in closer coordination with other international fora including the Financial Stability Forum (FSF), to play a leading

role to provide the multilateral platform for discussing and eliciting the appropriate responses.

In the short-term, since we are still grappling with crisis, what we need is to move quickly and coherently with more concrete solutions to avoid a global financial catastrophe. To this end, the Fund should be advising members what to do and how best to respond to the fallout from the crisis, how to restore the stability and preventing further spillover effects. We call on the Fund to play a more proactive role in the much needed global policy coordination through its multilateral consultation. Building on its expertise and experience from wide membership, the Fund is better place to provide such policy advices. We also urge the Fund to expedite the new liquidity instrument to help members better prepared in their crisis prevention framework as they integrate into global financial system.

The turmoil has posed challenges to policy makers and highlighted the importance of better analysis of global stability risks. In this regard, we commend the Fund's progress to meet its Reform Agenda. We are convinced that the reforms will help the Fund become more efficient in carrying out its mandates and sharpen its focus. On surveillance, we are pleased to note that the Fund will enhance its surveillance on macrofinancial linkages and advance its early warning framework. However, in the current global financial crisis, a better integration of multilateral surveillance into bilateral surveillance should also be prioritized.

We also believe that the Fund's existing lending instruments are based on a model that is no longer suited to the needs of a large part of the membership. The global financial system has evolved enormously since the Fund was created, and so have members' needs for Fund support. While the Fund has adapted to members' evolving needs, this was not nearly fast enough. In addition to expeditiously concluding the work on a new liquidity instrument, there is urgent need for exploring analytical considerations for Fund lending, re-examining conditionality, reviewing the Fund's lending role in low-income countries, and reviewing access limits and financing terms for using Fund resources.

We also welcome the establishment of Committee on the IMF Governance and Reform. We believe that in addressing global issues, the Fund depends heavily on its capability to establish an adaptive and flexible management structure. In this regard, we trust that the Committee would come up with recommendations that benefit all its members. Nonetheless, we must not forget that further addressing the voice and representation of developing and emerging economies remains one of the key issues on IMF Governance reform. We call on the Fund to make further progress in closing the gap between actual and calculated quota shares to reflect their relative positions in the world economy.

Strategizing the Bank

The current global challenges also call for the central role of the World Bank. We need to mitigate the spillover risks of continued high commodity and food prices to development agendas. Higher inflation reduces the capacity to advance important development goals. In some extreme cases, it might undo many of the achievements of the past decades and push more people into poverty. We believe that the Bank is well positioned to lead a coordinated global effort to tackle these problems.

Looking beyond the crisis, we support the Bank's efforts to achieve its Long-term Strategic Direction. We believe the Strategy provides a better mechanism for aligning aid with national development strategies. We appreciate the increasing role of Country offices to maximize the Bank's understanding of client countries.

We are heartened that the Bank remains committed to a leading role in advancing climate change efforts. We also applaud the Bank's for assisting developing countries to access and maximize the benefits of various financing schemes. The Bank is well positioned to act as a catalyst in the efforts to increase the private sectors' climate change role, as well as facilitating technology transfers.

We believe that tackling corruption and improving transparency both at an international and country level is a fundamental condition for ensuring a sound path for development. We note that together we could do more to implement the Stolen Asset Recovery (StAR) Initiative. This important project needs concrete and collective efforts to investigate, trace, and repatriate stolen assets. A coordinated effort would help rid the globe of safe havens for stolen assets.

We encourage the Bank to continue with efforts to advance structural reforms and to increase the voice and role of developing countries. This should include efforts to increase representation of staff from developing countries in the senior management ranks and to empower all members to participate in the leadership selection process.

Responding to the Crisis—Indonesia's Experience

In closing, we reaffirm Indonesia's commitment as a solid and reliable partner of the Bank and the Fund. We continue to do our part to mitigate the spillover risks of the unfolding crisis into the emerging markets. We have so far been able to withstand the negative impact of the global crisis, thanks to our prudent macroeconomic policy, strengthened financial sector, and adequate foreign exchange reserves. Nonetheless, this is a challenging task, particularly given the increasing trade-off between inflation and growth while preserving financial sta-

bility. In this context, we have taken measures to adjust the economic policy mix to reduce inflationary pressure while maintaining financial stability and growth momentum.

On the fiscal front, in order to secure fiscal sustainability and at the same time allow the needed fiscal space, we have moved forward towards more streamlined subsidies accompanied by well-targeted social transfers as well as reinforcing expenditure restraints. On monetary front, the central bank has preemptively raised its policy interest rate to curb inflation expectations and the second-round impacts of domestic fuel price increase, while at the same time ensure sufficient liquidity in the financial system. Going forward, we will press forward our effort to enhance our crisis management framework, including our plan to strengthen legal aspects of the crisis management and protocol that outlines procedures and clarifies the responsibility of agencies.

IRAN: SEYYED SHAMS AL-DIN HOSSEINI

Governor of the Bank

In the name of Allah, the Compassionate the Merciful. It is my pleasure to address the 2008 Annual meetings of The World Bank Group and IMF.

The global economic outlook has continued to deteriorate with several advanced economies bordering on recession; in particular the recent turmoil in the United States financial market has impacted most of the markets worldwide. At the same time, developing and emerging market economies are struggling with rising costs and weakening of external demand, while low-income countries are suffering from high commodity prices. The financial outlook is now subject to greater uncertainty and despite some remedial measures recovery could not be expected soon. This is a great challenge that will have significant bearing on the world economy and which needs to be dealt with in a concerted and well- thought manner.

It is surprising that the IMF has not foreseen this tremendous financial turbulence in order to send an alerting signal in timely manner. This would have been particularly critical, given the extent of the crisis and its global spillover. Going forward, considering its mandate to overlook the global financial stability, the IMF needs to play a more effective role in helping shape the policy response not only in the developing countries but also in advanced economies in order to safeguard emerging markets sustainable growth and financial soundness.

On the issue of the Voice and Representation of DTCs I believe that: First, the major source of income and knowledge of the World Bank is generated from cooperation with developing countries. Therefore, in order to enhance its legitimacy it should move according to a

defined timetable toward the parity of voting power between DTCs and developed countries.

Second, we emphasize that in implementing an increase in the voting power of the DTCs, this increase should be formulated in a way that would not dilute the voting power of any single member of developing and transition countries. Third, we strongly support a selection process of IMF Managing Director and the President of the World Bank that should be fair, competitive, merit based and open to individuals from all member countries. We are also of the opinion that the Bank and the IMF should take more serious measures to enhance staff's diversity in both institutions, particularly at higher managerial levels from all member countries.

Finally, in order to enhance its image as an impartial and unbiased multilateral institution, the World Bank management should engage with all its developing country members through its country assistance strategy and investment in their development projects which must be considered solely on the basis of their economic merits. In this context the World Bank must restrain from being influenced politically which is against the stipulations of its Article of Agreements. In this direction, we strongly urge the Board of the World Bank to follow up this matter as part of its governance mandate.

On the issue of climate change, the role of advanced economies that are mainly responsible for this phenomenon is highly significant. Therefore, they should justifiably bear the main costs and burden for the adaptation and mitigation to climate change in the developing countries which need to sustain their economic growth and development in order to reduce poverty, and which cannot afford additional high costs of new technologies. Therefore, developed countries that picked the fruit of development and prosperity at the expense of climate change should bear their differentiated responsibility in this process and provide the necessary additional financing and new technologies to developing countries at low cost. The neutrality of the supporting multilateral institutions is fundamental for the success of this process.

Next, I wish to touch briefly on the recent economic development in my country.

Growth continued to be strong despite some external constraints and unemployment declined in spite of the rapid growth of the labor force. Real GDP expanded by 7.6 percent in 2007.

In addition, privatization has gained momentum with a rapid increase in the purchasing shares by private investors. In this direction, following the reinterpretation of Article 44 of the Constitution, about 80 percent of state-owned enterprises will be privatized by 2010.

For the medium-term the government plans to implement a strategy that involves significant reforms, the most important of which is the reform aimed at better subsidy system.

IRELAND: MARTIN MANSERGH

Governor of the Fund and the Bank

I am pleased to attend here today to speak on behalf of Ireland.

We meet against a backdrop of extreme global economic and financial uncertainty with continuing downside risks to the global economy. More than ever now, it is important to have a strong IMF and World Bank Group, working in co-operation with their members, to promote global economic growth and stability. We must ensure that progress made in recent years towards achieving the Millennium Development Goals is not reversed.

IMF Reforms

Ireland welcomes the progress made in the past year in refocusing and reforming the Fund. We support the Managing Director's ongoing commitment and efforts to implement the reform agenda set out in the Medium-Term Strategy, which should see the IMF continuing to enhance its role and credibility in the global economy.

Surveillance

IMF Surveillance is particularly important in current economic conditions. The key challenge for the Fund is the effective implementation of all the provisions of the 2007 Decision on bilateral surveillance—including the use of the ad-hoc consultation procedure. We join with others in calling for effective and even handed implementation.

Irish Developments

I would like to turn briefly to developments in Ireland.

Ireland has taken swift and decisive action to safeguard the stability of our financial system and more broadly our economy. Two weeks ago, the Irish Government decided to put in place a guarantee arrangement to safeguard all deposits with and loans to six named credit institutions. The guarantee arrangement will also be available to certain banking subsidiaries in Ireland that have a significant presence in the domestic economy. This approach has now been approved by the European Commission. Ireland also strongly welcomes the interventions of other

European Member States and countries worldwide to ensure stability within the financial system. Actions by individual countries and by other groupings—such as those announced by the Eurogroup Heads of State and Government on Sunday night—are crucially important in ensuring that policy makers can go beyond a reactive approach to the difficult market circumstances. Ireland is continuing to work with other EU member States, the Commission, and the European Central Bank in the work to find an overall framework to address the financial crisis.

The Irish economy is currently being subjected to a number of negative shocks. On the domestic front, a major adjustment is underway in the residential construction sector, and this has dragged down economic activity this year.

The more difficult external climate is having an additional detrimental effect. Weak demand in our main export markets, exchange rate appreciation, the fall-out from global financial market turmoil and, notwithstanding some easing in recent months, higher commodity prices are all having an adverse impact.

The latest data confirm that the economy has slipped into recession and for this year, we now expect the level of activity to contract.

The contraction in activity has been mainly concentrated in the higher yielding components of demand, with the result that there has been an accelerated deterioration in the public finances.

To deal with these challenges, the government brought forward the normal date of our national Budget from December to tomorrow. The Budget will set out steps to stabilize the situation by strictly prioritizing expenditure to reflect the changed realities and to ensure that Ireland's economy is in the best possible position to resume trend growth as international conditions improve.

Development and Aid

On development and aid issues, Ireland's contribution in recent years has increased substantially. This year, we will spend around 900 million euro on overseas aid. Proportionately, this makes Ireland the sixth largest donor per capital in the world, and represents 0.56 percent of GNP. Ireland's aid program has always focused on the poorest and most vulnerable. This focus will continue.

Ireland welcomes the outcome of last month's High Level Forum on Aid Effectiveness, in Accra, Ghana. The Forum reached agreement on accelerating and deepening the implementation of the 2005 Paris Declaration on Aid Effectiveness. The Accra outcome is a strong statement on the need to improve the deployment and delivery of development assistance. We join with others in commending the World Bank

for their contribution to the Forum, and we are confident that the Bank will fully play its part in implementing the agreed actions.

The constructive work carried out at the Accra Forum to improve the quality of aid is a solid foundation for the Doha Financing for Development Conference in November, when aid volumes and the 2002 Monterrey Consensus will be under scrutiny. Again, the World Bank will play a key role in the Doha discussions, particularly in light of the current global economic conditions.

Debt Relief

Ireland strongly supports debt relief for poor countries with unsustainable burdens. We remain committed to total debt cancellation for the HIPC countries. In this regard, Ireland has recently made an additional contribution of 6m to the HIPC Initiative as an indication of our continued support for the world's poorest countries. However, there is a danger that countries which benefited from HIPC and the MDRI will re-accumulate unsustainable levels of debt. Beneficiaries must therefore be encouraged not to engage in unwise nonconcessional borrowing. Donor countries wish to see debt relief used well in making progress towards the achievement of the Millennium Development Goals. Every effort should be made to ensure that progress made is not reversed.

Voice and Participation

Following the reform of Quota and Voice at the IMF earlier this year, Ireland supports the current reform process in the World Bank, aimed at widening and strengthening the participation of developing and transition countries in the decision-making of the Bank.

We congratulate the Bank for its commitment to this issue, in keeping with the spirit of the Monterrey Consensus and indeed with the Accra Agenda for Action, and we commend the progress that has been achieved this weekend. We welcome this progress as an important first step in the ongoing process of comprehensive reform.

In conclusion, I would like to refer to the contributions made in this morning's opening session. We should all be encouraged by the addresses of Managing Director Strauss-Khan and President Zoellick. These demonstrate a proactive approach by both the Fund and the Bank to developing an effective global response to tackle the effects of the shocks that have hit the world economy, and the discussions of the last three days. I can assure the institutions of Ireland's full support for these efforts.

ISRAEL: ZVI ECKSTEIN

Alternate Governor of the Fund

Unfortunately, Governor Stanley Fischer could not be present here. It is a special pleasure for me to be here today to deliver this address on his behalf, and on behalf of the State of Israel.

I would like to make brief comments on two issues: first, the Israeli economy; second, the Fund's Reforms and Policy Agenda. The limited time available will not allow me to cover other important topics, including global economic developments, especially in light of financial market turbulence, the implication of the current energy and food prices on the poorer countries and communities that are not endowed with such resources, and other important issues such as climate change.

The Israeli Economy

Since 2004 and up to the first quarter of 2008, the Israeli economy has been growing at an average annual rate of more than 5 percent. In the second quarter of 2008, GDP growth decreased to approximately 4 percent. Given financial turbulence, global slowdown, and the strengthening of the Shekel, further slowdown is expected in the remaining part of the year and in 2009.

The Israeli economy is affected, like the rest of the world—by the substantial increase in uncertainty in the global financial markets. In Israel, the economy, in general, and the financial sector, in particular, is in good condition in order to address the possible ramifications of the crisis. Relative to banks in the US and in Europe, the Israeli banking sector is conservative and its exposure to the financial turmoil in the US and Europe is limited. I will briefly review recent macroeconomic developments in Israel.

In 2008, mostly as a result of significant increases in energy and food prices in the first half of the year, inflation is expected be above the target range (1-3 percent per annum), but inflationary expectations for the next 12 months are within the target range and inflation is likely to return to the target range in the second quarter of 2009.

The balance of payments is expected to be in 2008 in a surplus of around 1 percent of GDP. Controls on capital flows have been removed progressively since the early 1990's, and the capital account is essentially totally liberalized.

On March 24, 2008, the Bank of Israel announced a plan to increase its foreign exchange reserves by purchasing foreign currency in the open market. With effect from July 10, the Bank purchases an average of $100 million a day. This decision was made following an examination

of the market conditions and in light of the rapid cumulative appreciation of the shekel.

The government debt ratio is on a declining path, yet it still remains too high and needs to be reduced further; government spending has been consolidated and needs to be further reduced; unemployment went down to 5.9 percent in the second quarter of 2008, and more needs to be done to improve the standard of living of the poorest members of the population.

On May 2007, the OECD Ministerial Council Meeting decided to start the accession process with five countries, including Israel. Following this decision, Israel is now engaged in a dialogue with the organization, and expects to become a full member of the organization in 2010. The process entails updating legislation and adapting to the Organization's advanced standards. It would also serve as an incentive for Israel to continue promoting economic reforms.

At present, we are continuing to work on a new and modern central bank law that will clearly define the independence of the Bank of Israel, while increasing its accountability and transparency.

The Fund's Reforms and Policy Agenda

The Fund invests substantial energy in reexamining its role, advancing the surveillance agenda, reviewing lending instruments, and strengthening governance. As part of a re-organization, the IMF has cut spending and the numbers of staff, and highly qualified new professionals have been nominated to senior positions.

First, we welcome the Fund's sharper focus on refocusing its surveillance work. We, as other central banks, have found the Fund's fiscal policy analysis helpful. The overall quality of Fund's surveillance is held in high regards. These days, the obvious demand around the globe is for additional value added in the analysis of the financial sector. Needless to say, the Fund's FSAP work in identifying financial vulnerabilities has had a substantial contribution, but there is value in further work on risk assessment and early warnings. The 2008 Triennial Surveillance Review Paper (prepared by the Fund's Strategy, Policy and Review Department and discussed in the Board on September 26) states that there is a large unmet demand for analysis of financial sector issues, exchange rate analysis and external stability risks, as well as of the of two-way transmission channels between financial and real sectors, and cross border spillover effects. We support the recommendation of the report. It is valuable to increase efforts in developing a framework of a more systematic macrofinancial surveillance. In addition, it is important to adopt further steps in order to speed up the completing of Article IV reports and to increase its use of interim reports.

Second, regarding the design of new lending instruments, such as the Rapid Access Line, the Financial Stability Line and the Rapid Liquidity Line, I would like to note that there is indeed value in introducing credit facilities to countries with sound policies, without the traditional conditionality structures. It is desirable that such facilities would be available to increase access to contingent liquidity instruments in order to assist member countries to reduce the risk of capital account crisis and assist those qualifying after being hit by turbulence in global capital markets.

Third, the Fund is an effective international organization that is in the process of improving its governance and accountability. It is important that member countries' authorities will benefit from the continued relevance of the IMF, especially for global financial issues. Such relevance is also tied to the issue of vote and representation. In order to reflect the current global economic situation, new economic powers deserve a bigger weight in the decision making process. With respect to low-income countries, the increased desire for vote should be balanced by the implications of increasing the weight of borrowers in any lending financial institution.

Before I conclude, I would like to make another point regarding the global financial crisis and state that during this critical period in the so-far ever-worsening crisis, government policy needs to be guided by two central principles: central banks need to ensure that sufficient liquidity is provided to the banking system and the money and short-term credit markets to ensure their continued effective operation; and governments need to stand ready to inject capital into their banking systems to ensure the stability of the system and the continued provision of credit to the economy.

JAPAN: MASAAKI SHIRAKAWA

Alternate Governor of the Fund and the Bank

It is my great privilege to have this opportunity today to address the IMF-World Bank Annual Meetings, representing the government of Japan.

At the outset, I would like to express my sincere appreciation to Mr. Dominique Strauss-Kahn, Managing Director of the IMF, and to Mr. Robert B. Zoellick, President of the World Bank, for their excellent leadership at their respective institutions.

The World Economy and Global Financial Markets

The financial crisis that erupted in August 2007 appears to have become even more profound today. Credit quality concerns are broad-

ening, as further declines in house prices and tighter lending conditions spread across countries, most notably in the United States and Europe. Financial firms face greater difficulties in raising capital to cover losses, while efforts to squeeze assets add to downward pressures on asset prices.

Recent developments in the U.S. financial industry have led to a considerable deterioration in market participants' sentiments. Although the decisive measures adopted by the U.S. authorities have prevented the global financial system from further disruption, significant uncertainty remains regarding the way forward. We, as policymakers who have the responsibility of dealing with global financial issues, should use the term "crisis" with utmost care, but it would be difficult to blame anyone for describing the current situation of the world economy as a "financial crisis."

Presumably not independent from the financial turmoil, commodity prices have demonstrated very volatile movements over the past year. The price of oil more than doubled between December 2006 and mid-July 2008, before easing in recent weeks, while, during the same period, food prices rose by over 50 percent.

Although commodity prices have recently leveled off, underlying inflation has risen, particularly in emerging and developing economies. The tightening of policy rates in some emerging economies is considered to have been behind the curve. Implementing policy responses to inflationary pressures from exogenous shocks will be quite challenging, given weaker growth prospects throughout the world.

Against this backdrop, the world economy is likely to display a marked slow down. Not only are advanced economies expected to go through a period of very sluggish growth for the remainder of 2008, but emerging and developing economies are also projected to continue to slow. Hence, it would be advisable that we prepare against a "global recession." We should also bear in mind that the global credit contraction arising from the present financial turmoil could increase the risk of squeezed private capital inflows to emerging economies.

Considering the situation I have just outlined, I believe that now it is a time when the resilience of the international financial system as a whole, as well as the policy responses of individual countries, requires thorough scrutiny.

We believe that Japan can contribute to the stability of world economy by pursuing to secure its own growth. On August 29, the government announced a package of measures to address the global surge in commodity prices, and a supplementary budget to implement these measures has just been passed by the Lower House of the Diet. Monetary policy continues its accommodative stance. In response to elevated strains in the global financial market, the Bank of Japan, with other

central banks, has taken coordinated action to provide U.S. dollar liquidity, and it has supported interest rate cuts implemented by other major central banks. The Bank of Japan intends to carefully assess its outlook for economic activity and prices, while closely examining the likelihood of its projections as well as the upside and downside risks, and to implement its policies in a flexible manner.

Since the situation in the international financial markets has an enormous influence on the Japanese economy, we will very attentively watch global financial developments and put forth our utmost efforts to maintain the stability of the international financial system.

Expected Role of the Fund

Let me turn to the question of the Fund and expectations regarding its role. In the midst of concerns about the financial crisis and a global recession, recently, it has often been questioned whether the Fund properly fulfils expectations. We have some concerns that, in response to this criticism, the analytical and advisory capacity as well as the policy tools of the Fund might be scaled back, despite a genuine demand for them, from the international community.

I would like to offer some proposals regarding possible ways in which the Fund can fulfill its expected role.

First, the Fund can make an intellectual contribution to advanced economies affected by the financial crises. The Fund is well situated to accumulate the expertise of member countries on how to respond to financial crises. It is therefore important that the Fund build up and organize member countries' existing experiences and provide effective input to those countries currently fighting against a financial crisis. The Fund should also improve its ability and capacity to analyze financial market issues, and to accelerate its ongoing efforts toward enhancing integration between the analyses of financial markets and the macroeconomy.

Second, there is room for intensifying the Fund's engagement with international financial crises. Addressing global financial crises, and helping member countries cope with those crises, both lie at the heart of the Fund's *raison d'etre* as an international institution. When emerging economies and smaller countries that host large financial institutions implement such measures as providing capital to financial institutions and deposit guarantees, to ensure the stability of financial systems in the midst of a crisis, these countries are likely to encounter difficulties in financing their budgetary needs. The Fund should be responsible for providing financial assistance in such cases, and should seriously consider how to fulfill this responsibility. It does need to convey to the market the Fund's determined commitment to tackle against spreading

financial stresses, and thus, have a positive impact on restoring confidence. If the Fund requires additional resources, Japan stands ready to supplement needed funds.

Third, the Fund needs to prepare for reduced access to private capital by both emerging and developing economies. As international intermediation falters as a result of the global credit crunch, such a situation may arise as thinner private capital inflows to emerging and developing economies leads some countries to face balance of payment difficulties. The Fund should vigorously examine how effectively it can fulfill its role and consider possible regimes of international cooperation for those countries.

Fourth, technical assistance is the Fund's area of unique competence. Indeed, from a mid- to longer-term perspective, capacity building of developing countries in the macroeconomic policy field is critical toward achieving economic growth and stability. Japan, for its part, has been expanding its financial contributions to the Fund's technical assistance programs through the Administered Account for Selected Fund Activities—Japan, and will continue to extend its support for Fund operations in this area. We believe that it is indispensable that technical assistance programs be mutually beneficial and offer a tangible outcome for both recipients and donors. To this end, particular importance is attached to achieving an objective ex-post evaluation, with specific attention toward ensuring accountability to taxpayers in donor countries.

Development Issues and the World Bank

A global tightening of credit triggered by the subprime mortgage crisis could lead to shrinking private capital flows to developing countries, thus putting at risk the mobilization of resources necessary for infrastructure investments that support economic growth, indispensable for poverty reduction as well as for the provision of social safety nets. We expect the Bank to actively contemplate how the Bank, and Regional Development Banks, could compensate for the decline in private capital flows that have been the primary funding source for developing countries, and what kind of catalytic roles the World Bank Group could play in bolstering withered private capital flows.

At such a critical juncture, on October 1, the "new JICA" was launched by merging the JICA and the overseas economic cooperation operation of the JBIC. This marks a creation of one of the largest bilateral aid agencies equipped with providing all three aid modalities: technical cooperation, grants, and ODA loans. Facing the risk of shrinking financial flows to developing countries, Japan expects that the Bank and the "new JICA" will make their aid more effective and efficient and produce robust results by means of an exchange of best practices

and know-how, and its close coordination and cooperation. In fact, at this year's TICAD IV, good cooperation was already established in the broad area of aid for Africa. Also, in the global efforts to tackle the pressing food and climate change issues confronting the international community, Japan would like to strengthen even further its cooperation with the Bank.

Regarding governance reform at the Bank, we welcome the proposed comprehensive package that envisages a phased implementation of reform measures. The steady implementation of the measures in the package is critical to the success of the reform.

Conclusion

The world economy is experiencing a period of rapid change. Developments in the financial markets of one country are almost instantaneously transmitted to the financial market of other countries. Moreover, the factors that influence financial markets are increasing their tendency to affect the real economy through a so-called "negative feedback loop." In such a world, no country can maintain its prosperity without thoughtfully considering the health of the global economic system. Today, we hear many observations indicating that the Fund and the Bank need to be fundamentally reformed or that they should do much more to cope with the current new environment. These observations, however, can be interpreted as proof of continued high expectations for the two Bretton Woods institutions. Japan hopes that the Fund and the Bank will live up to those high expectations by fully utilizing their splendid human resources.

KIRIBATI: NATAN TEEWE, MP

Governor of the Fund and the Bank
(on behalf of the Federated States of Micronesia, Kiribati, Marshall Islands, Samoa, Solomon Islands and Vanuatu)

Warm greetings from the Pacific. It is a great honor for me to deliver a statement on behalf of the Pacific Constituency comprising the Federated States of Micronesia, Kiribati, the Marshall Islands, Palau, Samoa, Solomon Islands and Vanuatu.

Our member nations, with a population of over 1.2 million people, are scattered over several thousand kilometers of the Pacific Ocean. They are different in a lot of ways but they do also share a lot of common economic features. They have common problems of isolation from the major markets; they have narrowly based economies and they are very vulnerable to the impact of climate change.

We meet here at a time of great uncertainty. The current financial crisis, coupled with the soaring food and fuel prices, that pose a threat to economic stability world-wide, has also a great negative economic impact in our region. We are already feeling the pressure of these events, which could undermine the gains made through programs of reform. These events have placed considerable hardship on our people.

Over the years, we have been undertaking wide ranging reforms to build our economic strength. Whilst the process has been slow for some, generally we have moved forward. To achieve great economic growth we have to take advantage of our disadvantages; we have to be accountable to our people and we have to manage our resources to the best we can. We view economic growth not so much in terms of increase in GDP numbers, but more in terms of providing a better life for our people, now and in the future.

Unemployment has been a problem in our region. We have to look outside our individual countries for job opportunities for our people. We are grateful for the opportunities provided by our developed partners. I would like to mention the Recognized Seasonal Employment Scheme initiated by the New Zealand Government. Not all our members are involved under the scheme. However, for those who are involved, the scheme has created the opportunity for employment in New Zealand for a limited duration. People employed remit a portion of their income to their families in their respective countries. The scheme has a positive development impact to the lives of many families, as well as to the individual economies. Still its initial stage the scheme has its problems, but no doubt and through time, things will improve. The Australian Government has announced the development of a similar scheme. We are anxiously looking forward to the implementation of it. We pray that in the very near future other developed countries will develop similar schemes to assist those of us who are by our very nature, unfortunate.

With telecommunications, there have been significant efforts Pacific-wide to open up the telecommunications sector after years of monopolistic regimes. Given our isolation and scatteredness over a wide area of ocean, an efficient and affordable telecommunications system, would encourage private sector investment which will in turn, contribute to our economic growth.

Air transportation, for some if not all of us, needs a lot of improvement. The significance of tourism to our economies requires efficient airline operations that offer improved connections. Something more than just a regional approach may be required. Developed countries in the region may be in a position to offer an answer with the support of our development partners.

Climate change has been our chorus in our region and it will continue to be our chorus in the future. It is our chorus because we are the most vulnerable to its negative impacts. We are the least contributors to green house gas emissions, but we are the worst affected to the extent that some islands may disappear for good as a result of sea level rise. Climate change is an issue of critical importance to our region, in particular the low lying atoll countries.

While we support the Bank's engagement in climate change, we at the same time pose a question, "Is that enough to answer our worries?" When will be the time to put our pens down and start with tangible work to reduce the negative impact? Why are we scaring our people with problems of climate change and not assist them resource wise, to counter the realities of climate change that they are facing? We welcome the establishment of the Climate Investment Fund and the emphasis on adaptation and renewable energy sources, but we still have to see how effective these funds are in overcoming our worries.

With the rise in oil and food prices, we are faced with the serious challenge of dealing with widening external and internal imbalances. With such increases, our people barely cope with their family needs, in terms of food, electricity, transportation and so forth. There is growing signs that our people are facing hardship and are beginning to demand for some form of relief.

After years of being neglected (and excuse me for saying that), we welcome the increased Bank involvement in our region through the Sydney Office, establishment of the country office in Solomon Islands, and satellite offices in Tonga, Samoa, and the placement of Bank staff at the Pacific Financial & Technical Assistance Centre (PFTAC) office in Fiji. We believe that, with those arrangements the Bank's understanding of our particular needs will be enhanced and hopefully will improve the Bank's response to those needs.

We are aware that the next Regional Framework is in its final stage and will be ready soon. We would again like to reconfirm our preference for increased analytical work and more strategic focus at the country level. We look forward to being closely involved in the consultations and the formulation of the next Pacific Strategy.

Regional initiatives present the opportunity to deliver assistance to benefit a number of recipients, which might otherwise be less cost effective to deliver on an individual basis. High transaction cost of doing business given our small size, small population, and islands scattered across a vast area make regional and sub-regional approaches much more attractive. We have regional entities working well to serve the interests of the Pacific. We have the Pacific Plan, which has been endorsed by Pacific Leaders, as a source of ideas on regional priorities. And we have the Fund and Bank engaged in the Pacific. Yet there seems to be little practi-

cal partnership taking place in support of regional initiatives. We believe there are opportunities for real impact to take place with improved collaboration. I therefore urge the Fund and the Bank Group to coordinate their programs closely with the Pacific Plan initiatives to ensure complementarity and deliver optimum outcome.

Private sector development has been propagated as the engine for economic growth. In our region, private sector growth has been disappointing. We believe we have created a favorable environment and put in place appropriate governance structures and best practices, but there are only a few businesses established and not many foreign investors show interest. The 2009 Doing Business Review ranks most Pacific countries below 100 with the best performer at 39, yet there is no positive reward in terms of new investments. We want to understand the missing part of the puzzle and we believe the Fund and the Bank Group should assist us with better analytical work and realistic advice.

We welcome the progress made on voice and quota reform in the Fund and we always believe that the interest of all members should be accommodated. To ensure that we are not left out the Bank should serve us at the ground level by providing an improved Bank-Country relationship, an improved standard of service, an improved Bank Management accountability and an innovative approach to promote Bank exposure to under represented regions.

We appreciate the way small states are treated in the IDA15 framework. The proposed resource allocation to reflect our special situations is a step forward. The increased IDA resources to the Pacific countries will help a lot in achieving our Millennium Development Goals within the stipulated timeframe.

Mr. Chairman, I would like to conclude by acknowledging on behalf of the Pacific Constituency, the improved collaboration we now have with both the Fund and the Bank Group, and we look forward to a continued meaningful partnership and practical outcomes that will help raise the quality of life of our people.

KOREA: MAN-SOO KANG

Governor of the Fund and the Bank

It is my great pleasure to join you here on behalf of the Republic of Korea. Today, the world economy and global financial market are in grave difficulty.

Given the close linkage between financial markets and the real economy that we are now observing, our priority should be to stabilize the financial market.

To this end, it is important that we restore market confidence before the on-going financial market turmoil develops into a "Confidence Crisis."

Policy-makers should enhance predictability in the market by providing transparent and objective information and sending consistent policy signals.

In particular, policy coordination and information sharing between member countries are critical in stabilizing the closely inter-linked global financial market.

Drawing upon our experience of the Asian financial crisis, I would like to make two suggestions.

First, policy-makers should take swift actions sufficient to stabilize the market when necessary.

In this context, I fully support the decisive and timely market-stabilizing measures including liquidity provision and interest rate cuts.

We should not forget, however, that emerging and developing economies are suffering the most from the turbulence in financial markets.

To ease their burden, I would suggest global market-stabilizing measures, such as liquidity provision, engage emerging and developing economies through close coordination.

To facilitate policy coordination, I look forward to G-20 taking a stronger role. Given its comprehensive membership consisting of both developed and developing economies, G-20 can be an effective platform for global collaboration.

Second, regarding the role of IMF amid today's uncertainty, I have three points to make.

- the Fund has a bigger role to play in this unstable financial market. It should help the global economy address current turmoil by strengthening its surveillance.

  Specifically, the Fund needs to help member countries enhance the financial supervisory system in response to the evolving situation in financial markets.

  Objective and transparent evaluation and disclosure of the risk inherent in new financial products, will enable us to minimize systemic risk and regain investor confidence.
- the Fund should focus its analysis on the macrofinancial linkage by fostering the capability to identify and analyze the spillover process and its risk.

  Going further, it needs to make recommendations on macroeconomic policies including the counter-cyclical role of fiscal policy to revitalize investment and consumption in the context of slowing growth.
- the development of regional surveillance and crisis management system and its coordination with the IMF are critical to effectively address the current financial crisis.

In Asia, for example, the CMI Multilateralization, which is to establish regional liquidity providing system, can be a desirable complement to the IMF.

As for the real economy, it is important that all member countries cooperate to stabilize oil and other commodity prices and, thereby, mitigate worldwide inflationary pressure.

To this end, commodity-exporting countries should stay away from "export protectionism" and maintain an adequate level of supply. On the other hand, developed countries need to take appropriate actions to stop speculative demand from driving up prices.

Turning to the on-going World Bank reform, the ultimate goal of governance reform is to enhance the Bank's responsiveness and maximize members' participation by ensuring their equitable representation.

The first and foremost principle of the reform should be to ensure that the share structure reflects each member's relative weight in the global economy.

It has been a decade since the Bank realigned its quota in 1998. The current quota does not fairly reflect the status of emerging and dynamic countries whose economies have experienced significant changes.

That explains the urgent need for a quota reform, especially for the countries whose quota falls far short of their economic position. I am confident that the reform will in turn contribute to achieving the Bank's mandate as it will promote participation by member countries.

Last but not least, I urge you to support North Korea, one of the least developed countries in the world, in opening up its economy and reforming itself.

To encourage North Korea's opening and reform, it is important to integrate the country into the global community.

This will be a challenging task, which requires the efforts of both Koreas as well as the cooperation of the international community.

In this regard, I would like to emphasize that the forward- looking stance of the IMF and World Bank is essential.

Once again, I ask for the support of all member countries.

LAO: VIENGTHONG SIPHANDONE

Governor of the Bank

It is my honor and a great pleasure to represent the Government of the Lao People's Democratic Republic at the 2008 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank. Let me join my fellow Governors in congratulating Mr. Chairman, the President of the World Bank, the Managing

Director of the IMF, and the Government and people of the United States for the excellent arrangements made for this important meeting. I would also like to take this opportunity to express my congratulations to President Zoellick for continuing his fruitful work in enhancing the World Bank's role in supporting poverty reduction of all regions in the world, regardless of the gloomy economic situation in the United States and around the world recently.

Although, the Lao People's Democratic Republic is not directly affected by the sub-prime mortgage crisis in the United States, we share the concern that this crisis could develop into a global financial meltdown, and are greatly concerned about the potential effect on emerging countries and poor countries. We urge the U.S. Government and other industrialized countries to implement all possible measures to remedy the situation and to restore the investors' confidence in the financial market.

I would like to take this opportunity to describe the Lao People's Democratic Republic's economic performance during 2007–2008. Our macroeconomic situation remains fairly stable, with continued strong growth of above 7%, which is expected to continue into 2008. Output has expanded in mining, newly emerging processing industries, agriculture, new construction of hydropower projects, tourism and other services, as well as large FDI inflows from neighboring countries.

Nonetheless, there are some risks of rising inflation. After falling to a record low level of 4.5% in 2007, overall inflation climbed to 6.4% in the second half of 2008. High fuel prices pushed up the cost of individual living, agriculture, and industry. Moreover, we recently faced floods from the north to the south, which affected plantations, livestock, transportation, and infrastructure; this has had a cost not only in monetary terms, but also with regard to the well being of the villagers. Vientiane itself experienced its highest water level in 40 years; thanks to the proactive efforts of the Lao community-government, the private sector, individuals, and the international community from different parts of Vientiane, we were able to save the capital from flooding. We are confident that the Bank and other donors will support us in restoring normal living and working conditions in the regions of the Lao People's Democratic Republic affected by the floods

During 2007–2008, the Government has adopted and implemented many reforms. On fiscal front, the Government has continued the implementation of a comprehensive medium-term Public Expenditure Management Strengthening Program (PEMSP) since 2005, focusing on strengthening Public Financial Management systems and building the capacity of the Ministry of Finance and Provincial Finance Departments. In addition, the new Budget Law was adopted in 2007 to

address weaknesses in the intergovernmental fiscal framework. Other key reforms include centralizing the treasury, customs and tax departments, developing a new fiscal transfer system, establishing greater control of public finance resources, and aligning policies to the budget, as well as promulgating the new Audit Law. The implementation of the value-added tax has started early this month.

The financial sector remains small and dominated by banks. The government has taken measures to strengthen the banking sector and level the playing field. There are more new investments in the private banking sector, the ANZ commercial bank, which is shared by IFC and Australian ANZ Bank, as well as Phongsavanh Bank, which is Lao's first commercial bank. As a result, the commercial banking law promulgated in 2007 provides for transparent, clear, and easy licensing for establishing private banks.

Furthermore, in order to fulfill the socioeconomic development plans set for the period ahead, the Government has initiated other major reforms such as improvement of the business environment, enhanced efficiency of investment, reduction of tariffs under AFTA commitments, and intensified preparation for WTO accession.

We highly value the support of the international community, including bilateral and multilateral organizations, and international financial institutions. The Fund and the Bank have continued to provide vigorous support and assistance to the Lao People's Democratic Republic in term of policy advice, infrastructure, economic programs and projects, capacity building, and technical assistance. That support has played a vital role in helping the Lao People's Democratic Republic achieve economic growth and sustainable development. The Poverty Reduction Support Operations (PRSO) which, from the donor side, led by the Bank, has remarkably supported the structural reform to a more market-oriented economy, especially the improvement in the legal framework, which will form a foundation for sound and efficient development in the key sectors. We would also like to take this opportunity to urge the World Bank Group to continue the efforts in supporting the social and economic development and poverty reduction in the poor countries of our region as the Bank does with other regions of the world. ODA is an important factor in supporting the poor countries of this region to achieve their poverty reduction agenda and MDGs.

On behalf of the Government of the Lao People's Democratic Republic, I would like to express my sincere appreciation to the management and the staffs of the Fund and the Bank, and the fellow member countries for supporting the Lao People's Democratic Republic. I wish the Annual Meetings great success.

MALAYSIA: WAN ABDUL AZIZ WAN ABDULLAH

Governor of the Fund and the Bank

We welcome the 2008 Annual Meeting of the Boards of Governors of the World Bank and the International Monetary Fund. We would like to take this opportunity to thank the Bank and the Fund for the ongoing efforts in carrying out their respective mandates to eradicate poverty and improve financial management in member countries. We also would like to thank Mr. Robert Zoellick, the president of the Bank for the immediate response to support member countries affected by the food and energy crisis. We hope the Bank will continue to be receptive to distress calls by member countries and strive to be proactive with workable and pragmatic solutions.

Global Economic Outlook

Prospects of global growth are weighed down by the prolonged financial turmoil originating from the United States sub-prime crisis, and the surge in inflation triggered by higher commodity prices. The 2008 WEO indicates that developed economies impacted by the financial crisis are bordering on recession during the second half of 2008, while emerging and developing countries which experience high inflation are heading for slower growth. The world economy is expected to moderate further in 2009, unless financial institutions resolve their capital and solvency problems; commodity and housing markets stabilize; and domestic demand in emerging and developing countries continue to strengthen. The current global slowdown clearly underscores the need for concerted commitments by national and international authorities to institute policies as well as regulatory and governance mechanisms to address the challenges and sustain global growth.

Malaysian Economy

Structural reforms and pragmatic policies undertaken over the past five decades have systematically transformed the economy into one that is broad-based and diversified. More so, since the 1998 Asian crisis, when Malaysia defied the prevailing orthodoxy of the day and undertook radical measures to ensure the economy is more resilient and better positioned to withstand challenges from the external environment.

The Malaysian economy registered strong growth of 6.3 percent in 2007, and posted higher-than-expected growth of 6.7 percent during the first half of 2008, despite rising inflationary pressures and external uncertainties. Steady growth in exports, particularly for commodities and resource-based manufactured goods, as well as sustained private

consumption and investment supported the robust expansion of the economy. On a sectoral basis, growth was led by the services sector at 7.8 percent. Sturdy growth in wholesale and retail trade as well as healthy performance in the communication, transport and storage, and finance and insurance sub-sectors underpinned the expansion in the services sector. The manufacturing sector recorded 6.3 percent growth, contributed mainly by domestic-oriented industries, such as transport equipment, food and construction-related activities. Growth in the agriculture sector was 6.1 percent, supported by strong expansion in palm oil production, making Malaysia well-positioned to benefit from the commodities boom. The Malaysian economy is projected to expand 5.7 percent for 2008 and 5.4 percent in 2009.

Fiscal policy is focused on ensuring effective public spending. The higher fiscal deficit expected this year is due to increased commitments in providing social assistance, sustaining growth momentum and managing inflation. Nevertheless, the government remains firmly committed to consolidate its financial position and reducing the budget deficit in 2009. The international reserves, remains high at US$109.7 billion, sufficient to finance 9 months of retained imports and is 4.1 times the short-term external debt as at 30 September 2008.

In relation to monetary policy, the Central Bank has maintained a stable policy interest rate since April 2006. The banking sector remains resilient, well capitalized with relatively low loan to asset ratios in mortgage financing and little exposure to the US financial crisis. The risk-weighted capital ratio (RWCR) is at 13 percent; and has better asset quality with nonperforming loans ratio of 2.7 percent as at end-June 2008. Net funds raised in the capital market were higher at US$12.3 billion. These strengths ensure the Malaysian financial system continues to perform its intermediation function efficiently. Nevertheless, the government will remain alert and vigilant in view of the increasing uncertainties in the global financial market.

World Economic Development Issues

We note the Bank and Fund's concerns on recent economic developments and their effects on long-term growth as well as on the vulnerable groups. High oil and food prices have had serious consequences on the world economy, especially developing countries. Rising prices have not only contributed to inflationary pressures but have also led to social unrest, undermining the political stability in some countries. In striving for solutions to solve these problems, we urge the Bank and the Fund to be more proactive and aggressive in garnering greater international cooperation to bring about stability in the commodities market.

Of grave concern is also the prolonged duration of the financial crisis in the United States. Given that financial markets are highly integrated worldwide, the risks to international financial stability are very real. As the turmoil on Wall Street affects Main Street, we are monitoring closely the events unfolding, and are very concerned about the second round effects on the real sector. If the current financial crisis is not addressed comprehensively, the global slowdown is bound to worsen and further impact negatively on the low income economies. We, therefore, hope that the affected individual countries will take strong and immediate measures to resolve the crisis quickly before the contagion effects engulf the whole world. We also hope that the Bank will step up efforts to assist the more vulnerable among us.

Going forward, we strongly suggest the Fund to enhance its surveillance efforts to address the inadequacies in regulatory and governance mechanisms among member nations to ensure better market oversight, without fear or favor. Countries that have exercised greater discipline in banking supervision, securities market regulation and corporate governance, especially in the aftermath of the Asian financial crisis, should not have their economic gains eroded by the risky behavior exhibited in the more developed markets. We, therefore, agree with the IMF Managing Director that, "a systemic crisis demands systemic solutions," and that, "vigilance, objectivity and collaboration—on a global scale—will be needed to deal with the challenges ahead," not the least being the spillover of the financial fallout into the real economy. In this context, we strongly urge the International Financial Institutions to focus on strengthening the international financial architecture to better identify weaknesses that contribute to economic and financial vulnerabilities, providing early warning signals, and instituting preemptive measures and policy reforms to avoid crisis situations.

Climate Change

Climate change is increasingly recognized as a challenge to sustainable development. We concur that the impact of climate change poses a higher risk to emerging and developing economies in achieving their development goals compared with developed countries. Instituting mitigation and adaptation measures in response to climate change imposes extra costs to developing countries, many of which are already grappling with critical poverty and growth issues. Abandoning developing countries to their own devices to mitigate the effects of climate change is unjust and will not bring equity. Wealthy countries are responsible for the bulk of past green house gas emissions but enjoy higher gains from global wealth, while the low-emitting poor countries are hard hit by the consequences of climate change. Developed countries should, therefore,

assist developing countries with extra resources, in terms of funding, as well as facilitating technology transfer and capacity building to help integrate the process of mitigation and adaptation efforts to climate change into development projects. However, diverting existing funds from poverty reduction programs into climate change initiatives will not bring equity to developing countries. Specific funds, which have been established in response to the threat of climate change, should continue and developed Countries should honor their agreement under the United Nations Framework Convention on Climate Change (UNFCCC) to assist developing country parties that are particularly vulnerable to the adverse effects of climate change. In this regard, we welcome the Bank's efforts in setting up the Strategic Framework for Climate Change as part of measures to mitigate the impact of climate change. However, we wish to remind the Bank that the financing of climate change actions must be well defined and not be taken from poverty eradication programs or the IDA allocation.

Voice and Participation Reform

We take note of the progress in the Bank's voice and participation reform. We would like to reiterate that the reform being undertaken should bring about equitable and transparent representation in the Bank's governance. While we can subscribe to the parallelism between the Bank and the Fund, the differences in the roles and mandates of these respective institutions must be taken into consideration in formulating the voice reform. What is appropriate for the Fund is not necessarily appropriate for the Bank. This is because both have distinct missions. As such, using the Fund formulae for the Bank's reform will not reflect its true governance. It is fundamental for the Bank to consider voice reform with a deep understanding of its mandate in order to ensure that its specific development mandate and role are reinforced. Of paramount importance, regardless what methodology is adopted, the reform should enhance legitimacy, credibility, and accountability without diluting the voice of developing countries, either as a group or as individual countries, and without imposing an extra financial burden. However, we are concerned that the option of doubling basic votes would lead to only a marginal increase of 1.2 percentage points to developing and transition countries voting power. We also welcome the suggestion that the selection of the president of the Bank be a more transparent, merit-based process, and open to all qualified nationals of all Member-States. We believe that the selection process must reflect the good governance and democratic principles espoused by the Bank.

In conclusion, we would like to express our appreciation to the Boards of Governors, management and staff of the Bank and the Fund

for their good work in promoting economic growth, poverty eradication programs and financial stability in resolving the difficult challenges that lie ahead.

MALTA: MICHAEL C. BONELLO

Governor of the Fund

It is an honour for me to address the Annual Meetings of the International Monetary Fund and the World Bank. I would like to convey my appreciation to the management of the IMF and the World Bank, the government of the United States of America and the authorities of Washington, D.C. for the excellent arrangements made for these meetings.

I also take this opportunity to welcome New Zealand as a member of the Multilateral Investment Guarantee Agency.

A warm welcome is extended to Dr. Boutros-Ghali on his appointment as chair of the International Monetary and Finance Committee and Ms. Izumi Kobayashi as Executive Vice President of the Multilateral Investment Guarantee Agency. We are certain that the Bretton Woods institutions will benefit from their experience in international affairs and global finance. The past months have seen a number of organizational changes in the IMF and the World Bank Group. In this regard, I would like to express my appreciation for the service and dedication of all those who left one institution or the other, and congratulate their successors on their new appointments.

This year's meetings take place against a background of severe crisis in global financial markets and a hostile and uncertain macroeconomic environment which continues to be substantially undermined by depressed conditions in housing markets and the negative impact until recently of a sharp upward trend in oil and commodity prices.

In many economies, and especially in the advanced economies, economic growth prospects have deteriorated further since the summer. Although the deterioration in terms of inflation might be over, price pressures are set to remain elevated for a while as supply in commodity markets responds only gradually to demand.

This situation is exacerbated by the ongoing turbulence in the financial markets and the persistence of global imbalances, which complicates the task for macroeconomic policy. Indeed, the measures that would seem to offer the best possibilities for the restoration of smoothly functioning financial markets may not be consistent with the longer-term macroeconomic objectives of fiscal soundness and price stability.

There is no doubt that the commodity price shocks and the economic slowdown are having a more pronounced impact on highly open economies and developing countries. A continuation of present trends

risks undoing the progress made in recent years towards the Millennium Development Goals. As higher commodity prices, lower external demand and the automatic stabilizers continue to weigh on the public finances of developing countries there is a risk that they will not be able to undertake public sector projects that are necessary to deliver sustainable economic growth. Developing countries' external reserves are also bound to experience erosion as most of them are net commodity importers.

In this regard, we welcome the efforts undertaken by the Bretton Woods institutions to make their financial assistance more promptly available to those countries most affected by the energy and food shocks, and to encourage the resumption of trade liberalisation talks. This should contribute to a faster recovery in economic growth worldwide. It should be emphasised, however, that the upward trend in commodity prices also reflects structural factors. Consequently the financial assistance available from the Fund and the Bank can only offer temporary respite to an adjustment process that in the medium- to longer-term will imply an inevitable change in consumption patterns.

We believe that the IMF and the World Bank can facilitate adjustment in these countries, first by allowing temporary deviations from preestablished targets in country programs, provided that end objectives are not redefined and time frames are set for reverting to optimal policy paths as soon as this is feasible for the borrowing countries concerned.

Second, as the institution responsible for international monetary stability, the IMF must also ensure that the short-term response to the financial crisis is conducted without amplifying global imbalances. The combination of housing market shocks, elevated commodity prices and ongoing financial turmoil highlights the need for a more resolute implementation of the policy commitments aimed at ensuring an orderly correction of these imbalances.

Third, the advice and capacity-building initiatives of the Fund and the Bank can be formulated so as to encourage the adoption of new consumption patterns, a more efficient use of energy resources and a faster switch to renewable sources of energy.

This, however, has to be achieved with due consideration being given not only to the two institutions' respective mandates and comparative advantage, but also bearing in mind the availability of knowledge bases of other institutions that have expertise in energy and related environmental issues, such as climate change. Through the combined expertise synergies will be achieved, ensuring an efficient utilisation of resources.

This principle should also guide the activities of the IMF in low income countries in general, possibly the area of the Fund's responsibilities where there is the greatest risk of overlap with World Bank operations. The

recently concluded review of this aspect of the Fund's work offers a good opportunity to identify those areas where there might be room to rationalize its noncore activities and focus instead on those areas where its efforts can add value.

It will also be important to ensure, however, that the Fund's lending policy as it applies to LICs takes due account of its implications in terms of debt sustainability as well as the overall objectives of the broader review that is underway with regard to the other lending instruments available at the Fund.

In a sense, the current international situation has rendered such a broad review timely. It has brought to the fore weaknesses in the accounting and regulatory framework, as well as channels of financial contagion that were previously unforeseen. Moreover, unlike the more recent financial and currency crises, the current one does not have its origins in emerging market economies, but in the sophisticated financial markets of the advanced economies.

At this juncture, therefore, it may be relevant to consider whether the Fund's current lending framework only remains relevant to a small subset of members under a limited set of circumstances or whether it could be rendered more relevant to the membership of the Fund as a whole by being endowed with the capacity to respond to a broader range of potential events.

We believe that the papers presented by the Fund staff provide a useful first step towards a simpler and more transparent lending framework. However, further reflection is required, not least on what instruments should be terminated and what new instruments and financing terms would be compatible with the Fund's mandate. In this regard we note that some of the proposals put forward, such as the idea of making financial assistance subject to collateral, do not seem to be consistent with the Fund's mandate and do not really offer a workable alternative. Furthermore the proposed 'quiet' facility would bring into question the Fund's efforts to enhance its institutional transparency. In addition we believe that further analysis should be undertaken by the Fund to see how conditionality could be streamlined and tailored to the circumstances of different countries without departing from the principle of uniformity of treatment and without impinging on the revolving nature of the Fund's resources.

Recent financial market events confirm the continued importance of the Fund's surveillance activities and the need for an even handed and transparent approach towards its implementation. To a large extent, the Triennial Review of bilateral surveillance correctly identifies those areas where there seems to be the greatest scope for modification. Here it would be pertinent to mention the need for more attention to low probability events with potentially significant regional or

global effects, the links between the financial and nonfinancial sectors, and regional and multilateral spillover effects.

We also see a role for the systematic reporting on the follow-up to past surveillance activities in Article IV Reports. For many members, particularly nonprogram countries that are not considered to be of systemic importance and that are not subject to some form of peer pressure from other institutions, IMF surveillance remains the best available framework for conveying relevant policy advice and ensuring it is implemented in a timely and meaningful manner. For this reason too we share the view of the Managing Director that the newly launched *'ad hoc'* consultation procedure should not replace, but complement regular Article IV Missions. We also welcome the draft Statement of Surveillance Priorities but reiterate our view that its implementation should not result in an increase in administrative burden.

I conclude by assuring the management and staff of the Fund and the Bank of our continued support as they continue to press ahead with their efforts to refocus and restructure, and in their broader efforts in promoting international financial stability and poverty reduction in an increasingly global challenging environment.

MOLDOVA: MARIANA DURLEAŞTEANU

Governor of the Bank

It is an honor for me to participate at this important event and a privilege to be here during the most challenging and worrisome times for the global economy.

Allow me to start with a few words about the recent economic developments in my country.

The Moldovan Economy

Despite a series of exogenous shocks and the severe natural calamities experienced during the last three years, the Moldovan economy has been growing at an average annual rate of 5 percent since 2005. Despite current challenges, the overall performance is expected to improve in 2008:

- The GDP will increase by 7.5 percent.
- The budget deficit is targeted at 0.5 percent of GDP.
- Poverty will continue declining to 26 percent from 30 percent in 2006.

Also, FDI increased further in recent years: in 2008 alone, the FDI inflows increased by 2.4 times compared to 2007 and reached 15 percent of GDP, due to improved investment environment. Remittances inflows continue to be strong, they exceeded 30 percent of GDP in the

last 3 years. This proves the fact that the Moldovan economy is getting more and more integrated into the global economy, with the resulting positive and also negative consequences.

The huge inflow of foreign exchange exerts significant pressure on the Moldovan currency leading to its appreciation. During the last two years, the Moldovan Leu appreciated by over 25 percent against the US dollar. In turn, this affected the competitiveness of our exports and, as a consequence, we have a continuously growing trade deficit.

Together with the National Bank, the government of Moldova has been conducting a tough fight against inflation. The increase in international energy and food prices, combined with the significant inflow of foreign exchange makes this fight extremely difficult. Nevertheless, we have managed to reduce the annual inflation rate from 16.9 percent in May to 10.7 percent in September and hope to bring this indicator to below 10 percent by the end of the year.

The fiscal performance has been strong. The National Public Budget revenues increased from 38.6 percent of GDP in 2005 to 41.8 percent in 2007. Strong revenue performance allowed the government to implement a three-fold "liberalization" initiative, which includes capital legalization, tax amnesty, and introduction of a zero corporate tax rate on the reinvested income. The reform aims at reducing the tax burden and creating a better business environment.

In the meantime, we are continuing public expenditure reforms with the objective to improve resource allocation for investments and increase the efficiency and accountability of public spending. Prudent debt management policy has allowed us to reduce the public external debt to GDP ratio from 22 percent in 2005 to 12 percent in 2008.

In the last eight years, the Moldovan economy registered important achievements in all areas, but serious challenges continue to threaten the sustainability of these achievements. To deal with these challenges, in 2008, the Moldovan Government began the implementation of the National Development Strategy for 2008–2011, which aims at:

(i) Enhancing the competitiveness of the national economy,
(ii) Development of human resource, enhancing employment and promoting social inclusion and
(iii) Regional development.

Both IMF and World Bank support the new Strategy.

Relations with the Fund

Moldova's cooperation with the IMF has been on an ascending trend in the last few years. Since 2006, we have benefited from about 77 million SDR, which were used to build up Moldova's international

reserves, which are now covering more than 4 months of import. In addition, we have benefited from important technical assistance, including on strengthening tax administration, strengthening banking supervision, and improving national statistics.

Talking about our future cooperation, I would like to raise a few issues. And, as a Minister of Finance, I will start with fiscal issues. All these years, the government of Moldova has been maintaining the budget deficit below 0.5 percent of GDP, and we are committed to stick to a sound fiscal policy in the future.

However, given the current global challenges that will affect us as well, we consider that a more balanced approach toward the fiscal policy is needed. The current challenges call for the fiscal policy to draw a fine line between balancing the need to help contain inflation, while at the same time, ensure economic growth and continued decline in poverty. The risks to the latter two tasks are currently on the downside. Moreover, we do have the resources (from privatization revenues) and we do not intend to spend on consumption needs. A slight increase in deficit would allow us to finance investment projects that are geopolitically important and socially targeted.

I would also like to call for more flexibility with Fund conditionality which envisages privatizations of high values assets. We all know that these kinds of transactions have to take place at the right time, and the right time for the market might not always be the one envisaged in the program.

I would also like to request the support of the IMF in helping us to manage the growing inflows of foreign exchange. I think we all agree that there are only a very few small open economies in the world that, like Moldova, have strong inflows of remittances and of FDI and there is not much we can learn from the international experience on this. We would appreciate the support of the IMF staff in identifying additional financial instruments to withdraw the excessive foreign exchange from the market.

Another issue that we would need assistance with is the creation of a Risk Mitigation Fund to provide support to poor people in the situation of food crisis, increase in energy prices, climate change, financial crisis, etc. We would like to ask for advice on the best practices regarding establishing and managing such a fund.

Relations with the Bank

Regarding our cooperation with the World Bank, we have recently completed the implementation of the previous country assistance strategy and are currently defining the new partnership program. We appreciate the Bank's decision to keep the next program flexible and to increase the share of the budget support.

I would like to say a few more words about policy conditioned budget support. Starting with 1999, we are implementing nationally owned reform programs (PRSPs) which should also serve as a basis for IFIs support. Indeed, the policy conditionalities negotiated with the World Bank do fit the general objectives formulated in our national documents. However, these days, more and more donors are coming up with policy conditions. Although we understand that conditionalities are needed to push for the implementation of unpopular reforms, having too many of them might be counterproductive. Maybe you could unify your efforts with other donors (like EU) and have one single document that will define the policy conditions? This will make our life much easier in terms of managing the process and implementing the commitments. Also, very often, little money is accompanied by lots of conditions.

The second issue that I would like to raise is the need to improve the planning of resources. First, we believe that, in many cases, the Bank disbursement procedures continue to take too much time. In addition, the disbursement of budget support is conditioned by the fulfillment of policy commitments which are not entirely in the government's hands (like approval by Parliament), which can cause significant delays in disbursing the money. Both these factors are making our expenditure planning exercise very difficult.

Finally, I would like to stress that the IMF and WB relations with small countries like Moldova should be more flexible, and allow for ongoing adaptation of the range of instruments, tailored to the country's needs and capable of providing effective assistance with finding the right response to global challenges.

MYANMAR: U THAN NYEIN

Governor of the Fund

I would like to express our appreciation to the host government and the people of the United States for the hospitality extended to our delegation. I would also like to thank the managements of the Bank and the Fund for their excellent arrangements made for this meeting.

At this point, I wish to congratulate Mr. Zoellick and Mr. Strauss-Kahn for their able leadership. Under their leadership and guidance, the institutions have made considerable contribution to the promotion of international cooperation and development.

I would like to take this opportunity to extend my deepest sympathies to all the governments and peoples of the countries that had faced natural as well as man-created disasters during this year. As a country that has suffered an unprecedented natural disaster, we sincerely can identify well the hardships and sorrows that those countries had to face.

In contrast to last year, we meet here at a time when the global economy remains bleak as down side risks remain. Due to high commodity prices, natural disasters and the recent financial turmoil, the global economy remains weak.

There is no denying that there is still much to be done in order to have the global economy on the path to sustainable growth. In this context, collaboration and cooperation, not only between advanced countries, but also between advanced countries and emerging economies, are essential for global macroeconomic stability and prosperity. Effective, focused, and flexible macroeconomic measures may be needed. The present issues of importance are to maintain the pace of growth, lower inflationary pressures and lessen the impact of the financial turbulence.

I would now like to brief the Meeting on recent developments of the Myanmar economy. As have been stated in previous year, we have been formulating and implementing short-term plans since 1992–93. 2007–2008 was the second year of the Fourth Five-Year plan and we have been able to maintain the momentum of the growth rates that have been previously achieved. The agriculture sector is still the mainstay of the economy as its share in GDP is around 44 percent, while the industry sector's share is 20 percent and the services sector's share is 36 percent. It can be said that our economy is on the right path to sustainable growth momentum.

On the external front, the current account is in surplus, due mainly to surplus in the trade account. The surplus can be attributable to increases in exports and remittances from abroad. As such, our foreign exchange reserves have also risen considerably.

In the fiscal front, although the budget is still in deficit, the deficit is on a declining trend. We intended and were trying to have a balanced budget this year. However, as we have to spend for relief, rehabilitation, and prevention of contagious diseases for the victims of the cyclone, we expect this year's expenditure would be quite large. We are making efforts and taking necessary measures to increase revenue that we hope will help us offset some of the increase in expenditure.

On the monetary front, supervisory and regulatory powers of the Central Bank have been strengthened and due diligence and care had been taken to ensure that the banking sector is not used for improper transactions, including money laundering and financing of terrorism.

The only thing that remains to be tackled is the inflation rate, which is still relatively high but is gradually declining.

In May, the second month of this fiscal year 2008–2009, Myanmar was struck severely by Cyclone Nargis with unprecedented force, concentrating mainly on the region most important for agriculture, fishery, and salterns. The cyclone also destroyed and damaged an enormous

amount of households and displaced hundreds of thousands of people. Thousands of lives were lost while thousands are still missing. According to the Post-Nargis Joint Assessment (PONJA) report, the impact of the cyclone on the economy and people has been severe due in part to the fact that it happened right after the harvest of the summer paddy. As such, the recovery needs are significant and span all sectors and the estimation of the total economic losses amounted to about 2.7 percent of the projected 2008 GDP. Internal and external assistances have been prompt, and timely assistance was rendered to us. I would like to take this opportunity to thank all the organizations that have provided us with humanitarian assistances.

Even with this unfortunate occurrence, I am very much pleased to report to the meeting that during the first quarter of this year we have been able to achieve a relatively good growth rate. We are ready to put all out efforts to maintain our targets and are hopeful that we will be able to overcome whatever difficult tasks that lay ahead in order to achieve macroeconomic stability and growth. In doing so we will be giving due consideration for the development of the social sectors in order to meet all the MDGs in time.

We have been lucky in one way, as we do not have developed capital or financial markets yet and therefore we will not have direct impact of the recent financial crisis on our economy. However, in this globalized world where a country cannot stand alone, we understand that there would be some indirect impact on Myanmar. We stand ready to cooperate with all the countries in the region in order to overcome whatever challenges and risks that we might face in the future.

Myanmar has been a member of both organizations for over 56 years. We have always worked closely with these organizations and we will continue to do so in the future.

NEPAL: BABURAM BHATTARAI

Governor of the Bank

It is a pleasure and honor for me to address this noble gathering of the eminent officials of the World Bank Group and IMF as well as my fellow governors and colleagues as a Finance Minister and Governor of the newly born Federal Democratic Republic of Nepal. This annual global assembly of development professionals and practitioners provides an appropriate platform that can best be utilized for discussing and deciding on how we can wipe out the curse of absolute poverty from the face of the earth and create a decent, egalitarian, peaceful, and prosperous society in all parts of the world.

Let me briefly explain the recent political development in Nepal. We have fought and won the political war—a war to emancipate the

people of Nepal from all forms of feudal exploitations. Feudal monarchy that represented stagnation and underdevelopment has come to an end. People of Nepal have become fully sovereign. We have achieved this through collective efforts and consensus of all political parties. For the first time in Nepal's history, people's representatives are going to write the new constitution. After a decade of peoples' war, the peace process now is moving in the right direction and we will collectively steer this to success.

Internal conflict is now over and the country is heading towards lasting peace. The steps that we have traversed so far starting from the signing of Comprehensive Peace Accord between the Communist Party of Nepal (Maoist) and the then government in November 2006 to the formation of the present coalition government headed by the Maoist party following the Constituent Assembly Election mean that political instability will no longer remain as a problem. The writing of new constitution of the nation within two years will complete the political transition of establishing People's Republic of Nepal.

While we have made progress on the political front, we now have to fight the economic war—a war against economic stagnation and deprivation of masses from even the basic necessities of life. This is the challenge that we have to face head on. And we must aim to take big leaps. It is time that we take high ambitions and put all-out efforts to achieve them.

During the past 50 years of planning, the growth rate of the Nepalese economy has been very low, or barely sufficient to keep pace with the population growth rate. The rate of savings is just about 11.5 percent of GDP, which means high dependence on foreign assistance to meet the investment requirement for the targeted rate of growth. We realize that poor governance has been one of the fundamental constraints for Nepal's rapid development. We have focused our efforts on improving governance, minimizing leakages in expenditures and properly targeting public expenditures so that we get the most out of government's investments.

Nepal is now in a phase of economic transition from feudalism to industrial capitalism, with appropriate blend of social welfare. And we want to complete this transition as fast as possible. In this process, we will have to demolish old growth inhibiting rules, structures and institutions and initiate new growth promoting strategies wherein each individual will be able to realize his/her production potentials. Our vision is to build a 'New Nepal' through rapid socio-economic transformation. We have set out the economic agenda with a goal of achieving double-digit economic growth rate in the next two years with, of course, proper distribution. For this, we have opted for a three-pronged strategy: promotion of private sector investment in growth-propelling sectors, public-private partnership in large infrastructure projects and cooperatives

in rural areas in agriculture, agro-processing, marketing activities and in operating public distribution system.

Our development priority is on water resources and hydropower, and agriculture and tourism as these are the areas in which Nepal has comparative and competitive advantage. We would be creating investment-friendly environment for foreign direct investment in these areas. For this, we would need rapid expansion of physical infrastructures and accelerated investments in education and health.

As we are embarking upon a challenging journey of rapid economic growth focusing on improving the lives of millions of poor people, the rising commodity prices have made our development efforts costlier. Commodity prices have also made poor people's lives even more miserable. Just when the world community was tackling the rising commodity prices, there is now the other crisis propelled primarily by falling asset prices. The exact magnitude of current financial crisis is not yet known as each day banks, one after the other in advanced countries, are reporting financial distress. We are not quite sure where this all will lead to, but the world economic outlook looks bleak for the foreseeable future. I think we have all gathered here at the right time to debate on these issues and I hope that, collectively, we will find proper solutions.

I urge that when advanced countries focus on correcting their domestic economic woes, they should not lose sight of the need of under-developed and developing countries.

I take this opportunity to express our sincere thanks to all those who have extended support to our peace process and in rebuilding Nepal. I would also like to thank the Bank and the Fund for their renewed commitment to help achieve our vision of New Nepal.

Before I close, I would like to thank the government and the people of the United States for the hospitality. I also thank the Bank and the Fund for the excellent arrangements made for the Annual Meetings. I wish the Annual Meetings a grand success and thank you all for your gracious presence.

NETHERLANDS: RUUD TREFFERS

Temporary Alternate Governor of the Fund and the Bank

We meet in exceptionally turbulent times, affecting all our countries one way or the other. In recent weeks we have seen that the current multilateral system has proven unable to offer a sufficient response to the complex combination of the financial, climate, food and energy crises. The world is globalized in terms of risks and opportunities, but hardly in terms of effectively responding to global crises. If every country works on a solution only for its own problems, the most vulnerable countries and groups draw the shortest draw.

We must change that, and ensure that the current response to the crises contributes to a structural change in the way we do business at the multilateral level. First, I would like to focus on the role of the International Monetary Fund as guardian of international financial stability. Subsequently I will speak about the challenges for the World Bank.

Strengthening the Role of the IMF as Guardian of International Financial Stability

The Fund can play an important role to improve the international financial architecture—a role that should be complementary to that of other international financial fora, such as the Financial Stability Forum and the Bank of International Settlements. A strengthened financial stability role of the IMF needs to be reflected in all its tasks, including surveillance, its lending framework and in its Technical Assistance.

Enhancing Surveillance

The Fund has a unique position within the international financial architecture. Not only does it have an almost universal membership, it also is in active dialogue with member states through its bilateral surveillance. This dialogue goes further than just offering local authorities feedback on their policies. Indeed, the Fund's advisory role is firmly anchored in its mandate to survey macrofinancial conditions and policies in member states with the purpose to foster open economic relations and prevent negative spillover effects. This close relationship with so many countries makes the IMF a potentially great source of knowledge on issues of local, regional and global financial stability. In order to live up to this potential, surveillance should further be tailored to assessing risks and vulnerabilities in financial sectors and markets from a macro perspective. Although the Fund has made important strides in this respect, I think there is still room for improvement.

First, the Fund can sharpen its focus on financial sector issues in bilateral surveillance and address them more systematically. Such enhanced focus requires that the IMF has sufficient financial expertise. Moreover, the statement on surveillance priorities is a step toward a more systematic approach in surveillance. A further step could include developing a framework or "checklist" of macro risks and sector specific vulnerabilities that should be assessed. I see this as a means to quickly incorporate lessons learned through the surveillance of countries and through multilateral surveillance. Moreover, a more systematic approach in surveillance can also support the implementation of policy advice of other relevant bodies, such as the FSF, and provide feedback on the adequacy of these policy responses.

But stepping up financial sector surveillance also requires the commitment from member states. The current credit crisis shows how disequilibria within and between large economies can threaten world-wide financial stability. Therefore, all systemically important economies should reach out to the Fund and sign up for an FSAP or an FSAP update.

Second, the Fund's multilateral surveillance should be aimed at identifying cross-border financial linkages and risks. The current crisis has shown how closely international financial markets and institutions are connected. Even though many of us have pointed to the risks of highly leveraged and complex financial products, none of us had foreseen the severity of the chain reactions that followed, when defaults on US subprime mortgages started to rise. We should not have the illusion that the next crisis can be predicted by the IMF or any other organisation, but we can strive to develop "early warning systems" that can at least mitigate the impact of shocks. The Fund can enhance our understanding how financial shocks ripple though the financial system and how this system interacts with the real economy.

Third, I think that financial stability considerations should also be at the forefront when the IMF is analyzing the sustainability of a country's exchange rate. Clearly, the related global imbalances have been—and continue to be—a factor in the current financial turmoil. The 2007 surveillance Decision has been an important step in redefining the Funds exchange rate surveillance and I support a firm implementation of this Decision. However, I think that from a financial stability perspective there is a difference between a potentially overvalued and undervalued exchange rate. History has shown how a sudden downward correction of the exchange rate, sometimes triggered by speculative attacks, can be the cause of a deep rooted economic crisis. Even when discounting for large methodological problems in assessing exchange rates, I think that the IMF should be very careful in its approach toward restoring equilibrium in a country with an overvalued exchange rate, both in policy advice and in communication.

Adapting the Fund Lending Framework

The Fund is currently reviewing its lending framework. Also in this area there might be room for better compatibility with financial stability challenges. The world-wide credit crisis reflects the vast size of cross-border capital flows and also reminds us of the importance of investor confidence, not only towards individual financial institutions, but also towards specific countries that for example have relatively large financial sectors.

Adapting the Fund's lending framework to these challenges is not easy. In a world with large capital flows, confidence could be under-

pinned by the possibility for the Fund to extend large amounts of financial support. This might call for an increase in access limits or the development of an insurance type of instrument. However, Fund support only works if it addresses the root causes of a crisis. This requires adequate conditionality, in order to signal a credible adjustment of economic policies. But any instrument that quickly disburses large financial packages erodes the Fund's possibility to capture appropriate policy responses. It will be a challenge to find the right balance between conditionality and access to financing. In the regard, I think the IMF should also further exploit its role as financial catalyst.

Technical Assistance

This brings me to the third task of the Fund, technical assistance. In the midst of a credit crisis, it is easy to forget the important upsides of international capital flows for economic growth and prosperity. I remain fully convinced of the merits of cross-border financing. Therefore, we should help developing countries in opening-up to outside investment. Together with the World Bank, the IMF can use its technical assistance toolkit to help build institutions that are strong enough to absorb the roars of international capital markets, while benefiting from foreign investment.

World Bank: Playing the Anti-Cyclical Role

The World Bank and other MDBs must now act to mitigate the risks of the current crises, and support the developing countries to grab available opportunities, actually helping them to sustain their growth. I appreciate the initiatives taken by President Zoellick in this regard. Over the last years, the World Bank and other MDBs have created large reserves. These reserves now can and should be used for extra financing and further mobilisation of private money flows to counter-cycle negative consequences for poor and vulnerable countries. And, even more than money, these countries need knowledge and top-of-the-bill, on-time advice. To deliver that, a bank has to be close to its clients. It's the local response of the World Bank that will make the difference and enable us to think out of the box.

World Bank: Linking Strategy to Reform on the Ground

We strongly support the six strategic themes chosen as the World Bank's priorities. Now, we have to act on a translation of these priorities into the day-to-day operations of the Bank. How will the Bank

change its procedures to be better able to address the challenges linked to each of the priorities?

Two examples. We definitely subscribe to the view of president Zoellick, that the Bank has an essential role to play in fragile states. His recent speech in Geneva on this topic contains a number of very interesting thoughts on this issue. But how is the Bank going to change its procedures in such a way that it will be able to react faster to the urgent needs of fragile states in a post-conflict situation, such as for example Liberia? Some progress has been made, but especially in the case of fragile states, the Bank needs to be able to act firmly and swiftly in order to help materialize the peace dividend, and we, as donors, should support the Bank in adapting its procedures and make that possible.

Another example lies within the priority area Global Public Goods. The Netherlands welcomes the approval of the new Climate Investment Funds and the Strategic Framework on Climate Change and Development as positive first steps towards a more sustained multilateral response, within the framework of the UNFCCC. Now we need to move from theory to practice and to put both funds and the Strategic Framework into concrete action on the ground. Combating climate change and fostering development require an integrated approach in Country Assistance Strategies, and in their implementation.

World Bank: Enhancing the Voice and Participation of DTCs in the World Bank Group

As requested by the Development Committee during its recent Spring meeting, an initial reform package on Voice & Participation has been prepared by Management, and agreed upon yesterday by the Development Committee. The Netherlands welcomes the decision to add an additional African chair to the Board and to double the basic votes, as a first step. Moreover, I am pleased with our agreement that all shareholders will uphold the principles of a merit-based, open and transparent process for selecting future Presidents of the World Bank. We simply want the best woman, or perhaps even a man for that job, irrespective of her or his passport or political affiliation.

Now, we must keep the momentum and move towards a significant realignment of shares, reflecting the global mandate of the WBG: we don't need static blocs. Shares and voting weights should therefore be determined by the relative weight of a country's economy, and also by a shareholder's use of the institution, be it through IDA donations and trust fund support or through the procurement of the WBG's financial and advisory services. That is only fair.

Accountability and effectiveness are closely intertwined. I am therefore pleased to see that the document on voice and participation

pays sufficient attention to improving effectiveness through strengthening internal governance and accelerating decentralisation.

NEW ZEALAND: JOHN WHITEHEAD

Governor of the Bank

Developments in the Global Economy and Financial Markets and Implications for New Zealand

The Annual Meetings this year are taking place at a very challenging time for all member countries. The implications for economic activity and global growth from the current financial market turmoil and high commodity prices are serious—addressing these implications will require the concerted focus of our governments, with support from the Fund and the Bank as appropriate.

The New Zealand economy, like a number of others, is currently facing imbalances in the areas of inflation, household debt, house prices, and the current account. As a result of drought, higher consumer prices, and previous monetary tightening, output declined in the first two quarters of 2008 and is expected to have declined marginally in the September quarter.

Like others, the New Zealand economy is not immune to international developments, which we are expecting to be transmitted to New Zealand through the cost and availability of credit, business, and consumer confidence, lower terms of trade, and exchange rates.

There are signs the economy is beginning to turn and growth is forecast to be positive in the final quarter of 2008 thanks to the recovery from the drought and tax cuts, but will remain subdued throughout most of 2009 as negative influences continue to affect the economy.

Maintaining Momentum of Reforms

New Zealand is pleased to see concrete steps in the last few years taken by both the Fund and the Bank, which are aimed at enhancing their effectiveness, legitimacy, and credibility. In particular, New Zealand welcomes the Fund's quota and voice reform package, which includes a built-in regular review mechanism, the Fund's efforts to ensure that it will operate on a financially sustainable footing, and its ongoing efforts to reform its internal governance. In terms of the Bank, we have been supportive of its efforts to renew its strategic direction and we look forward to agreement on a comprehensive package on voice and participation reforms in the near future.

Reform is an ongoing and long-term process at both institutions and it is important for all members to ensure that the momentum to

continue, firstly for proposed reform on different aspects to be progressed, and secondly for agreed proposals to be implemented.

World Bank Voice and Participation

New Zealand fully supported the Bank's commitment to develop a comprehensive package on voice and participation reforms for consideration by Governors at this meeting.

The eventual package needs to be comprehensive, achieve its aim of increasing voice and participation, be based on an inclusive and transparent process, and take into account the distinct nature of the Bank's development mandate.

We would like to specifically note that we see comprehensiveness as meaning that the package covers more than just shareholding issues, but includes aspects such as the merit-based appointment of the President, strengthening Board effectiveness and efficiency, and enhancing voice and participation in the Bank's operational work. New Zealand has supported and continues to support an open and transparent process for the appointment of senior positions at International Financial Institutions, which should be open to candidates from all regions of the world based on merit.

The different components of an eventual package are important in ensuring that all members continue to have a Bank that will be able to deliver effectively on its mandate. We look forward to further discussion on the package in the coming months, with the hope that agreement will be reached on its key elements along the agreed timeline.

IMF Principles for Sovereign Wealth Funds

New Zealand is pleased with the consultation, effort and thought that has gone into the development of the *Santiago Principles*.

We believe that the practices and principles covered in the document will help ensure that Sovereign Wealth Funds (SWFs) have the appropriate legal framework, objectives, and coordination with macroeconomic policies; institutional framework and governance structure; and investment and risk management framework.

IFIs Work on Food and Fuel Prices

New Zealand appreciates the extensive analytical work that has been undertaken by the Bank and the Fund on the food and fuel price increases. We are supportive the policy options put together to assist countries facing particular challenges as a result of price inflation. We believe it would be extremely valuable if various regional departments

could undertake work more specifically tailored to their particular region, taking the regional and country-based contexts into account.

We also support the financial measures being offered by the Bank and Fund to those countries most affected by the price increases.

Development Effectiveness

New Zealand welcomes the Accra Agenda for Action and encourages the Bank to work closely with donor and country partners to implement it. Addressing these aid effectiveness challenges will also require an internal focus on culture, incentives, systems, and practices.

New Zealand acknowledges the encouraging progress in the Bank's work on development effectiveness, as noted by the 2008 Annual Review of Development Effectiveness (ARDE). The use of impact evaluations and the results management system for IDA are promising developments in corporate-level monitoring and evaluation.

We note that project performance for low-income countries (LICs) continues to show a rising disconnect between the Bank's optimistic self-ratings of project performance and IEG's final ratings of development outcomes. It is highly important to achieve the necessary improvements in the Bank performance management system including strengthened results frameworks with robust baseline data, for realistic assessments of development results.

The challenge for the Bank to improve performance management is partly one of changing the incentives and culture of staff towards more accurate reporting. This is common to most development agencies. The persistence of incentives for staff to work on the preparation of projects rather than implementing them is a well-recognized major issue. This supply-driven culture in project preparation tends to stimulate over-optimism in assessing the likely outcome at the start of a project in order to get it approved. As shown by the 2008 ARDE, often only after the project has been completed, are more realistic assessments taken.

World Bank Engagement in the Pacific

New Zealand welcomes the increasing World Bank engagement in the Pacific. We anticipate the growing regional presence will facilitate better coordination and cooperation efforts for Pacific governments. In expanding its outreach it is important that the Bank draws fully on the resources available through other donors' existing relationships with developing member countries, and adds value to these rather than attempting to replicate them. The challenge is to ensure that donors work collectively with each other and our Pacific partners to improve

efficiency, responsiveness, and accountability of economic advice and program delivery.

In this respect, we urge the Bank to expedite further harmonization efforts in the Pacific by finalizing plans for shared country offices with the ADB in Samoa, the Solomon Islands, and Tonga. We welcome confirmation of the decision to co-locate two experts in the IMF's regional technical assistance facility, PFTAC, in Suva, and look forward to seeing their impact on strengthened efforts to improve SoE management and the follow-up of public financial management surveys across the region.

New Zealand is pleased to be part of the Pacific Regional Infrastructure Facility (PRIF) and we look forward to the upcoming design and prioritization process in phase one. Our interest is particularly in the potential for improved technical assistance, donor coordination, and a greater emphasis on infrastructure maintenance.

Global Public Goods

New Zealand stresses the need to identify the Bank's comparative advantage in global public goods (GPGs), especially given the Bank's increasing array of global programs, notably in climate change. Going forward it will be necessary for the Bank to strengthen incentives to deliver GPGs at the country level. This could include the provision of clearer organizational arrangements to best select and link responses at country, regional, and global levels; enhance the delivery of knowledge to country teams working on GPGs; and ensure that the perspectives of developing countries are effectively connected with global responses. It will be important to draw on the existing knowledge of all development partners in such situations.

Where GPGs are in conflict with a country's expressed interest, questions of cost burden and ownership need to be fully considered, while carefully avoiding conditionality- and supply-driven approaches (especially given the substantial increase in GPG trust funds). New Zealand encourages the development of global-level frameworks, which provide incentives to countries including financial mechanisms for incremental costs, as a positive response. We look forward to more concrete recommendations on how to address this challenge, and assurances that this issue will be seriously considered.

World Bank New Zealand-Pacific Remittance Project

During the past year a number of New Zealand government agencies, in conjunction with the World Bank, have funded and worked on the New Zealand-Pacific Remittance Project, aimed at reducing the

transactional costs of remittances in the Pacific region. These costs can be anywhere from 15 percent to 25 percent of the value of the remittance and the World Bank has identified that remittances to the Pacific region have tripled over the past decade to reach US$425 million.

As an outcome of this project, the government recently approved a new regulation under the Financial Transactions Reporting Act to encourage the development of a more competitive remittance market, with greater transparency, a wider use of formal channels and better informed consumers. This should result in a significant reduction in the costs of remitting money and represents a very practical way to contribute to the well-being and quality of family life in the Pacific.

PAKISTAN: SHAUKAT TARIN

Governor of the Bank

We are meeting at perhaps the most tumultuous times the world is witnessing since the establishment of Bretton Woods Institutions. For the last more than one year we have seen a series of successive shocks that were unleashed in the wake of sub-prime crisis. Oil and food prices shocks have affected the developing countries most profoundly, and we are still reeling under their aftermath. In the days ahead, the situation is likely to be compounded by the second round effects of the on-going financial crisis.

In the case of Pakistan, we are not merely facing the economic consequences of the global crises but are playing the role of a frontline state against the war on terror. If on the one hand, more than 100,000 of our troops are battling a ferocious militancy, on other, our peoples in the main cities and federal capital are becoming victims of the suicide bombings. The loss of lives and economic cost imposed by this war are now rising to an unbearable level. There is a very negligible portion of these costs that is defrayed by our partners.

We also had to face the challenge of democratic revival as well. Our people gave a resounding verdict in favor of democracy as the principal instrument that would rid the country not only of militancy but of their economic deprivation also. The battle of democracy has been won after great sacrifices, the most notable is that of our great leader Shaheed Mohtarma Benazir Bhutto, who bravely sacrificed her life but has kindled a light that would show us the way in dark alleys of war on terror. But unfortunately, the elected leaders have inherited an economy that was encumbered by the burden of subsidies accumulated due to unanticipated shocks of oil and food prices.

I take pride in stating that despite the gravity of the challenges, the democratic government has not abandoned country's resolve to move forward and to do things right both in standing up to the call of fighting

the militancy as well as in preserving the market economy that we have evolved during the last two decades. We may be amongst the few countries who have successfully adjusted to the unprecedented increases in petroleum and electricity prices by eliminating nearly all the subsidies. The pain inherent in this adjustment can be gauged by the fact that these prices have nearly doubled or will be doubled at the close of the adjustment. We have also successfully met the challenges of food shortages both through timely imports as well as by aligning domestic agriculture prices with international prices. On the monetary side, we are fighting rising inflation by interest rates adjustment and by containing the monetary growth. We have also set the goal to adhere to a zero net government borrowings target from the central bank.

However, these measures have not been accompanied by the support from our development partners that were needed to fully meet the needs of the economy. Even as the measures have helped contain the rapidly deteriorating macroeconomic framework the challenges remain on the horizon, and for this reason are equally determined to rise to their needs.

It should be understandable that adjusting to these shocks was a painful process, particularly for the most vulnerable segments of our population. To mitigate their sufferings we are launching a major program of cash transfers to the poorest households in the country. We are conscious of the challenges that are typically faced in targeting this group, and for this reason we will seek Bank's assistance from its vast experience in this field.

Although the multiple crises have been difficult to face, they have given us an opportunity to undertake a soul-searching exercise and identify the vulnerabilities that characterized our economy and society. Accordingly, we are drawing fundamental programs to further restructure our economy and strengthen our institutions of governance so that we are better prepared to face such challenges in the future.

Besides ensuring macroeconomic stability, our new program will be primarily aimed at poverty reduction. For this purpose, apart from cash transfers to the poorest households, we will provide health insurance, skills development opportunity for at least one member of the family, and a suitable development support that will create temporary employment opportunities for each union council, which is the smallest administrative unit. This program will be supported by initiatives to revitalize agriculture, make the industry competitive, meet the growing energy needs, raise capital and finance for development, remove infrastructure bottlenecks through public-private partnership and reinvigorate the institutions of governance so that a just and fair administrative machinery serves as the anchor for the implementation of a vigorous and ambitious economic program.

Mr. Chairman, we look up to our development partnership, especially the IFIs, to help us lead this program, through both their advisory and financial assistance. We would also recommend that our bilateral partners also play their role within the larger framework that will evolve through active consultation with the IFIs.

In closing, let me acknowledge the effective role both IMF and World Bank are playing in the economic development of Pakistan. We are looking forward to even stronger ties in the coming days so that Pakistan successfully meets the challenges posed by multiple global crises.

PHILIPPINES: MARGARITO B. TEVES

Governor of the Bank

This year's meeting is taking place amidst tumultuous economic events. And our intensified collective and cooperative efforts are necessary to overcome these challenges that threaten to reverse the gains we have achieved in improving the levels of income and social welfare and reducing poverty incidence.

Such stormy horizon imposes a sense of urgency and significance in the gathering of international financial leaders here in Washington. We need a strong and coordinated action to steer and mobilize resources to meaningfully respond to these exceptional challenges. The exchange of views facilitated among distinguished financial managers and experts should enlighten and guide each of us in pursuing effective measures to combat financial and economic contagion.

The IMF is well positioned to forge a multilateral response to arrest the deteriorating atmosphere and restore order and discipline in the global financial system. Likewise, enhancement of the Fund's financing facilities and easier access thereof are necessary to better assist developing economies insulate themselves against the adverse effects of the financial turmoil. We welcome a comprehensive review of the Fund's financial instruments including reforming its Exogenous Shocks Facility to cater more effectively to the needs of its developing members under the current volatile environment. A more proactive surveillance of economic developments in developed economies and deeper analysis of policy and regulatory interventions would be most useful in setting appropriate macroeconomic and financial responses.

The external shocks from the global financial crisis and economic slowdown likewise pose daunting challenges to the World Bank. While efforts to preserve its strong capital position and financial standing should be strongly pursued, the Bank needs to design more innovative and quick-response products to sharpen its developmental role for its developing constituents. The pricing reforms and various innovative products earlier introduced by the Bank are significant steps to address

the demand for more cost efficient ways of doing business with this institution. Such initiatives serve as incentive for the Bank's developing members in addressing the growing and more complex financial and economic risks created by the current hostile global conditions.

Although global commodity prices have started to ease, current levels remain historically high. Food supply and price levels, particularly those of rice, continue to be a priority concern for most developing countries given its immediate impact on the poor. Prospects for a benign oil price environment, including those for other critical commodities, still do not appear firm. This uncertainty in the supply and price of basic commodities imposes a new responsibility for the Bank in view of its mandate to reduce poverty. We therefore fully appreciate the endorsement of the World Bank's Group's "New Deal on Global Food Policy" and the establishment of the new $1.2 billion rapid financing facility. As a middle-income country, we are pleased to have made an indirect contribution to the plight of the low-income countries through the use of the IBRD surplus in the setting up of a Trust Fund for the poorest and most vulnerable countries as part of the "Global Food Crisis Response Program." Acknowledging the funding limitation of the Program, strong coordination with other development partners and within the World Bank Group is essential to mobilize greater resources and expand the reach of the Program. We also call on the International Finance Corporation to generate greater and more enthusiasm for private sector engagement in agriculture and infrastructure development to achieve our multiple development priorities for economic expansion and competitiveness.

We likewise reiterate our strong advocacy for the Bank's active collaboration and faster harmonization process with other development parties converging towards the adoption of country systems. The broader adoption of country systems would promote country ownership and streamline processing and implementation of foreign-assisted development projects.

The Bank should demonstrate its leadership in adopting good governance principles. Accelerating the Reform in Voice and Participation in the Bank would be a solid manifestation of this commitment. With an agreement reached on the Quota and Voice Reform, we hope that the Bank can show progress soon, in many aspects of the reforms on Voice and Participation, including their timely implementation. We fully subscribe that the developing countries' need to be given voting strength factoring into the equation such variable as poverty.

The tasks at hand are daunting but not insurmountable. But the episodes of previous crisis point to the important lesson for all of us to work closely together to successfully navigate through this turbulent journey and return to a path of robust growth and significantly reduce poverty.

POLAND: PAWEL SAMECKI

Governor of the Bank

It is a great honor for me to participate in the Annual Meetings of the World Bank and International Monetary Fund. It is extremely important to gather here and I am grateful to the staff of the Bank and the Fund for their efforts in organizing this event.

When we met last year, we reflected on potential risks linked to the turmoil on financial markets. Today we know that most of these risks have turned, unfortunately, into real problems that we need to face. We are observing diminishing confidence to and within the banking sector, massive support actions by central banks and governments, as well as decreasing growth rates across the developed world.

Developing economies have been rather resilient, but they are still faced with the huge challenges of food and oil prices. Inflation has reached double-digit rates in many parts of the world. Tighter credit and liquidity conditions are expected to limit investments. These problems complicate significantly the task of monetary authorities worldwide. They may also slow the pace of growth that has helped in lifting many people out of poverty in the last decade. In brief, we have just entered a global uncertainty, and although the roots of the problems lie in the policies and behavior of financial entities in certain countries, the global institutions should help put things back to order.

The severity of the current financial turmoil showed that there was no clear warning system that could have identified symptoms of forthcoming turbulences and help mitigate negative spillovers. Such a system would require effective regulations for financial sector and cooperation between national financial supervisors. At the same time, the depth of the crisis provoked an intensive debate on how far the national institutions can go with using taxpayer's money for reforming country financial systems. Nevertheless, the uncertainty surrounding the potential economic consequences calls for rethinking the role of the global institutions. The question arises how challenges linked to the international consequences of internal financial crises should be monitored and analyzed.

There is a crucial role to play for the International Monetary Fund in restoring confidence and proper functioning of the world financial markets. It is important to underline the Fund's role that is to be based on effective surveillance. This should cover fundamental macroeconomic linkages between the financial sector and the real economy. The IMF's cooperation with the Financial Stability Forum should result in a strengthened prudential financial regulatory framework, implemented and adhered to across the whole membership. Against this backdrop we consider the Financial Sector Assessment Programs (FSAP) to be one of

the key elements in the Fund's toolbox, which provides the governments with clear guidance on preventing and coping with the crisis. As a sign of the importance of the FSAPs we note that the FSAP-recommended enhancement of the cross-border cooperation between the national financial regulators has been thoroughly tested in the recent days.

The Polish financial system still appears to be highly resilient to the turmoil, with no evidence of contagion effects. Nevertheless, there are risks that the slowdown in the euro area will negatively impact the near term growth prospects of all Central and Eastern European countries.

Unfortunately, the problems of the financial markets have coincided with a global rise in oil and food prices, as well as with the need to counteract global warming. We highly appreciate the World Bank Group's work on global public goods, and, in particular, on reconciling development and climate issues. We welcome the country-led, knowledge-based, and results-oriented approach presented in the Bank's Strategic Framework. We share the opinion that taking steps against climate change should not compromise progress towards achieving the Millennium Development Goals. It should also take into account the specific situation of both developed and developing countries that heavily depend on carbon-intensive energy sector.

Global development issues are broadly related to the global governance. We welcome the process of the reform at the Bretton Woods institutions, with its objective to enhance the voice and representation of developing and transition countries. We also note with satisfaction the ongoing IMF governance reform, as well as the review of the Fund's lending framework, which aim at reducing overlaps and making financial instruments more coherent.

Thanking once again the staff of both the Bank and the Fund for their work, I believe that these Annual Meetings will conclude in providing guidelines necessary to find appropriate solutions to the economic challenges we currently face.

RUSSIAN FEDERATION: ALEKSEI L. KUDRIN

Governor of the Fund and the Bank

Our Annual Meetings are taking place during an unprecedented crisis, which has shaken the very foundations of the modern financial system. The problems in the U.S. financial sector, stemming from the flaws in the regulation of financial institutions, caused a chain reaction around the world. The simultaneous movement of markets in various regions, regardless of the countries' macroeconomic positions, provides clear evidence of high interconnection of the financial systems and economies all over the world. It is obvious that the crisis can be resolved only through coordinated international efforts. Decisions

taken without due consideration of the consequences for other countries could make the situation worse.

The coordinated actions to lower interest rates undertaken by the main central banks on October 8 showed an example of international cooperation, but they were not sufficient to calm the markets. The situation required a more systemic and comprehensive response. Further steps agreed over the past few days, such as the commitment by the G-7 countries to provide support to the financial systems in accordance with the agreed action plan and the agreement among 15 euro-area countries to act in coordinated manner provide a chance to start restoring confidence in the global financial system.

The recent actions of the Russian authorities were broadly similar to the approach finally adopted by the G-7 and the euro area countries. The Russian Central Bank and the Ministry of Finance have allocated significant funds to maintain the liquidity of the banking system. In addition, the Central Bank has lowered the reserve requirements by a substantial margin. The parliament has significantly raised the level of deposit guarantees provided, introduced partial state guarantees for inter-bank credits, and allowed the use of public funds for the recapitalization of commercial banks. Because of the difficulties being experienced by Russian banks and corporations with gaining access to external financing, the government has made a decision to provide public credits for refinancing private external liabilities. It should be underlined that the level of foreign exchange reserves exceeds the total amount of Russia's external liabilities (private and public), which means we can be confident in the country's financial stability.

One positive aspect for the global economy is the likelihood that the steady growth in domestic demand in major emerging markets will continue. The financial institutions of these countries have not accumulated troubled assets, but their banks and equity markets nevertheless turned out to be vulnerable because of the limited access to external financing and the withdrawal of funds by international investors on a scale reminiscent of the 1997–1998 crisis. This time, however, the emerging markets are better prepared for this sort of developments as a result of their adherence to responsible macroeconomic policies and the accumulation of significant foreign exchange reserves. Furthermore, the relatively low dependence of consumer demand in these countries on credit means that one can expect this consumer demand to be more resilient to volatility in the financial markets.

Despite the fact that the financial crisis is at the center of our attention, we must not neglect the problems of low-income countries, for which the steep rise in fuel and food prices is a more significant factor contributing to the worsening of their economic situation. Many countries that import food and fuel have experienced a serious deterioration

in their balance of payments as well as a decline in reserves, while the majority of low-income countries are now facing higher inflation. The rise in import spending threatens the gains in reducing poverty that have been made in recent years. Low-income commodity-importing countries need help from the international community to ease their adjustment to the new situation. We, therefore, welcome the attention that the Fund is giving to low-income countries, especially those that find themselves in a difficult situation owing to a drastic deterioration of the terms of trade. In particular, the reform of the Exogenous Shocks Facility (ESF), which streamlines the conditions for access to the Fund's resources for countries that have experienced such shocks, is a timely step. We also welcome the concrete actions taken by the World Bank within the framework of the $1.2 billion Rapid Financing Facility to provide assistance to low-income countries that have been hit by higher fuel and food prices.

One thing is clear to us: No matter how the current financial crisis ends, it is obvious that the world will be a different place afterwards. There needs to be a complete reassessment of the role of financial markets and approaches to their regulation and to international cooperation in this realm. It is already clear now that the ideology of deregulation of the financial sector as a means of increasing its effectiveness reached a dead-end. Approaches to liberalization of capital transactions also need to be re-examined in view of the destabilizing effect that emerging market economies may experience as a result of large-scale capital inflows as well as similarly massive outflows for reasons arising exclusively from external circumstances. We need to figure out whether the principles of targeting inflation without taking asset prices into account were correct, and analyze the reasons for the appearance of excess global liquidity and the occurrence of speculative "bubbles."

The system of economic and financial regulation currently in place falls short of the one needed for the development of the world economy in the context of globalization. The performance of the world economy is too dependent on the financial and economic policies of a few countries and clearly places many of its participants at a disadvantage. The existing mechanisms for the coordination of financial and economic policies are not working properly. It also seems that the Bretton Woods institutions are reacting more to accomplished facts rather than playing an active coordinating role in strengthening the international financial architecture. And this is in spite of the fact that maintaining global financial stability was at the center of attention of the Bretton Woods institutions following the crises of the 1990s.

In this connection, we support the idea proposed by the World Bank President Robert Zoellick to establish a New Multilateral Network for a New Global Economy, within the framework of which a

new steering group could be created. We believe that this approach will allow us to strengthen the stability of the international financial architecture through the design of effective mechanisms for the coordination of financial and economic policies, and thus to be more successful in addressing other global problems, such as combating adverse climate changes.

We believe that the World Bank and the IMF can and should play an important role in setting up these mechanisms. We also believe that the Bretton Woods institutions, and the IMF in particular, should devote more attention to the oversight of financial and economic policies of large advanced countries, which have demonstrated serious weaknesses. Thought should be given to comprehensive measures aimed at minimizing contagion across countries so as to reduce the high price that emerging market and developing countries are forced to pay for crises that arise through no fault of their own.

We believe that it is not possible to strengthen the role of the Bretton Woods institutions and increase their legitimacy without profound changes in their governance. These changes should lead to a genuine increase in the voice, influence, and participation of emerging market and developing countries in the decision-making process. In this regard, the recent quota and voice reform that was carried out at the IMF was clearly inadequate. These countries should be assigned a larger role within the World Bank and the IMF, both by increasing the number of votes they hold and by expanding their participation in the management and staff, based on fairness and transparency. We should stress that an increase in the voice and representation of individual emerging market and developing countries should not take place at the expense of reducing the votes of other countries in this same group.

SIERRA LEONE: DAVID O. CAREW

Governor of the Fund and the Bank
(on behalf of the African Governors)

Africa's economic expansion is expected to continue this year, although the external environment is showing less favorable signs. The global economy has slowed down, oil and food prices have reached record-high levels, and global financial markets are strained. The deterioration of the external environment poses significant challenges causing great concern to many countries in our region.

We are particularly concerned about the severe impact that high global food and oil prices are exerting on our economies and the welfare of our populations. These have already taken a heavy toll on the hard-won macroeconomic stability, economic growth, and poverty reduction gains in our countries. Riots have threatened peace and

stability in many of our countries, which are still grappling with deep scares on the social fabric.

The current financial turmoil in the advanced economies indicate that the real economy is decelerating faster than earlier envisaged, with consumption, labor and housing markets weakening in both the USA and Europe. The confidence shocks continue to exert intense pressure on these economies, with money markets and lending standards tightening further. We have witnessed the crisis evolving from one of liquidity into that of solvency, in the process, creating a systemic problem of recapitalizing the financial institutions. While we share the view that public money should be used when there is a solvency problem, we urge the Fund to quickly develop a set of systematic principles that should govern such policy recourse for all countries alike.

Africa has so far been relatively resilient to the current global financial crisis, but there are serious downside risks. The resilience has stemmed from, among others, solid macroeconomic fundamentals, prudent macroeconomic policies, and higher commodity prices. However, the sharper-than-expected downturn for advanced economies and its likely spillovers on emerging market economies such as China and India would have a negative bearing on the growth prospects of Africa.

We would like, nonetheless, to reaffirm our commitment to prudent policies and structural reforms, especially those that would help the least able to cope with these external shocks, while consolidating the gains from macroeconomic stability. However, given the magnitude of the crisis, our countries cannot achieve the desired outcome unless and until the World Bank and the Fund step up their support to our policy frameworks, and help us address the short- and long-term impact of rising food and oil prices.

In this regard, we welcome the IMF's immediate responses that include some augmented access to the Poverty Reduction and Growth Facility (PRGF) for countries under this program and whose balance-of-payments has been severely affected by the current shocks. We also welcome the recent review of the Exogenous Shocks Facility (ESF) and we urge the Fund to expeditiously implement the facility in order to enable greater and faster access by countries in need of resources from this instrument.

In the World Bank Group, we welcome the New Deal on Global Food Policy, including the Global Food Crisis Response Facility, which provides $1.2 billion as a rapid response financing, from which several of our countries have already benefited. We also support the intention of the World Bank Group to boost its overall assistance for global agriculture to $6 billion from $4 billion over the coming year and increase its agriculture lending to Africa from US$450 million to over US$800 million.

Despite these efforts, we would still like to underscore that more financial and technical support is required to meet the needs of our countries in the present environment. In this regard, we urge the World Bank to increase its financing to scale-up Africa's investment in agriculture, infrastructure, and other related areas, with the view to help reduce transaction cost and improve productivity. The World Bank Group needs to strategically take a comprehensive approach that encompasses the whole value chain of the agriculture sector, and to identify and remove all constraints from farm level all the way to transformation and export.

The main cause of Africa's low agricultural productivity lies on the limited irrigation and use of productivity-enhancing inputs, including fertilizers, improved seeds, and pesticides. Thus, we call on the Bank and IFC to step up their support in irrigation and land management, and to facilitate access to inputs by farmers at affordable prices.

The World Bank should also assist our countries in building marketing and distribution infrastructure facilities in the context of regional integration, by providing adequate financing and technical assistance in support of our Regional Economic Communities (RECs).

We continue to underscore the critical importance of lowering global tariffs imposed on our agricultural commodities, and eliminating subsidies introduced by the developed countries on their products. The distorting developed countries' agriculture subsidies and tariffs have left Africa at a comparative disadvantage, and will have to be tackled first if one aims to exploit the continent's agricultural resources and the related processing and manufacturing activities. The current hikes in food prices provide a suitable environment to make a breakthrough in removing subsidies since the developed countries' producers are already getting the best returns.

More generally, there is a need to reverse the marginalization of Africa in global trade. To this end, we seek the IMF and the Bank's advocacy role in unblocking the WTO talks to allow a quick resumption and a successful conclusion of the multilateral trade negotiations on issues under the Doha Round in order to ensure fair and balanced international trade, and urge all members of the WTO to stay on course.

Let me now turn to two important issues that are also of concern to us, related to the ongoing reform agenda at the IMF and the World Bank, namely, *voice and representation,* and *technical assistance.*

We are encouraged by the promising prospects of the ongoing dialogue in the World Bank Group to facilitate consensus building by stakeholders on a voice and representation reform package. In particular, we welcome the establishment of a third chair for Africa, and urge its immediate implementation. While acknowledging the doubling of

basic votes proposed in the package, we are still calling for tripling of basic votes, or better, restoring their 1944 level. Furthermore, we call on the Bank to facilitate the increase of our countries' voting power in the IDA Board, moving towards achieving parity between developed and developing countries in the long run.

We would also like to welcome the package adopted by the IMF Board of Governors on April 28, 2008, on quota and voice reform. However, while the agreement is broadly in the right direction, we consider it as an initial step towards enhancing and strengthening voice and representation of the African countries in the IMF Board. More needs to be done to enable a more effective voice and participation of African countries in the decision-making process of the IMF in particular, and the Bretton Woods institutions in general, to restore their legitimacy, including the establishment of a third chair for Africa at the Executive Board of the IMF.

We acknowledge the progress made in enhancing diversity at the managerial level in the Bank, and we urge both the Bank and the IMF to do the same at all staff levels. A merit-based selection of the Heads of the Bretton Woods institutions, regardless of their nationality, also forms an important voice issue that needs to be achieved. Furthermore, the appointment of an African national as Deputy Managing Director of the IMF is long overdue.

Regarding technical assistance, we reaffirm that the technical assistance provided by the Bretton Woods institutions is vital to our countries' efforts to promote institutional capacity, macroeconomic stability, growth, and poverty reduction. In this regard, we welcome the increasing positive role played by the African Technical Assistance Centers (AFRITACs). However, we are deeply concerned about the potential impact of the current restructuring and refocusing of the IMF's activities on the delivery of technical assistance. In particular, we caution that any decision to impose fees on technical assistance on countries should take into consideration the fact that IMF's technical assistance is a public good, and should therefore be financed, as a matter of principle, by the general membership.

Finally, although our countries contribute the least to the carbon emission, they are the hardest hit by the climate change. Nonetheless, we are determined to play our role in the global effort to reduce the GHG emissions. We, therefore, call for availing us with adequate financial resources, mainly on grant basis, to enable us to play our role effectively. We urge all the stakeholders to expeditiously reach a new deal on the post-Kyoto Protocol under the auspices of the United Nations Framework for Climate Change. While we welcome the recent initiative by the World Bank to scale up its climate change activities, we urge the Institution not to compromise its growth and poverty reduction focus.

SPAIN: PEDRO SOLBES MIRA

Governor of the Fund and the Bank

My address comes to you at a difficult time for the global economy. It is also a time at which our coordination is of vital importance in order to face the common problems we are experiencing, together.

International Economic Prospects

Global economic prospects have deteriorated since the last Annual Meetings, with a global growth projection of 3.9 percent, which is sharply declining. While industrialized countries have been hardest hit by this economic slowdown, the crisis is increasingly spreading to emerging economies as well.

Financial Crisis

In light of the developments in recent weeks, the international financial crisis has entered a critical phase, with a sharp decline in confidence, the consequence of which is the virtual paralysis of credit and interbank markets.

As a result of the financial interdependence and the interconnectedness of banks, countries are being affected by the turmoil, hence the need, now more than ever, to coordinate the policies we must implement to avoid a worsening of the impact on the real economy.

Against this backdrop, consideration of how best to tackle the difficult situation without losing sight of the long term is needed. Macroeconomic policies must regain their effectiveness and maintain stability—achieving these objectives entails, first and foremost, the reestablishment of confidence. To this end, a broad-based, comprehensive action plan with the highest level of coordination and participation possible is necessary.

In the short term, therefore, it is critical to avoid an exacerbation of problems related to the credit squeeze, which result in solvency problems that would not otherwise have arisen. It is critical that ordinary financial channels rebound, and the public sector has a key role to play in this difficult task.

Europe

The European financial and banking system is reeling from the impact of the crisis and the effects on the real economy will be felt. Under these circumstances, Europe has demonstrated the capacity to take unified and coordinated action. The staging of the first summit of

Heads of State and Government of the Euro Zone in Paris yesterday is a demonstration of the unequivocal commitment to act in a coordinated manner when facing systemic problems. The action plan agreed will help restore confidence and stability in markets.

Also, the participation of the European Central Bank in the recent coordinated slashing of interest rates is another example of an effort to provide joint solutions to common problems.

Spain's Economy

Inevitably, Spain's economy is also being affected by the turmoil discussed. Based on our projections, the decline in activity will last into the coming quarters, with a major adjustment in the housing sector.

Nevertheless, Spain's economy has structural strengths owing to the economic policies implemented during years of robust economic growth, which gives us reason to believe that Spain will return to its potential growth path in the medium term.

These strengths include substantial capital accumulation in recent years, with significant improvements in infrastructure, human capital, and research and development; a very open economy, with companies capable of competing on international markets; healthy government accounts; and a robust financial system.

Spain's financial system is solvent, efficient, and profitable, and we believe that it is well placed to weather the global financial crisis. Despite robust credit growth in recent years, lending practices have remained prudent under the strict supervision of the Bank of Spain. Provisions set aside in boom periods have been generous and have been bolstered by a counter-cyclical system of requirements imposed by the regulator.

To avoid liquidity problems, the government approved the establishment of a fund of up to EUR 50 billion to buy healthy assets from financial institutions, in accordance with market criteria. This fund supplements the measures adopted yesterday by the Eurogroup heads of government, which were approved today by the government of Spain. These measures include the possibility of temporarily guaranteeing the debt of banks for periods longer than six months, which, for 2008, may amount to EUR 100,000 million, as well as the possibility of providing capital contributions to financial institutions. While the latter measure is being adopted in conjunction with the decisions adopted in Paris, it is not expected to be implemented at this time.

IMF Reform

The most important item on the IMF agenda must be the response to the crisis, which poses challenges of a magnitude not seen in many

years. It is important to review the best short- and long-term economic policy responses, as well as the lessons to be learned from the financial crisis. We firmly believe that the IMF is in an ideal position to face these challenges, without jeopardizing collaboration with the international institutions in question.

The IMF's comparative advantage is derived from its supranational and multilateral character. Specifically, it is the best-placed institution to identify overall inconsistencies when the sum of individual decisions may not be advantageous at the collective level.

It is for these reasons that we believe that it is important to give the IMF a clear mandate, assigning it a key role as the multilateral organization tasked with supervising and monitoring international financial stability. Furthermore, the credibility of its supervision must be burnished, thus enhancing its financial outlook and regional and multilateral prospects.

Lastly, the Fund must be mindful of its role as financier and adapt it to the current situation.

World Bank

I would now like to discuss the World Bank's agenda.

In an international context where changes are occurring at a rapid pace, the World Bank must prioritize its strategic guidelines and seek to promote coordinated actions among the various World Bank Group institutions and with other IFIs.

We endorse the voice and representation process in which the World Bank Group is currently engaged. It is necessary to continue moving this process forward without delay, thereby enhancing the representation of the developing and transition countries. However, I also believe that the World Bank's capital structure and the representation of its members must be adapted to reflect their weight in the global economy and their commitment to development. We therefore welcome the progress already achieved in the reform process, and will continue efforts to reach an agreement as quickly as possible.

Esteemed colleagues, we are confident that joint efforts will enable us to meet these challenges.

SRI LANKA: SARATH AMUNUGAMA

Governor of the Fund and the Bank

The current economic crisis has many dimensions, including the bursting of the housing bubble, high energy costs and food prices, large macroeconomic imbalances among major players in the world economy, regulatory and supervisory failures, and the weaknesses of

our early warning systems. Although the latest financial market turmoil began in advanced financial markets, the contagion of this crisis will not be confined to the boundaries of developed countries. Due to the increased economic interdependency among nations through trade, investment and sophisticated capital markets, it is likely that many countries will have to go through a difficult period in the near future.

In that context, we believe that the IMF and the World Bank has an important role to play to safeguard global financial system stability and help maintain a sustainable level of development. At the country level all possible options should be explored to minimize the adverse consequences. In this regard a balanced approach of monetary, fiscal and other policies to help maintain productive investment is required. These policies need to be assisted by sufficient flexibility on the part of the Fund and the Bank to help those countries that may need urgent liquidity support and development assistance at this stage.

We take positive note of the progressive steps taken by the management of the IMF and the World Bank particularly in regard to its reforms and new development financing initiatives. We cannot stress enough the importance of a contingent liquidity support facility for emerging economies. Similarly, we are confident that the issues relating to quota reforms of the World Bank group will be resolved taking into consideration the claims of developing and emerging market countries that are under represented in the current quota structure.

Let me now turn to my own country of Sri Lanka. Given the high degree of openness of our economy we are by no means an exception to the pattern of our peers in the developing world. Sri Lanka is a net importer of commodities particularly oil. Our recent gains from commodity exports have been more than absorbed by the sharply increased cost of the oil bill, which showed a threefold increase within a matter of two years. High food and energy costs have been the main cause of high inflation in the country. Thanks to the tight monetary policy measures taken and good harvests, inflation, which reached a peak a few months ago, is now on the decline. A drop in oil prices to a reasonable level would be a great advantage.

Sri Lanka's financial system has shown strong resilience to adverse global developments. With the implementation of Basel II in 2008, the regulatory framework of banks has been further strengthened.

The comprehensive development programs that has been launched by the government to address the key constraints for more equitable growth has already raised the GDP growth rate to a satisfactory level of around 6.5 percent compared to the historical average of around 4.5 percent in the past. There has been a sharp reduction in unemployment. Our growth momentum is expected to continue and register

around 7 percent in 2008, particularly benefiting from improved performance in the agriculture sector. The poverty indicators as well as many other indicators relating to MDGs in Sri Lanka have shown remarkable progress in recent years and we need to sustain these achievements. My country has achieved most of the MDG goals. We are pleased that the World Bank has already committed US$900 million through the new country Assistance Strategy.

I conclude with the wish that through the concerted efforts by all parties, particularly the key players in the world economy, we will be able to recover from this crisis and continue the effort to give a better life for all our people.

SUDAN: AWAD AHMED ELGAZ

Governor of the Bank
(on behalf of the Arab Governors)

It is an honor for me to deliver this year's joint Arab speech on behalf of my colleagues the Group of Arab Governors for the International Monetary Fund (IMF) and the World Bank. We welcome the states that joined our two institutions during the last year.

At the outset, we would like to express our concern in respect of the current serious conditions of the global economy not experienced since the 1930s. Economic activity is going through a sharp downturn in many developed economies, with some of such economies entering real economic recession. Developing country and emerging economies have started to be impacted by financial turbulence, leading to downturn in growth rates lately. Such downturn resulted from the prolonged problem, increased external financing crunch, and inflationary pressures. Moreover, markets have become careful to distinguish among countries according to external imbalances affecting them. Global economic downturn emanated from financial crisis caused by the real estate market in the United States and the vicious cycle involving the financial sector and the real economy. Consequently, economic policy makers are facing increased difficulty in tradeoff choices between inflation, growth and financial stabilization.

Credit risks are still high despite measures taken by developed economies—including assistance extended by respective governments and steps taken by central banks—to curb difficulties in finance markets. Consequently, we stress the need for swift addressing of current crisis at the international level with close coordination among countries. Comprehensive measures need to be taken to ensure restoration of trust and confidence to the financial sector. A crucial measure to be taken in the short term involves making liquidity available, addressing bad assets, and injecting capital into the financial markets. Supervisory

and regulatory systems must be enhanced to ensure financial market stability and obviate recurrence of such crises.

In addition to efforts aimed at addressing this international financial crisis, we call on the world community to increase attention to addressing the current crisis experienced worldwide in the form of soaring commodity prices, particularly food prices, which may lead to increasing the number of poor people by about 100 million persons, leading to enormous financial burdens for low-income countries, particularly in Africa. As we welcome the various efforts taken to tackle the different aspects and root causes of the current crisis, we note initiatives taken by the World Bank in support of such efforts. Yet, we look forward to further effective measures such as increased assistance to World Food Program, helping developing countries to modernize their agricultural sectors and increase production and productivity with a view to achieving desired food security. We also note the role contributed by IMF to support balances of payment and extend additional financial assistance. Further, we welcome updating streamlining of "External Shock Response Facility" to make it more useful for member countries.

Donor Arab countries have contributed their role in mitigating suffering of the poor and increasing investments in agricultural sector. Special mention should be made of the $500 million grant extended by the Kingdom of Saudi Arabia to the World Food Program as well as the generous aid extended by: Kuwait, Qatar, and the United Arab Emirates. In this context, we call on industrial countries to contribute a vital role to address the current crisis and take the initiative in reducing subsidies for their agricultural products as well as restrictions imposed on their imports of the same. Such subsidies and restrictions are stifling development of agricultural sectors in developing countries. Further, we call for cessation of using agricultural products for biofuel production as this has led to escalation of the crisis and increased food prices.

Turning to the role contributed by IMF to achieve monetary and financial stability worldwide, particularly in light of potential adverse impact on global economy due to current financial crisis, we believe that, to enhance that role, developing and emerging countries should have a clear and obvious voice at IMF. In this respect, we welcome selection of a first chairman from a developing country to head the International Financial And Monetary Committee. Moreover, IMF should enhance its oversight role and apply the same in an equitable manner to policies of all member countries, including developed countries. As far as emerging economies are concerned, we encourage IMF to explore new mechanisms that provide to such economies rapid finance to protect such economies from adverse economic crises. Further we believe that IMF should adopt a budget that will facilitate

undertaking such a required role. In this respect, we call for swift adoption and implementation of resolutions related to enhancement of IMF income. We are apprised of a decision to charge fees for technical support IMF extends to member countries. This may lead to alienating developing countries from IMF and denying such countries necessary technical assistance. Accordingly, we stress the need to reverse application of such a decision as soon as possible to prevent any resulting adverse impact.

In view of growing importance of sovereign funds to international financial system, we note the positive role contributed by such funds through providing capital to markets of developed economies during this year's financial turbulence. These funds target long-term investments and shun speculation and noncommercial objectives. In this context, we stress again the importance of preserving voluntary nature of principles and practices agreed in respect of such funds, without any mandatory control. Respective principles should be subject to laws, obligations and practices effective in countries to which each such sovereign fund belongs.

The Arab group of states is attentively monitoring increased activity by the World Bank in support of developing country efforts to address consequences of climate change and risks emanating from it. We stress that such increased attention to such issues by the Bank should not have adverse consequences for remaining development priorities and programs of the Bank, particularly efforts related to support for growth and poverty reduction in developing countries. Moreover, we stress the importance of coordination with specialized international organizations in this respect, especially the need for respecting ratified international covenants and conventions.

We appreciate efforts aimed at reaching a consensus that may enhance role of developing countries in decision making as well as outcomes of Development Committee deliberations about proposals in this regard. We look forward to real improvement in developing country voice in the coming Spring Meetings of the World Bank Group. We particularly refer to increase of total developing country voting rights towards parity with those of developed countries, without adverse impact on the voting rights of any other developing country. We also look forward to more diversification in World Bank Group staff, particularly an increase in staff members from developing country group. We would like to applaud the decision to create an additional chair in the World Bank Board of Executive Directors for Sub-Saharan Africa. We also call for a more open mechanism for selection of World Bank Group presidents and IMF Directors.

Turning to developments in our Arab region, we note the fact that most countries in the region experienced continued good growth rates

in the past year despite global conditions of instability. Fruitful efforts continued in various areas of reform as well as adoption of sound policies leading to more open trade and obvious progress in areas of governance, accountability, and improved investment climate where some of our countries achieved top rankings. Moreover, increased inflows of financial resources into oil exporting countries led to increased investment outflows to developing countries, enhancing south-south economic relations.

Careful to achieve world oil market stability, Arab oil-producing countries increased investments with a view to increasing oil production and exports. They also continued close cooperation with oil consuming countries. It should be noted that oil price increases did not result from constraints related to the supply-side. They emanated from factors related to: world demand and limited refining capacity due to weak investments in refining capacity, unfair taxes imposed by developed countries on energy resources, as well as speculation, which have become an outstanding characteristic of oil markets.

Economic growth in Arab countries coincided with accelerated inflation rates emanating from: higher world prices of commodities, local demand increases, and bottlenecks in local production capacity particularly in housing sectors. The challenge facing policies of Arab countries, especially low- and middle-income countries, lies in: securing food requirements of their peoples, strengthening of growth and containment of inflation, and retaining proper levels of foreign exchange reserves. Many Arab countries have taken measures, including social assistance, to protect low-income groups from the impact of world price increases.

Varying conditions of our countries exposed many of them to impacts of lower global economy growth and commodity price crisis, particularly food prices, as well as instability of world markets and recurrent droughts. In addition to efforts made by our countries to address such challenges, we commend efforts made by the World Bank Group in our region through increased loans and credits as well as initiative included in World Bank strategy to support economic activity in the Arab World. We particularly commend the initiative presented by Mr. Zoellick. We look forward to a comprehensive plan identifying respective priorities, accelerated implementation of this initiative, and allocating more attention to regional projects that lead to more openness as well as projects aimed at addressing unemployment and expanding private sector development.

We call for increased attention to Arab countries suffering effects of conflicts. We recommend more flexibility in dealing with such countries and the need for combined efforts and cooperation between all organi-

zations and agencies concerned to spread benefits and ensure maximum impact of aid extended. While commending the role contributed by IMF and the World Bank in this respect amid difficult circumstances, we call for continued efforts by the World Bank Group in our region to provide effective support to address sufferings of the Palestinian people under occupation, building their economy and ending the blockade and closures. We call for reconstruction of Iraq, reengagement with Somalia and eliminating debt burdens of the Sudan, especially since peace agreements have been concluded. Progress and stability in those countries will undoubtedly benefit all in the region and the world at large.

We reiterate our urgent call to IMF and the World Bank Group to recruit appropriate numbers of Arab country nationals at all management levels, particularly higher management levels. It is important that Arab country nationals be accorded appropriate career advancement opportunities as current recruitment and professional promotion ratios are very low compared to those from other similar regions, especially as many staff members from our region lost their jobs due to restructuring at IMF this year.

Finally, we understand well that we still have a long way to go in our efforts to overcome challenges and achieve more progress because our Arab region is characterized by different circumstances and conditions and faces many of the challenges affecting developing countries. We look forward in this respect to continued close cooperation with IMF and the World Bank Group as well as all our development partners.

SWITZERLAND: JEAN-PIERRE ROTH

Governor of the Fund

The global economy faces its most difficult period for decades as the turmoil engulfing financial markets and institutions has intensified. The deep crisis of confidence in financial markets represents extraordinary challenges for macroeconomic and regulatory policies. An adequate and internationally coordinated response to these challenges is more important than ever. It should aim at mitigating the short-term impact of the current turmoil, while ensuring that the right lessons are learned for the global financial system to function more smoothly and consistently in the future.

Confronted with this challenge, the immediate response to the financial market turmoil by various public authorities in recent months has been adequate. They did their best to strengthen the financial system by providing liquidity, lowering interest rates and intervening in markets during critical moments. Unprecedented systemic challenges

have prompted unprecedented government measures. In the medium and long term, however, crisis containment measures should be accompanied by more forceful regulatory measures. Three measures in particular ought to be mentioned here. Capital requirements—risk-weighted capital requirements—must be increased. The leverage ratio of large international banks must be contained. And finally, liquidity buffers must be reinforced.

Dealing with the crisis has been made more difficult by the absence of coordination of government interventions. A more pronounced collective effort might prove useful now, or in the future, once this crisis is over. The Fund should be a partner in such a collective effort. Its contribution should build on the close cooperation with other international fora, the Financial Stability Forum (FSF) in particular. The Fund should contribute to this effort by building upon its comparative advantage. The Fund has a global membership. This will allow the Fund to identify more easily global financial risks; to disseminate policy lessons and best practices; and to provide feedback to international standard setters. More fundamentally, the Fund has the unique capacity of being at the crossroads of financial sector surveillance and macroeconomic surveillance. Macrofinancial linkages should become the bread-and-butter of the Fund.

While the outlook for the global economy is worrying, it would be wrong to succumb to pessimism. The same dynamic forces that weigh on the global economy today will eventually allow countries and their financial sectors to recover. This is not the first and will not be the last difficult period of economic disruption with global repercussions. We are firmly of the view that we must not underestimate, and should be confident in, the fundamental strength of market forces to improve economic welfare.

In the months to come, the Fund and the World Bank must jointly and in line with their respective mandate undertake a deeper assessment of the impact of the crisis on growth and poverty at a country level, both from a short- and medium-term perspective. They should provide vulnerable countries with policy advice and capacity building, as well as quick and flexible financial assistance where necessary, to mitigate the negative impact on macroeconomic stability, growth and poverty reduction.

The Annual Meetings provide a welcome opportunity to briefly take stock of the work done by the Fund and the World Bank. At the Fund, good progress has been made in assessing its role and the adequacy of its instruments in all main areas of its activity: surveillance, lending, and technical assistance and training. However, much remains to be done.

The Fund's Policy Agenda

Surveillance remains the most important pillar of Fund activity. The just completed triennial review of surveillance has confirmed that Article IV consultations—and the analysis and advice they offer—are highly valued by country authorities and market participants. These consultations should be further adapted to the global challenges and enhance their focus on core areas. And one of these core areas is the linkages between the financial sector and the real economy. It is in this area that the Fund, as mentioned above, adds particular value.

The surveillance framework has been reinforced by the adoption of the 2007 Surveillance Decision. The Decision has given more prominent focus to external stability. This is welcome, as are the newly agreed procedures, which clarify how this Decision will be implemented in cases where further fact-finding and dialogue is needed. A key but not the only element of the focus on external stability is the focus on exchange rate issues. In this regard, two aspects are worth mentioning. First, more effort should be devoted to assessing exchange rate regimes rather than to exchange rate levels; fact is that it is notoriously more difficult to assess exchange rate levels than regimes. Second, exchange rate assessment should be better integrated with the overall assessment of macroeconomic and external stability.

Fund lending is likely to resume because of the current financial difficulties that have started to spread to emerging markets. The current lending instruments together with the activation of the emergency procedure put the Fund in a good position to respond to today's challenges. This being said, we remain ready to discuss new lending instruments.

As regards technical assistance, there has undoubtedly been progress in establishing an accurate and transparent costing that reflects international best practice. The new policy for country contributions, although limited in scope, will enhance ownership by recipients and encourage careful use of limited resources.

Finally, the work on a new sustainable income model has taken a big step forward. Nonetheless, not all the uncertainties have been resolved so far. The Resolution allowing the broadening of the Fund's investment authority has yet to be ratified by all members. And members ought to formally consent to gold sales as soon as possible.

Commodities Crisis

The World Bank and the Fund have an important role to play in helping countries to respond to the high food and fuel prices. The Fund is appropriately addressing the macroeconomic implications, including

through balance of payments support. The World Bank Group, with its strong presence at country levels worldwide, is very well positioned to address the short- and long-term components of the crisis. Since April both institutions have demonstrated through the Global Food Crisis Response Program their ability to tailor appropriate policy responses to the needs of developing countries affected by the food price crisis. As many partner countries are also affected by the impact of fuel prices, additional interventions are necessary and useful such as the Energy for the Poor Initiative. Given the extent of the challenges ahead, both institutions must remain vigilant. Close coordination with the United Nations will be paramount. Possible trade-offs between emergency needs and long-term sustainability must be assessed.

At the same time, the prospects for higher and more stable food prices also represent an opportunity for further poverty reduction in rural areas, and incentives for higher production. Small farmers should also be able to benefit from higher market prices. The Bank has an important role to play in tapping these opportunities. I welcome the planned increase in resource allocation to the agriculture sector, as part of the strategic directions of the World Bank Group.

Voice and Participation

Enhancing the voice, participation, and representation of developing and transition countries (DTC) in the World Bank Group is essential to better reflect today's realities. Switzerland is ready to join a consensus on the adoption of the proposed first stage of concrete options, provided that we do not re-consider this outcome later on. In addition, the sequencing and deadlines for the work program of the second stage relating to completion of the review of IBRD shareholding must be further clarified. We strongly believe that the actual outcome of the IMF quotas negotiation must remain the starting point of such a review.

We look forward to periodic reviews of the progress and concrete proposals for realignment of Bank shareholding as part of a comprehensive reform package.

Strategic Framework for the World Bank Group on Development and Climate Change

The poorest countries will suffer most from global warming; we *welcome* the integration by the World Bank Group of the climate change dimension in its core mandate of development and poverty reduction.

We agree with the *guiding principles* of the Strategic Framework, which acknowledge the primacy of the UNFCCC process and ensure consistency with the recommendations of the Bali Action Plan. Other

key principles, such as focusing on World Bank group comparative advantages, partnering with other multilateral and bilateral actors, and mobilizing the private sector, are also important.

We welcome the multi-sector dimension of the Strategic Framework; we thus expect sectors such as agriculture, land use, rural development, as well as water management and use to become more prominent in the Bank Group's operations. We encourage in particular the Bank to pay more attention to regional water and energy issues, especially in Central Asia.

In view of the huge *financing needs* for mitigating and adapting to climate change, we support the Bank Group efforts to mobilize and leverage resources from the public and private sector. Creating sound regulatory frameworks and structuring innovative instruments to crowd in private sector investments is critical; we are convinced that the Bank Group has a key role to play in this respect.

The new Climate Investment Funds are a significant channel to scale up resources. We commend the Bank for its instrumental role in setting up the CIFs. Switzerland is participating in the setting up of the Strategic Climate Fund and is looking forward to being part of the 'Scaling-up Renewable Energy Program' in low-income countries. In addition, we strongly encourage the World Bank group to increase its engagement in renewable energies.

Strategic Directions of the World Bank

At a time of increasing global uncertainties and great challenges, we believe that a renewed discussion on the Bank's priorities is paramount, with a view to reaching consensus on a concrete, concise, and results-oriented strategic framework. The foreseen discussion on the medium-to-long-term IBRD capital use provides a renewed opportunity for close interaction between management and the board to advance this agenda.

THAILAND: SUCHART THADA-THAMRONGVECH

Governor of the Bank

I am honored to have an opportunity to address at this 2008 World Bank/IMF Board of Governors' Annual Meeting today. On behalf of the Thai delegation, I would like to express my appreciation to the World Bank Group and International Monetary Fund (IMF) for hosting this meeting.

This year's meetings take place at a challenging time for the world economy, particularly amid the financial turmoil in the US and Europe. Thailand and Asian countries had experienced similar and severe pain

in 1997 crisis. We fully understand and realize the hardship and severity as well as consequences of the financial meltdown. We would like to give our full support and encouragement towards the great efforts already made by the US administration on the bailout packages, which hopefully will keep such a financial upheaval at bay in the near future.

We are now faced with increasing financial volatility and every economy will unavoidably be affected more or less. Global financial volatility is likely to have crucial impacts on our growth, economic stability, and development for years to come. So, there must be cohesive and cooperative visible hands that assist and play pivotal role in preventing or lessening the detrimental effect of financial volatility on growth, stability, and economic development. The IMF and the World Bank should actively take part in this endeavor.

As when the volatility spreads, it will hit the developing countries harder with a longer period of suffering. We would like to urge that more assistances and relaxation in terms of funds and trade should be given to those smaller economies. More importantly, the developed countries should make every effort to resolve this crisis rapidly and introduce preventive measures to avoid stagnation on trade and development of the developing world.

To tackle the imminent effect of current outbreak, Thailand at the outset has been in full alert and abruptly laid down precautious and proactive measures through extensively engaging ourselves in regional financial cooperation with ASEAN and ASEAN plus 3. These, for example, include an acceleration of economic integration in ASEAN plus 3 regions to cushion the impacts of the financial turmoil. Specifically, measures include CMI Multilateralisation process, which will help ASEAN, plus 3 member countries address short-term liquidity problem or the balance of payments difficulties. A study on bond financing for infrastructure projects under the Asian Bond Markets Initiative (ABMI) and Credit Guarantee and Investment Mechanism (CGIM) in the form of a trust fund are also in the pipeline.

I would like to reiterate on the objective of the World Bank, which is to create "a world free of poverty." Today, the objective is still going strong with the World Bank bolstering the reduction of poverty as an overarching goal. Within this effort, I praise the World Bank in its strive to alleviate poverty in developing countries with sustainable economic growth by encouraging the poor to take part in development.

Thailand also considers poverty eradication a serious and utmost urgent target to be achieved. This evidence on eradicating poverty has been placed amongst the top priority missions as mirrored in the government's national agenda.

I cannot deny that the problem of poverty in Thailand had long been accumulating with the real causes deeply rooted. Past attempts to

fight poverty had mostly addressed the symptoms and not the real causes. Approaches tended to be piecemeal and unfocused rather than comprehensive and sustainable. Thailand believes that in order to reduce poverty, we must bestow opportunity upon the poor and less fortunate group of people.

Since Thailand has declared war on poverty, many programs to help the poor have been implemented. These are targeted towards People's Opportunity policy. These include debt suspension program, People's Budget Project or SML, the establishment of the "Village Fund" for villages and urban communities, and the "People's Bank" to give the poor better access to formal financial services and funding. We have also aimed at creating jobs and enhancing productivity in the communities through the establishment of the "One Village, One Product" Project.

We are confident that we are on the right track of combating poverty and hope to alleviate and eliminate the poor distress permanently.

Let me now turn to matters relating to the World Bank Group.

Thailand and the World Bank have been in a development partnership for many years now. As time evolved, the relationships between Thailand and the Bank Group have also progressed from primarily a borrower-lender relationship toward a knowledge sharing development partnership.

We are pleased to note that this year the World Bank has just completed "Thailand Country Partnership Strategy Completion Report" which represents an assessment of the World Bank's 5 years contributions in Thailand under the current Country Partnership Strategy (CPS) endorsed by the Board of Executive Directors in December 2002.

Under the CPS, the World Bank has provided support and implementation of the overall reform program through technical support, capacity building and specific project interventions that align with Thailand's national development agenda built around 5 pillars; these include Human and Social Capital, Competitiveness, Poverty and Inequality, Natural Resources and the Environment and Public Reform and Governance.

On this regard, we would like to thank the World Bank for your continuous and constructive efforts made throughout this project. We look forward to working closely in partnership with the Bank again to implement the next level of the CPS in the years to come as this partnership showed to be a successful and significant step to effectively contribute towards poverty alleviation and economic growth in Thailand.

The World Bank this year has released the 2009 Doing Business report. From the outcome, Thailand has moved six places up the ranking

from 19th position to 13th. This higher rank in the Doing Business report was largely due to the recent reforms in registering properties, protecting investors, trade across border through the adoption of e-customs, paying taxes through e-revenues as well as the improvement of our business climate by easing the cost and days of doing business in the country.

We would like to praise the Doing Business team for their consistent efforts and hard work throughout. It is no doubt that the Doing Business indicators have proved to be very useful source of input to policy makers, business owners, as well as foreign and Thai investors that intend to do business in Thailand. Policy makers especially can use these indicators to improve their business environment and making every country becoming more competitive. I therefore would like to complement this excellent initiative.

This year the donor community has marked yet another astonishment. The funding contributed for the 15th replenishment of the International Development Association (IDA 15) has been marked as one of the largest donor funding since. It is recorded that IDA 15 represents a 43 percent increase from IDA 14, complemented by US$16.5 billion in internal financing from the World Bank Group and prior donor pledges for financing debt forgiveness.

On our part, Thailand being one of the subscribing countries has long been supportive and engaging in the funding of IDA, which aims at helping the world's poorest countries. We would like to thank the donor countries for the funding contributed for the IDA 15. This demonstrated that the donor community is fully committed to helping countries overcome poverty and achieve sustainable growth, especially in the world's poorest countries like Africa.

We hope to see that the fund will be accessible to all, especially those countries that are the poorest, post-conflict countries or weakly performed countries. Therefore, we urge the Bank and the donors to take this into account when reviewing the performance assessment. Criteria such as vulnerabilities and other factors should not be ignored.

Thailand has been an active participant and a major provider of financial and technical assistance to neighboring Greater Mekong Subregion (GMS) countries through our Neighboring Countries Economic Development Cooperation Agency (NEDA) for the implementation of priority sub-regional projects. Scopes of activities, inter alia, trade facilitation, capacity building, and infrastructure financing. Currently, the assistance provided for these countries are still limited. Therefore, we urge the World Bank to consider assisting these countries in term of more financial support.

We welcome the progress on the Bank's reform to enhance voice and participation of developing and transition countries (DTCs) in the

World Bank Group. In line with the spirit of the 2002 Monetary Consensus, we believe that increasing voice and participation of DTCs is central to the Bank's reform. As such, we support the main objectives and the guiding principles set forth in the Bank's reform, to enhance the participation of all developing and transition countries in the Bank's governance; and to further enhance the legitimacy, credibility, and effectiveness of the World Bank Group.

Finally, we would like to stress to the World Bank and the IMF that diversity of staff will reflect the universality of its membership thereby enabling it to offer wide-ranging advice to countries from the perspective of staff with diverse background and experiences.

In this connection, I would like to touch upon the issues of the IMF.

We note the progress, welcome the staff's commitment to the reform of the IMF, and look forward to ongoing improvements in governance, as well as modernization of its operational structures to ensure this global financial organization is well equipped to face current and future challenges.

We welcome progress in the development of new income-expenditure framework to securely place IMF's finances on a more sustainable footing. We also note the progress achieved in strengthening the surveillance role of the IMF to help prevent crises and promote domestic and international financial stability. We must, however, reiterate the importance and call for firm and even-handed implementation of the surveillance framework, particularly, in view of the ongoing financial turmoil.

We welcome the broad agreement to have IMF's lending mandate revamped and adapted in order to better reflect the realities of today's global financial system, and to address the imperative needs of low-income countries. We look forward to the upcoming review of conditionality associated with IMF facilities, as well as to the overdue proposals for new liquidity instruments, to ensure that the lending apparatus is up-to-date and relevant to all members.

In light of the developments in the world economy, realignments of quota shares with members' relative economic positions remain on the IMF's reform agenda going forward. To this end, we welcome the agreement on the quota and voice reform package to recognize greater global weight of emerging economies, and urge for continuing consideration and work on this dynamic reform.

In conclusion, we hope to see in the near future that the role of the World Bank will be transformed to meet with the global challenges and urgent problems such as Food and Energy Crises and Climate Change, etc. These risk factors will undeniably become the biggest threats to poverty eradication and development.

TIMOR-LESTE: EMILIA PIRES

Governor of the Bank

It is an honor and pleasure to address you all today. The rising energy cost, the growing demand for oil from industrialized countries and emerging economies, rising food prices, scarcity of land for agriculture and of water in many regions, climate change, are only some of the indicators of the serious challenges we have faced in 2008. Add to that the recent near meltdown in the global financial markets and 2008 may well be remembered as the year markets failed.

However, it has not been all bad news. The developing world continues to grow, albeit at a slower pace than before and therein may lie part of the solution to the current global crisis. When we in the developing world face these types of crisis, which we do on a more regular basis than our colleagues in more economically advanced nations—then we are repeatedly told to increase our openness to the global economy, to trust in the market but to regulate them well. To be honest this approach has worked. The economies of Asia, the Pacific, and Africa are still projected to grow and may well be part of the salvation of the current economic woes.

However, for that to happen, we must make sure that in the effort to correct the market failures that have led to some of today's challenges the world does not overreact and nations become more insular and protective rather than open and competitive. Improving the flow of capital, labor and financial resources from the developing world where economies are growing to the developed where they may stagnate will be an important part of the recovery process. That is not to say that targeted intervention cannot help.

Much like in the recent crisis where many Governments have seen the need for a large injection of liquidity into the financial system, many of us in the developing world have also had experiences (with equally mixed results) of trying to correct rapidly failing markets in a politically and economically charged atmosphere. Indeed, we may be able to share a lesson or two with some of our more developed partners in terms of how to intervene in markets. In Timor, we passed our own Economic Stabilization Act—but this was not in reaction to the recent financial crisis but the earlier rise in the price of basic commodities.

Through targeted but limited interventions, this year has seen some positive developments, mainly in the return of the internally displaced peoples (IDPs) from the 2006 crisis; 25 out of 54 IDP camps have been closed. Cash transfers were made to vulnerable groups, including the elderly. Clear targets were set for improving basic health and education through the 2008 National Priority Program.

Responding to their genuine solidarity as a member of the international community, Timor-Leste (a least developed country) has also started to help other countries overcome hardships. Apart from donating emergency relief to victims of Tsunami in Indonesia, Timor-Leste will contribute $1 million in support of the work of UNICEF globally, in 2009. In *per capita ratio*, this amount would exceed the assistance that has been provided by many developed countries.

We do this not out of a sense of pride but out of duty and a feeling of shared understanding and responsibility. In Timor we realize we are fortunate that we are somewhat insulated from the winds of market failures currently blowing around the world. This is because we have revenue from natural resources that have so far shielded us. But we know that as a global partner what affects our partners ultimately affects us and therefore we too, even though we may be a small nation, have our role to play.

Ultimately, global crisis like the current financial crisis will have to be dealt with by re-looking at global institutions like the IMF and World Bank to better prepare them for the challenges of the 21st century. 2008 has shown us that market failure and inability to regulate are not only problems for the developing world—but issues that deeply affect us all. Therefore, it is up to all of us in this room to look both collectively and individually at what can be done to create a more prosperous world for all its citizens.

TONGA: 'OTENIFI AFU'ALO MATOTO

Governor of the Fund and the Bank

It is an honor to address the Boards of Governors of the International Monetary Fund and the World Bank Group on behalf of the government of the Kingdom of Tonga.

I would like to congratulate and welcome Mr. Dominique Strauss-Kahn on his first Annual Meetings in his capacity as the Managing Director of the International Monetary Fund.

I acknowledge the work the IMF and the Bank are doing to help restore global macroeconomic and financial stability while bolstering growth and reducing poverty. It is at times of crisis many member countries look to these institutions for guidance and assistance.

Since the last Annual Meetings, the global economy continues to slow down markedly and the global economic prospects have split along two contrasting lines. The golden weather of economic growth that major industrialized countries enjoyed for several years has faded. The United States, the Euro zone, and Japan are now experiencing major economic slowdowns because of the deepening financial crisis.

By contrast, the emerging and developing economies are expected to remain resilient with growth slowing slightly to around 7 percent in 2008 and 6 percent in 2009. With forecasters predicting that the slowdown of global economic growth will continue through 2009, Tonga joins other member countries in echoing its concern over the impact of the current financial crisis. In this current situation, Tonga shares the Fund's view for strong and coordinated policies to mitigate the spilling effects of the global crisis on the rest of the world.

While addressing the challenges of the global financial turmoil and economic stagnation, it is imperative that other short- and long-term issues also receive attention. Global fuel and food prices have escalated sharply causing high inflation in many member countries. These price movements send important economic signals and we encourage continuing efforts by both the Fund and the Bank to soften the effects of these price movements on the most vulnerable member countries.

The determination by the Fund and the Bank not to lose sight of the long-term objectives because of today's crisis is a move in the right direction. Given time, financial markets will recover and food and fuel prices will stabilize albeit at higher levels. In that respect, I acknowledge the efforts from the Fund and the Bank to restore confidence and reduce the human cost of these adjustment processes.

Aid is another area where some coordination is occurring but much more action is needed. Effective aid occurs where needs are properly identified, and donors work together to complement each other in meeting the needs. Tonga notes the increasing coordination of aid activities between the Bank, Fund, and other aid agencies in their operation programs. We support the Fund's proposed reforms to the Exogenous Shocks Facility, which will provide more rapid and effective assistance to low income countries in the event of shocks.

The reforms undertaken by the Fund and the Bank are timely in order to respond more effectively to the global challenges now and in the future. The move to enhance the voice and participation of developing countries will help improve the alignment of aid efforts and national needs. We therefore strongly agree with these initiatives.

Domestic Economic Developments

Tonga's economy has shown resilience in the face of internal and external shocks. Preliminary projections indicated that economic growth is expected to expand by 2.6 percent in 2008/09 from 1.2 percent in 2007/08, with construction, transport, and services providing the impetus. A number of tourism and agriculture initiatives are also in the pipeline. These initiatives allow Tonga to tap its unused economic potential and also bring some much-needed diversity into the Tongan

economy. This will help address the problem of a narrow economic base and reliance on a few key exports that has been a constraint in expanding the Tongan economy. This economic growth is underpinned by strong remittances, increasing foreign aid and recovery in private investments. These favorable economic developments have allowed the government to maintain a balanced budget for 2008/09 financial year.

Furthermore, the government of Tonga continues to pursue its economic and public sector reforms to stimulate growth and promote private sector development. Major reforms include moving the taxation system from being heavily based on international trade towards an efficient low rate broad based taxation system. Public enterprises are being rationalized to improve financial performance and some are being privatized. Work is also continuing to ease and reduce the cost of doing business with good success. Having said that, I would like to acknowledge the ongoing technical and financial assistance from the Bank, the Fund and their agencies in supporting us in these reforms. Social and political reforms are ongoing and a fully democratic government is expected to be in place in 2010.

Tonga's relative high social development requires higher economic performance in order to achieve the Millennium Development Goals and sustain it at that level going forward. There is confidence that Tonga will be on target in areas such as gender equality, health, and education. Continued collaboration with external agencies in achieving the remaining goals is vital.

Notwithstanding the achievements to date, Tonga, like other small island states, is affected by the same economic tides that shift the major players. The economy is facing challenges from global surge in food and fuel prices, posing risks to the external account balance and escalating inflation, and vulnerability to climate change and natural disasters such as cyclones and earthquakes. These challenges could easily undermine Tonga's economic growth. The current global financial turbulence raises the risk of a decline in remittances.

The Tongan Government is committed to maintain prudent fiscal and monetary policies to preserve macroeconomic stability and accelerate economic growth. The Government has given priority to climate change, which needs adaptation and mitigation measures with support from donor communities. Work is currently being done to explore alternative sources of energy, in addition to more efficient utilization of fuel. The financial and technical assistance towards this initiative from the Bank Global Facility for Climate Change will greatly assist.

Tonga is doing everything it can to manage these challenges. However, some of these are beyond our control. In this context, Tonga will continue to rely on the Fund, the Bank and other donors to assist the economy in addressing these challenges.

To improve aid effectiveness and coordination, Tonga has signed a joint Declaration of Aid Effectiveness with its development partners. To guide development, the government of Tonga has also produced a Strategic Development Priorities framework. This framework is being reviewed for the next three years commencing July 2009. The Strategic Development Plan and Declaration of Aid Effectiveness are the first steps, however, much remains to be done to effectively align and integrate aid within Tonga. This ultimately will bring all donors into the Declaration of Aid Effectiveness.

The Government of Tonga is pleased with the decision by the Bank to establish an office in Tonga, which will strengthen our relationship and enable better coordination with other donor partners. The Tongan Government is always grateful to the Fund for the continued cooperation on the Article IV Consultations and other technical assistance received.

In conclusion, Tonga strongly supports the efforts by the Fund and the Bank to address the challenges before us and their efforts to reform their institutions so they can respond quickly and appropriately to the needs of member countries. I look forward to a continued close working relationship with both institutions. I wish the Bank and the Fund continued success in dealing with existing and emerging challenges going forward.

TURKEY: MEHMET SIMSEK

Governor of the Fund

This year's annual meetings are taking place against a backdrop of dramatic changes in the global financial system. Devastating financial shocks continue to hit global markets. While the epicenter of the financial crisis has been the U.S., the problems quickly spilled over to Europe and elsewhere. Shaken by these financial shocks, the world economy is entering a difficult phase.

Emerging and developing economies, which have been the engine of economic growth, are facing economic slowdown mainly through trade and credit channels. While inflationary pressures are likely to ease, the risk of a significant slowdown in capital inflows appear high.

To deal with the fallout of the ongoing global crisis, it is clear that a coordinated response is required. We must devise a global fire-fighting strategy as well as ways of dealing with the impact of the crisis. We believe that the Fund is uniquely placed in this respect to coordinate a global response. Hence, we expect the IMF to play a more active role in coordinating the policy response.

In this rather gloomy background, I am pleased to tell you that the Turkish economy has so far been quite resilient to the global shock.

Real GDP growth, for instance, was 4.2 percent in the first half of this year. This is lower than an average annual real GDP growth of 6.7 percent in the previous six years. For 2008, the growth is expected to settle around 4 percent. In the short-term, growth is likely to slow further. However, we remain positive on medium-long term growth outlook. Turkey's demographics are favorable and we are implementing reforms that would boost productivity.

Thanks to softening commodity prices and weakening domestic demand, inflation is likely to fall to 7.5 percent next year.

Turkey's current account deficit, which is likely to have reached 6.5 percent of GDP in 2008, looks set to narrow significantly in 2009. The deficit is partially financed by strong FDI inflows with nonbank corporate sector medium-long term borrowing providing a big chunk of financing. While the global backdrop has deteriorated in recent months, Turkey's strong medium-long term growth prospects should continue to help attract the necessary funding. In addition, central bank has about 80 billion US$ reserves.

Fiscal discipline remains the cornerstone of our economic program. Thanks to sustained (and sizeable fiscal adjustment) over the past six years, Turkey has lowered the public debt to GDP ratio to around 37 percent. We are committed to maintaining the fiscal discipline and keep the public debt to GDP ratio on a downward path. To enhance the credibility of our medium-term fiscal framework, we are planning to introduce a formal fiscal rule over the next few months.

Despite a relatively less favorable domestic and global backdrop, we have continued to implement structural reforms. We have adopted and implemented a number of critical reforms including a landmark social security reform, a labor market reform, and energy market reform. We have also introduced generous incentives to R&D to help Turkey move up the value chain.

Finally, Turkey's banking sector is sound and strong. It is well capitalized, with a capital adequacy ratio of around 17.5 percent as of June 2008. The sector has strong asset quality. Banking sector's net NPL ratio was a mere 0.6 percent as of end 1H08. The sector has been profitable with an ROE of 24.7 percent in 2007. The system also has no meaningful currency mismatch.

To sum up, Turkey's macroeconomic fundamentals are strong. While this does not make us immune to the on-going global shock, it should make us a lot more resilient.

Let me now turn to matters relating to the Fund's and the Bank agenda.

We commend the management for timely launching of a review of the Fund lending instruments, access policy and charges and maturities framework. We support removal of the redundant facilities from the

toolkit. There is also a case for making existing instruments more flexible to address different needs of all membership. We closely follow the discussion on creation of a new liquidity instrument and would like to thank for different proposals. We should also substantially increase the access limits for the Fund financing. The Fund's charges and maturity framework also needs to be streamlined, in particular, the application of surcharges. Hence, we strongly expect the upcoming Fund work to address these issues.

On the World Bank side, we welcome the consensus reached by the Executive Directors on the Voice Reform. The agreement represents an important step in enhancing the voice and participation of developing and transition countries in the World Bank. This first step, however, should continue with a more ambitious second step, which should include, among others, a meaningful realignment of IBRD shareholding to reflect countries' relative position in the world economy.

UNITED STATES: CLAY LOWERY

Temporary Alternate Governor of the Fund and the Bank

I welcome all of you to Washington.

In the last few days, we have witnessed some of the most extraordinary events in our careers as finance officials. The strains and stresses in global financial markets have deepened, posing a great challenge to the global economic and financial system.

Yet, these very stresses underscore the reality of why we come together annually. Since last Friday, Washington has been the staging ground for meetings of the G-7 and G-20 Finance Ministers, the International Monetary and Financial Committee and the World Bank Development Committee. The Financial Stability Forum and the IMF hosted a high-level meeting on global financial turmoil.

We have all united with determination and with the singular focus of overcoming the world's financial turmoil. We have exchanged views, shared experiences and set out an action plan. We have done so because we know that the problems we face are global, because the world economy and financial markets are more inter-connected than ever before, because we value multilateralism, and because the answer to overcoming challenges is international partnership, cooperation, and collaboration.

We must all act decisively, individually and collectively, according to our needs, to secure stability and growth for the world economic and financial order. None of us can afford to go it alone and each of us has our part to play. And we must remember that notwithstanding the temptation to resort to isolationism in the face of the current turmoil, we all benefit from free, open, competitive and soundly regulated financial markets.

The housing correction in the United States and the lack of confidence in mortgage assets has undermined investor confidence at here and abroad. It is profoundly affecting American families and businesses.

We have tackled this challenge vigorously and head-on.

We have acted boldly to provide liquidity to markets. The United States has created a number of innovative funding facilities to maintain the functioning of inter-bank markets, guarantee money market mutual funds, and we have extended dollar swap lines throughout the world.

We have worked vigilantly to strengthen our financial institutions. A number of significant institutional problems were addressed on a case-by-case basis over the last six months. This approach, while necessary, was not sufficient.

Thus, we adopted a systemic approach on a significant scale, to get at the underlying causes of the turmoil. With our new authority under the Emergency Economic Stability Act, the Treasury is empowered to use up to $700 billion to purchase capital in financial institutions, to purchase or insure mortgage assets, and to purchase any other troubled assets that the Treasury and the Federal Reserve deem necessary to promote financial market stability.

We have also taken steps to ensure the integrity of our financial markets and penalize frauds and market manipulation. And we have also protected our retail savers by temporarily increasing deposit insurance, and thus buttressing stability.

Every step of the way, we have worked in lockstep with the international community. Last Wednesday many of the world's major central banks cut official interest rates in unison with the Fed. Our colleagues in Europe have nationalized or rescued specific financial institutions to restore confidence. They joined us in combating market abuse and they too have worked to create a more unified deposit insurance system.

Let me assure all of you that the United States will remain vigilant and committed to working with our global partners to take further action as needed to restore confidence in our markets.

That is why Treasury welcomes the initiatives taken by European nations as part of the G-7 action plan to strengthen their financial system and address funding issues for their financial institutions.

We in the United States are also moving forward on actions under the G-7 Action Plan announced Friday to improve availability of funding for our banks.

One area where we will continue our strong work with the international community is to build a new regulatory framework for the future to limit the chances that yesterday's mistakes will be repeated tomorrow. The President's Working Group on Financial Markets has taken important steps to improve market transparency and disclosure, risk awareness

and management, capital and regulatory policies, practices regarding the use of credit ratings and market infrastructure for over-the-counter derivatives products. Our work has been undertaken in conjunction with the Financial Stability Forum and the IMF from day one.

The path ahead of us remains arduous. The current difficulties will not end tomorrow and even as confidence is restored, recovery will be slow. But as a student of financial history, I have little doubt that the vigorous actions we are taking and our partnership—so readily symbolized by this gathering—will overcome the challenges we face and we will in time emerge stronger.

VIETNAM: NGUYEN VAN GIAU

Governor of the Fund

First of all, I would like to express our high appreciation to our colleagues at the Bank and the Fund for their excellent arrangements of this important event.

Since the last time we met at the 2007 meetings, the global economy has experienced various complicated developments, albeit several advantages. Increasing food and oil prices, the spillover inflation and the current global financial turmoil have caused the slowdowns in the global economic and financial systems, especially the fledging financial systems of the developing and transitional economies.

Higher prices, particularly oil and food prices, have globally challenged the food and energy security. The U.S. crisis-led financial turmoil has brought about numerous global macroeconomic problems, higher inflation, demand imbalance, and a gloomy forecast of the global economic growth from 4.9 percent to 3.7 percent. Major economies, such as the U.S., Japan, and the E.U., have reset their economic growth goals. In the region, high and sustainable growth economies, including China and ASEAN economies might have growth respectively decreasing from 11.4 percent and 6.5 percent in 2007 to 10 percent and 5.7 percent in 2008. The global economic turmoil has caused countries, including Vietnam, to adjust their macroeconomic policies as well as financial and monetary policies in an effort to contain inflation pressure, and higher food and oil prices.

The current situation is setting new challenges for international institutions, including the Fund and the Bank to take bold actions in an effort to support their member countries, thereby, contributing to the continuation of economic stability and driving forces, and ensuring poverty reduction achievements. In this connection, Vietnam welcomes efforts made by the Fund and the Bank in safeguarding global financial stability, promoting sustainable growth and reducing poverty.

It is encouraging that the Fund has recently made substantial efforts in its governance, operational and financial reform. We welcome the Fund's success in the first step of strengthening member representation through quotas and voice enhancement. Policy dialogue between the IMF and its member countries is now more candid, and overall more effective, when better focused on how members' economic policies impact the stability of their economies and of the economies of their partners. Lending activities are also reformed in order to provide assistance faster, in larger amounts, to low-income countries, streamline policy commitments made by borrower governments and also help address commodity price changes, disasters and conflicts. We also highly appreciate significant benefits that IMF technical assistance brings to member countries, with a unique feature of strong surveillance-lending-technical assistance relationship. Those reform activities are much supported by the IMF's directions of diversifying revenue sources together with strengthening the effectiveness in resources allocation and utilization. However, regarding the issue of cost sharing in TA provision, we would like to note that the priority should be given toward developing countries, facilitating them to maintain their access and utilization of the Fund's assistance.

At the same time, we saw that soaring food and commodity prices over the past year reaffirmed the role the Bank plays in international economic development and poverty reduction worldwide. We highly appreciate the Bank's ability in tackling the global crises and supporting sustainable growth with care for the environment in its client countries while safeguarding and improving people's health, education, and other human development outcomes. We also highly appreciate the collaboration and partnership the Bank had with numerous other multilateral organizations and partners to realize the most far-reaching results possible. The Bank's quick response in May 2008 with a rapid financing facility[1] for food crisis is widely acknowledged by all as an immediate action addressing immediate needs. In the longer run, the Bank's recommendations on the focus of increasing agricultural productivity and narrowing the gap between the urban and rural areas will significantly contribute to the agricultural and rural development of the member countries, thus ensuring the sustainable economic development.

On the financial side, the borrowing member countries highly appreciate the great efforts made by the Board of Executive Directors to bring down the commitment fee on the outstanding credits of the

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[1] *The World Bank report shows the first grants under the facility were approved for Djibouti ($5 million), Haiti ($10 million), and Liberia ($10 million).*

IDA to zero percent. This decision helps the borrowers to reduce cost of resource significantly, hence increasing their capacity to invest for economic growth and poverty reduction. We also thank the IBRD for its biggest simplification and reduction in its loan pricing since the Asia financial crisis. It now makes borrowers to have access to IBRD loans at longer maturities and at price that are lower and more transparent than they had been.

On the nonfinancial side, we endorse the Bank's efforts in introducing simple projects that can be easily replicated, mechanism for additional financing of successful projects and revision to emergency and rapid response lending policy. We also endorse the approval of the Board in April 2008 for piloting the use of country system for financial management and safeguards as it helps harmonize the procedures of both the Bank and the borrowing member countries.

However, much needs to be done without delay to alleviate global crises. An estimated 2.5 billion people are trying to survive on $2 or less a day. Therefore, in the coming time the role of the IMF and the WB will be more significant in assisting their member countries to accomplish the cause of economic development and poverty reduction.

In addressing the adverse impact of the current global turmoil on the macroeconomy of the country, we welcome the coming focus of the IMF's activities on key issues of global economic and financial concern and its actions to help members to meet the potential global challenges. It would be good for all members that IMF will be making substantial progress in the coming time to enable member countries deal with imminent crises and urgent tasks, including responding to the challenges posed by rising food and fuel prices, drawing lessons from financial market crises and advancing key surveillance issues. Regarding this, we totally support the call made by IMF Managing Director Dominique Strauss-Kahn for a global solution to the financial crisis, in which the Fund would play the coordination role to organize a global response to weaknesses in the global financial system.

Another IMF priority is to review its lending instruments. We agree that it is time for the Fund to revise some credit facilities so that it can provide a more accessible and appropriate source of capital for those countries in need. New organizational tools and working practices, especially enhancement of IMF consultations and local capacity building program are much welcomed. We also look forward to further advances of the Fund's governance agenda, including the next step beyond strengthening membership representation through quotas and voice improvements.

We share the vision of the Bank, which is "to contribute to an inclusive and sustainable globalization—to overcome poverty, enhance growth with care for the environment, and create individual opportu-

nity and hope." This vision reaffirms the commitment of the Bank to fight against poverty and ensure the equal and sustainable development. In this connection, we think that the Bank should continue to collaborate closely with its member countries and international partners to make further progress in addressing the above-mention challenges. Particularly, we strongly support the Bank's policy to consider Africa, especially sub-Saharan Africa, where extreme poverty is expected to grow, as its priority for action. We also urge the Bank to continue to intensify its role in coordinating the necessary available resources both technical and financial ones to support and assist the other countries in all regions to confront their emerging vulnerabilities, including Vietnam.

Skyrocketing food prices are a harsh reality, resulting in even greater hunger and malnutrition worldwide. Climate change threatens agricultural productivity and consequently the world's food supply as well as the income of most of the poorest people. Natural catastrophes, such as this year's earthquake in China and cyclone in Myanmar, devastate millions who may not survive without immediate disaster relief. Communicable diseases, with HIV/AIDS and malaria being the most critical, continue to challenge us. Therefore, we commend the Bank to continue to push forward the Global Food Crisis Response Program in collaboration with the United Nation and other partners. We also encourage the Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank's development mandate, and the importance of enhancing voice and participation for all developing and transition countries in the World Bank Group. As the change in the climate spans multisectors and development issues, all the countries are at significant risk. Therefore, we urge the Bank to continue to scale up its actions like adopting a Strategic Framework for Climate Change, setting up specialized climate funds, in order to help member countries to adapt to climate change and mitigate its impacts as well as to turn the challenge of climate change into an opportunity for development leading to an inclusive and sustainable globalization.

Now let me take this chance to provide a briefing of the latest developments in my country since our last gathering. Over the past year, we have achieved the following significant achievements:

2007 was the year we effectively joined WTO, and since then the macroeconomic situation has been severely impacted by complex volatilities of the world economy: inflation bounced back to 2 digit numbers (12.63 percent in 2007 and 21.87 percent for the first 9 months of 2008 compared with the end of 2007); trade deficit increased sharply to 29.1 percent of the total exports in 2007 and 32.6 percent of the total exports in the first 9 months of 2008. Given rapidly increasing inflation and trade deficit exercise being threats to macroeconomic stability, the

government considered inflation control as the first priority objective and focused on directing the implementation of 8 major comprehensive sets of policies, including: (i) tightening monetary policy and ensuring the liquidity for banking system and the whole economy; (ii) closely monitoring and enhancing efficiency of public spending; (iii) focusing on production development and ensuring balance of good supply and demand; (iv) promoting exports, strictly supervising imports to reduce trade deficit; (v) strictly practicing thrift in production and consumption; (vi) enhancing market management work to guard against speculation, smuggling and trade fraud; (vii) strengthening policies to stabilize people's life and expanding the coverage of implementation of social security policy; and (viii) promoting information and propagandization.

With the implementation of the government's policies, including monetary policy, macroeconomic developments have shown positive signals:

- GDP for the first 9 months reached 6.52 percent, still at a high level compared with many other countries.
- Inflation was reduced from a monthly average of 2.9 percent for the first 6 months to less than 1 percent for July, August, and September.
- The trade deficit narrowed from a monthly average of US$2.3 billion in the first 6 months to the level of less than US$1.0 billion/month in July, August, and September.
- Newly granted and added foreign direct investment in the first 9 months reached US$57.1 billion, up by 398.5 percent from the same period of 2007.
- The money market and foreign exchange market are stable, and credit and total liquidity have a slower trend, ensuring the settlement safety for the credit institution system.

The Vietnamese economy still maintains the potential of stable development in medium and long term. However, from now to the end of 2008, the world and domestic economies may have many complex developments, especially the effects of the US financial turmoil; therefore, the government continues to implement tight monetary and fiscal policy but in a flexible way in order to help control inflation, stabilize macroeconomic situation, ensure social security and sustainable development.

In addition to our own efforts, the support from WB and IMF is always appreciated by the government of Vietnam. Particularly, the financial support of the WB has contributed significantly to building up the key fundamentals for economic development of Vietnam.

Over the past 15 years, WB has provided financial assistance of more than US$8 billion for around 80 programs and projects in various areas. In fiscal year 2009, WB has committed more than US$1.8 billion for 15 programs and projects, of which there will be an IBRD-financed project. Such financing program would make the Bank become one of the biggest ODA providers for Vietnam.

In concluding, I would like to convey our sincere thanks to the management and staff of the Fund and the Bank for efficient support extended to Vietnam thus far. I wish the Meetings a splendid success.

CONCLUDING REMARKS BY THE CHAIRMAN THE HONORABLE ZORAN STAVRESKI

As the 2008 Annual Meetings of a rather unprecedented year draw to a close, I want to review the major issues that we have discussed and their implications for the Fund's and Bank's work priorities for the coming year.

First, these Annual Meetings will be remembered for taking place in the midst of a major financial market crisis. In this regard, we started to take stock of the lessons that are emerging. We noted that, while national authorities in individual countries need to play their part in mitigating the effects of the crisis, the Fund remains well placed—including in collaboration with the FSF—to help prevent and resolve international financial crises and disseminate best practices. Particularly invaluable are the Fund's near universal membership, and its multilateral perspective, focusing on cross-country spillovers and the interlinkages between the macro and the financial sectors. We also acknowledged the sound capitalization and prudent risk management policies that have kept the Bank strong, providing it the capacity to expand finance in response to client demand.

Second, surging energy and commodity prices have not only exacerbated the impact of the financial market turmoil, but have also imposed a high cost on countries' balance sheets and threatened their advances in poverty reduction. We welcomed the Bank's launch of the New Deal on Global Food Policy as well as the establishment of the Global Food Crisis Response Program and its continued engagement, together with the Fund, in providing member countries with additional financial support and policy advice. We also called on the donor community to play its part in keeping its commitments to increase aid to the most vulnerable people.

Third, particularly at this critical juncture, Governors called on the Fund and the Bank to seize the opportunities for progress and change so as to remain relevant to their membership. We applauded the Fund's reform of quota and voice. We also welcomed the Bank's discussions on concrete options on voice and participation and urged the World Bank to reach a consensus on a comprehensive package of reforms. We nonetheless reaffirmed the importance of continuing to review the issue of governance more broadly at both the Bank and the Fund, and supported the three-pronged approach that the Fund's Managing Directors has proposed in this respect.

Finally, we discussed other ongoing core challenges, and agreed that addressing climate change is crucial to the development and poverty reduction agenda, given its potential to reverse the progress made by

developing countries toward achieving the Millennium Development Goals. In this context, we also agreed on the importance of scaling up aid, improving its effectiveness, and ensuring its delivery against the background of a more complex aid architecture.

My fellow Governors, it has been a privilege to serve as Chairman of the Board of Governors of this year's Annual Meetings. I thank you all for your support and cooperation, which have resulted in fruitful meetings. Allow me to reiterate my deep appreciation to Mr. Strauss-Kahn and Mr. Zoellick for their effective leadership at this difficult time. I also reiterate my full trust in the staff of the Bretton Wood Institutions for their expertise, dedication, and continued hard work.

I would also like to thank Mr. Anjaria and Ms. Georgieva and the staff of the Joint Secretariat, particularly the Assistant Secretary for Conferences, Ms. Yeo, for successfully arranging the meetings, as well as the authorities of the United States for their hospitality and assistance.

Finally, let me congratulate His Excellency Minister Nguyen Van Giau of Vietnam, who will succeed me as the Chairman of the 2009 Annual Meetings. I wish everyone safe travels home, and I look forward to meeting you again next year in Istanbul.

VIETNAM: NGUYEN VAN GIAU

Governor of the Fund

It is a great honor for Vietnam to accept the chairmanship of the Board of Governors for 2009. Fellow Governors, please join me in thanking His Excellency Zoran Stavreski for the exceptional manner in which he has conducted these meetings.

These meetings have taken place against the backdrop of one of the most serious financial crises of our time. The complexity and scale of the challenges involved have reminded us that the strengthened cooperation of the Bretton Wood Institutions is crucial in confronting the present financial crisis and the surge in food and fuel prices. At the same time, we have also been reminded of the need for these institutions to devise timely and flexible responses to ensure member countries' resilience to external shocks and to help safeguard the poorest from the full impact of the current crises.

Our discussions have recognized the importance of Fund surveillance in providing sound analysis at national and regional levels and in devoting greater attention to cross-country spillovers and macro-financial linkages. We have been further encouraged by the Fund's commitment to consider new instruments that will allow for quick and efficient responses to its members' request for assistance. Similarly, we have welcomed the active role of the Bank, in particular in providing policy advice and financing to the countries that are being hit the most by rising food and fuel prices, while also standing ready to expand lending in response to the on-going financial turbulence.

At the same time, we have reaffirmed the need for the Fund and the Bank to remain focused on crucial ongoing core challenges, such as increasing the role of developing and dynamic economies in the governance of our institutions. We have thus commended the Fund's quota and voice reform and the Bank's continuing discussions in this respect. In addition, we have supported the Bank's efforts to integrate climate change into development strategies, and the scaling-up of aid to low-income countries, together with improved aid effectiveness.

Allow me to convey our appreciation to the staffs of the International Monetary Fund and the World Bank for their continued hard work and dedication. Please also let me express our gratitude and deep appreciation to our hosts: the people and authorities of the United States and Washington, DC.

I look forward to working with all of you to tackle the important issues we have outlined here, and to seeing you at our Annual Meetings next year in Turkey.

DOCUMENTS OF THE BOARD OF GOVERNORS

SCHEDULE OF MEETINGS[1,2]

Sunday		
October 12	4:45 P.M.	Joint Procedures Committee
	4:55 P.M.	MIGA Procedures Committee
Monday		
October 13	9:30 A.M.	Opening Ceremonies Address from the Chair Annual Address by Managing Director, International Monetary Fund Annual Address by President, World Bank Group[3] Annual Discussion
	2:30 P.M.	Annual Discussion (continued)
Following the conclusion of the Annual Discussion		Procedures Committees Reports Chairman, ICSID Administrative Council Comments by Heads of Organizations Adjournment

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[1] *The Meetings were held at DAR Constitution Hall (Monday a.m. session) and Fund Headquarters 2 Conference Hall (Monday p.m. session) and all sessions were joint.*

[2] *The International Monetary and Financial Committee met on Saturday, October 11, 2008 at 10:30 a.m. in IMF HQ2 Conference Hall. The Development Committee met on Sunday, October 12, 2008 at 9:30 a.m. in the Preston Auditorium, World Bank HQ.*

[3] *The World Bank Group consists of the following:*
International Bank for Reconstruction and Development (IBRD)
International Finance Corporation (IFC)
Iternational Development Association (IDA)
International Centre for Settlement of Investment Disputes (ICSID)
Multilateral Investment Guarantee Agency (MIGA)

PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS[1]

ADMISSION

1. Session of the Boards of Governors of the International Monetary Fund and the World Bank Group will be joint and shall open to accredited press, guests and staff.
2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and such staff as may be necessary.

PROCEDURES AND RECORDS

3. The Chairman of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they ask to speak.
4. With the consent of the Chairman, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.
5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairman, the Managing Director of the International Monetary Fund, the President of the World Bank Group, and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairman and the Reporting Members.

PUBLIC INFORMATION

7. The Chairman of the Boards of Governors, the Managing Director of the International Monetary Fund and the President of the World Bank Group will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

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[1] *Approved on March 21, 2008 pursuant to the By-laws, IBRD Section 5(d), IFC Section 4(d), and IDA Section 1(a).*

AGENDA

Bank[1]

Annual Report
Financial Statements and Annual Audit
Allocation of FY08 Net Income
Administrative Budget for FY09
Annual Report of the Development Committee
2008 Regular Election of Executive Directors
Selection of the Members of the Joint Procedures Committee and its Officers for 2008-2009

IFC[1]

Annual Report
Financial Statements and Annual Audit
Use of IFC's FY08 Net Income: Retained Earnings and Designated Retained Earnings
Administrative Budget for FY09

IDA[1]

Annual Report
Financial Statements and Annual Audit
Administrative Budget for FY09

MIGA[2]

Annual Report
Financial Statements and Annual Audit
2008 Regular Election of Directors
Selection of the Members of the MIGA Procedures Committee and its Officers for 2008-2009

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[1] *Approved on August 19, 2008 pursuant to the By-laws, IBRD Section 5 (d), IFC Section 4(d), and IDA Section 1(a).*
[2] *Approved on August 19, 2008, pursuant to Section 4(a) of the MIGA By-laws.*

JOINT PROCEDURES COMMITTEE

Chairman	Macedonia, Former Yugoslav Republic of
Vice Chairmen	Costa Rica Namibia
Reporting Member	Qatar

MEMBERS

Argentina
Bangladesh
Brazil
Costa Rica
France
Germany
Greece
Grenada
Guinea-Bissau
Japan
Korea
Macedonia, Former Yugoslav Republic of
Namibia
Qatar
Russian Federation
Saudi Arabia
Switzerland
Togo
Turkey
Uganda
United Kingdom
United States
Vietnam

REPORT OF THE JOINT PROCEDURES COMMITTEE

REPORT II[1]

October 12, 2008

At the meeting of the Joint Procedures Committee held on October 12, 2008, items of business on the agenda of the Boards of Governors of the Bank, IFC, and IDA were considered.

The Committee submits the following report and recommendations on Bank and IDA business:

1. 2008 Annual Report

The Committee noted that the 2008 Annual Report and the activities of the Bank and IDA would be discussed at these Annual Meetings.

2. 2008 Regular Election of Executive Directors

The Committee noted that the 2008 Regular Election of Executive Directors of the Bank would be completed on October 13, 2008, and that the next Regular Election of Executive Directors will take place in 2010.

3. Financial Statements, Accountants' Report, and Administrative Budgets

The Committee considered the Financial Statements, Accountants' Reports, and Administrative Budgets contained in the 2008 Bank and IDA Annual Report, together with the Report dated June 26, 2008.

The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft Resolutions. . . .[2]

4. Allocation of FY08 Net Income

The Committee considered the Report of the Executive Directors, dated August 7, 2008, on the Allocation of FY08 Net Income. . . .[3]

The Committee recommends that the Board of Governors of the Bank adopt the draft Resolution. . . .[4]

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[1] *Report I related to business of the Fund.*

[2] *See page 174.*

[3] *See page 224.*

[4] *See page 174.*

The Committee submits the following report and recommendations on IFC business:

5. 2008 Annual Report

The Committee noted that the 2008 Annual Report and the activities of the IFC would be discussed at these Annual Meetings.

6. Financial Statements, Accountant's Report, Administrative Budget and Designations of Retained Earnings

The Committee considered the Financial Statements and Accountant's Report, the Administrative Budget, and the Designations of Retained Earnings based on IFC's FY08 Net Income contained in the 2008 Annual Report, dated June 26, 2008.

The Committee recommends that the Board of Governors of IFC adopt the draft Resolution. . . .[1]

Approved:

/s/ Zoran Stavreski	/s/ A. Shakour Shaalan
Macedonia, Former Yugoslav Republic of—Chairman	Qatar—Reporting Member

(This report was approved and its recommendations were adopted by the Board of Governors on October 12, 2008)

[1] *See page 177.*

REPORT III

October 12, 2008

The Joint Procedures Committee met on October 12, 2008, and submits the following report and recommendations:

1. Development Committee

The Committee noted that the Report of the Chairman of the Joint Ministerial Committee of the Boards of Governors of the Fund and the Bank on the Transfer of Real Resources to Developing Countries (Development Committee) would be presented to the Boards of Governors of the Fund and Bank on October 13, 2008, pursuant to paragraph 5 of Resolutions Nos. 29-9 and 294 of the Fund and Bank, respectively. . . .[1]

The Committee recommends that the Boards of Governors of the Fund and the Bank note the report and thank the Development Committee for its work.

2. Officers and Joint Procedures Committee for 2008/09

The Committee recommends that the Governor for Vietnam be Chairman and that the Governors for Lithuania and Tunisia be Vice Chairmen of the Boards of Governors of the Fund and of the World Bank Group, to hold office until the close of the next Annual Meetings.

It is further recommended that a Joint Procedures Committee be established to be available, after the termination of these meetings and until the close of the next Annual Meetings, for consultation at the discretion of the Chairman, normally by correspondence and, if the occasion requires, by convening; and that this Committee shall consist of the Governors for the following members: The Bahamas, China, Côte d'Ivoire, the Czech Republic, Djibouti, France, Germany, Haiti, India, Iraq, Japan, Liberia, Lithuania, Montenegro, New Zealand, Nigeria, Saudi Arabia, Spain, Tunisia, the United Kingdom, the United States, Uzbekistan, and Vietnam.

It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Vietnam, and the Vice Chairmen shall be the Governors for Lithuania and Tunisia, and that the Governor for Liberia shall serve as Reporting Member.

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[1] *See page 18.*

Approved:

/s/ Zoran Stavreski	/s/ A. Shakour Shaalan
Macedonia, Former Yugoslav Republic of—Chairman	Qatar—Reporting Member

(This report was approved and its recommendations were adopted by the Board of Governors on October 12, 2008)

MIGA PROCEDURES COMMITTEE

Chairman	Macedonia, Former Yugoslav Republic of
Vice Chairmen	Costa Rica Namibia
Reporting Member	Qatar

MEMBERS

Argentina
Bangladesh
Brazil
Costa Rica
France
Germany
Greece
Grenada
Guinea-Bissau
Japan
Korea
Macedonia, Former Yugoslav Republic of
Namibia
Qatar
Russia Federation
Saudi Arabia
Switzerland
Togo
Turkey
Uganda
United Kingdom
United States
Vietnam

REPORT OF THE MIGA PROCEDURES COMMITTEE

REPORT I

October 12, 2008

At the meeting of the MIGA Procedures Committee held on October 12, 2008, the items of business on the agenda of the Council of Governors of MIGA were considered.

The Committee submits the following report and recommendations on MIGA business:

1. 2008 Annual Report

The Committee noted that provision had been made for discussion of the 2008 Annual Report and the activities of MIGA at this Annual Meeting.

2. Financial Statements and Annual Audit

The Committee considered the Financial Statements and Accountants' Report contained in the 2008 Annual Report.

The Committee recommends that the Council of Governors adopt the draft Resolution. . . .[1]

3. 2008 Regular Election of Directors

The Committee noted that the 2008 Regular Election of Directors of MIGA would be completed on October 13, 2008, and that the next Regular Election of Directors will take place in 2010.

4. Officers and Procedures Committee for 2008/09

The Committee recommends that the Governor for Vietnam be Chairman and the Governors for Lithuania and Tunisia be Vice Chairmen of the Council of Governors of MIGA to hold office until the close of the next Annual Meeting.

It is further recommended that a Procedures Committee be established to be available, after the termination of this Annual Meeting and

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[1] *See page 198.*

until the close of the next Annual Meeting, for consultation at the discretion of the Chairman, normally by correspondence and, if the occasion requires, by convening; and that this committee shall consist of the Governors for the following members: The Bahamas, China, Côte d'Ivoire, the Czech Republic, Djibouti, France, Germany, Haiti, India, Iraq, Japan, Liberia, Lithuania, Montenegro, New Zealand, Nigeria, Saudi Arabia, Spain, Tunisia, the United Kingdom, the United States, and Uzbekistan and Vietnam.

It is recommended that the Chairman of the Procedures Committee shall be the Governor for Vietnam and the Vice Chairmen shall be the Governors for Lithuania and Tunisia, and that the Governor for Liberia shall serve as Reporting Member.

Approved:

/s/ Zoran Stavreski	/s/ A. Shakour Shaalan
Macedonia, Former Yugoslav Republic of—Chairman	Qatar—Reporting Member

(This report was approved and its recommendations were adopted by the Council of Governors on October 12, 2008)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK BETWEEN THE 2007 AND 2008 ANNUAL MEETINGS

Resolution No. 589

Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank

RESOLVED:

THAT the Bank transfer from surplus, by way of grant, US$55,000,000 to the Trust Fund for Gaza and West Bank, such transfer to be drawn down by the Association as needed; provided, however, that the amount of such grant may at any time be changed by the Association into an equivalent amount in other currencies.

(Adopted June 4, 2008)

Resolution No. 590

Transfer of IBRD Surplus to Food Price Crisis Response Trust Fund

RESOLVED:

THAT The International Bank for Reconstruction and Development immediately transfer from surplus, by way of grant, $85 million to the Food Price Crisis Response Trust Fund (the "Trust Fund"), established by the International Development Association (IDA or the "Association"), administered by the Association in accordance with the resolution establishing the Trust Fund.

(Adopted June 13, 2008)

Resolution No. 591

Direct Remuneration of Executive Directors and Their Alternates

RESOLVED:

THAT, effective July 1, 2008, the remuneration of the Executive Directors of the Bank and their Alternates pursuant to Section 13(e) of the By-Laws shall be paid in the form of salary without a separate sup-

plemental allowance, and such salary shall be paid at the annual rate of $230,790 per year for Executive Directors and $199,650 per year for their Alternates.

(Adopted July 25, 2008)

Resolution No. 592

2008 Regular Election of Executive Directors

RESOLVED:

(a) THAT the attached Rules for the 2008 Regular Election of Executive Directors are hereby approved; and

(b) THAT a Regular Election of Executive Directors shall take place in connection with the Annual Meeting of the Board of Governors in 2010.

(Adopted August 1, 2008)

Resolution No. 593

Allocation of $115 Million of FY08 Net Income

RESOLVED:

1. THAT the Report of the Executive Directors dated August 7, 2008, on "Allocation of $115 million of FY08 Net Income" is hereby noted with approval;

2. THAT the addition to the General Reserve of the IBRD of $811 million, plus or minus any rounding amount less than $1 million, and the addition to the pension reserve of $117 million for the reasons given in the Report of the Executive Directors, are hereby noted with approval;

3. THAT the IBRD retain $115 million as surplus; and

4. THAT the IBRD transfer from surplus, by way of grant, $115 million to the Food Price Crisis Response Trust Fund.

(Adopted September 9, 2008)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK AT THE 2008 ANNUAL MEETINGS

Resolution No. 594

Financial Statements, Accountants' Report, and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Bank consider the Financial Statements, Accountants' Report, and Administrative Budget, included in the 2008 Annual Report, as fulfilling the requirements of Article V, Section 13, of the Articles of Agreement and of Section 18 of the By-Laws of the Bank.

(Adopted October 13, 2008)

Resolution No. 595

Allocation of FY08 Net Income

RESOLVED:

1. THAT the Report of the Executive Directors dated August 7, 2008, on "Allocation of FY08 Net Income" is hereby noted with approval;

2. THAT the addition to the General Reserve of the IBRD of $811 million, plus or minus any rounding amount less than $1 million, and the addition to the pension reserve of $117 million for the reasons given in the Report of the Executive Directors, are hereby noted with approval;

3. THAT the IBRD transfer to the International Development Association, by way of a grant out of the FY08 allocable net income of the IBRD, $583.3 million, which amount may be used by the Association to provide financing in the form of grants in addition to loans, such transfer to be drawn down by the Association immediately upon approval by the Board of Governors of the IBRD;

4. THAT the IBRD retain $635 million as surplus; and

5. THAT the IBRD transfer from surplus, by way of grant, $40 million to the Kosovo Sustainable Employment Development Trust Fund.

(Adopted October 13, 2008)

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF IFC BETWEEN THE 2007 AND 2008 ANNUAL MEETINGS

Resolution No. 247

Membership of the State of Qatar

WHEREAS, the State of Qatar has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the State of Qatar, has made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the State of Qatar shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions*: As used in this Resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corpora tion.
   (c) "Dollars" or "$" means dollars in currency of the United States of America.

2. *Subscription*: By accepting membership in the Corporation, the State of Qatar shall subscribe to 1,650 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription*: Before accepting membership in the Corporation, the State of Qatar shall pay $1,650,000 to the Corporation representing payment in full for the 1,650 shares of the capital stock subscribed.

4. *Information*: Before accepting membership in the Corporation, the State of Qatar shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Effective Date of Membership*: The State of Qatar shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this Resolution as of the date when the State of Qatar shall have complied with the following requirements:
   (a) made the payment called for by paragraph 3 of this Resolution;
   (b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this Resolution;
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
   (d) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Fulfillment of Requirements of Membership*: The State of Qatar may fulfill the requirements for membership in the Corporation pursuant to this Resolution until December 31, 2008, or such later date as the Board of Directors may determine.

(Adopted June 13, 2008)

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF IFC AT THE 2008 ANNUAL MEETINGS

Resolution No. 248

Financial Statements, Accountants' Report, Administrative Budget, and Designations of Retained Earnings

RESOLVED:

1. THAT the Board of Governors of the Corporation consider the Consolidated Financial Statements and Independent Auditors' Report included in the 2008 Annual Report and the Administrative Budget contained in the Report of the Board of Governors on IFC's FY09–11 Business Plan and Budget (the "Report"), as fulfilling the requirements of Article IV, Section 11, of the Articles of Agreement and of Section 16 of the By-Laws of the Corporation;

2. THAT the Report is hereby noted with approval;

3. THAT the Corporation's FY08 net income of $1,547 million be transferred to undesignated retained earnings;

4. THAT the designation of $100 million of retained earnings in IFC's Fiscal Year 2009 First Quarter financial statements for IFC's Funding Mechanism for Technical Assistance and Advisory Services is hereby noted with approval;

5. THAT the designation of $450 million of retained earnings in IFC's Fiscal Year 2009 financial statements for grants to the International Development Association for use by the Association in the form of grants in furtherance of IFC's purpose, which, as set forth in Article I of the Corporation's Articles of Agreement, is "to further economic development by encouraging the growth of productive private enterprise in the Corporation's member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development," is hereby noted with approval.

(Adopted October 13, 2008)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA BETWEEN THE 2007 AND 2008 ANNUAL MEETINGS

Resolution No. 217

Latvia—Change in Membership Status

WHEREAS Latvia became a member of the Association on August 11, 1992, pursuant to the terms and conditions of Board of Governors' Resolution No. 163 entitled "Membership of Latvia" adopted on April 24, 1992;

WHEREAS Latvia has removed all restrictions on the use by the Association of the amounts of its initial subscription in the Association's lending activities;

WHEREAS Latvia has participated in each of the replenishments of the Association's resources by making subscriptions amounting in the aggregate to $0.89 million;

WHEREAS Latvia has requested that it be considered as a Part I member of the Association, and the Executive Directors have accepted this request and have recommended to the Board of Governors that the voting rights attached to Latvia's subscriptions and contributions to the Association be adjusted on the basis of its status as Part I member;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES

1. The terms and conditions of the membership of Latvia in the Association other than those specifically provided for in this Resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part I of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscription, usability of currencies, and voting rights).

2. Latvia's votes shall be adjusted as follows: As of the date of this Resolution, 39,757 votes shall be allocated to Latvia in lieu of the votes allocated to it before the said date, on account of its cumulative subscriptions to the resources of the Association through the Multilateral Debt Relief Initiative (MDRI) Replenishment (Board of Governors' Resolution No. 211 adopted on April 21, 2006) of the Association's resources, consisting of 57 subscription votes and 39,700 membership votes.

(Adopted on January 22, 2008)

Resolution No. 218

Membership of the Republic of Lithuania

WHEREAS the Republic of Lithuania has applied for membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association;

WHEREAS the Republic of Lithuania has indicated that it will make a subscription and contribution to the Association as part of the upcoming Fifteenth Replenishment of the Association.

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Republic of Lithuania, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Lithuania shall be admitted to membership in the Association shall be as follows:

1. *Definition*: As used in this Resolution:
   (a) "Association" means International Development Association.
   (b) "Articles" means the Articles of Agreement of the Association.
   (c) "Dollars" or "$" means dollars in currency of the United States of America.

2. *Initial Subscription*:
   (a) The terms and conditions of the membership of the Republic of Lithuania in the Association other than those specifically provided for in this Resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part I of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscription, usability of currencies and voting rights).
   (b) Upon accepting membership in the Association, the Republic of Lithuania shall subscribe funds in the amount of $1,350,000 expressed in terms of United States Dollars of the weight and fineness in effect on January 1, 1960, that is to say, pursuant to the decision of the Executive Directors of the Association of June 30, 1986, on the valuation of initial subscriptions, $1,628,573 in current Dollars, and shall pay the latter amount to the Association in US Dollars or in any other freely convertible currency. As of the date the Republic of Lithuania will become a member of the Association, 604 votes shall be allocated to the Republic of Lithuania in respect of such subscription, consisting of 104 subscription votes and 500 membership votes.

3. *Effective Date of Membership*: The Republic of Lithuania shall become a member of the Association with a subscription as set forth in paragraph 2(b) of this Resolution as of the date when the Republic of Lithuania shall have complied with the following requirements:
   (a) made the payments called for by paragraph 2 of this Resolution;
   (b) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted in accordance with its laws the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
   (c) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

4. *Limitation on Period for Fulfillment of Requirements of Membership*: The Republic of Lithuania may fulfill the requirements for membership in the Association pursuant to this Resolution until December 31, 2008, or such later date as the Executive Directors of the Association may determine.

5. *Additional Subscriptions and/or Contributions*: Upon or after acceptance of membership, the Republic of Lithuania shall also be authorized to make the following additional subscriptions and/or contributions:
   (a) An additional subscription in the amount of $384,809, comprising subscriptions corresponding to the Third through Fourteenth Replenishments which shall carry 32,525 votes, calculated on the basis of 25 subscription votes and 32,500 membership votes, and,
   (b) An additional subscription in the amount of $48,975 representing subscriptions to replenishment of the Association's resources for financing the Multilateral Debt Relief Initiative (MDRI), which shall be subject to the terms and conditions set out in Resolution No. 211 of the Board of Governors of the Association entitled "Additions to IDA Resources: Financing the Multilateral Debt Relief Initiative (the "MDRI Resolution"), which shall carry 5,803 votes, calculated on the basis of 3 subscription votes and 5,800 membership votes, and which shall be subject to the following terms and conditions:
      (i) Payment of such additional subscriptions shall be made in a freely convertible currency within 30 days after the Republic of Lithuania notifies the Association of its intention to make such additional subscription for the Third through the Fourteenth Replenishments and, for the MDRI, set out in the MDRI Resolution.
      (ii) The rights and obligations of the Association and the Republic of Lithuania with regard to such additional subscriptions shall be the same (except as otherwise provided in this Resolution) as those which govern the 90% portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part I of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles shall not be applicable to such subscriptions.
   (c) A subscription and contribution to the Fifteenth Replenishment in the amount of Euros 2,230,000, which shall be subject to the terms and conditions set out in the draft Resolution of the Board of Governors attached to the IDA15 Report "Additions to IDA Resources: Fifteenth Replenishment" dated January 31, 2008 (submitted to the Executive Directors of the Association for discussion).

(Adopted April 3, 2008)

Resolution No. 219

Additions to Resources: Fifteenth Replenishment

WHEREAS:

(A) The Executive Directors of the International Development Association (the "Association") have considered the prospective financial requirements of the Association and have concluded that it is desirable to authorize a replenishment of the resources of the Association for new financing commitments for the period from July 1, 2008, to June 30, 2011 (the "Fifteenth Replenishment") in the amounts and on the basis set out in the report of the IDA Deputies, "Additions to Resources: Fifteenth Replenishment," (the "Report"), approved by the Executive Directors on February 28, 2008, and submitted to the Board of Governors;

(B) The members of the Association consider that an increase in the resources of the Association is required and intend to take all necessary governmental and legislative action to authorize and approve the allocation of additional resources to the Association in the amounts and on the conditions set out in this Resolution;

(C) Members of the Association that contribute resources to the Association in addition to their subscriptions as part of the Fifteenth Replenishment ("Contributing Members") are to make available their contributions pursuant to the Articles of Agreement of the Association (the "Articles") partly in the form of subscriptions carrying voting rights and partly as supplementary resources in the form of contributions not carrying voting rights;

(D) Additional subscriptions are to be authorized for Contributing Members in this Resolution on the basis of their agreement with respect to their preemptive rights under Article III, Section 1(c) of the Articles, and provision is made for the other members of the Association ("Subscribing Members") intending to exercise their rights pursuant to that provision to do so;

(E) It is desirable to provide for a portion of resources to be contributed by members to be paid to the Association as advance contributions;

(F) Additional subscriptions and contributions are to be authorized for Contributing Members to provide compensation for the Association's debt forgiveness commitments under the Heavily Indebted Poor Countries ("HIPC") Debt Initiative and to provide financing for arrears clearance operations by the Association;

(G) It is desirable to authorize the Association to provide financing in the form of grants, guarantees, and the intermediation of risk management products in addition to loans; and

(H) It is desirable to administer any remaining funds from the replenishment authorized by Resolution No. 209 of the Board of Governors of the Association (the "Fourteenth Replenishment") as part of the Fifteenth Replenishment.

NOW THEREFORE THE BOARD OF GOVERNORS HEREBY ACCEPTS the Report as approved by the Executive Directors, ADOPTS its conclusions and recommendations AND RESOLVES THAT a general increase in subscriptions of the Association is authorized on the following terms and conditions:

1. *Authorization of Subscriptions and Contributions.*
   (a) The Association is authorized to accept additional resources from each Contributing Member in the amounts specified for each such member in Columns (2) (3) (7) and (10) of Table 1 attached to this Resolution, and each such amount will be divided into a subscription carrying voting rights and a contribution not carrying voting rights as specified in Table 2 attached to this Resolution.
      (i) As part of the resources described in paragraph 1(a) above, the Association is authorized to accept additional subscriptions and contributions from Contributing Members to compensate the Association for the Association's debt forgiveness commitments under the HIPC Debt Initiative in the amounts and as specified in Column (7) of Table 1 attached to this Resolution.
      (ii) As part of the resources described in paragraph 1(a) above, the Association is authorized to accept additional subscriptions and contributions from Contributing Members to finance arrears clearance operations in the amounts and as specified in Column (10) of Table 1 attached to this Resolution.

(b) The Association is authorized to accept additional resources from any member for which no contribution is specified in Table 2 and additional subscriptions and contributions from Contributing Members incremental to the amounts specified for each such member in Table 1;
(c) The Association is authorized to accept additional subscriptions from each Subscribing Member in the amount specified for each such member in Table 2.
(d) The rights and obligations of the Association and the Contributing Members in respect of the authorized subscriptions and contributions in paragraphs (a) and (b) above will be the same (except as otherwise provided in this Resolution) as those applicable to the ninety per cent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles of Agreement (the "Articles") by members listed in Part I of Schedule A of the Articles.

2. *Agreement to Pay.*
(a) When a Contributing Member agrees to pay its subscription and contribution, or a Subscribing Member agrees to pay its subscription, it will deposit with the Association an Instrument of Commitment substantially in the form set out in Attachment I to this Resolution ("Instrument of Commitment") and, with respect to its contribution for debt forgiveness under the HIPC Debt Initiative or for arrears clearance operations, a Contributing Member will either include such contribution in an Instrument of Commitment or make a Debt Relief Transfer Contribution, as defined and specified in paragraph 9(a) of this Resolution.
(b) When a Contributing Member agrees to pay a part of its subscription and contribution without qualification and the remainder is subject to enactment by its legislature of the necessary appropriation legislation, it will deposit a qualified Instrument of Commitment in a form acceptable to the Association ("Qualified Instrument of Commitment") and such member:
(i) undertakes to exercise its best efforts to obtain legislative approval for the full amount of its subscription and contribution by the payment dates set out in paragraph 3(b) of this Resolution; and
(ii) agrees that, upon obtaining such approvals, it will notify the Association that any parts of its Qualified Instrument of Commitment have become unqualified.

3. *Payment.*
   (a) Each Subscribing Member will pay to the Association the amount of its subscription in full within 31 days after the date of deposit of its Instrument of Commitment; provided that if the Fifteenth Replenishment shall not have become effective by December 15, 2008, payment may be postponed by the member for not more than 31 days after the Effective Date as defined in paragraph 6(a) of this Resolution.
   (b) Each Contributing Member that deposits an Instrument of Commitment that is not a Qualified Instrument of Commitment will pay to the Association the amount of its subscription and contribution in three equal annual installments no later than 31 days after the Effective Date or as agreed with the Association, January 15, 2010, and January 17, 2011; provided that:
      (i) the Association and each Contributing Member may agree to earlier payment;
      (ii) if the Fifteenth Replenishment shall not have become effective by December 15, 2008, payment of the first such installment may be postponed by the member for not more than 31 days after the date on which the Fifteenth Replenishment becomes effective;
      (iii) the Association may agree to the postponement of any installment, or part thereof, if the amount paid, together with any unused balance of previous payments by the Contributing Member concerned, is at least equal to the amount estimated by the Association to be required from that member up to the due date of the next installment for purposes of disbursements for financing committed under the Fifteenth Replenishment; and
      (iv) if any Contributing Member deposits an Instrument of Commitment with the Association after the date when the first installment of the subscription and contribution is due, payment of any installment, or part thereof, will be made to the Association within 31 days after the date of such deposit.
   (c) If a Contributing Member has deposited a Qualified Instrument of Commitment and, upon enactment of appropriation legislation, notifies the Association that an installment, or part thereof, is unqualified after the date when it was due, then payment of such installment, or part thereof, will be made within 31 days after the date of such notification.

4. *Mode of Payment.*
   (a) Payments pursuant to this Resolution will be made, at the option of the member: (i) in cash, on terms agreed between the member and the Association; or (ii) by the deposit of notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand to the account of the Association.
   (b) The Association will encash notes or similar obligations of Contributing Members, on an approximately *pro rata* basis among donors, in accordance with the encashment schedule set out at Attachment II to this Resolution, or as agreed between a Contributing Member and the Association. With respect to a Contributing Member that is unable to comply with one or more encashment requests, the Association may agree with the member on a revised encashment schedule that yields at least an equivalent value to the Association.
   (c) The provisions of Article IV, Section 1(a) of the Articles will apply to the use of a Subscribing Member's currency paid to the Association pursuant to this Resolution.

5. *Currency of Denomination and Payment.*
   (a) Members will denominate the resources to be made available pursuant to this Resolution in SDRs, the currency of the member if freely convertible, or, with the agreement of the Association, in a freely convertible currency of another member, except that if a Contributing Member's economy experienced a rate of inflation in excess of ten percent per annum on average in the period 2004–2006, as determined by the Association, its subscription and contribution will be denominated in SDRs or in any currency used for the valuation of the SDR and agreed with the Association.
   (b) Contributing Members will make payments pursuant to this Resolution in SDRs, a currency used for the valuation of the SDR, or, with the agreement of the Association, in another freely convertible currency, and the Association may freely exchange the amounts received as required for its operations. Subscribing Members will make payments in the currency of the member or in a freely convertible currency with the agreement of the Association.
   (c) Each member will maintain, in respect of its currency paid by it under this Resolution, and the currency of such member derived therefrom as principal, interest or other charges, the same convertibility as existed on the effective date of this Resolution.

(d) The provisions of Article IV, Section 2 of the Articles with respect to maintenance of value will not be applicable.

6. *Effective Date.*
   (a) The Fifteenth Replenishment will become effective and the resources to be contributed pursuant to this Resolution will become payable to the Association on the date (the "Effective Date") when Contributing Members whose subscriptions and contributions aggregate not less than SDR 9,696 million shall have deposited with the Association Instruments of Commitment, Qualified Instruments of Commitment or Debt Relief Transfer Notifications (as defined in paragraph 9 (b) of this Resolution), provided that this date shall be not later than December 15, 2008, or such later date as the Executive Directors of the Association may determine.
   (b) If the Association determines that the availability of additional resources pursuant to this Resolution is likely to be unduly delayed, it shall convene promptly a meeting of the Contributing Members to review the situation and to consider the steps to be taken to prevent a suspension of financing to eligible recipients by the Association.

7. *Advance Contributions.*
   (a) In order to avoid an interruption in the Association's ability to commit financing to eligible recipients pending the effectiveness of the Fifteenth Replenishment, the Association may deem, prior to the Effective Date, one third of the total amount of each subscription and contribution for which an Instrument of Commitment has been deposited with the Association, or for which a Debt Relief Transfer Notification (as defined in paragraph 9(b) of this Resolution) has been received by the Association, as an "Advance Contribution," unless the Contributing Member specifies otherwise in its Instrument of Commitment or Debt Relief Transfer Notification.
   (b) The Association shall specify when Advance Contributions pursuant to subparagraph (a) are to be paid to the Association.
   (c) The terms and conditions applicable to contributions to the Fifteenth Replenishment shall apply also to Advance Contributions until the Effective Date, when such contributions shall be deemed to constitute payment towards the amount due from each Contributing Member for its subscription and contribution.
   (d) In the event that the Fifteenth Replenishment shall not become effective pursuant to paragraph 6(a) of this Resolution, (i) voting rights will be allocated to each member for the

Advance Contribution as if it had been made as a subscription and contribution under this Resolution, and (ii) each member not making an Advance Contribution will have the opportunity to exercise its preemptive rights under Article III, Section 1(c) of the Articles with respect to such subscription as the Association shall specify.

8. *Commitment Authority.*
   (a) Subscriptions and contributions will become available for commitment by the Association for financing to eligible recipients in three equal annual installments: (i) the first installment will become available to the Association for commitment from the Effective Date, provided that advance contributions may become available earlier under paragraph 7(a) of this Resolution; (ii) the second installment will become available from July 1, 2009, and (iii) the third installment will become available from July 1, 2010.
   (b) Any qualified part of a subscription and contribution notified under a Qualified Instrument of Commitment will become available for commitment by the Association for financing when the Association has been notified, pursuant to paragraph 2(b) (ii) of this Resolution, that such parts have become unqualified.
   (c) The Association may enter into financing commitments with eligible recipients conditional on such commitments becoming effective and binding on the Association when resources under the Fifteenth Replenishment become available for commitment by the Association.

9. *HIPC and Arrears Clearance Contributions.*
   (a) Contributing Members making an additional subscription and contribution to compensate the Association for forgiveness of debt under the HIPC Debt Relief Initiative or to finance arrears clearance operations, will do so either: (i) through an additional subscription and contribution to the Association's regular resources (a "Debt Relief Additional Contribution") or (ii) through a contribution to the HIPC Debt Initiative Trust Fund administered by the Association (a "Debt Relief Transfer Contribution").
   (b) Contributing Members making a Debt Relief Transfer Contribution will either (i) enter into a Contribution Agreement with the Association as administrator of the Debt Relief Trust Fund; or (ii) for Contributing Members that are already current con-

tributors to the Debt Relief Trust Fund, send to the Association a notice of additional contribution, (each constituting a "Debt Relief Transfer Notification"). Such Debt Relief Transfer Notification will provide for a contribution to be made to the Debt Relief Trust Fund in the amounts set forth in Columns (7) and (10) of Table 1 to this Resolution, each to be payable in three equal annual installments no later than 31 days after the Effective Date, January 15, 2010, and January 17, 2011; provided that the Association and each Contributing Member may agree to earlier payment.

(c) When any amount of a Debt Relief Transfer Contribution is paid to compensate the Association for forgiveness of debt under the HIPC Debt Initiative or to finance arrears clearance operations, such amount of the Debt Relief Transfer Contribution will be treated as a subscription and contribution under the Fifteenth Replenishment.

10. *Authorization of Grants, Guarantees, and Risk Intermediation.* The Association is hereby authorized to provide financing under the Fifteenth Replenishment in the form of grants and guarantees and through the intermediation of risk management products.

11. *Administration of IDA14 Funds under the Fifteenth Replenishment.*

(a) On the Effective Date, any funds, receipts, assets and liabilities held by the Association under the Fourteenth Replenishment will be administered under the Fifteenth Replenishment, subject, as appropriate, to the terms and conditions applicable to the Fourteenth Replenishment.

(b) Pursuant to Article V, Section 2(a)(i) of the Articles of Agreement of the Association, the Association is authorized to use the funds referred to in paragraph 11(a) above, and funds derived therefrom as principal, interest, or other charges, to provide financing in the forms of grants and guarantees under the terms, conditions, and policies applicable under the Fifteenth Replenishment.

12. *Allocation of Voting Rights under Fifteenth Replenishment.* Voting rights calculated on the basis of the current voting rights system will be allocated to members for subscriptions under the Fifteenth Replenishment as follows:

(a) Each Subscribing Member that has deposited with the Association an Instrument of Commitment will be allocated the subscription votes specified for each such member in Table 2 on the

effective payment date pursuant to paragraph 3(a) of this Resolution. Each Subscribing Member will be allocated the additional membership votes specified in Column c-3 of Table 2 on the date such member is allocated its subscription votes.

(b) Each Contributing Member that has deposited with the Association an Instrument of Commitment will be allocated one-third of the subscription votes specified for each such member in Table 2 on each effective payment date pursuant to paragraph 3(b) of this Resolution. Each Contributing Member will be allocated the additional membership votes specified in Column b-4 of Table 2 for its subscription on the date such member is allocated the first one-third of its subscription votes.

(c) Each Contributing Member that has made a Debt Relief Transfer Contribution will be allocated a proportionate share of the subscription votes specified for such member in Column b-3 of Table 2 from time to time and at least semi-annually following payment of any amount of its Debt Relief Transfer Contribution to compensate the Association for forgiveness of debt under the HIPC Debt Initiative or to finance arrears clearance operations.

(d) Each member that has deposited with the Association a Qualified Instrument of Commitment will be allocated subscription votes at the time and to the extent of payments made in respect of its subscription and contribution.

(e) Any member that deposits its Instrument of Commitment after any of these dates will be allocated, within 31 days of the date of such deposit, the subscription votes to which such member is entitled on account of such deposit.

(f) If a member fails to pay any amount of its subscription or subscription and contribution when due, the number of subscription votes allocated from time to time to such member under this Resolution in respect of the Fifteenth Replenishment will be reduced in proportion to the shortfall in such payments, but any such votes will be reallocated when the shortfall in payments causing such adjustment is subsequently made up.

(Adopted on April 23, 2008)

Table 1 – Contributions to the Fifteenth Replenishment

Contributing Members		Basic Contributions Share (1)	Basic Contributions SDR Million (2)	Supplemental SDR Million (3)	Incentive SDR Million (4)	Sub-total Contributions SDR Million (4)	Sub-total Contributions NC Million (5)	HIPC Costs Share (6)	HIPC Costs SDR Million (7)	HIPC Costs NC Million (8)	Arrears Clearance Share (9)	Arrears Clearance SDR Million (10)	Arrears Clearance NC Million (11)	Total Donor Contributions Share (12)	Total Donor Contributions SDR Million (13)	Total Donor Contributions NC Million (14)	FX Rates (NC/SDR) (15)	Currency of Denomination (16)
Australia	7/	1.80%	320.35	-	-	320.35	583.00								**320.35**	**583.00**	1.81991	AUD
Austria	3/ 5/	1.56%	277.91	*7.58*	-	285.49	311.65	0.86%	10.50	11.77	0.86%	7.80	8.75	**1.52%**	**303.79**	**332.17**	1.12141	EUR
Barbados	3/	0.002%	0.36	-	-	0.36	1.09	0.002%	0.02	0.06	0.002%	0.02	0.06	**0.002%**	**0.40**	**1.21**	3.03371	BBD
Belgium	8/	1.55%	276.13	-	-	276.13	309.65	1.71%	20.88	23.42	1.71%	15.51	17.39	**1.57%**	**312.52**	**350.46**	1.12141	EUR
Brazil	3/	0.61%	108.67	-	-	108.67	323.83	0.67%	8.18	24.38	0.67%	6.08	18.12	**0.62%**	**122.93**	**366.33**	2.97991	BRL
Canada		3.98%	709.45	-	-	709.45	1,161.72	4.14%	50.55	82.78	4.14%	37.55	61.48	**4.00%**	**797.55**	**1,305.98**	1.63750	CAD
China		0.10%	17.55	-	-	17.55	26.75	0.10%	1.22	1.86	0.10%	0.91	1.39	**0.10%**	**19.68**	**30.00**	1.52448	USD
Cyprus		0.02%	3.56	-	-	3.56	3.99	0.02%	0.24	0.27	0.02%	0.18	0.20	**0.02%**	**3.98**	**4.46**	1.12141	EUR
Czech Republic	3/ 5/	0.05%	8.91	*1.02*	-	9.93	280.88	0.06%	0.73	23.01	0.06%	0.54	17.02	**0.06%**	**11.20**	**320.91**	31.52395	CZK
Denmark	3/	1.08%	192.07	-	-	192.07	1,604.06	1.21%	14.77	123.35	1.21%	10.97	91.59	**1.09%**	**217.81**	**1,819.00**	8.35145	DKK
Egypt		0.006%	1.10	-	-	1.10	1.68	0.01%	0.12	0.18	0.01%	0.09	0.14	**0.007%**	**1.31**	**2.00**	1.52448	USD
Estonia	3/	0.01%	1.78	-	-	1.78	2.00	0.01%	0.12	0.13	0.01%	0.09	0.10	**0.01%**	**1.99**	**2.23**	1.12141	EUR
Finland	4/	0.94%	166.64	-	-	166.64	184.25	0.66%	8.06	9.04	0.66%	5.99	6.72	**0.91%**	**180.69**	**200.00**	1.12141	EUR
France	4/	6.49%	1,155.51	-	-	1,155.51	1,581.72	6.62%	80.83	123.22	6.62%	60.04	91.53	**6.50%**	**1,296.38**	**1,796.47**	1.52448	USD
Germany	3/ 4/ 6/	7.11%	1,267.14	-	-	*1,267.14*	1,240.37	11.37%	138.83	138.83	0.00%	-	-	**7.05%**	***1,405.97***	**1,379.20**	1.00000	SDR
Greece		0.24%	42.76	-	-	42.76	47.95	0.13%	1.59	1.78	0.13%	1.18	1.32	**0.23%**	**45.53**	**51.05**	1.12141	EUR
Hungary		0.06%	10.69	-	-	10.69	2,997.95	0.07%	0.85	238.38	0.07%	0.63	176.68	**0.06%**	**12.17**	**3,413.01**	280.44415	HUF
Iceland		0.04%	7.13	-	-	7.13	690.15	0.04%	0.49	47.43	0.04%	0.36	34.85	**0.04%**	**7.98**	**772.43**	96.79557	ISK
Ireland	3/ 5/	0.43%	76.01	*8.03*	-	84.04	85.24	0.20%	2.44	2.74	0.20%	1.81	2.02	**0.44%**	**88.29**	**90.00**	1.12141	EUR
Israel	3/ 10/	0.07%	12.47	-	-	12.47	78.69	0.11%	1.34	8.46	0.11%	1.00	6.31	**0.07%**	**14.81**	**93.46**	6.31071	ILS
Italy	3/ 9/	3.80%	676.97	-	-	676.97	759.16	3.80%	46.40	52.03	3.80%	34.47	38.66	**3.80%**	**757.84**	**849.85**	1.12141	EUR
Japan	3/	9.28%	1,653.82	-	-	1,653.82	300,772.85	16.00%	195.36	35,529.25	16.00%	145.12	26,392.90	**10.00%**	**1,994.30**	**362,695.00**	181.86553	JPY
Korea	9/	0.91%	162.12	-	-	162.12	229,485.11	1.00%	12.21	17,283.58	1.00%	9.07	12,838.82	**0.92%**	**183.40**	**259,607.51**	1415.52621	KRW
Kuwait	3/	0.18%	31.18	-	-	31.18	47.53	0.15%	1.83	2.79	0.15%	1.36	2.07	**0.17%**	**34.37**	**52.39**	1.52448	USD
Latvia		0.01%	1.78	-	-	1.78	2.00	0.01%	0.12	0.13	0.01%	0.09	0.10	**0.01%**	**1.99**	**2.23**	1.12141	EUR
Lithuania	3/	0.01%	1.78	-	-	1.78	2.00	0.01%	0.12	0.13	0.01%	0.09	0.10	**0.01%**	**1.99**	**2.23**	1.12141	EUR
Luxembourg	3/ 4/	0.19%	32.99	-	-	32.99	35.97	0.18%	2.20	2.47	0.18%	1.63	1.83	**0.18%**	**36.82**	**40.27**	1.12141	EUR
Mexico	3/	0.05%	8.91	-	-	8.91	148.42	0.06%	0.73	12.16	0.06%	0.54	9.00	**0.05%**	**10.18**	**169.58**	16.65788	MXN
Netherlands		3.00%	534.45	-	-	534.45	599.34	2.87%	35.04	39.29	2.87%	26.03	29.19	**2.99%**	**595.52**	**667.82**	1.12141	EUR
New Zealand		0.12%	21.38	-	-	21.38	44.01	0.13%	1.59	3.27	0.13%	1.18	2.43	**0.12%**	**24.15**	**49.71**	2.05859	NZD
Norway		1.46%	259.87	-	-	259.87	2,337.00	1.68%	20.51	184.44	1.68%	15.24	137.05	**1.48%**	**295.62**	**2,658.46**	8.99285	NOK
Poland	3/	0.03%	5.34	-	-	5.34	5.34	0.03%	0.37	0.37	0.03%	0.27	0.27	**0.03%**	**5.98**	**5.98**	1	SDR
Portugal		0.20%	35.63	-	-	35.63	39.96	0.22%	2.69	3.02	0.22%	2.00	2.24	**0.20%**	**40.32**	**45.22**	1.12141	EUR
Russia	1/ 3/	0.25%	44.54	23.54	-	68.08	68.08	0.09%	1.10	1.10	0.09%	0.82	0.82	**0.35%**	**70.00**	**70.00**	1	SDR
Saudi Arabia	3/	0.22%	39.19	-	-	39.19	224.06	0.43%	5.25	30.02	0.43%	3.90	22.30	**0.24%**	**48.34**	**276.38**	5.71715	SAR
Singapore	3/	0.08%	14.25	-	-	14.25	33.05	0.15%	1.83	4.24	0.15%	1.36	3.15	**0.09%**	**17.44**	**40.44**	2.31928	SGD
Slovak Republic	3/	0.01%	1.78	-	-	1.78	67.18	0.01%	0.12	4.53	0.01%	0.09	3.40	**0.01%**	**1.99**	**75.11**	37.74193	SKK
Slovenia		0.03%	4.98	-	-	4.98	5.58	0.03%	0.37	0.41	0.03%	0.27	0.30	**0.03%**	**5.62**	**6.29**	1.12141	EUR
South Africa	5/	0.09%	16.89	*1.88*	-	18.77	185.15	0.09%	1.10	11.93	0.09%	0.82	8.92	**0.10%**	**20.69**	**204.00**	10.84388	ZAR
Spain	5/	3.00%	534.45	*49.03*	-	583.48	599.34	1.99%	24.30	27.25	1.99%	18.05	20.24	**3.14%**	**625.83**	**646.83**	1.12141	EUR
Sweden		2.96%	527.32	-	-	527.32	5,477.88	2.89%	35.29	366.60	2.89%	26.21	272.27	**2.95%**	**588.82**	**6,116.75**	10.38816	SEK
Switzerland	3/	2.10%	374.12	-	-	374.12	570.34	2.10%	25.64	39.09	2.10%	19.05	29.04	**2.10%**	**418.81**	**638.47**	1.52448	USD
Turkey	3/ 9/	0.06%	10.00	-	-	10.00	20.06	0.00%	-	-	0.00%	-	-	**0.05%**	**10.00**	**20.06**	2.00564	TRY
United Kingdom		14.39%	2,564.17	-	-	2,564.17	1,952.67	11.19%	136.63	104.05	11.19%	101.49	77.28	**14.05%**	**2,802.29**	**2,134.00**	0.76152	GBP
United States		11.24%	2,002.18	-	-	2,002.18	3,052.28	20.12%	245.67	374.52	20.12%	182.49	278.20	**12.19%**	**2,430.34**	**3,705.00**	1.52448	USD
Sub-total		79.80%	14,216.28	91.08	-	14,307.36		93.22%	1,138.23		81.85%	742.39		**81.17%**	**16,187.98**			
Funds from accelerated encashment		0.00%	-			-		0.00%	-		0.00%	-		**0.00%**	-			
Additional Financing	2/	1.80%	321.05			321.05								**1.61%**	**321.05**			
Structural financing gap		18.40%	3,277.67			3,186.59		6.78%	82.77		18.15%	164.61		**17.22%**	**3,433.97**			
Total		100.00%	17,815.00			17,815.00		100.00%	1,221.00		100.00%	907.00		**100.00%**	**19,943.00**			

1/ Contributions of countries with an average inflation rate exceeding 10% over the 2004-2006 period would be denominated in SDRs.
2/ Represents the investment income generated by using a regular encashment profile of 9 years.
3/ Indicative contribution, subject to government and/or parliamentary approval.
4/ Includes an increase in basic share achieved through accelerated encashments.
5/ Supplemental contributions provided through accelerated encashments.
6/ Pledge for arrears clearance not yet determined.
7/ Due to timing constraints arising from recent elections, Australia was unable to provide a commitment towards HDA15 debt relief at the time of finalization of HDA15 pledges. However, debt relief is an important issue for Australia's new Government. Australia aims to clarify this matter in the near future.
8/ Subject to approval by the duly constituted authorities.
9/ Currency of denomination is to be reconfirmed.
10/ As proposed by Management, for government consideration.

Table 2 – Subscriptions, Contributions and Votes
(Amounts in USD Equivalent)

Part I	*Current Status (before IDA15)*					*Additional Votes Stemming from IDA15*				*Status Including IDA15*				*Adjusted Voting Power*				
Member	Subscriptions Carrying Votes (a-1)	Contributions (a-2)	Total Cumulative Resources (a-3)	Subscription Votes (a-4)	Total Voting Power % (a-5)	Total Resources (b-1)	Total Subscription Votes (b-2)	Of Which: Subs. Votes on HIPC and Arrears Clearance (b-3)	Membership Votes (b-4)	Total Cumulative Resources (d-1)	as % of Part I (d-2)	Subscription Carrying Votes (d-3)	Contributions (d-4)	Subscription Votes (f-1)	as % of Part I. (f-2)	Membership Votes (f-3)	Total Votes (f-4)	Total Voting Power % (f-5)
AUSTRALIA	29,643,627	3,035,599,201	3,065,242,828	195,155	1.04%	498,184,819	16,489	-	2,900	3,563,427,648	1.86%	30,055,852	3,533,371,796	211,644	1.86%	42,600	254,244	1.05%
AUSTRIA	8,720,413	1,555,135,514	1,563,855,927	99,548	0.62%	472,192,044	21,380	1,321	2,900	2,036,047,970	1.06%	9,254,913	2,026,793,057	120,928	1.06%	42,600	163,528	0.67%
BELGIUM	14,970,432	2,886,709,091	2,901,679,523	184,646	0.99%	486,004,224	16,560	1,928	2,900	3,387,683,747	1.76%	15,384,432	3,372,299,315	201,206	1.76%	42,600	243,806	1.01%
CANADA	59,570,166	7,775,208,038	7,834,778,204	498,713	2.38%	1,240,286,438	40,286	4,450	2,900	9,075,064,642	4.73%	60,577,316	9,014,487,326	538,999	4.73%	42,600	581,599	2.40%
DENMARK	15,040,839	2,597,504,732	2,612,545,571	166,127	0.91%	338,724,211	9,159	1,082	2,900	2,951,269,782	1.54%	15,269,814	2,935,999,968	175,286	1.54%	42,600	217,886	0.90%
ESTONIA	275,485	824,315	1,099,800	70	0.17%	3,094,694	179	19	2,900	4,194,494	0.00%	279,952	3,914,543	249	0.00%	41,700	41,949	0.17%
FINLAND	6,578,926	1,176,169,053	1,182,747,979	74,760	0.51%	280,915,930	12,172	959	2,900	1,463,663,909	0.76%	6,883,226	1,456,780,683	86,932	0.76%	42,600	129,532	0.53%
FRANCE	84,847,678	12,087,645,575	12,172,493,253	774,765	3.61%	2,012,420,314	67,725	8,096	2,900	14,184,913,567	7.39%	86,540,803	14,098,372,764	842,490	7.39%	42,600	885,090	3.65%
GERMANY	96,963,855	19,171,371,815	19,268,335,670	1,226,261	5.61%	2,185,631,731	47,963	4,828	2,900	21,453,967,402	11.18%	98,162,930	21,355,804,472	1,274,224	11.17%	42,600	1,316,824	5.43%
GREECE	3,916,415	143,682,636	147,599,051	9,308	0.22%	70,812,096	3,664	223	2,900	218,411,147	0.11%	4,008,015	214,403,132	12,972	0.11%	42,600	55,572	0.23%
ICELAND	222,350	62,447,927	62,670,277	3,966	0.19%	12,409,267	473	50	2,900	75,079,544	0.04%	234,175	74,845,369	4,459	0.04%	42,600	47,059	0.19%
IRELAND	4,348,550	357,894,428	362,242,978	23,015	0.28%	137,057,655	6,640	352	2,900	499,300,632	0.26%	4,514,550	494,786,082	29,655	0.26%	42,600	72,255	0.30%
ITALY	35,441,773	7,814,552,436	7,849,994,209	499,654	2.39%	1,178,529,754	36,581	3,904	2,900	9,028,523,962	4.70%	36,356,298.00	8,992,167,664	536,235	4.70%	42,600	578,835	2.39%
JAPAN	88,939,783	29,435,637,775	29,524,577,558	1,880,322	8.50%	3,101,386,867	57,445	9,807	2,900	32,625,964,426	16.99%	90,375,908.00	32,535,588,518	1,937,767	16.99%	42,600	1,980,367	8.17%
KUWAIT	5,449,415	813,526,801	818,976,216	51,728	0.40%	53,441,891	88	8	2,900	872,418,107	0.45%	5,451,615	866,966,492	51,816	0.45%	41,700	93,516	0.39%
LATVIA	226,285	4,318,154	4,544,439	291	0.18%	3,094,694	163	17	2,900	7,639,133	0.00%	230,369	7,408,764	454	0.00%	42,600	43,054	0.18%
LITHUANIA	520,920	1,541,437	2,062,357	132	0.17%	3,094,694	174	18	2,900	5,157,051	0.00%	525,273	4,631,779	306	0.00%	41,700	42,006	0.17%
LUXEMBOURG	712,130	155,579,505	156,291,635	9,936	0.22%	57,228,979	2,746	293	2,900	213,520,614	0.11%	780,780	212,739,834	12,682	0.11%	42,600	55,282	0.23%
NETHERLANDS	43,025,502	5,662,283,233	5,705,308,735	363,143	1.78%	926,108,355	30,719	3,150	2,900	6,631,415,090	3.45%	43,793,477	6,587,621,613	393,862	3.45%	42,600	436,462	1.80%
NEW ZEALAND	369,827	231,262,759	231,632,586	14,793	0.24%	37,563,187	1,195	137	2,900	269,195,774	0.14%	399,702	268,796,072	15,968	0.14%	42,600	58,588	0.24%
NORWAY	12,579,887	2,659,842,026	2,672,421,913	169,847	0.93%	459,722,189	16,182	1,957	2,900	3,132,144,102	1.63%	12,984,437	3,119,159,665	186,029	1.63%	42,600	228,629	0.94%
PORTUGAL	4,637,928	222,036,366	226,674,294	14,382	0.24%	62,701,862	2,805	326	2,900	289,376,157	0.15%	4,708,053	284,668,104	17,187	0.15%	42,600	59,787	0.25%
RUSSIA	2,411,916	359,733,414	362,145,330	22,679	0.28%	108,863,117	5,296	145	2,900	471,008,447	0.25%	2,544,316	468,464,131	27,975	0.25%	42,600	70,575	0.29%
SLOVENIA	13,017,412	17,243,656	30,261,068	1,917	0.18%	8,735,270	399	45	2,900	38,996,339	0.02%	13,027,387	25,968,952	2,316	0.02%	42,600	44,916	0.19%
SOUTH AFRICA	12,406,172	172,698,222	185,104,394	11,356	0.23%	32,125,504	1,546	158	2,900	217,229,898	0.11%	12,444,822	204,785,076	12,902	0.11%	42,600	55,502	0.23%
SPAIN	18,498,798	2,253,621,942	2,272,120,740	144,037	0.81%	973,239,562	48,716	3,577	2,900	3,245,360,303	1.69%	19,716,698	3,225,643,605	192,753	1.69%	42,600	235,353	0.97%
SWEDEN	22,134,860	5,622,170,644	5,644,305,504	346,841	1.71%	915,694,157	42,780	4,468	2,900	6,559,999,661	3.42%	23,204,360	6,536,795,301	389,621	3.42%	42,600	432,221	1.78%
SWITZERLAND	14,390,589	3,206,694,837	3,221,085,426	204,557	1.08%	651,303,590	25,437	2,714	2,900	3,872,389,017	2.02%	15,026,514	3,857,362,503	229,994	2.02%	42,600	272,594	1.12%
UNITED ARAB EMIRATES	10,729	5,189,119	5,199,848	619	0.01%		-			5,199,848	0.00%	10,729	5,189,119	619	0.01%	748	1,367	0.01%
UNITED KINGDOM	189,178,541	17,762,825,048	17,952,003,589	1,139,841	5.22%	4,357,909,018	185,220	15,739	2,900	22,309,912,607	11.62%	193,809,041	22,116,103,566	1,325,061	11.62%	42,600	1,367,661	5.64%
UNITED STATES	458,007,367	39,035,818,251	39,493,825,638	2,513,992	11.31%	3,779,475,571	56,156	9,893	2,900	43,273,301,209	22.54%	459,411,287	42,813,889,922	2,570,148	22.54%	41,700	2,611,848	10.78%
Subtotal Part I	**1,247,058,590**	**166,286,767,951**	**167,533,826,542**	**10,646,421**	**52.41%**	**24,447,949,687**	**756,338**	**79,666**	**87,000**	**191,981,776,229**	**100.00%**	**1,265,967,044**	**190,715,809,185**	**11,402,759**	**100%**	**1,275,148**	**12,677,907**	**52.32%**
Subtotal Part II	**613,249,292**	**4,769,499,152**	**5,382,748,444**	**5,232,116**	**47.59%**									**5,637,407**	**100%**	**5,916,900**	**11,554,307**	**47.68%**
Grand Total	**1,860,307,883**	**171,056,267,103**	**172,916,574,986**	**15,878,536**	**100.00%**									**17,040,166**	**100%**	**7,192,048**	**24,232,214**	**100.00%**

Notes:

Current Status (a-1) to (a-5): It is assumed that the members that have outstanding commitments to subscribe or contribute to any previous Replenishment will fulfill their obligations. Amounts have been calculated, for purposes of the voting rights adjustment, by multiplying the subscriptions and contributions up to and including the Third Replenishment (which were expressed in terms of U.S. dollars of the weight and fineness in effect on January 1, 1960) by 1.20635 and adding thereto the dollar equivalents of the subscriptions and contributions under the Fourth through MDRI Replenishments at the agreed exchange rates.

Allocation of Additional Votes with respect to Encashment: Subscription votes have been allocated on the imputed value of these contributions based on the related encashment schedule rather than the nominal amounts shown in contribution tables. For the Fifteenth Replenishment, this is included in column (b-1) for Part I countries, and for Part II countries in column (e-5).

Table 2 – Subscriptions, Contributions and Votes
(Amounts in USD Equivalent)

Part II	Current Status (before IDA15)					Allocation for Exercise of Preemptive Rights to Maintain Part II Voting Power				Additional Resources Provided under IDA15 in SDRs or Freely Convertible Currencies					Adjusted Voting power				
Member	Subscriptions Carrying Votes (a-1)	Contributions (a-2)	Total Cumulative Resources (a-3)	Subscription Votes (a-4)	Total Voting Power % (a-5)	Subscription Carrying Votes (c-1)	Subscription Votes (c-2)	Membership Votes (c-3)	Total Voting Power % (c-4)	Subscription Carrying Votes (e-1)	Total Subscription Votes (e-2)	Of Which: Subs. Votes on HIPC and Arrears Clearance (e-3)	Contributions (e-4)	Total Additional Resources (e-5)	Subscription Votes (f-1)	as % of part II (f-2)	Membership Votes (f-3)	Total Votes (f-4)	Total Voting Power % (f-5)
AFGHANISTAN	1,565,937	0	1,565,937	12,716	0.23%	22,035	881	2,900	0.23%	0	0	0	0	0	13,597	0.24%	42,600	56,197	0.23%
ALBANIA	363,073	0	363,073	3,150	0.19%	5,454	218	2,900	0.19%	0	0	0	0	0	3,368	0.06%	42,600	45,968	0.19%
ALGERIA	6,236,670	0	6,236,670	50,220	0.40%	87,045	3,482	2,900	0.40%	0	0	0	0	0	53,702	0.95%	42,600	96,302	0.40%
ANGOLA	9,762,606	0	9,762,606	78,517	0.52%	136,074	5,443	2,900	0.52%	0	0	0	0	0	83,960	1.49%	42,600	126,560	0.52%
ARGENTINA	29,386,889	105,775,581	135,162,471	256,928	1.31%	445,257	17,810	2,900	1.31%	0	0	0	0	0	274,738	4.87%	42,600	317,338	1.31%
ARMENIA	657,295	0	657,295	5,526	0.20%	9,585	383	2,900	0.20%	0	0	0	0	0	5,909	0.10%	42,600	48,509	0.20%
AZERBAIJAN	1,121,725	0	1,121,725	9,269	0.22%	16,075	643	2,900	0.22%	0	0	0	0	0	9,912	0.18%	42,600	52,512	0.22%
BAHAMAS, THE	586,631	0	586,631	4,675	0.19%	8,100	324	2,900	0.20%	0	0	0	0	0	4,999	0.09%	41,700	46,699	0.19%
BANGLADESH	8,325,698	0	8,325,698	67,009	0.47%	116,126	4,645	2,900	0.47%	0	0	0	0	0	71,654	1.27%	42,600	114,254	0.47%
BARBADOS	465,936	600,661	1,066,597	3,803	0.19%	6,589	264	2,900	0.19%	918	37	4	617,530	625,037	4,104	0.07%	42,600	46,704	0.19%
BELIZE	315,759	0	315,759	2,742	0.19%	4,760	190	2,900	0.19%	0	0	0	0	0	2,932	0.05%	42,600	45,532	0.19%
BENIN	780,047	0	780,047	5,480	0.20%	11,243	450	2,900	0.20%	0	0	0	0	0	6,930	0.12%	42,600	49,530	0.20%
BHUTAN	84,046	0	84,046	890	0.18%	1,542	62	2,900	0.18%	0	0	0	0	0	952	0.02%	42,600	43,552	0.18%
BOLIVIA	1,644,050	0	1,644,050	13,363	0.23%	23,150	926	2,900	0.24%	0	0	0	0	0	14,289	0.25%	42,600	56,889	0.23%
BOSNIA & HERZEGOVINA	10,142,789	0	10,142,789	9,646	0.22%	16,725	669	2,900	0.22%	0	0	0	0	0	10,315	0.18%	42,600	52,915	0.22%
BOTSWANA	258,846	1,522,810	1,781,656	2,445	0.19%	4,225	169	2,900	0.19%	0	0	0	0	0	2,614	0.05%	42,600	45,214	0.19%
BRAZIL	30,837,499	547,682,531	578,520,029	302,440	1.52%	524,150	20,966	2,900	1.51%	283,077	11,323	1,313	190,362,565	191,169,792	334,729	5.94%	42,600	377,329	1.56%
BURKINA FASO	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
BURUNDI	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
CAMBODIA	1,585,698	0	1,585,698	12,988	0.23%	22,500	900	2,900	0.23%	0	0	0	0	0	13,888	0.25%	42,600	56,488	0.23%
CAMEROON	1,565,897	0	1,565,897	12,714	0.23%	22,025	881	2,900	0.23%	0	0	0	0	0	13,595	0.24%	42,600	56,195	0.23%
CAPE VERDE	130,733	0	130,733	1,273	0.18%	2,200	88	2,900	0.18%	0	0	0	0	0	1,361	0.02%	42,600	43,961	0.18%
CENTRAL AFRICAN REP.	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
CHAD	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
CHILE	5,465,977	0	5,465,977	44,112	0.37%	76,450	3,058	2,900	0.37%	0	0	0	0	0	47,170	0.84%	42,600	89,770	0.37%
CHINA	47,073,930	0	47,073,930	386,794	1.89%	670,325	26,813	2,900	1.89%	44,458	1,778	192	29,896,776	30,611,558	415,385	7.37%	42,600	457,985	1.89%
COLOMBIA	5,641,531	26,659,258	32,300,789	51,120	0.40%	88,600	3,544	2,900	0.40%	0	0	0	0	0	54,664	0.97%	42,600	97,264	0.40%
COMOROS	130,733	0	130,733	1,273	0.18%	2,200	88	2,900	0.18%	0	0	0	0	0	1,361	0.02%	42,600	43,961	0.18%
CONGO, DEM. REP. OF	4,677,768	0	4,677,768	37,786	0.34%	65,475	2,619	2,900	0.34%	0	0	0	0	0	40,405	0.72%	42,600	83,005	0.34%
CONGO, REP. OF	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
COSTA RICA	315,294	0	315,294	2,709	0.19%	4,700	188	2,900	0.19%	0	0	0	0	0	2,897	0.05%	42,600	45,497	0.19%
COTE D'IVOIRE	1,565,897	0	1,565,897	12,714	0.23%	22,025	881	2,900	0.23%	0	0	0	0	0	13,595	0.24%	42,600	56,195	0.23%
CROATIA	23,846,364	0	23,846,364	22,307	0.27%	38,650	1,546	2,900	0.27%	0	0	0	0	0	23,853	0.42%	42,600	66,453	0.27%
CYPRUS	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	9,165	367	39	6,163,424	6,189,369	10,730	0.19%	42,600	53,330	0.22%
CZECH REPUBLIC	5,695,631	66,446,226	72,141,858	49,727	0.40%	86,175	3,447	2,900	0.40%	25,675	1,027	128	17,265,557	17,377,407	54,201	0.96%	42,600	96,801	0.40%
DJIBOUTI	254,613	0	254,613	2,276	0.19%	3,950	158	2,900	0.19%	0	0	0	0	0	2,434	0.04%	42,600	45,034	0.19%
DOMINICA	130,733	0	130,733	1,273	0.18%	2,200	88	2,900	0.18%	0	0	0	0	0	1,361	0.02%	42,600	43,961	0.18%
DOMINICAN REPUBLIC	627,145	68,614	695,759	5,309	0.20%	9,200	368	2,900	0.20%	0	0	0	0	0	5,677	0.10%	42,600	48,277	0.20%
ECUADOR	1,012,462	0	1,012,462	8,348	0.21%	14,475	579	2,900	0.21%	0	0	0	0	0	8,927	0.16%	42,600	51,527	0.21%
EGYPT, ARAB REP. OF	7,897,666	0	7,897,666	64,742	0.46%	112,200	4,488	2,900	0.46%	2,867	115	18	1,927,737	2,042,803	69,345	1.23%	42,600	111,945	0.46%
EL SALVADOR	469,827	23,707	493,534	3,968	0.19%	6,875	275	2,900	0.19%	0	0	0	0	0	4,243	0.08%	42,600	46,843	0.19%
EQUATORIAL GUINEA	502,015	0	502,015	4,266	0.19%	7,400	296	2,900	0.19%	0	0	0	0	0	4,562	0.08%	42,600	47,162	0.19%
ERITREA	146,418	0	146,418	1,406	0.18%	2,425	97	2,900	0.18%	0	0	0	0	0	1,503	0.03%	42,600	44,103	0.18%
ETHIOPIA	780,499	23,707	804,206	6,492	0.20%	11,250	450	2,900	0.20%	0	0	0	0	0	6,942	0.12%	42,600	49,542	0.20%
FIJI	873,329	0	873,329	7,256	0.21%	12,575	503	2,900	0.21%	0	0	0	0	0	7,759	0.14%	42,600	50,359	0.21%
GABON	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
GAMBIA, THE	419,968	0	419,968	3,602	0.19%	6,250	250	2,900	0.19%	0	0	0	0	0	3,852	0.07%	42,600	46,452	0.19%
GEORGIA	1,075,187	0	1,075,187	8,892	0.22%	15,400	616	2,900	0.22%	0	0	0	0	0	9,508	0.17%	42,600	52,108	0.22%
GHANA	3,655,092	0	3,655,092	29,507	0.31%	51,125	2,045	2,900	0.31%	0	0	0	0	0	31,552	0.56%	42,600	74,152	0.31%
GRENADA	144,655	0	144,655	1,335	0.18%	2,325	93	2,900	0.18%	0	0	0	0	0	1,428	0.03%	42,600	44,028	0.18%
GUATEMALA	625,917	0	625,917	5,266	0.20%	9,125	365	2,900	0.20%	0	0	0	0	0	5,631	0.10%	42,600	48,231	0.20%
GUINEA	1,565,897	0	1,565,897	12,714	0.23%	22,025	881	2,900	0.23%	0	0	0	0	0	13,595	0.24%	42,600	56,195	0.23%
GUINEA-BISSAU	221,531	0	221,531	1,951	0.18%	3,375	135	2,900	0.18%	0	0	0	0	0	2,086	0.04%	42,600	44,686	0.18%
GUYANA	1,260,004	0	1,260,004	10,344	0.22%	17,925	717	2,900	0.22%	0	0	0	0	0	11,061	0.20%	42,600	53,661	0.22%
HAITI	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%

Table 2 – Subscriptions, Contributions and Votes
(Amounts in USD Equivalent)

Part II	*Current Status (before IDA15)*					*Allocation for Exercise of Preemptive Rights to Maintain Part II Voting Power*				*Additional Resources Provided under IDA15 in SDRs or Freely Convertible Currencies*					*Adjusted Voting power*				
Member	Subscriptions Carrying Votes (a-1)	Contributions (a-2)	Total Cumulative Resources (a-3)	Subscription Votes (a-4)	Total Voting Power % (a-5)	Subscription Carrying Votes (c-1)	Subscription Votes (c-2)	Membership Votes (c-3)	Total Voting Power % (c-4)	Subscription Carrying Votes (e-1)	Total Subscription Votes (e-2)	Of Which: Subs. Votes on HIPC and Arrears Clearance (e-3)	Contributions (e-4)	Total Additional Resources (e-5)	Subscription Votes (f-1)	as % of part II (f-2)	Membership Votes (f-3)	Total Votes (f-4)	Total Voting Power % (f-5)
HONDURAS	469,491	0	469,491	3,960	0.19%	6,875	275	2,900	0.19%	0	0	0	0	0	4,235	0.08%	42,600	46,835	0.19%
HUNGARY	11,849,935	97,487,810	109,337,745	103,906	0.64%	180,075	7,203	2,900	0.64%	27,824	1,113	135	18,710,898	18,918,797	112,222	1.99%	42,600	154,822	0.64%
INDIA	63,512,081	0	63,512,081	545,425	2.59%	945,250	37,810	2,900	2.59%	0	0	0	0	0	583,235	10.35%	42,600	625,835	2.58%
INDONESIA	17,169,973	0	17,169,973	137,982	0.79%	239,125	9,565	2,900	0.79%	0	0	0	0	0	147,547	2.62%	42,600	190,147	0.78%
IRAN, ISLAMIC REP. OF	7,027,365	0	7,027,365	56,608	0.43%	98,100	3,924	2,900	0.43%	0	0	0	0	0	60,532	1.07%	42,600	103,132	0.43%
IRAQ	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
ISRAEL	2,716,184	43,761,434	46,479,618	25,580	0.29%	44,325	1,773	2,900	0.29%	34,137	1,365	216	22,956,431	23,034,893	28,718	0.51%	42,600	71,318	0.29%
JORDAN	469,491	0	469,491	3,960	0.19%	6,875	275	2,900	0.19%	0	0	0	0	0	4,235	0.08%	42,600	46,835	0.19%
KAZAKHSTAN	2,374,611	0	2,374,611	19,337	0.26%	33,500	1,340	2,900	0.26%	0	0	0	0	0	20,677	0.37%	42,600	63,277	0.26%
KENYA	2,604,120	0	2,604,120	21,094	0.27%	36,550	1,462	2,900	0.27%	0	0	0	0	0	22,556	0.40%	42,600	65,156	0.27%
KIRIBATI	99,595	0	99,595	1,018	0.18%	1,775	71	2,900	0.18%	0	0	0	0	0	1,089	0.02%	42,600	43,689	0.18%
KOREA	4,183,628	993,819,961	998,003,589	106,956	0.65%	185,350	7,414	2,900	0.65%	423,222	16,929	1,964	284,606,391	285,214,963	131,299	2.33%	42,600	173,899	0.72%
KYRGYZ REPUBLIC	625,788	0	625,788	5,255	0.20%	9,100	364	2,900	0.20%	0	0	0	0	0	5,619	0.10%	42,600	48,219	0.20%
LAO PEOPLE'S DEM. REP.	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
LEBANON	704,072	0	704,072	5,918	0.20%	10,250	410	2,900	0.20%	0	0	0	0	0	6,328	0.11%	42,600	48,928	0.20%
LESOTHO	254,613	0	254,613	2,276	0.19%	3,950	158	2,900	0.19%	0	0	0	0	0	2,434	0.04%	42,600	45,034	0.19%
LIBERIA	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
LIBYA	1,565,897	0	1,565,897	12,714	0.23%	22,025	881	2,900	0.23%	0	0	0	0	0	13,595	0.24%	42,600	56,195	0.23%
MACEDONIA, FYR	4,466,727	0	4,466,727	4,400	0.20%	7,625	305	2,900	0.20%	0	0	0	0	0	4,705	0.08%	42,600	47,305	0.20%
MADAGASCAR	1,565,896	0	1,565,896	12,714	0.23%	22,025	881	2,900	0.23%	0	0	0	0	0	13,595	0.24%	42,600	56,195	0.23%
MALAWI	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
MALAYSIA	3,902,430	0	3,902,430	31,494	0.32%	54,575	2,183	2,900	0.32%	0	0	0	0	0	33,677	0.60%	42,600	76,277	0.31%
MALDIVES	53,167	0	53,167	645	0.18%	1,125	45	2,900	0.18%	0	0	0	0	0	690	0.01%	42,600	43,290	0.18%
MALI	1,351,180	0	1,351,180	11,033	0.22%	19,125	765	2,900	0.22%	0	0	0	0	0	11,798	0.21%	42,600	54,398	0.22%
MARSHALL ISLANDS	22,503	0	22,503	405	0.18%	700	28	2,900	0.18%	0	0	0	0	0	433	0.01%	42,600	43,033	0.18%
MAURITANIA	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
MAURITIUS	1,338,742	35,560	1,374,302	11,008	0.22%	19,075	763	2,900	0.22%	0	0	0	0	0	11,771	0.21%	42,600	54,371	0.22%
MEXICO	14,065,115	164,892,259	178,757,374	137,092	0.78%	237,575	9,503	2,900	0.78%	23,143	926	116	15,563,384	15,824,102	147,521	2.62%	42,600	190,121	0.78%
MICRONESIA, FED. ST. OF	38,067	0	38,067	533	0.16%	925	37	2,900	0.16%	0	0	0	0	0	570	0.01%	42,600	43,170	0.16%
MOLDOVA	874,056	0	874,056	7,274	0.21%	12,600	504	2,900	0.21%	0	0	0	0	0	7,778	0.14%	42,600	50,378	0.21%
MONGOLIA	363,077	0	363,077	3,150	0.19%	5,450	218	2,900	0.19%	0	0	0	0	0	3,368	0.06%	42,600	45,968	0.19%
MONTENEGRO	717,714	0	717,714	5,471	0.20%	9,475	379	2,900	0.20%	0	0	0	0	0	5,850	0.10%	41,700	47,550	0.20%
MOROCCO	5,465,977	0	5,465,977	44,112	0.37%	76,450	3,058	2,900	0.37%	0	0	0	0	0	47,170	0.84%	42,600	89,770	0.37%
MOZAMBIQUE	2,123,955	0	2,123,955	17,219	0.25%	29,850	1,194	2,900	0.25%	0	0	0	0	0	18,413	0.33%	42,600	61,013	0.25%
MYANMAR	3,131,820	0	3,131,820	25,389	0.29%	44,000	1,760	2,900	0.29%	0	0	0	0	0	27,149	0.48%	42,600	69,749	0.29%
NEPAL	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
NICARAGUA	469,491	0	469,491	3,960	0.19%	6,875	275	2,900	0.19%	0	0	0	0	0	4,235	0.08%	42,600	46,835	0.19%
NIGER	780,048	0	780,048	6,480	0.20%	11,225	449	2,900	0.20%	0	0	0	0	0	6,929	0.12%	42,600	49,529	0.20%
NIGERIA	5,201,080	0	5,201,080	41,905	0.36%	72,625	2,905	2,900	0.36%	0	0	0	0	0	44,810	0.79%	42,600	87,410	0.36%
OMAN	472,802	1,031,863	1,504,665	4,087	0.19%	7,075	283	2,900	0.19%	0	0	0	0	0	4,370	0.08%	42,600	46,970	0.19%
PAKISTAN	15,709,579	118,533	15,828,112	129,460	0.75%	224,350	8,974	2,900	0.75%	0	0	0	0	0	138,434	2.46%	42,600	181,034	0.75%
PALAU	35,400	0	35,400	426	0.18%	750	30	2,900	0.18%	0	0	0	0	0	456	0.01%	42,600	43,056	0.18%
PANAMA	39,661	0	39,661	586	0.18%	1,025	41	2,900	0.18%	0	0	0	0	0	629	0.01%	42,600	43,229	0.18%
PAPUA NEW GUINEA	1,338,156	0	1,338,156	10,993	0.22%	19,050	762	2,900	0.22%	0	0	0	0	0	11,755	0.21%	42,600	54,355	0.22%
PARAGUAY	469,491	0	469,491	3,960	0.19%	6,875	275	2,900	0.19%	0	0	0	0	0	4,235	0.08%	42,600	46,835	0.19%
PERU	2,744,519	0	2,744,519	22,305	0.27%	38,650	1,546	2,900	0.27%	0	0	0	0	0	23,851	0.42%	42,600	66,451	0.27%
PHILIPPINES	7,805,857	180,180	7,986,037	63,009	0.45%	109,200	4,368	2,900	0.45%	0	0	0	0	0	67,377	1.20%	42,600	109,977	0.45%
POLAND	47,325,356	49,108,740	96,434,097	387,740	1.89%	671,975	26,879	2,900	1.89%	12,810	512	55	8,614,543	9,299,328	415,131	7.36%	42,600	457,731	1.89%
RWANDA	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
SAMOA	144,655	0	144,655	1,335	0.18%	2,325	93	2,900	0.18%	0	0	0	0	0	1,428	0.03%	42,600	44,028	0.18%
SAO TOME & PRINCIPE	115,266	0	115,266	1,150	0.18%	2,000	80	2,900	0.18%	0	0	0	0	0	1,230	0.02%	42,600	43,830	0.18%
SAUDI ARABIA	20,098,767	2,396,972,308	2,417,071,075	655,340	3.08%	1,135,725	45,429	2,900	3.07%	109,932	4,397	832	73,926,452	75,172,109	705,166	12.51%	42,600	747,766	3.09%
SENEGAL	2,604,120	0	2,604,120	21,094	0.27%	36,550	1,462	2,900	0.27%	0	0	0	0	0	22,556	0.40%	42,600	65,156	0.27%
SERBIA	29,603,542	0	29,603,542	27,629	0.30%	47,875	1,915	2,900	0.30%	0	0	0	0	0	29,544	0.52%	42,600	72,144	0.30%
SIERRA LEONE	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%

Table 2 – Subscriptions, Contributions and Votes
(Amounts in USD Equivalent)

Part II	*Current Status (before IDA15)*					*Allocation for Exercise of Preemptive Rights to Maintain Part II Voting Power*				*Additional Resources Provided under IDA15 in SDRs or Freely Convertible Currencies*					*Adjusted Voting power*				
Member	Subscriptions Carrying Votes (a-1)	Contributions (a-2)	Total Cumulative Resources (a-3)	Subscription Votes (a-4)	Total Voting Power % (a-5)	Subscription Carrying Votes (e-1)	Subscription Votes (e-2)	Membership Votes (e-3)	Total Voting Power % (e-4)	Subscription Carrying Votes (e-1)	Total Subscription Votes (e-2)	Of Which: Subs. Votes on HIPC and Arrears Clearance (e-3)	Contributions (e-4)	Total Additional Resources (e-5)	Subscription Votes (f-1)	as % of part II (f-2)	Membership Votes (f-3)	Total Votes (f-4)	Total Voting Power % (f-5)
SINGAPORE	707,317	100,277,504	100,984,821	11,482	0.22%	19,900	796	2,900	0.23%	40,240	1,610	294	27,080,359	27,120,499	13,888	0.25%	41,700	55,588	0.23%
SLOVAK REPUBLIC	2,878,035	19,482,508	22,360,543	25,025	0.29%	43,375	1,735	2,900	0.29%	4,531	181	19	3,046,769	3,094,694	26,941	0.48%	42,600	69,541	0.29%
SOLOMON ISLANDS	144,655	0	144,655	1,335	0.18%	2,325	93	2,900	0.18%	0	0	0	0	0	1,428	0.03%	42,600	44,028	0.18%
SOMALIA	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
SRI LANKA	4,691,202	0	4,691,202	37,823	0.34%	65,550	2,622	2,900	0.34%	0	0	0	0	0	40,445	0.72%	42,600	83,045	0.34%
ST. KITTS & NEVIS	207,900	0	207,900	1,887	0.18%	3,275	131	2,900	0.18%	0	0	0	0	0	2,018	0.04%	42,600	44,618	0.18%
ST. LUCIA	238,682	0	238,682	2,130	0.19%	3,700	148	2,900	0.19%	0	0	0	0	0	2,278	0.04%	42,600	44,878	0.19%
ST. VINCENT & GRENADINES	115,127	0	115,127	1,144	0.18%	1,975	79	2,900	0.18%	0	0	0	0	0	1,223	0.02%	42,600	43,823	0.18%
SUDAN	1,565,897	0	1,565,897	12,714	0.23%	22,025	881	2,900	0.23%	0	0	0	0	0	13,595	0.24%	42,600	56,195	0.23%
SWAZILAND	502,176	0	502,176	4,269	0.19%	7,400	296	2,900	0.19%	0	0	0	0	0	4,565	0.08%	42,600	47,165	0.19%
SYRIAN ARAB REP.	1,474,574	0	1,474,574	12,016	0.23%	20,825	833	2,900	0.23%	0	0	0	0	0	12,849	0.23%	42,600	55,449	0.23%
TAJIKISTAN	580,021	0	580,021	4,906	0.20%	8,500	340	2,900	0.20%	0	0	0	0	0	5,246	0.09%	42,600	47,846	0.20%
TANZANIA	2,604,120	0	2,604,120	21,094	0.27%	36,550	1,462	2,900	0.27%	0	0	0	0	0	22,556	0.40%	42,600	65,156	0.27%
THAILAND	4,690,703	0	4,690,703	37,823	0.34%	65,550	2,622	2,900	0.34%	0	0	0	0	0	40,445	0.72%	42,600	83,045	0.34%
TIMOR-LESTE	446,325	0	446,325	3,514	0.19%	6,100	244	2,900	0.19%	0	0	0	0	0	3,758	0.07%	41,700	45,458	0.19%
TOGO	1,181,833	0	1,181,833	9,691	0.22%	16,800	672	2,900	0.22%	0	0	0	0	0	10,363	0.18%	42,600	52,963	0.22%
TONGA	115,127	0	115,127	1,144	0.18%	1,975	79	2,900	0.18%	0	0	0	0	0	1,223	0.02%	42,600	43,823	0.18%
TRINIDAD & TOBAGO	2,094,428	0	2,094,428	17,029	0.25%	29,500	1,180	2,900	0.25%	0	0	0	0	0	18,209	0.32%	42,600	60,809	0.25%
TUNISIA	2,343,661	0	2,343,661	19,065	0.26%	33,050	1,322	2,900	0.26%	0	0	0	0	0	20,387	0.36%	42,600	62,987	0.26%
TURKEY	9,296,620	138,061,191	147,357,811	89,220	0.57%	154,625	6,185	2,900	0.57%	22,859	914	0	15,372,212	15,549,696	96,319	1.71%	42,600	138,919	0.57%
UGANDA	2,604,120	0	2,604,120	21,094	0.27%	36,550	1,462	2,900	0.27%	0	0	0	0	0	22,556	0.40%	42,600	65,156	0.27%
UKRAINE	9,695,941	0	9,695,941	75,850	0.51%	131,450	5,258	2,900	0.51%	0	0	0	0	0	81,108	1.44%	41,700	122,808	0.51%
UZBEKISTAN	1,910,800	0	1,910,800	15,615	0.24%	27,050	1,082	2,900	0.25%	0	0	0	0	0	16,697	0.30%	42,600	59,297	0.24%
VANUATU	300,326	0	300,326	2,620	0.19%	4,550	182	2,900	0.19%	0	0	0	0	0	2,802	0.05%	42,600	45,402	0.19%
VENEZUELA, R.B.DE	18,661,337	15,666,205	34,327,541	152,638	0.85%	264,525	10,581	2,900	0.85%	0	0	0	0	0	163,219	2.90%	42,600	205,819	0.85%
VIETNAM	2,343,661	0	2,343,661	19,065	0.26%	33,050	1,322	2,900	0.26%	0	0	0	0	0	20,387	0.36%	42,600	62,987	0.26%
YEMEN, REPUBLIC OF	2,476,944	0	2,476,944	18,293	0.26%	31,700	1,268	2,900	0.26%	0	0	0	0	0	19,561	0.35%	42,600	62,161	0.26%
ZAMBIA	4,167,494	0	4,167,494	33,708	0.33%	58,425	2,337	2,900	0.33%	0	0	0	0	0	36,045	0.64%	42,600	78,645	0.32%
ZIMBABWE	6,372,420	0	6,372,420	51,191	0.40%	88,725	3,549	2,900	0.40%	0	0	0	0	0	54,740	0.97%	42,600	97,340	0.40%
Subtotal Part II	**613,249,292**	**4,769,499,152**	**5,382,748,444**	**5,232,116**	**47.59%**	**9,067,435**	**362,697**	**403,100**	**47.60%**	**1,064,858**	**42,594**	**5,326**	**716,091,046**	**721,245,068**	**5,637,407**	**100%**	**5,916,900**	**11,554,307**	**47.68%**
Subtotal Part I	**1,247,058,590**	**166,286,767,951**	**167,533,826,542**	**10,646,421**	**52.41%**										**11,402,759**	**100%**	**1,275,148**	**12,677,907**	**52.32%**
Grand Total	**1,860,307,883**	**171,056,267,103**	**172,916,574,986**	**15,878,536**	**100.00%**										**17,040,166**	**100%**	**7,192,048**	**24,232,214**	**100.00%**

Notes:

Current Status (a-1) to (a-5): It is assumed that the members that have outstanding commitments to subscribe or contribute to any previous Replenishment will fulfill their obligations. Amounts have been calculated, for purposes of the voting rights adjustment, by multiplying the subscriptions and contributions up to and including the Third Replenishment (which were expressed in terms of U.S. dollars of the weight and fineness in effect on January 1, 1960) by 1.20635 and adding thereto the dollar equivalents of the subscriptions and contributions under the Fourth through MDRI Replenishments at the agreed exchange rates.

Allocation of Additional Votes with respect to Encashment: Subscription votes have been allocated on the imputed value of these contributions based on the related encashment schedule rather than the nominal amounts shown in contribution tables. For the Fifteenth Replenishment, this is included in column (b-1) for Part I countries, and for Part II countries in column (e-5).

Additional Resources Provided under IDA15 in SDRs or Freely Convertible Currencies: The amounts shown in column (e-5) represent the additional resources provided under IDA15 by Part II members in SDRs or freely convertible currencies, as set out in Table 1. The U.S. Dollar equivalent has been obtained by converting the SDR amount using the average exchange rates for the U.S. Dollar against the SDR over the period April 1 to September 30, 2007 (SDR1=USD1.52448). These amounts are divided into subscriptions carrying votes (columns (e-1) and (e-1)) and contributions (column (e-4)).

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF IDA AT THE 2008 ANNUAL MEETINGS

Resolution No. 220

Financial Statements, Accountants' Report, and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Association consider the Financial Statements, Accountants' Report, and Administrative Budget, included in the 2008 Annual Report, as fulfilling the requirements of Article VI, Section 11, of the Articles of Agreement and of Section 8 of the By-Laws of the Association.

(Adopted October 13, 2008)

RESOLUTION ADOPTED BY THE COUNCIL OF GOVERNORS OF MIGA BETWEEN THE 2007 AND 2008 ANNUAL MEETINGS

Resolution No. 80

Election of Directors

RESOLVED:

(a) That the 2008 Regular Election of Directors shall take place in accordance with the attached Rules; and

(b) That a Regular Election of Directors shall take place in connection with the Annual Meeting of the Council of Governors in 2010.

(Adopted August 1, 2008)

RESOLUTION ADOPTED BY THE COUNCIL OF GOVERNORS OF MIGA AT THE 2008 ANNUAL MEETINGS

Resolution No. 81

Financial Statements and the Report of the Independent Accountants

RESOLVED:

THAT the Council of Governors of the Agency consider the Financial Statements and the Report of Independent Accountants included in the 2008 Annual Report, as fulfilling the requirements of Article 29 of the MIGA Convention and of Section 16(b) of the By-Laws of the Agency.

(Adopted October 13, 2008)

REPORTS OF THE EXECUTIVE DIRECTORS OF THE BANK

April 22, 2008

Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank

1. On October 19, 1993, by the terms of Resolution No. 93-11 and IDA 93-7, the Executive Directors of the International Bank for Reconstruction and Development (Bank) and the International Development Association (Association) approved the establishment of the Trust Fund for Gaza. On November 11, 1993, by the terms of Resolution No. 483, the Board of Governors of the Bank approved the transfer from surplus, by way of grant, of US$50 million to the Trust Fund for Gaza. On August 1, 1995, by the terms of Resolution No. 95-6 and IDA 95-3, the Executive Directors of the Bank and the Association amended Resolution No. 93-11 and IDA 93-7 by (a) expanding the territorial scope of the activities to be financed out of the Trust Fund for Gaza to include such areas, sectors and activities in the West Bank which are or will be under the jurisdiction of the Palestinian Authority pursuant to the relevant Israeli-Palestinian agreements; and (b) changing the name of the "Trust Fund for Gaza" to "Trust Fund for Gaza and West Bank". On October 12, 1995, by the terms of Resolution No. 500, the Board of Governors approved the transfer to the Trust Fund for Gaza and West Bank, by way of grant out of the Bank's FY95 net income, of US$90 million. On December 19, 1996, by the terms of Resolution No. 96-11 and No. IDA 96-7, the Executive Directors of the Bank and the Association further amended Resolution No. 93-11 and IDA 93-7 by (a) introducing flexibility to the terms under which resources may be provided out of the Trust Fund for Gaza and West Bank; and (b) requiring that the repayment of trust fund credits made out of the Trust Fund for Gaza and West Bank accrue to the Association as part of its resources. Additional funding was provided by transfers from surplus or net income approved by the Bank's Board of Governors on February 3, 1997 (US$90 million, Resolution 511), July 13, 1998 (US$90 million, Resolution No. 519), September 30, 1999 ($60 million, Resolution No. 529), February 4, 2004 (US$80 million, Resolution No. 556) and January 31, 2007 (US$50 million, Resolution No. 584).

2. In view of the material contribution that the Bank's financial assistance makes to Palestinian economic welfare, the Executive Directors consider that the Trust Fund for Gaza and West Bank should be replenished. They recommend that the Board of Governors authorize the transfer from surplus of the amount of US$55 million to the Trust Fund for Gaza and West Bank.

3. Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft Resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on June 4, 2008)

[1] *See page 172.*

May 29, 2008

Transfer of IBRD Surplus to Food Price Crisis Response Trust Fund

1. In view of the need for assistance to countries as a result of the food price crisis and in order to promote the purposes of the International Bank for Reconstruction and Development (the "IBRD") and the International Development Association (IDA or the "Association") (collectively, the "Bank") in these circumstances, the Executive Directors of the Bank consider that a trust fund should be established forthwith to assist those countries as an initiative for the benefit of the members of the Association as part of a multi-donor facility. The Executive Directors of the IBRD recommend that the Board of Governors of the IBRD authorize the immediate transfer from surplus of $85 million to the Food Price Crisis Response (FPCR) Trust Fund.

2. Accordingly, the Executive Directors of the IBRD recommend that the Board of Governors of the Bank adopt the draft resolution. . . .[1]

(This report was approved and its recommendation was adopted on June 13, 2008)

[1] *See page 172.*

June 13, 2008

Report of the Boards of Governors of the IMF and the World Bank by the Joint Committee on the Remuneration of Executive Directors and their Alternates

INTRODUCTION

1. Pursuant to Section 14(e) of the By-Laws of the Fund and Section 13(e) of the By-Laws of the Bank, the undersigned were appointed to the 2008 Joint Committee on the Remuneration of Executive Directors and their Alternates (JCR).

2. The JCR met in Paris on April 28–29, 2008, and in Washington, D.C. on June 13, 2008. The JCR undertook an in-depth review of the remuneration of IMF and World Bank Executive Directors and their Alternates. This was in line with the process started in 2000 to undertake a full-scale review every four years, with a streamlined review being undertaken in the intervening years.

REMUNERATION

3. In accordance with the longstanding practice of JCRs, the Committee considered the roles and responsibilities of Fund and Bank Executive Directors; budgetary and governance developments in the two institutions—including the expenditure reductions in the Offices of Fund Executive Directors; and factors relevant to the remuneration of Executive Directors and Alternates. These factors included the internal positioning of Executive Directors' remuneration relative to the compensation of the organizations' management and staff; information on compensation levels and developments in the public sectors of selected member countries and other international organizations; the effects of consumer price increases on the real income of Executive Directors; and the current year's salary increases for other Fund and Bank personnel.

4. With respect to issue of internal positioning, the Committee—like its predecessors—considered it important to position the remuneration of Executive Directors at an appropriate level in order to reflect their responsibilities in the governance of the institutions. In this respect, the Committee was of the view that the maintenance of an appropriate relationship of Executive Directors' salaries to the remuneration of the Heads of the two institutions is the most

relevant criterion to be taken into account given their respective roles within the decision-making and governance structures of the institutions. This is also consistent with the provision of the By-Laws of the Fund and the Bank that "In making proposals with respect to the remuneration of Executive Directors and their Alternates, the Committee shall bear in mind their functions under the Articles of Agreement of the [Fund] [Bank] in relation to those of the [Managing Director] [President]."[1] While recognizing that past JCRs had been careful to avoid any link between the salaries of senior staff and Executive Directors in order to avoid any conflict of interest on the part of the Executive Boards, which decide the salaries of Fund and Bank staff, the Committee felt that a primary reference to the salary of the Heads of the institutions would address more effectively any conflict-of-interest concerns, because the salaries of the Managing Director and President are approved by the Boards of Governors of the institutions. The Committee also noted that the decline in the level of Executive Directors' remuneration relative to the senior staff salary structures that has occurred since the mid-1990s, was largely attributable to upward shifts in the higher ranges of the staff salary structure in response to competitive market pressures, which are not directly relevant to the position of Executive Directors.

5. The Committee noted that over the past twenty years, the relationship between the remuneration of Executive Directors and the total remuneration (salary and non-pensionable allowance) of the two Heads has been fairly stable—although declining slightly from about 46 percent in the early 1990s to the current level of 44.3 percent. In terms of the base salary of the Fund's Managing Director and the World Bank President, the remuneration of Executive Directors currently stands at 52 percent.[2] The Committee considered these relationships to be broadly appropriate. It was also reassured, in this connection, by data showing that, over the past two decades, the educational and professional profiles of Executive Directors have remained of high standards and relevant to the functions of the institutions. The Committee further noted that a

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[1] *Section 14 (e) (ii) of the By-Laws of the Fund and Section 13 (e) (ii) of the By-Laws of the Bank.*

[2] *This ratio is lower than in the 1990s, but the decline results almost entirely from the restructuring of the components of the remuneration of the Managing Director and President; the restructuring raised the level of the base salary and reduced correspondingly the amount of the allowance.*

broadly similar relationship between the salaries of Executive Directors and those of the Heads of the institutions exists in other international financial institutions with a resident Executive Board.[3]

6. In light of this, the Committee has referred primarily to the relationship to the base salary of the Heads of the two institutions in assessing the appropriate internal positioning of the remuneration levels of Executive Directors, and recommends that future JCRs follow a similar approach. Significant deviations from the current ratio of 52 percent should be carefully evaluated, including with respect to any corrective actions that the JCR may deem warranted.

7. As part of its comprehensive review, the 2008 Committee also looked at the remuneration developments in external comparator positions in a number of countries. Recognizing that past JCRs had raised concerns about the limited usefulness of external comparator surveys relative to the resource costs involved, the Committee narrowed its review of external comparability to the salary levels and recent adjustments for senior civil servants in the ministries of finance and central banks of the G7 countries. While emphasizing the limited scope of the review, which cannot be considered to be representative of salary developments across the membership at large, the Committee was nevertheless reassured that available data suggest that there appear not to be major anomalies between the salaries of Executive Directors and of comparator positions in national public sectors. The Committee also noted that 2007–2008 salary increases for senior personnel in the civil service and central banks of large industrial countries appear, on the whole, to be broadly aligned with CPI increases, although there is significant variation across the G7 countries.

8. The Committee also considered the following data:

   - The consumer price index (CPI) for the Washington Metropolitan area has risen by 5.0 percent (May 2007 to May 2008). The remuneration of the Managing Director of the Fund and the President of the Bank are linked to the May-to-May change in the Washington Metropolitan area CPI in years between major reviews (normally carried out at the start of an appointment term) and will therefore be increased by 5 percent with effect from July 1, 2008.

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[3] *African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank.*

- The salary structure for the Fund's professional and managerial staff (Grades A9–B5) has been increased uniformly by 4.2 percent with effect from May 1, 2008. The salaries of the Fund's Deputy Managing Directors, which are indexed on the same basis as the remuneration of the Managing Director, will be increased by 5 percent on July 1, 2008.
- The proposed increase in the salary structure for the World Bank's staff, which is currently pending with the Executive Board and is to be effective from July 1, 2008, averages 3.3 percent with increases ranging between 1.6 percent and 4.4 percent at the professional and managerial grades.[4]

9. The JCR reviewed the parallelism between the remuneration of Fund and Bank Executive Directors, and concluded that there continues to be justification for their remuneration to be set at the same level.

10. Taking all the above considerations into account, the JCR recommends an increase in the salary of Executive Directors equal to the May 2007-to-May 2008 CPI increase for the Washington Metropolitan area.[5] This increase of 5 percent would raise the salary of Executive Directors from $219,800 to $230,790 effective on July 1, 2008, and would allow the ratio of the remuneration of Executive Directors to the base salary of the Heads of the two institutions to be maintained at about 52 percent.

11. The JCR considers that, at 86.5 percent, the ratio between the salary of Alternate Executive Directors and that of Executive Directors continues to be appropriate, and accordingly recommends the same CPI related increase in the salary of Alternate Executive Directors from $190,140 to $199,650 effective on July 1, 2008.

BENEFITS

12. Within the framework of the applicable resolutions of the Fund and Bank Boards of Governors, each year's JCR considers the possible extension of any new or modified benefits for Fund and Bank

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[4] *This does not include the staff salary ranges at Grades J and K, which will be raised by about 5 percent.*

[5] *The salaries of both Executive Directors and Alternate Executive Directors currently constitute their total remuneration; beginning in 2000, no separate supplemental allowances have been paid.*

staff to Executive Directors and their Alternates, and whether the extension of such benefits would require the approval of the Board of Governors or may be left to the Executive Boards of the Fund and Bank.[6] The Committee accordingly considered the following changes to the benefits of IMF staff that were adopted after the 2007 JCR meeting:

(a) The provisions governing the existing early retirement benefits under the Staff Retirement Plan (SRP) were revised to provide greater flexibility for staff with shorter service by providing an additional option that allows staff with three or more years of service to retire with an immediate, but actuarially reduced, pension between 50 and 55 years of age (rather than from age 55) and, in most cases, somewhat lowers the size of the early retirement reductions in the level of pensions.

(b) The eligibility for existing benefits under the Staff Retirement Plan and for Spouse and Child Allowances was extended to the domestic partners of staff members on the same basis as staff members' spouses, and, for purposes of benefit entitlements, a more consistent interpretation of marriage—based on the laws of the jurisdiction where the marriage occurs—was adopted. These changes substantially completed the process started in 2000 (which has previously applied to Executive Directors) of providing comparable treatment under the Fund's personnel policies and benefit programs to staff in traditional and non-traditional family relationships.

13. The Committee also considered changes to World Bank's Staff Retirement Plan (SRP) that are currently pending with the Bank's Executive Board. The principal change involves a modest reduction in the size of the current actuarial reductions applicable to early retirement pensions under one of the two components—the defined benefit pension—of the Plan.

14. The JCR determined that it would be appropriate to make the Fund's benefit changes and, subject to Executive Board approval, the Bank's SRP changes applicable to the Executive Directors and Alternate Executive Directors of the respective organizations.

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[6] *IMF Board of Governors Resolutions No. 34-7, adopted on July 20, 1979 and No. 31-1, adopted on October 16, 1975, and World Bank Board of Governors Resolutions 337, adopted on July 20, 1979, and 301, adopted October 16, 1975.*

There are compelling practical reasons for maintaining consistency of benefits between Executive Directors and staff, as the need to provide benefits with different provisions would add greatly to administrative complexity and costs.

15. With regard to whether the extension of these benefit changes at the Fund to Executive Directors would require the approval of the Board of Governors or may be left to the Fund's Executive Board, the Committee carefully considered the effects that the changes would have on Executive Directors and Alternates. The Committee determined that the changes would not alter the basic nature of the Fund's existing retirement benefits, and they would have a relatively small effect on the overall cost of the Plan and general level of SRP benefits. Depending on individuals' age and length of service at their separation, it is expected that the SRP benefits of some Executive Directors and Alternates could be raised, with an appreciable increase in a small minority of cases. However, the benefits of the substantial majority of Executive Directors would not change significantly or at all.

16. Taking into account all of these considerations, the Committee has concluded that the Fund's SRP changes are such that it is not necessary to seek the approval of the Board of Governors for the changes to be applied to the Fund's Executive Directors and Alternates; they may be made available to Fund Executive Directors and Alternates by the Fund's Executive Board.

17. The Committee also carefully considered the effects of the changes to the Bank's SRP and the Fund's extension of domestic partner benefits. In both cases, the Committee similarly concluded that the changes would not alter the basic nature of the respective organization's existing benefits, and they would not have a significant impact on the overall cost of the benefit programs or the value of the benefits. The Bank's SRP revision would have only a limited impact on approximately one-half of the value of the retirement benefit. (The other half of the Plan is a "cash balance" payment that would not be affected by the proposed change in the defined benefit component.) The impact of the Fund's benefits changes would also be limited and, as noted, completes a set of measures already applied to Executive Directors. The Committee accordingly concluded that these benefits may be made available to Bank and Fund Executive Directors and Alternates by the respective Executive Boards.

18. In addition, the JCR followed up on an issue that had arisen in 2007 in the Fund's Committee on Executive Board Administrative Matters (CAM)—and was discussed on a preliminary basis by the 2007 JCR—in connection with the alignment of the home leave policy for Fund Executive Directors with the new home leave policy for Fund staff.[7] To achieve a more full alignment with the home leave provisions applicable to Fund staff, it had been suggested at that time that consideration be given to: (a) extending the home leave entitlement to Executive Directors and Alternates themselves (now only their family members are eligible); and (b) granting an initial home leave entitlement within the first two-year period of service (at present, the initial entitlement is earned in the third year of service). The JCR noted that these suggestions would involve significant changes to the home leave provisions for Executive Directors and Alternates, as prescribed by the Fund's By-Laws, with potentially non-negligible cost implications. Given the climate of significant budgetary constraint within the Fund—including in the Offices of Executive Directors themselves—and without prejudging the rationale of the suggested changes, the Committee felt that it would not be appropriate to pursue this matter or to seek the Governors' approval of such changes at the present time.

JCR PROCESS

19. The 2008 JCR agreed with previous Committees that there is scope for further streamlining the JCR process while safeguarding its effectiveness and independence. The Committee considered a range of options towards this end, and saw as most promising a process by which—in the years between full-scale reviews (which would continue to be scheduled at four-year intervals), and barring exceptional or unexpected developments—future JCRs would propose a salary increase for Executive Directors equal to the year's (May-to-May) percentage increase in the consumer price index for the Washington Metropolitan area.

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[7] *Paragraphs 20-23 of the 2007 JCR Report discuss the alignment of the home leave policy in some detail.*

20. This approach would align the JCR process more closely with the present process for adjusting the remuneration of the Managing Director and World Bank President in the years between the comprehensive reviews carried out at the start of their appointment terms. It would also be cost-saving by introducing the expectation that the JCR would not usually meet annually as it has in the past. At the same time, and consistent with the provisions of the Fund and Bank By-Laws, JCRs would continue to be constituted each year in order to decide whether to endorse application of the indexation formula or to determine if there are reasons to depart from it.[8] The availability of a Committee in the years between full-scale reviews would ensure that all relevant factors for assessing the remuneration of Executive Directors would continue to be considered on a timely basis. The annual constitution of a JCR would also permit benefits issues to continue to be addressed as they arise, possibly through written communication among Committee members.

21. In light of the foregoing considerations, the Committee recommends that, barring exceptional or unexpected developments, the 2009-2011 JCRs propose a salary increase for Executive Directors and Alternate Executive Directors equal to the year's (May-to-May) percentage increase in the CPI for the Washington Metropolitan area.[9] The next full-scale review, expected to take place in 2012, would then be an opportunity to take stock of the experience with this new, streamlined process.

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[8] *Section 14(e) of the Fund By-Laws and Section 13(e) of the Bank By-Laws.*

[9] *The specific index that would be used for this purpose is the U.S. Bureau of Labor Statistics Regional (Washington, Baltimore, Maryland, Virginia, West Virginia) Consumer Price Index for All Urban Consumers, or its equivalent replacement.*

RECOMMENDATIONS REQUIRING A VOTE BY THE GOVERNORS

22. In light of the recommendations on remuneration of Fund and Bank Executive Directors and their Alternates (paragraphs 10 and 11 above), the Committee recommends that the draft resolutions . . .[1] for the Fund and the Bank, included in Attachments I and II, be adopted by the respective Boards of Governors of the Fund and the Bank.

23. The Joint Committee directs the Secretary of the Fund and the Vice President and Corporate Secretary of the Bank to transmit this report to the Boards of Governors of the Fund and the Bank, respectively, for a vote without meeting in accordance with Sections 13 and 14(e) of the By-Laws of the Fund and Sections 12 and 13(e) of the By-Laws of the Bank.

(This report was approved and its recommendation was adopted on July 25, 2008)

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[1] *See page 172.*

July 9, 2008

2008 Regular Election of Executive Directors

1. Pursuant to Resolution No. 576 of the Board of Governors, a Regular Election of Executive Directors will take place in connection with the 2008 Annual Meeting of the Board of Governors. It is proposed that this Regular Election be conducted by rapid means of communication so as to conclude a reasonable time in advance of November 1, 2008, when the term of office of the elected Executive Directors shall commence.

2. The Executive Directors have noted that the size of the Board was increased to 24 in 1992, after a large increase in the membership, in order to preserve broad geographic representation which permits all major groups of countries to be represented. As in past years, there is strong feeling among the Executive Directors that, in the unlikely event that there was lack of such wide geographical and balanced representation, prompt corrective action would be called for.

3. The Executive Directors recommend that the maximum and minimum percentages of eligible votes required for election of an Executive Director be 10 percent and 2 percent, respectively. They believe that such percentages would provide a range that is broad enough in the circumstances.

4. The Executive Directors recommend that the date from which the 2008 Regular Election will be effective be November 1, 2008.

5. The Executive Directors note that under the Articles of Agreement of the International Finance Corporation (the Corporation) and the International Development Association (the Association) the elected Directors will serve *ex officio* as members of the Board of Directors of the Corporation and Executive Directors of the Association.

6. The Executive Directors recommend that the subsequent Regular Election of Executive Directors take place in connection with the Annual Meeting of the Board of Governors in 2010.

7. The Executive Directors recommend the adoption by the Board of Governors of the attached Rules for the 2008 Regular Election of Executive Directors, which provide for the conduct of this Election by rapid means of communication.

8. The draft Resolution . . .[1], embodying the above recommendations, is proposed for adoption by the Board of Governors.

(This report was approved and its recommendation was adopted by the Board of Governors on August 1, 2008)

[1] *See page 173.*

Rules for the 2008 Regular Election of Executive Directors

DEFINITIONS

1. In these Rules, unless the context shall otherwise require,

   (a) "Articles" means the Articles of Agreement of the Bank.
   (b) "Board" means the Board of Governors of the Bank.
   (c) "Chairman" means the Chairman of the Board or a Vice Chairman acting as Chairman.
   (d) "Governor" includes the Alternate Governor and, for actions taken at any meeting, a temporary Alternate Governor, when acting for the Governor.
   (e) "Secretary" means the Corporate Secretary or any acting Corporate Secretary of the Bank.
   (f) "Election" means the 2008 Regular Election of Executive Directors.
   (g) "Eligible votes" means the total number of votes that can be cast in the election.

2. All actions taken under these Rules, including communications by the Secretary and the Chairman and nominations and balloting by the Governors, may be taken by rapid means of communication.

TIMING OF ELECTION

3. The election shall be held by requesting nominations and conducting ballots so as to conclude a reasonable time in advance of November 1, 2008, when the term of office of the elected Executive Directors shall commence.

BASIC RULES—SCHEDULE B

4. Subject to the adjustment set forth in the Rules, the provisions of Schedule B of the Articles shall apply to the conduct of the election, except that:

   (a) "two percent" shall be substituted for "fourteen percent" in Paragraphs 2 and 5 and "ten percent" shall be substituted for "fifteen percent" in Paragraphs 3, 4 and 5 thereof; and
   (b) "nineteen persons" shall be substituted for "seven persons" in Paragraphs 2, 3 and 6, "eighteen persons" shall be substituted for "six persons" in Paragraph 6, and "the nineteenth" shall be substituted for the "seventh" in Paragraph 6 thereof.

EXECUTIVE DIRECTORS TO BE ELECTED

5. Nineteen Executive Directors shall be elected.

SUPERVISION OF THE ELECTION

6. The Chairman shall appoint such tellers and other assistants and take such other action as he deems necessary for the conduct of the election.

NOMINATIONS

7. (a) The Secretary shall request nominations from Governors during a suitable period specified by the Secretary.
   (b) Each nomination shall be made on a nomination form furnished by the Secretary, signed by the Governor or Governors making the nomination and submitted to the Secretary.
   (c) Any person nominated by one or more Governors entitled to vote in the election shall be eligible for election as Executive Director.
   (d) A Governor may nominate only one person.
   (e) If a nominee withdraws from the ballot after the closing date of the nomination period, but before the closing date of the ballot, the Secretary shall inform all Governors eligible to vote of such withdrawal and invite them to submit nominations of a candidate by rapid means of communication, during a suitable period specified by the Secretary. At the end of the prescribed period of time for this nomination, the Secretary shall compile a new list of candidates with all individuals who were nominated by at least one Governor in either nomination period, and circulate that list by rapid means of communication to all Governors eligible to vote with an invitation to vote through similar channels before the end of the balloting period.

BALLOTING

8. (a) Upon the closing of nominations, the Secretary shall send to all Governors entitled to vote in the election the list of candidates for the election, together with an invitation to Governors to vote in the first ballot, and announce the deadline for receipt of ballots.
   (b) One ballot form shall be furnished to each Governor entitled to vote. On any particular ballot, only ballot forms distributed for that ballot shall be counted.

9. Each ballot shall be taken as follows:

   (a) Ballots shall be conducted by deposit of ballot forms, signed by Governors eligible to vote, with the Secretary. The first ballot shall take place after the close of nominations, concluding no later than the first day of the 2008 Annual Meeting of the Board.
   (b) When a ballot shall have been completed, the Secretary shall cause the ballots to be counted and, as soon as practicable after the tellers have completed their tally of the ballots, shall announce the names of the persons elected. If a succeeding ballot is necessary, the Secretary shall announce the names of the nominees to be voted on, the members whose Governors are eligible to vote and the time period for balloting.
   (c) If the tellers shall be of the opinion that any particular ballot is not properly executed, they shall, if possible, afford the Governor concerned an opportunity to correct it before tallying the results; and such ballot, if so corrected, shall be deemed to be valid.

10. When on any ballot the number of nominees shall not exceed the number of Executive Directors to be elected, each nominee shall be deemed to be elected by the number of votes received by him on such ballot; provided, however, that, if on such ballot the votes of any Governor shall be deemed under Paragraph 4 of Schedule B[10] to have raised the votes cast for any nominee above ten percent of the eligible votes, no nominee shall be deemed to have been elected who shall not have received on such ballot a minimum of two percent of the eligible votes, and a succeeding ballot shall be taken for which any nominee not elected shall be eligible.

11. If, as a result of the first ballot, the number of Executive Directors to be elected in accordance with Section 5 above shall not have been elected, a second, and if necessary, further ballots shall be taken. The Governors entitled to vote on such succeeding ballots shall be only:

   (a) those who voted on the preceding ballot for any nominee not elected; and

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[10] *Paragraph 4 of Schedule B reads as follows:*

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above ten percent of the eligible votes, the ten percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until ten percent is reached.

(b) those Governors whose votes for a nominee elected on the preceding ballot are deemed under Paragraph 4 of Schedule B to have raised the votes cast for such nominee above ten percent of the eligible votes.

12. If the votes cast by a Governor bring the total votes received by a nominee from below to above ten percent of the eligible votes, all the votes cast by this Governor shall be deemed to have been cast for the benefit of that nominee without raising the total votes of the nominee above ten percent.

13. If on any ballot two or more Governors having an equal number of votes shall have voted for the same nominee and the votes of one or more, but not all, of such Governors could be deemed under Paragraph 4 of Schedule B not to have raised the total votes of the nominee above ten percent of the eligible votes, the Chairman shall determine by lot the Governor or Governors, as the case may be, who shall be entitled to vote on the next ballot.

14. Any member whose Governor has voted on the last ballot and whose votes did not contribute to the election of an Executive Director may, before the effective date of the election, as set forth in Section 18 below, designate an Executive Director who was elected, and that member's votes shall be deemed to have counted toward the election of the Executive Director so designated.

ABSTENTION FROM VOTING

15. If a Governor shall abstain from voting on any ballot, he shall not be entitled to vote on any subsequent ballot and his votes shall not be counted within the meaning of Section 4(g) of Article V towards the election of any Executive Director. If at the time of any ballot a member shall not have a duly appointed Governor, such member shall be deemed to have abstained from voting on that ballot.

ELIMINATION OF NOMINEES

16. If on any ballot two or more nominees shall receive the same lowest number of votes, no nominee shall be dropped from the next succeeding ballot, but if the same situation is repeated on such succeeding ballot, the Chairman shall eliminate by lot one of such nominees from the next succeeding ballot.

ANNOUNCEMENT OF THE RESULT

17. After the tally of the last ballot, the Chairman shall cause to be distributed a statement setting forth the result of the election.

EFFECTIVE DATE OF ELECTION

18. The effective date of the election shall be November 1, 2008, and the term of office of the elected Executive Directors shall commence on that date. Incumbent elected Executive Directors shall serve through the day preceding such date.

GENERAL

19. Any question arising in connection with the conduct of the election shall be resolved by the tellers, subject to appeal, at the request of any Governor, to the Chairman and from him to the Board. Whenever possible, any such questions shall be put without identifying the members or Governors concerned.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

2008 REGULAR ELECTION OF EXECUTIVE DIRECTORS STATEMENT OF RESULTS OF ELECTION, OCTOBER 13, 2008

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Svein AASS			**54,039**
	Denmark	13,701	
	Estonia	1,173	
	Finland	8,810	
	Iceland	1,508	
	Latvia	1,634	
	Lithuania	1,757	
	Norway	10,232	
	Sweden	15,224	
Abdulrahman M. ALMOFADHI			**45,045**
	Saudi Arabia	45,045	
Jorge Humberto BOTERO			**58,124**
	Brazil	33,537	
	Colombia	6,602	
	Dominican Republic	2,342	
	Ecuador	3,021	
	Haiti	1,317	
	Panama	635	
	Philippines	7,094	
	Suriname	662	
	Trinidad and Tobago	2,914	
Dante CONTRERAS			**37,499**
	Argentina	18,161	
	Bolivia	2,035	
	Chile	7,181	
	Paraguay	1,479	
	Peru	5,581	
	Uruguay	3,062	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Sid Ahmed DIB			**51,544**
	Afghanistan	550	
	Algeria	9,502	
	Ghana	1,775	
	Iran, Islamic Republic of	23,936	
	Morocco	5,223	
	Pakistan	9,589	
	Tunisia	969	
James HAGAN			**55,800**
	Australia	24,714	
	Cambodia	464	
	Kiribati	715	
	Korea, Republic of	16,067	
	Marshall Islands	719	
	Micronesia, Fed. States of	729	
	Mongolia	716	
	New Zealand	7,486	
	Palau	266	
	Papua New Guinea	1,544	
	Samoa	781	
	Solomon Islands	763	
	Vanuatu	836	
Merza H. HASAN			**47,042**
	Bahrain	1,353	
	Egypt, Arab Republic of	7,358	
	Iraq	3,058	
	Jordan	1,638	
	Kuwait	13,530	
	Lebanon	590	
	Libya	8,090	
	Maldives	719	
	Oman	1,811	
	Qatar	1,346	
	Syrian Arab Republic	2,452	
	United Arab Emirates	2,635	
	Yemen, Republic of	2,462	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Konstantin HUBER			**77,669**
	Austria	11,313	
	Belarus	3,573	
	Belgium	29,233	
	Czech Republic	6,558	
	Hungary	8,300	
	Kazakhstan	3,235	
	Luxembourg	1,902	
	Slovak Republic	3,466	
	Slovenia	1,511	
	Turkey	8,578	
Dhanendra KUMAR			**54,945**
	Bangladesh	5,104	
	Bhutan	729	
	India	45,045	
	Sri Lanka	4,067	
Alexey G. KVASOV			**45,045**
	Russian Federation	45,045	
Giovanni MAJNONI			**56,705**
	Albania	1,080	
	Greece	1,934	
	Italy	45,045	
	Malta	1,324	
	Portugal	5,710	
	San Marino	845	
	Timor-Leste	767	
Toga MCINTOSH			**54,347**
	Angola	2,926	
	Botswana	865	
	Burundi	966	
	Ethiopia	1,228	
	Gambia, The	793	
	Kenya	2,711	
	Lesotho	913	
	Liberia	713	
	Malawi	1,344	
	Mozambique	1,180	
	Namibia	1,773	
	Nigeria	12,905	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
	Seychelles	513	
	Sierra Leone	968	
	South Africa	13,712	
	Sudan	1,100	
	Swaziland	690	
	Tanzania	1,545	
	Uganda	867	
	Zambia	3,060	
	Zimbabwe	3,575	
Michel MORDASINI			**49,192**
	Azerbaijan	1,896	
	Kyrgyz Republic	1,357	
	Poland	11,158	
	Serbia	3,096	
	Switzerland	26,856	
	Tajikistan	1,310	
	Turkmenistan	776	
	Uzbekistan	2,743	
Louis Philippe ONG SENG			**31,102**
	Benin	1,118	
	Burkina Faso	1,118	
	Cameroon	1,777	
	Cape Verde	758	
	Central African Republic	1,112	
	Chad	1,112	
	Comoros	532	
	Congo, Dem. Rep. of	2,893	
	Congo, Republic of	1,177	
	Cote d'Ivoire	2,766	
	Djibouti	809	
	Equatorial Guinea	965	
	Gabon	1,237	
	Guinea	1,542	
	Guinea-Bissau	790	
	Madagascar	1,672	
	Mali	1,412	
	Mauritius	1,492	
	Niger	1,102	
	Rwanda	1,296	
	Sao Tome and Principe	745	
	Senegal	2,322	
	Togo	1,355	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Jose A. ROJAS R.			**72,786**
	Costa Rica	483	
	El Salvador	391	
	Guatemala	2,251	
	Honduras	891	
	Mexico	19,054	
	Nicaragua	858	
	Spain	28,247	
	Venezuela, Rep. Bolivariana de	20,611	
Ruud TREFFERS			**73,146**
	Armenia	1,389	
	Bosnia and Herzegovina	799	
	Bulgaria	5,465	
	Croatia	2,543	
	Cyprus	1,711	
	Georgia	1,834	
	Israel	5,000	
	Macedonia, FYR	677	
	Moldova	1,618	
	Montenegro	938	
	Netherlands	35,753	
	Romania	4,261	
	Ukraine	11,158	
Sun VITHESPONGSE			**41,096**
	Brunei Darussalam	2,623	
	Fiji	1,237	
	Indonesia	15,231	
	Lao People's Dem. Rep.	428	
	Malaysia	8,494	
	Myanmar	2,734	
	Nepal	1,218	
	Singapore	570	
	Thailand	6,599	
	Tonga	744	
	Vietnam	1,218	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Samy WATSON			**62,217**
	Antigua and Barbuda	770	
	Bahamas, The	1,321	
	Barbados	1,198	
	Belize	836	
	Canada	45,045	
	Dominica	754	
	Grenada	781	
	Guyana	1,308	
	Ireland	5,521	
	Jamaica	2,828	
	St. Kitts and Nevis	525	
	St. Lucia	802	
	St. Vincent and the Grenadines	528	
ZOU Jiayi			**45,049**
	China	45,049	
Total Number of Members Voted	**177**		**1,012,392**

/s/
Carmen Maria Madriz Contreras
(Costa Rica)
Teller

/s/
Carl-Hermann G. Schlettwein
(Namibia)
Teller

August 7, 2008

Allocation of FY08 Net Income

1. The General Reserve (including cumulative exchange rate translation adjustment) of the IBRD as of June 30, 2008 was $25,888 million. As of that date, the surplus of the IBRD was $0 million, and the Special Reserve created under Article IV, Section 6 of the IBRD's Articles of Agreement totaled $293 million. The IBRD's reported net income for the fiscal year ended June 30, 2008 (FY08) amounted to 1,491 million. IBRD's Operating Income (referred to as "Net income before Board of Governors-Approved Transfers and net unrealized (losses) gains on non-trading derivatives and borrowings measured at fair value, per FAS 133 as amended" in the FY08 external financial statements) is used as net income for annual net income allocation purposes. For FY08, Operating Income was $2,271 million, of which $10 million is excluded from allocable net income and has been transferred to the Externally Financed Outputs Adjustment Account.

2. The Executive Directors have considered what action to take, or to recommend that the Board of Governors take, with respect to FY08 net income. The Executive Directors have concluded that the interests of the IBRD and its members would best be served by the following dispositions of the net income of the IBRD:

   (a) the addition of $811 million to the General Reserve, plus or minus any rounding amount less than $1 million;
   (b) the addition of $117 million to the pension reserve representing the excess of the SRP and RSBP contribution amounts over the accounting expense;
   (c) the transfer to the International Development Association, by way of a grant of $583.3 million, from FY08 allocable net income, which amount would be usable to provide financing in the form of grants in addition to loans;
   (d) the retention as surplus of $635 million; and
   (e) the transfer to the Kosovo Sustainable Employment Development Trust Fund, by way of a grant of $40 million, from surplus.

3. Accordingly, the Executive Directors recommend that the Board of Governors note with approval the present Report and adopt the draft Resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on September 9, 2008)

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[1] *See page 173.*

REPORTS OF THE BOARD OF DIRECTORS OF IDA

December 6, 2007

Latvia—Change in Membership Status

1. Latvia is a Part II member of the Association. Latvia has requested that its membership status in the Association be changed from Part II to Part I. In addition to the technical differences between Part I and Part II concerning members' initial subscription, Part I members are expected to make significant contributions to each replenishment, commensurate with their economic standing. The authorities of Latvia recognize the financial responsibility associated with Part I membership in the Association. Latvia has also requested that its voting rights, derived from its cumulative subscriptions and contributions to the resources of the Association, be adjusted on the basis of its Part I membership status.

2. The Executive Directors of the Association have welcomed the expression of a stronger commitment by Latvia to supporting the activities of the Association, and have accepted its request for a change in its membership status. The Executive Directors recommend that the Board of Governors adopt the draft Resolution . . .[1] which would modify its status in the Association.

(This report was approved and its recommendation was adopted by the Board of Governors on January 22, 2008)

[1] *See page 178.*

February 20, 2008

Membership of the Republic of Lithuania

1. In accordance with Section 9 of the By-Laws of the International Development Association, the application of the Republic of Lithuania for membership in the Association is hereby submitted to the Board of Governors.

2. The draft Resolution . . .[1] is consistent with membership Resolutions with respect to countries joining IDA as "Part I" members.

3. The Republic of Lithuania has indicated that it will make a subscription and contribution to the Association as part of the upcoming Fifteenth Replenishment of the Association. It will also have the option to contribute to the replenishment of the Association's resources to finance the Multilateral Debt Relief Initiative.

4. Representatives of the Republic of Lithuania have been consulted informally regarding the terms and conditions recommended in the attached draft Resolution and they have confirmed that these terms and conditions are acceptable.

5. The draft Resolution . . .[1] is recommended for adoption by the Board of Governors.

(This report was approved and its recommendation was adopted by the Board of Governors on April 3, 2008)

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[1] *See page 179.*

February 28, 2008

Additions to Resources: Fifteenth Replenishment

INTRODUCTION

1. ***An important channel for multilateral aid***. Since its inception in 1960, the International Development Association (IDA) has played a pivotal role in the global aid architecture. It is the largest multilateral channel for providing concessional financing to developing countries with per capita incomes mainly below USD 1,065.[1] Working with client countries and donors, IDA supports low-income countries in their efforts to achieve broad-based growth, reduce poverty, and improve living standards of the poor. Given its poverty focus, IDA directs a large share of its resources to countries where people earn less than two dollars a day.[2]

2. ***A vital role in the global aid architecture***. With the global aid architecture becoming more complex, IDA's role in developing countries has become all the more important. Not only does IDA provide direct financing, policy advice, and knowledge services to client countries, but it also serves as a platform for the effective delivery of overall aid. To perform its dual role, IDA relies on its unique strengths: the scale of its financial resources; extensive knowledge base and the quality of its policy advice; global reach combined with local presence; multi-sectoral perspective; and its convening power. Further, IDA's ability to adapt to individual country circumstances, to act as a "first mover" when appropriate, and to leverage funding from other partners to scale up poverty-reducing interventions, allows it to play a vital role in reaching the poor. A strong replenishment allows IDA to play its role as a platform for other development partners to obtain results at the country level.

3. ***IDA's sources of funding***. IDA's resources come mainly from contributions by governments of its donor countries. The number of donors has grown over time to 45, to include both developed and middle-income developing countries. Donors provide resources

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[1] *IDA's operational per capita income cut-off in FY08.*

[2] *Based on definition provided in Chen and Ravallion (2004). "How Have the World's Poorest Fared Since the Early 1980s?" World Bank Research Observer, Vol. 19, No. 2, pages 141–169.*

according to arrangements reached during periodic replenishment negotiations held every three years. Other sources of IDA funding include repayments on outstanding credits, IDA investment income, and transfers from the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC).

4. ***The Fifteenth Replenishment of IDA***. Representatives of donor governments ("the IDA Deputies") and representatives of borrower countries (collectively referred to in this report as the "Participants") negotiated the Fifteenth Replenishment of IDA's resources under the chairmanship of Mr. Vincenzo La Via, Chief Financial Officer of the World Bank Group.[3] To make the discussions transparent and to solicit views from a range of stakeholders, Participants consulted with African opinion leaders in Maputo, Mozambique in June 2007 and invited and received comments from civil society on the draft Deputies' report. In addition, all relevant policy papers discussed at the replenishment meetings were posted on IDA's external website prior to each meeting, and summaries of the discussions were posted following the meetings. This report contains the Participants' guidance on the policy and financial framework that underpins IDA's support for economic development and poverty reduction in eligible countries during the IDA15 period (July 1, 2008 to June 30, 2011).

5. ***Noteworthy points***. The IDA15 replenishment discussions were noteworthy for several reasons. *First*, the discussions focused on consolidating, strengthening, and fine-tuning many significant changes in the policy framework that were put in place during past replenishments, including those relating to the grants framework, results measurement system, resource allocation system, and assistance to post-conflict countries. *Second*, Participants examined IDA's role in a complex global aid architecture and concluded that IDA plays a unique role in reaching the poor, integrating multiple donor programs, supporting country ownership, and acting flexibly and quickly, to contribute to results at the country level. *Third*, Participants reviewed IDA's role in enhancing development effectiveness of aid at the country level through harmonization and alignment as well as through its leadership on the results agenda, while

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[3] *IDA15 meetings: March 5–6, 2007, Paris, France; June 28–30, 2007, Maputo, Mozambique; October 23, 2007, Washington D.C., USA; November 12–13, 2007, Dublin, Ireland; and December 13–14, 2007, Berlin, Germany.*

recognizing the importance of simultaneously implementing the broader Paris Declaration, and urged IDA to set the highest standards for itself on both fronts. *Fourth*, Participants reassessed IDA's work in fragile states and urged that it continue to strengthen its operational, procedural and organizational role in these countries, in addition to fine tuning its financing arrangements to better respond to their needs. *Fifth*, Participants reviewed IDA's resource allocation system to ensure that resources flow to countries achieving results. They also agreed to simplify the resource allocation formula to make it more easily understood by all stakeholders and to further enhance its transparency and effectiveness. While reaffirming their support for all low-income countries, Participants urged IDA to direct more than half of its assistance to countries in Sub-Saharan Africa, if warranted by performance.

6. ***Organization of the IDA15 report***. The report is organized in seven sections. Section I provides the backdrop against which the IDA15 discussions took place. The next three sections contain the **three special themes** selected by Participants at the first meeting of IDA15 discussions held in Paris in March 2007. These are: IDA's role in the global aid architecture (Section II), IDA's role in ensuring effectiveness of aid at the country level (Section III), and IDA's role in fragile states (Section IV). Section V contains a discussion on the management of IDA's resources. Section VI discusses financing of debt relief and arrears clearance. Section VII sets forth the recommendation of the Executive Directors to the Board of Governors to adopt the draft IDA15 Resolution (see Annex 3).

SECTION I. SUPPORTING IDA COUNTRIES IN ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

A. Progress and Challenges in Achieving the Millennium Development Goals

7. ***Significant progress***. Recent data point to encouraging signs of progress on several fronts in IDA countries. Real Gross Domestic Product (GDP) per capita grew by 5.5 percent annually between 2003 and 2006, more than twice the average growth rate of 2.2 percent between 1990 and 2003. This strong growth is associated with a decline in poverty, with extreme poverty falling by two percentage points between 2002 and 2004, continuing the trend since 1999. If the growth momentum of the past 15 years continues, it is likely that the global rate of extreme income poverty will be halved

between 1990 and 2015.[4] In the human development area, some progress has been made towards the Millennium Development Goals (MDGs). In addition, other outcome indicators for public financial management and investment climate also showed positive change, with the regulatory obstacles to private sector development consistently reduced between 2003 and 2006. Progress in access to basic infrastructure was strong in all regions, and the average rate of improvement for IDA countries as a whole has surpassed that of non-IDA developing countries,[5] especially in household electrification rates as well as an expansion of the telecommunications sector.

8. ***Daunting challenges remain***. While IDA countries as a whole have improved outcomes in the recent past, progress varied by indicator and remained uneven across countries. Despite gains made so far, "the end of poverty is not imminent."[6] While current trends suggest that the goal on halving extreme poverty by 2015 would likely be reached, it will not be met in Africa. Besides, progress towards MDGs in the human development area falls well short of what is needed to achieve many of the targets on time. Neither Africa nor South Asia is likely to meet any of the human development goals—universal primary education, greater gender parity in education, reduced child and maternal mortality and incidence of disease, and improved water and sanitation.[7] Meanwhile, recent studies show that the impact of climate change on developing countries could undermine progress towards the MDGs.[8] Moreover, in an increasingly interdependent world, rich and poor countries alike share an increased vulnerability to shocks. Daunting challenges persist at the halfway point to 2015—the target year for reaching the MDGs. These challenges require IDA and the development community to redouble their efforts in support of growth and development in IDA countries in order to improve the lives of millions of people.

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[4] *2006 Global Monitoring Report, page 21.*

[5] *"Non-IDA developing countries" refer to 69 developing countries that are not eligible for IDA grants or credits in FY08. They are mainly middle-income, IBRD client countries.*

[6] *The World Bank (October 2007).* "Meeting the Challenges of Global Development: A Long-Term Strategic Exercise for the World Bank Group."

[7] *2006 Global Monitoring Report.*

[8] IDA at work *note at http://siteresources.worldbank.org/IDA/Resources/IDA-Environment.pdf*

B. Enhancing Aid Effectiveness to Achieve the MDGs

9. ***Progress supported by increased Official Development Assistance (ODA) flows***. The progress made so far in IDA countries has to a large extent been the result of their own efforts, policies, and resources. In recent years, IDA countries showed gains in macroeconomic performance as well as in the quality of public institutions, quality of public administration, transparency, accountability and control of corruption in the public sector.[9] The progress has also been supported by increased ODA flows. In Monterrey in 2002, the international community pledged to support the efforts of developing countries in achieving internationally agreed development goals, including the MDGs. Since that time, ODA—the main form of resource transfers to IDA countries—has been steadily rising. ODA reached its highest level in 2005 at USD 106.8 billion, boosted in large part by debt relief operations. This rising trend was reversed slightly in 2006, with ODA falling to USD 103.9 billion at current prices.[10] Preliminary estimates suggest that ODA may fall further in 2007, as the debt relief amounts taper off. For low-income countries to achieve the MDGs, ODA needs to resume its growing trend and donors will, therefore, need to scale up aid in the coming years in accordance with their international commitments.

10. ***The way aid is delivered is critical***. While aid volumes are important, the way in which aid is delivered also matters. Recent trends in ODA and in the global aid architecture pose challenges to the effectiveness of aid at the country level. Some of these challenges include:

    - *A decline in aid for core development programs*. Overall ODA has increased (growing on average 11.4 percent per year during 2001–05) and of that, debt relief has been a critical component growing by 70 percent between 2004 and 2005. However, ODA for core development programs[11] has not grown as quickly

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[9] *World Bank (2007). "Country-Based Scaling-up: Assessment of Progress and Agenda for Action." Paper prepared for the Development Committee meeting, October 21, 2007.*

[10] *In 2006, ODA at 2005 prices and exchange rates reached USD 101.3 billion, resulting in a real decline of 5.1 percent over the previous year.*

[11] *ODA for core development programs is defined as total ODA excluding selected special-purpose grants such as debt relief, administrative costs of donors, and emergency assistance. See IDA (2007). "Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows."*

(4.6 percent per year over the same period), particularly in IDA-eligible countries, which received less than they did on average during the early 1990s.

- *A shift from infrastructure to social sectors*. Over the last two decades, a rising share of social sectors in total sector-allocable ODA to low-income countries (from 29 percent in the early 1990s to 52 percent between 2001 and 2004)[12] was accompanied by a declining share of infrastructure and production (from 59 percent to 38 percent over the same period). The decline in infrastructure is particularly noticeable in Sub-Saharan Africa.
- *An increasingly complex aid architecture*. The global aid architecture has become complex, with: (i) a proliferation of donor channels providing ODA; (ii) fragmentation of ODA flows through an increasing number of donor-funded activities with decreasing financial size; and (iii) a significant degree of earmarking of aid resources for specific uses or for special-purpose organizations, including through the increasing number and size of global programs or "vertical funds."[13] The growing importance of non-DAC and "emerging" donors has also changed the global aid architecture significantly in recent years.

11. While the new sources of aid bring much-needed resources to help developing countries reach their MDGs, the accompanying fragmentation and proliferation of aid reduces its effectiveness by:[14] (i) presenting additional challenges to harmonizing and aligning aid, which results in rising transaction costs for recipient countries and donors; (ii) potentially creating wasteful duplication and overlap in the delivery of aid; (iii) causing competition for scarce skills in recipient countries; and (iv) distorting sectoral allocations of public spending by possibly reflecting global rather than recipients' priorities as aid flows become increasingly earmarked for specific purposes.

12. ***The country-based development model***. These trends in ODA and the global aid architecture highlight the need for a country-based development model as the means to make effective use of scaled-up ODA at the country level—a view reflected in the Paris Declaration on Aid Effectiveness. The country-based model provides a

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[12] *Social sectors, in the OECD/DAC classification, include education; health and population; water and sanitation; government and civil society; and conflict, peace and security.*

[13] *IDA (2007). "Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows."*

[14] *Ibid.*

platform upon which different ways of delivering aid—traditional bilateral and multilateral ODA, emerging non-DAC donors, and vertical funds for global public goods—can work together in an integrated manner under the leadership of recipient countries to achieve results at the country level.

13. The introduction of the Poverty Reduction Strategy (PRS) approach in 1999 was an important step in the evolution of the country-based model which put recipient country governments in the driver's seat, brought a clearer focus on poverty reduction, emphasized national ownership of the development effort, and created accountability for development results. If aid-delivery mechanisms and approaches are framed in the context of national development strategies, their goals would be mutually reinforcing, making it possible to achieve much needed balance and complementarity.

C. IDA's Support for MDGs through the Country-Based Model

14. ***IDA and the country-based model***. Alignment with the PRS is the cornerstone of IDA's support to the country-based model and the Country Assistance Strategy (CAS) provides an anchor for IDA's support at the country level. Thus, IDA effectively has a strategy for assisting each country—a CAS or Interim Strategy Note (ISN)—which evolves over time to adapt to countries' evolving challenges and priorities. The CAS facilitates alignment with country priorities by taking into account national development programs as well as harmonization with other donor and World Bank Group activities, thereby maximizing impact on the ground. The CAS also makes it possible for IDA's program to reconcile global concerns and national priorities at the country level. Increasingly, the formulation of IDA's country strategies in support of the PRS is expected to occur through its participation in joint assistance strategies with other donors. Finally, IDA provides support for the strengthening of national capacities, including those for environmental and social safeguards, as well as public financial management and procurement.

15. ***Financing volumes, quality and results***. Within the country-based model, IDA has the capacity to provide financial assistance on a large scale to countries that continue to rely on ODA as the main form of external financing. The scale of IDA's financial assistance, underpinned by its strong focus on quality, is central to the achievement of the MDGs. Assessments by the Independent Evaluation Group (IEG) show a continuous improvement of the impact of the

World Bank's operations measured in terms of project outcomes, sustainability, and contribution to institutional development.[15] Going forward, inputs from IEG assessments can be expected to inform improvements in IDA operations.

D. Broad Strategic Directions for IDA Going Forward

16. ***Way forward***. In parallel with the IDA15 replenishment discussions, the World Bank Group is discussing its way forward in catalyzing "inclusive and sustainable globalization," fostering shared growth with care for the environment, and improving the living standards of people with the overall aim of reducing global poverty. The broad framework for the World Bank Group's strategy was spelt out by President Zoellick in his note to the Development Committee[16] and captured in his discussions with Participants during the meeting held in Washington, D.C. in October 2007. The President's vision for the World Bank Group rests on the ongoing Long Term Strategic Exercise (LTSE), which provides some of the building blocks for the long-term strategy.[17] The LTSE paper points out that in order for economic growth to assist in poverty reduction, it has to be both inclusive and sustainable.

17. ***Relevant themes for IDA***. Four of the six strategic themes highlighted by the President resonate particularly well with the topics discussed by Participants in the IDA15 discussions. These are: (i) "helping to overcome poverty and spur sustainable growth in the poorest countries, especially in Africa;" (ii) "addressing the special challenges of states coming out of conflict or seeking to avoid breakdown of the state;" (iii) "playing a more active role with regional and global public goods on issues crossing national borders, including climate change, HIV/AIDS, malaria, and aid for trade;" and (iv) "fostering a knowledge and learning agenda across the World Bank Group to support its role as a brain trust of applied experience."

18. ***Broad strategic directions***. The LTSE reaffirms the importance of the two-pillar framework that has underpinned the World Bank Group's—and IDA's—work over the last few years to reduce global

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[15] *IDA (2007). "The Role of IDA in the Global Aid Architecture: Supporting the Country-Based Development Model," page 16.*
[16] *World Bank (October, 2007). "Note from the President to the World Bank." DC2001-0025.*
[17] *The World Bank (2007). Op. cit.*

poverty. Within the country-based model, the first pillar focuses on building a strong climate for investment, jobs, and sustainable growth and the second pillar on empowering the poor to encourage their participation in development. Equity and inclusion are central to the success of the two-pillar framework as they influence the workings of both the investment climate and the empowerment of the poor.[18] The LTSE also notes that two additional perspectives need to be weaved into the two-pillar framework: institutions and governance processes (particularly in fragile states) as well as global public goods, including environmental sustainability. Consistent with this approach, IDA's focus on the two-pillar framework will be complemented by several cross-cutting issues such as improving governance, fostering gender equality, and addressing global challenges, including issues such as climate change.

19. ***Private sector-led growth, agriculture, and infrastructure investments***. Policies for sustained, broad-based economic growth are important for a sound poverty reduction strategy. In turn, growth can only be sustained in the long run if it is underpinned by a vigorous, thriving private sector.[19] A healthy investment climate is a crucial element in any strategy focusing on promoting sustained growth and poverty reduction. Government policies and behaviors are important for a sound investment climate, as they can decisively influence "the security of property rights approaches to regulation and taxation (both at and within the border), the provision of infrastructure, the functioning of finance and labor markets, and broader governance features such as corruption."[20]

20. IDA supports private sector-led growth through its financial assistance and non-lending activities. IDA's work on private sector development is complemented and enhanced through IFC's and Multilateral Investment Guarantee Agency (MIGA)'s private sector investment activities. IDA collaborates with IFC in many IDA countries, and will intensify this collaboration through: joint work on investment climate, including removing barriers for female entrepreneurs; joint approaches to public private partnerships; and

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[18] *The World Bank (2005). "World Development Report 2006: Equity and Development."*
[19] *World Bank (2002). "Private Sector Development Strategy: Directions for the World Bank Group."*
[20] *World Bank (September, 2004). "World Development Report 2005: A Better Investment Climate for Everyone," page 1.*

joint work on Micro, Small and Medium Enterprises (MSME) support, particularly in Africa. In addition, IDA and IFC will continue to develop innovative approaches, including the use of the promising Output-Based Aid (OBA) projects in IDA countries, to harness private sector activity to meet development goals.

21. In IDA countries, *agriculture* often accounts for a large share of GDP and employment. Therefore, growth in agricultural incomes is essential to stimulate broad-based growth in the overall economy, reduce poverty and ensure food security. At the same time, as noted in the 2008 World Development Report, the Doha Round of trade negotiations need to be urgently concluded, to help pave the way for increased exports from low-income countries, especially in agriculture. Given the diverse constraints to agricultural development, especially in Sub-Saharan Africa and South Asia, interventions have to be multifaceted and coordinated across a range of activities. IDA has an important role in agriculture for improving economic competitiveness and ensuring equitable distribution of benefits. Going forward, in accordance with the findings of the 2008 World Development Report and the recommendations of a recent IEG report,[21] IDA will renew its focus on the agricultural sector.

22. *Infrastructure services* contribute to poverty reduction and private sector-led economic growth by lowering costs and expanding market opportunities, thereby increasing productivity and improving the business environment. However, considerable gaps remain in access to infrastructure services. In the developing world, it is estimated that 1.1 billion people are without safe water, 1.6 billion are without electricity, 2.4 billion without sanitation, and more than 1 billion without access to an all-weather road or telephone services.[22] The gap in access reflects, in part, a large shortfall in infrastructure investment. Closing the infrastructure access and investment gaps is a necessary step to achieve development results and to meet the MDGs, including those for human development (e.g., education, health, empowerment of women and other marginalized groups).

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[21] *IEG (2007). "Agriculture in Sub-Saharan Africa: An IEG Review." The report found that the agricultural sector has been neglected both by governments and the donor community, including the World Bank. It finds that the Bank's limited and, until recently, declining support has been largely piecemeal and "sprinkled" across several critical areas such as research, extension, credit, seeds, roads, and policy reforms, but with little recognition of the synergy between them.*

[22] *IDA at Work Background Note "Role of IDA in Infrastructure," May, 2007, page 3.*

23. There is a strong case for scaling up IDA's support to infrastructure to help close the infrastructure investment gap. IDA remains the largest multilateral source of physical infrastructure financing and has recognized expertise in this field. IDA's financial support for infrastructure services, combined with policy dialogue and institutional capacity building would, where appropriate, also help crowd-in private sector financing to ensure a sustainable, private-sector-led growth in IDA countries.

24. Scaled-up IDA support to infrastructure will continue to be complemented by measures to increase the productivity of infrastructure spending as well as by policies and institutional arrangements that foster financial, environmental, and social sustainability. Over the past decade, environmental and social sustainability has become central to IDA's development assistance. This has been accompanied by tighter fiduciary controls to deter corrupt practices and misuse of funds. Furthermore, scaling-up cannot be successful without responsiveness to local needs: IDA's strategy on infrastructure is centered on the need to combine scaling-up infrastructure projects with targeted service delivery to the poor.[23]

25. ***Investing in people***. To lay the foundations for sustained growth, IDA invests in people by improving the quality and extending the reach of social services to the poor.

    - IDA's *Health, Nutrition and Population* (HNP) strategy[24] aims to support countries in their efforts to improve the health conditions of the poor and the vulnerable and prevent the poor from becoming destitute as a result of illness. The objectives of the strategy are to: improve the level and distribution of key HNP outcomes, outputs, and system performance to improve living conditions, particularly for the poor; strengthen financial protection to prevent destitution due to illness; enhance financial sustainability; and improve governance, accountability and transparency. The HNP strategy also reaffirms a commitment to population issues, including reproductive health as well as maternal and child health policy, based on IDA's comparative advantage, and working in collaboration with the United Nations Population Fund (UNFP) and the World Health Organization (WHO). In view of the changes in the

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[23] *IDA at Work Background Note "Role of IDA in Infrastructure" op.cit, pages 21–25.*

[24] *World Bank (2007). "Healthy Development: The World Bank Strategy for Health, Nutrition, and Population Results."*

architecture for development assistance for health, IDA will support country efforts by: renewing focus on results; strengthening client country efforts to have well-organized and sustainable health systems; ensuring synergy between health system strengthening and priority disease interventions;[25] advising client countries on an intersectoral approach to HNP results; and increasing selectivity, improving strategic engagement, and agreeing with global partners on division of labor to achieve results at the country level.

- IDA's *education* sector strategy focuses on achieving basic education for all while focusing on the poorest children and girls to ensure gender parity, early childhood interventions, innovative delivery and systemic reform.[26] An update of the strategy in 2005 takes into account changes in the international aid architecture, including the Education for All Fast Track Initiative; focuses on education-labor market linkages; places greater emphasis on the quality of education and learning outcomes; recognizes the impact of HIV/AIDS on education; accounts for learning gaps across and within countries; addresses greater demand for secondary education; and considers the role of tertiary education and lifelong learning in promoting knowledge-driven economic growth. To maximize the impact of education on growth and poverty alleviation, IDA emphasizes three themes: integrating education in a country-wide perspective; broadening the strategic agenda through a system-wide approach; and becoming more results oriented. These themes ensure that education is looked at within the context of overall development strategies and in specific macroeconomic and sectoral contexts.
- *Social protection and labor* policies contribute to human development by managing the income and welfare risks that affect vulnerable groups. IDA's broad policy objectives[27] are to: improve earning opportunities and the quality of jobs; improve security for households and communities through better management of risks; and provide assistance for vulnerable groups to improve equity and reduce extreme poverty. In support of these objectives, IDA focuses on labor markets (including eliminating

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[25] *IDA (2007). "The Role of IDA in the Global Aid Architecture: Supporting the Country-Based Development Model."*

[26] *World Bank (1999). "Education Sector Strategy," and World Bank (2005). "Education Sector Strategy Update: Achieving Education for All, Broadening our Perspective, Maximizing our Effectiveness."*

[27] *World Bank (August, 2000). "Social Protection Strategy: From Safety Net to Springboard." R2000-1060.*

harmful child labor, promoting gender equity, and advancing other internationally agreed workers' rights) and job creation; expanding pensions and old-age income support; strengthening social safety nets; using social funds as community-based mechanisms to improve access to social services for the poor and other vulnerable groups; and encouraging governments to integrate disabled people into their poverty alleviation efforts. Going forward, to pursue its work on social protection, IDA will strengthen cross-sectoral activities, better integrate knowledge-management activities and incorporate poverty and social impact analysis into policy development.[28]

26. ***Cross-cutting themes***. IDA will focus on several themes that complement and cut across the twin pillars of growth and empowering the poor. These include:

- *Governance*: In the mutual accountability framework agreed upon in the Monterrey Consensus, good governance plays a major role because it is important for the development performance of a country.[29] The World Bank Group's recently approved governance and anticorruption strategy[30] is results oriented and aims at helping developing countries identify their priorities for improving governance and articulate and implement programs responding to those priorities in a manner that is sustainable in the long run. The governance strategy would be implemented at the country, project and global levels to enhance and integrate governance and anti-corruption measures. At the *country level*, the focus would remain on strengthening state capacity and accountability (through improving public financial management of revenues and expenditures, procurement, auditing, the judiciary, and legal reforms, as well as cross-cutting civil service and transparency reforms), expanding private sector reforms, and engaging systematically with a broad range of stakeholders. At the *project level*, the focus will be on actions to mitigate fiduciary risks (through strengthening country systems, tailoring projects to manage specific sectoral risks, mitigating risks upstream on high-risk projects, etc). At the *global level*, the World Bank will support harmonized approaches with other international actors. In this regard, the Stolen Asset Recovery Initiative is an integral

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[28] *OPCDM (December, 2007). "Sector Strategy Implementation Update FY06."*

[29] *Swaroop, V. and S. Rajakumar (2002). "Public Spending and Outcomes: Does Governance Matter?" World Bank Policy Research Working paper No. 2840.*

[30] *World Bank (2007). "Strengthening World Bank Group Engagement on Governance and Anticorruption."*

part of the World Bank's governance strategy and helps developing countries recover stolen assets.[31] The Governance and Anticorruption strategy is being further elaborated to strike a balance between short-term signaling in cases of fraud or corruption and the longer-term efforts to build capacity.

- *Gender*: Empowerment of women is essential for achieving MDGs and promoting shared economic growth. The World Bank's Gender Action Plan[32] recognizes that expanding economic opportunities for women is "smart economics" and notes that their increased participation in the labor force and associated increased earnings lead to reduced poverty and faster growth. The Gender Action Plan targets women's empowerment in economic sectors, mostly infrastructure, agriculture, private sector development and finance. The way ahead includes: intensifying gender mainstreaming in World Bank and IFC operations and in economic and sector work; mobilizing resources to implement and scale up initiatives that empower women economically; improving knowledge and statistics on women's economic participation and relationship between gender equality, growth and poverty reduction; and undertaking targeted communication campaigns to foster partnerships on the importance of women's economic contributions. A status report on the Gender Action Plan will be discussed at the IDA15 Mid-Term Review.
- *Climate change*: The impact of climate change is expected to become more severe for developing countries, putting the achievement of the MDGs at risk. IDA's response to the challenge of climate change has been developed as part of the World Bank's Clean Energy Investment Framework (CEIF).[33] Its main elements are: (i) improving access to clean energy; (ii) supporting low carbon development in a manner that improves global progress towards carbon emission reduction; and (iii) supporting adaptation to climate change. IDA is able to link global issues with country strategies and to invest in global public goods at the country level. As such, IDA's project selection and design decisions will be guided, among other things, by changing climatic circumstances in each country.[34]

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[31] *http://siteresources.worldbank.org/NEWS/Resources/Star-rep-full.pdf*

[32] *The World Bank (2006). "Gender Equality as Smart Economics: A World Bank Group Gender Action Plan (Fiscal Years 2007–10)."*

[33] *World Bank (2007). "Clean Energy for Development Investment Framework: The World Bank Group Action Plan." DC2007-0002.*

[34] *For details, see IDA (2007). "The Role of IDA in the Global Aid Architecture: Supporting the Country-Based Development Model."*

E. Key Developments since the IDA14 Replenishment Discussions

27. ***The Multilateral Debt Relief Initiative (MDRI)***. The MDRI was proposed in June 2005 and its implementation began on July 1, 2006[35] after its approval by IDA's Executive Directors and Board of Governors.[36] Under the MDRI, 100 percent of eligible debts to IDA, the African Development Fund (AfDF), and the International Monetary Fund (IMF) were cancelled for countries that reach completion point under the Heavily Indebted Poor Countries (HIPC) Initiative. The MDRI aims to: deepen debt relief to HIPCs while safeguarding the long-term financial capacity of IDA and AfDF; and encourage the best use of additional donor resources for development by allocating them to low-income countries on the basis of performance. Debt relief through HIPC and MDRI has helped lower debt and debt service ratios in many countries, allowing them to increase poverty-reducing expenditures. To ensure that the financing cost of the MDRI does not compromise IDA's financial strength and capacity to support low-income countries in the medium to long term, donors agreed to finance IDA's MDRI costs on a "dollar-for-dollar" basis.

28. ***The Non-Concessional Borrowing Policy (NCBP)***. The provision of debt relief and grants increases borrowing space for low-income countries, which presents both opportunities and challenges. If borrowing and lending take place at a pace inconsistent with countries' debt-carrying capacity, it will contribute to the risk of unsustainable debt burdens accumulating within a few years. In response to these risks, IDA's NCBP was approved by the Board of Executive Directors in July 2006.[37] The NCBP rests on two pillars: enhancing creditor coordination around the Debt Sustainability Framework (DSF) and discouraging unwarranted non-concessional borrowing through disincentives (also see Section II B).

29. ***Key policy decisions and discussions at the IDA14 Mid-Term Review***. At the IDA14 Mid-Term Review, IDA's policy framework

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[35] *IDA (March, 2006). "IDA's Implementation of the Multilateral Debt Relief Initiative." IDA/R2006-0042.*

[36] *IDA (2006). "Additions to Resources: Financing the Multilateral Debt Relief Initiative." Resolution No. 211 adopted on April 21, 2006.*

[37] *IDA (2006). "IDA Countries and Non-Concessional Debt: Dealing with the Free-Rider Problem in IDA14 Grant-Recipient and Post-MDRI Countries."*

was further strengthened through discussions on several key topics. These include discussions on:

- The continued use of joint Bank-Fund Debt Sustainability Framework (DSF) as the analytical foundation for IDA's grant eligibility system and the confirmation that IDA's financing terms for IDA-only countries[38] would be based on Bank-Fund debt sustainability analyses (DSAs) going forward.
- A framework for assessing the readiness of countries to make productive use of development policy operations (DPOs). There was broad support for the framework that is embedded in the current policy and it was agreed that the use of DPOs will be based on country-level assessment of benefits and risks. There was also broad agreement for the continuation of the arrangements stipulated in the IDA14 report[39] and for the Executive Directors to be informed through the annual Medium-Term Strategy and Finance paper of the past DPO share for IBRD and IDA and the outlook for future years.
- The role of governance in IDA's Performance-Based Allocation (PBA) system,[40] the regional project program pilot,[41] progress on the implementation of IDA's Results Measurement System,[42] and IDA's work in developing the private sector through the Africa Region MSME program[43] and the OBA projects.[44]

30. ***Ongoing reforms***. IDA also began an important process of reforming and modernizing its operational policies to improve its operational effectiveness. Key reforms adopted in the past few years include:

- The new policy on Additional Financing, adopted in May 2005, which permits IDA to scale up successful operations with greater speed and efficiency to enhance the results on the ground.

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[38] *Countries with per capita income below IDA operational cut-off and no access to IBRD resources.*

[39] *If the projected share of DPO commitments by IDA exceeds 30 percent for any future year, it was agreed that Management would seek additional guidance from IDA's Executive Directors.*

[40] *IDA (2006). "IDA's Performance-Based Allocation System: A Review of the Governance Factor."*

[41] *IDA (2006). "IDA14 Mid-Term Review of the IDA Pilot Program for Regional Projects."*

[42] *IDA (2006). "IDA14 Results Measurement System: A Mid-Term Review Report."*

[43] *IDA (2006). "A Review of the Joint IDA-IFC Micro, Small and Medium Enterprise Pilot Program for Africa."*

[44] *IDA (2006). "A Review of the Use of Output-Based Aid Approaches."*

- The new policy on Rapid Response to Crises and Emergencies, adopted in February 2007.
- As part of implementation of the new Rapid Response policy and of IDA's overall effort to improve the effectiveness of its response to fragile states in particular, IDA also adopted organizational and staffing changes relating to its work in fragile states, designed to enhance IDA's local presence and help attract qualified staff to work in fragile states. In addition, the Multilateral Development Banks have agreed on a shared approach to identification of fragile situations and more importantly, to protocols governing how to decide the division of labor at the country level according to comparative advantages of each institution and to explore recruitment methods for local staff that limit distortions to local labor markets.
- IDA has also commenced an important reform of consolidating and modernizing policies governing investment lending, so as to improve effectiveness, efficiency and responsiveness of this key lending instrument. It is aimed at creating a single principles-based umbrella policy for investment lending.

31. ***Transparency and accountability in IDA***. Finally, IDA aims to meet the highest standards of transparency in its operations, policies and publications, and recognizes its responsibility for making wide-ranging information available to IDA countries and the international development community. To enhance accountability and ownership, IDA will strengthen its contacts in recipient countries with parliaments and Civil Society Organizations as well as continue to work through international organizations such as the Parliamentary Network on the World Bank. IDA has taken several steps in recent years to increase its openness, transparency and accountability and will continue its leadership in this area by taking additional steps during IDA15, including through:

    - *IDA replenishment discussions*: IDA replenishment discussions continue to be open and transparent, with representatives from borrowing countries taking part in them. In addition, consultations are held with regional stakeholders during the replenishment meetings to solicit their views on challenges confronting IDA countries and their development partners.[45] Moreover, all relevant policy papers discussed at the replenishment meetings are posted on the external web before they are discussed with

[45] *During the second IDA15 meeting held in Maputo in June, 2007, participants had discussions with opinion leaders from African countries.*

the Participants; comments are sought from Civil Society Organizations on the draft Deputies' report; and the Chairman's summaries of the discussions are posted on the web following the meeting.

- *Country Performance Assessments*: To enhance transparency of its resource flows, IDA will continue to publicly disclose the performance assessments on which they are based. Specifically, IDA will continue to post the Country Policy and Institutional Assessment (CPIA) ratings on its external website. In addition, IDA Country Performance Ratings and their components will also continue to be disclosed. During IDA15, IDA aims to make further efforts to enhance transparency. As part of these efforts, IDA plans to publicly disclose the Post-Conflict Performance Indicators (PCPIs) during IDA15 after review by an external panel, whose findings will also be posted on IDA's external website. Finally, IDA plans to make allocations and commitments available to IDA's Executive Directors for information at the end of each fiscal year, so that they can be tracked.
- *Financial flows from extractive industries*: IDA aims to continue commitments made during the IDA14 replenishment discussions to enhance transparency of revenue flows to governments from extractive industry projects. IDA's financial assistance to a project with significant impact on revenues would continue to be predicated upon the government having in place, or being in the process of establishing a system for accounting for revenues and their use. The government should also have in place, or be in the process of establishing a system of independent auditing of such revenue receipts and the public dissemination of results. IDA aims to continue monitoring the implementation of these systems and take appropriate actions if they are not implemented.
- *Disclosure*: To broaden the understanding of development issues, stimulate debate and create public support, IDA seeks to continue sharing information on IDA policies and operations. IDA makes available project, policy, strategy and evaluation documents to the public on its external website, including information on the implementation or execution status of projects and programs it supports.[46] During the IDA15 period, an overall review

[46] *On March 8, 2005, the Board approved a number of revisions to the Bank's policy on the disclosure of information (http://www1.worldbank.org/operations/disclosure/) to reaffirm the Bank's commitment to ensuring increased transparency about its activities (also see "World Bank Disclosure Policy: Additional Issues—Follow-up Consolidated Report" (Revised), February 14, 2005, for details).*

of the disclosure policy will be carried out by Management, including progress made in implementing the 2005 revisions. The World Bank aims to continue its efforts to disseminate information and its research, including through strengthening Public Information Centers around the world. In addition, following approval of disclosure by the Executive Directors, Management intends to publicly disclose the results of the independent comprehensive assessment of IDA's controls framework, scheduled for completion in early Calendar Year 2008. In addition, Management aims to implement the findings of this report, and provide at the IDA15 Mid-Term review, an update on progress made in this regard, including outlining a process for the periodic review of IDA's controls.

32. Against the backdrop for the report provided in this section, the following sections summarize agreements reached during the IDA15 replenishment meetings on a series of operational, policy and financial recommendations to reinforce the effectiveness of IDA in all low-income countries, with special focus on Sub-Saharan Africa. Sections II–IV summarize discussions on the **three special themes** picked by Participants for the IDA15 replenishment discussions. The policy papers on which these sections are based are listed in Annex 4 of this report.

SECTION II. THE ROLE OF IDA IN THE GLOBAL AID ARCHITECTURE

33. Participants examined the role of IDA in an increasingly complex aid architecture as the **first special theme** of the IDA15 replenishment discussions. They reiterated that the challenges associated with donor proliferation and aid fragmentation reinforce the importance of anchoring aid delivery in a country-based development model aligned with national development strategies to make it more effective. Along with these challenges to aid effectiveness, Participants also focused on IDA's role in emerging regional and global issues, which include the spread of HIV/AIDS and other health concerns, and the preservation of global environmental commons. Finally, going beyond debt relief, Participants looked at IDA's role in ensuring that recipient countries adopt prudent debt management strategies.

A. IDA's Role at the Country, Regional and Global Levels

34. On average since the 1970s, around 70 percent of overall ODA is provided through bilateral channels and 30 percent through multilateral channels. This ODA has been provided by a growing number of donors in recent times, with around 56 bilateral donors and more than 230 multilateral organizations, funds and programs.[47] With so many channels available for donors to provide aid, Participants discussed how to make IDA a distinctive channel for delivering aid in order to achieve results at the country level.

35. ***IDA's dual role***. Participants were of the opinion that IDA's role in supporting the country-based model has become more important in a complex aid architecture, and urged Management to significantly step up its efforts to meet this challenge. IDA's potential to play this role stems from its strengths which include its country level knowledge; multi-sectoral approach to development; ability to draw on global experience; analytical and research capabilities; and its delivery of large volumes of development finance underpinned by a strong focus on quality and results. Participants noted that these strengths enable IDA to tailor its assistance to different country circumstances; help ensure coherence between macroeconomic stability and long-term development goals through cooperation with the IMF; act as a "first mover" to tackle critical development challenges and introduce policy innovations; leverage funds from other sources of aid; and exercise its convening power when needed to help coordinate development assistance efforts at the country level. As such, Participants delineated the dual role of IDA in:

    - Providing direct financing and knowledge services to client countries in support of their priorities and needs; and
    - Providing a platform which helps other development partners operate effectively to achieve results at the country level.

36. ***Selectivity***. Despite its importance in offsetting adverse effects of donor proliferation, aid fragmentation and earmarking, and its wide-ranging development expertise, Participants emphasized that IDA must become more willing to let others play the leading role among donors in every sector or country. In particular, they stressed that the determination of when IDA should lead, when it

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[47] *IDA (2007). "The Role of IDA in the Global Aid Architecture: Supporting the Country-Based Development Model."*

should follow, or not be involved, must be made at the country level in consultation with country authorities and other donors. Depending on country-specific circumstances, other key donors and organizations, such as the regional development banks, the European Commission or UN agencies, would be better suited to provide leadership, especially in fragile or post-conflict situations. In this regard, consistent with the country-based model, Participants pointed out that the composition of IDA assistance should be decided in the context of CASs and joint assistance strategies. They stressed that the CAS process helps IDA achieve selectivity at the country level, resulting in country-appropriate choice of interventions and assistance both within and across sectors, and asked that this focus on selectivity be strengthened going forward.

37. ***Support to regional and global programs and priorities***. Participants recognized that IDA's strengths at the country level allow it to also play a pivotal role in addressing regional and global issues. They pointed out that IDA supports the global public goods agenda by mainstreaming and integrating global programs into national development strategies, and by investing directly in global commons at the country level. They noted that, over the years, IDA has played these roles with regard to protection of environmental commons, communicable diseases, reforms in the international trade system, production and dissemination of global development knowledge, and the fostering of global financial stability. Participants pointed out that IDA should draw on its analytical knowledge, ability to design complex regional projects, and capacity to forge consensus to foster regional integration. They stressed that there is a strong demand for IDA's regional projects, particularly in Sub-Saharan Africa, and noted that this demand is expected to remain strong during IDA15. Participants expected the geographic coverage of regional projects to evolve in line with demand. Finally, they underscored the importance of continuing coordination with other partners, particularly regional development banks.

38. ***Areas for improvement***. Despite progress so far, to respond effectively to emerging challenges in the global aid architecture in a manner consistent with its core mandate and comparative advantage, Participants urged IDA to intensify its efforts in *four main areas*: (i) strengthening complementarity with vertical approaches to aid delivery; (ii) ensuring appropriate sectoral funding; (iii) addressing the challenge of climate change; and (iv) enhancing alignment and harmonization.

39. *Strengthening complementarity with vertical approaches to aid delivery*. Participants emphasized the need for balance and complementarity between vertical and horizontal aid.[48] They noted that, while global programs have brought much-needed attention to their respective focus areas, they entail risks, including: (i) reduced impact on the ground in light of recipient counties' limited capacity to absorb large volumes of earmarked funding; (ii) insufficient intra- and inter-sectoral coordination at the country level; (iii) proliferation of separate financing mechanisms; and (iv) medium-term fiscal sustainability risks. Participants pointed out that IDA can support the integration of horizontal and vertical aid by providing a 'horizontal platform' upon which the vertical funds as well as other sources of aid can operate effectively and mitigate the risks associated with vertical aid. Participants underscored that the long-term effectiveness of aid channeled through vertical programs depends on fiscal sustainability, a supportive policy environment—including policy measures in related sectors—and broader capacity building measures. They stressed that IDA should play an important role in identifying and supporting such policies. Participants noted that, going forward, CASs, sectoral strategies and country analytical work would need to pay more attention to the interplay between vertical funds and the country-based model. It was noted that IDA already plays an important role in strengthening national capacities, including with respect to environmental and social safeguards, which can be of use to other donors for providing development assistance.

40. *Ensuring appropriate sectoral funding*. Participants stressed the importance of taking into account overall ODA—not just IDA—flows going to each sector when deciding on the sectoral composition of assistance in the CAS. Participants underscored the need for sufficient funding for infrastructure, both at the national and the regional levels to close the infrastructure access and investment gaps. They further noted that, while overall ODA for the social sectors has gone up, a significant part of this increase—particularly for health—is provided through vertical funds. Despite the increase in overall ODA to social sectors, Participants concluded that there is room for enhanced involvement by IDA in these sectors in ways that draw on IDA's sectoral comparative advantages, and provide

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[48] *Vertical funds can be defined as partnerships and related initiatives that focus "vertically" on specific issues or themes.*

additional volumes that reinforce complementarity and balance. In this context, in the health sector, they agreed with the recent World Bank strategy for Health, Nutrition, and Population,[49] which emphasizes IDA's core sectoral comparative advantage in health system strengthening.

41. *Addressing the challenge of climate change*. Low-income countries are likely to suffer the most from the impact of climate change because of their location, low incomes, and low institutional capacity, as well as their greater reliance on climate-sensitive sectors like agriculture. Participants noted that climate change has gained impetus and urgency as a development issue and that IDA's work in this area should be consistent with its core mandate of poverty reduction and economic growth. In this context, they agreed that in view of the multi-sectoral nature of the challenges posed by climate change, IDA is an appropriate platform to mainstream climate actions into country strategies. Participants affirmed that the priority in IDA countries would be adaptation efforts to adjust to ongoing and potential socio-economic effects of climate change, complemented by selective mitigation actions such as expanding access to clean energy, including renewable energy, and improved forest and land management programs.

42. Participants welcomed the proposal to scale up climate actions during IDA15. In this regard, they supported the planned expansion of analytical work, mainstreaming of climate actions in CASs, integration of adaptation actions in IDA investments, scaling up disaster preparedness, leveraging financing options to increase access to new technology, and catalyzing access to innovative private-sector insurance products such as weather derivatives in IDA countries. In order to enable IDA to catalyze access to such products, the draft resolution of the Board of Governors contains specific authority for these activities.[50] While they noted that IDA will need additional resources for such scaling up, they stressed that the focus on climate actions should not lead to any earmarking of funds.

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[49] *World Bank (2007). "Healthy Development. The World Bank Strategy for Health, Nutrition, and Population Results."*

[50] *Article V, Section 2(a) of IDA's Articles of Agreement requires IDA to provide financing in the form of loans. IDA may however provide other forms of financing out of funds from subsequent replenishments where the replenishment authorization specifically allows such other method of financing (as for grants and guarantees).*

43. Finally, Participants asked Management to continue coordinating climate actions with other development partners, especially the Global Environment Facility (GEF). They underlined the need to clarify the respective roles of IDA and GEF in climate change. Participants requested Management to provide a progress report on climate change actions at the IDA15 Mid-Term Review.

44. *Enhancing alignment and harmonization*. Participants stressed the need for IDA to continue to strengthen its focus on harmonization and alignment, as a key element of its efforts to further enhance country level effectiveness. See Section III C for details.

45. ***A strong replenishment***. To enable IDA to play the platform role expected of it in the common efforts towards the MDGs, Participants underscored the need for a "critical mass" of funding through a strong replenishment for IDA. They pointed out that the volume of financial assistance by IDA ultimately enhances its ability to effectively deploy its strengths at the country level.

B. IDA's Role in Ensuring Debt Sustainability

46. ***Going beyond debt relief***. Participants recognized IDA's role in improving debt sustainability prospects in client countries, which went beyond the provision of debt relief under the HIPC Initiative and the MDRI. *First*, IDA plays a key role in helping ensure debt sustainability through its support of growth-promoting policies. *Second*, the World Bank, jointly with the IMF, developed and implemented the debt sustainability framework (DSF) for low-income countries and has produced forward-looking debt sustainability analyses (DSAs). *Third*, IDA operationalized the DSF by linking grant eligibility for IDA-only countries to debt distress risk ratings emerging from the DSAs. *Fourth*, IDA implemented the non-concessional borrowing policy (NCBP) to help grant and MDRI-eligible IDA countries avoid a rapid re-accumulation of debt. *Fifth,* the World Bank and the IMF continued creditor outreach activities to increase the effectiveness of the DSF. *Finally*, the World Bank, together with the IMF, enhanced efforts toward capacity building for stronger debt management in low-income countries.

47. ***Continue to strengthen the DSF***. Participants noted the transition of the DSF to a more mature phase of implementation. They welcomed the gradual improvement in the quality and analytical rigor in forward-looking DSAs. Going forward, Participants encouraged IDA to continue strengthening the application of the DSF by:

(i) conducting a more systematic analysis of total public debt, including domestic debt; (ii) scrutinizing the underlying macroeconomic assumptions more carefully; (iii) paying more attention to the precautionary features of the DSF, such as retrospective analysis of departures from the assumptions of previous DSAs; (iv) increasing use of customized stress tests; and (v) providing guidance on the appropriate pace of new borrowing in countries with debt-burden indicators well below the debt-burden thresholds. Finally, some Participants noted that while non-concessional borrowing entails greater debt sustainability risks, excessively large volumes of concessional financing could also contribute to the risk of debt distress, and as such they need to be taken into account in IDA's work on debt sustainability.

48. ***DSF and IDA grant allocation***. Participants strongly supported the DSF as the basis for the grant-allocation system in IDA15, which is an important element of IDA's toolkit to help address debt sustainability challenges in low-income countries.[51] They endorsed continuing the use of country-specific debt distress risk ratings based on the forward-looking DSAs for determining the mix of grants and credits for IDA-only countries.[52] They also agreed that when translating risk ratings into traffic lights some element of judgment should continue to be incorporated for borderline cases and those instances where changed country circumstances are not reflected in available DSAs. They agreed that this should continue to be subject to a World Bank-wide clearance process and carefully monitored.

49. ***DSF outreach***. Participants noted that the effectiveness of the DSF hinges on its broader use by both creditors and borrowers alike. They strongly supported the joint World Bank and IMF outreach

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[51] *Participants agreed on three exceptions to grant eligibility in IDA15. First, Kosovo continues to be eligible for grants in IDA15 as long as its status as part of Serbia under United Nations' Administration remains unchanged. If the status changes the relationship between the World Bank and post-status Kosovo would be reconsidered. Second, regardless of its debt sustainability outlook, Timor Leste will receive the grant element (i.e., 60 percent) of its allocation on grant terms in IDA15 because of its ongoing post-conflict status and constraints to its ability to contract external borrowing. Third, pre-arrears clearance allocations continue to be on grant terms to support recovery efforts by post-conflict and re-engaging countries.*

[52] *When DSAs are unavailable, a country's grant eligibility will be based on the comparison between its latest available debt burden indicators and the applicable external debt thresholds of the DSF.*

activities to encourage other creditors—including regional development banks and bilateral creditors—to harmonize their lending practices broadly along the lines suggested by the risk assessments contained in joint Bank-Fund DSAs. Participants noted that discussions are underway to agree on guidelines for a more active role for the major regional banks[53] in the DSA process. They also welcomed the steps taken to make information about the DSF more accessible, in particular through dedicated DSF web pages on the World Bank and IMF external websites.

50. ***The Non-Concessional Borrowing Policy (NCBP)***. Participants agreed that IDA's NCBP is an important element of IDA's role in helping prevent grant-and MDRI-eligible countries from rapidly re-accumulating debt. At the same time, they agreed that unilateral action on the part of IDA is not enough; a concerted creditor and donor effort is needed to provide appropriate concessional resources to low-income countries, which in turn, need to adopt a prudent borrowing stance consistent with their debt sustainability prospects. Participants noted that relatively few country cases have been discussed to date under the NCBP largely due to lack of information on new borrowing and the time lag in receiving such information. They stressed the importance of borrower adherence to the external debt reporting requirements under the World Bank's Debt Reporting System. Participants encouraged the continued application of the NCBP, particularly the ongoing creditor outreach, including to concessional and non-concessional creditors from emerging market countries. They also urged IDA to continue to follow up on new reported cases of non-concessional borrowing and to inform the IDA Board of any decision to apply a disincentive mechanism ahead of Board presentation of the next IDA project in the affected country.

51. ***Efforts to strengthen management of debt***. Participants underlined the importance of debt management as an effective means of attaining and maintaining debt sustainability, especially in countries benefiting from the MDRI. They noted that the current efforts included: (i) conducting training workshops on the DSF for IDA borrowers; (ii) expanding the use of the Debt Management

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[53] *These are the African Development Bank, Asian Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, and the European Investment Bank.*

Performance Assessment Tool, which measures and enables the monitoring of government debt management performance over time; and (iii) developing a medium-term debt management strategy toolkit and related advisory services for IDA borrowers. Participants noted that tools are being developed as public goods, which will initially be applied in restricted groups of countries, before being rolled out more broadly for use by all providers of technical assistance and capacity building in debt management. While they welcomed the joint World Bank-IMF efforts towards building capacity for stronger debt management in low-income countries, Participants urged Management to accelerate its efforts in this crucial area so that a broad group of IDA countries may benefit as quickly as possible. Participants underscored that joint World Bank-IMF efforts in debt management are needed to complement ongoing outreach to creditors and to help reinforce sustainable lending practices. They also emphasized the importance of continued and strengthened cooperation between the various institutions involved in debt management capacity building, building on synergies and avoiding overlaps.

SECTION III. IDA'S COUNTRY-LEVEL EFFECTIVENESS

52. ***A sharpened focus on results***. Participants examined the role of IDA in ensuring effectiveness at the country level to achieve results as the **second special theme** of the IDA15 discussions. They looked at three sub-themes: (i) the relationship between IDA's PBA system and country level outcomes; (ii) IDA's role in monitoring and measuring results; and (iii) IDA's role in harmonization and alignment of aid.

A. Development Outcomes and Resource Allocation

53. ***PBA system and results***. Participants reviewed IDA's PBA system, and reaffirmed that more IDA resources were being directed to countries where results were being achieved.[54] They noted four main findings of the review. *First*, countries sustaining good policy and institutional performance over several decades will open up a sizeable advantage in terms of development outcomes over a country

[54] *IDA (2007). "Selectivity and Performance: IDA's Country Assessment and Development Effectiveness." The results control for three factors: initial outcome levels, HIV/AIDS and the Africa region.*

with low performance ratings, assuming all other factors remain equal. *Second*, in countries where the quality of policies and institutions undergo a major change, there could be substantial changes in outcomes for decades. For example, in terms of the Human Development Index (HDI), strong improvers of policies and institutional performance advance at twice the average rate while poor performers see static or declining development outcomes. *Third*, African countries as a group face a much more difficult development challenge—controlling for policies and institutions as well as for HIV/AIDS prevalence rates, they progressed on average at half the speed of countries in other regions over the past two decades in terms of HDI (although this slow progress has been reversed somewhat during the past decade). *Fourth*, country policy and institutional performance matters for success of IDA projects. In fact, country performance matters not only during the initial stages of the project but improvements during the life of the project also increase its chances of being successful. Going forward, Participants requested Management to update the study of the links between aid allocation and results, including experience with PBA and CPIA, as well as the balance between needs and performance at the time of the IDA15 Mid-Term Review. Participants urged Management to draw on the findings of the scheduled IEG review of the CPIA, if it becomes available in time.

54. ***Centrality of the PBA system, with ring-fenced exceptions***. Based on the findings of the review, Participants reiterated the centrality of IDA's PBA system in allocating scarce aid resources because it directs more resources to countries with good policy and institutional performance, which in turn are correlated with better country- and project-level results. They noted that the PBA system makes IDA effective at the country level by: (i) providing a check on excessive aid allocations to poorly-performing countries, and directing resources to better-performing countries; (ii) improving the stability and predictability of aid resource flows where this is most needed—to those countries maintaining a stable or improving performance; and (iii) helping provide a standard through the use of performance ratings, which separate exogenous factors that make development more or less challenging in different countries or regions. In this regard, Participants recognized that selective, carefully ring-fenced deviations from the PBA system through capping allocations to some countries, exceptional allocations to post-conflict countries (see Section IV) and topping-up funds for regional projects take into account exogenous factors affecting

long-term development and help address country-specific and regional needs.[55]

55. ***Simplification of the PBA formula***. While Participants noted that IDA's PBA system, with its carefully ring-fenced exceptions was working well, they recognized that the formula has become complex over time. The formula has evolved over past replenishments, taking into account new analytical research, changing donor priorities and lessons gathered during implementation. While these modifications over successive replenishment cycles have enhanced the effectiveness of the PBA system in directing funds to countries where results are being achieved, it has had the unintended consequence of becoming complex. To make the system more effective at the country level by enhancing transparency of resource flows, Deputies agreed to simplify the formula using a linear transformation (details in Annex 1). In addition, Deputies also agreed to changes in the portfolio performance ratings to include only actual performance ratings and not forward looking projections, in order to lower unwarranted volatility in IDA allocations (Annex 1). Starting in IDA15, Participants requested that Management make allocations and commitments available to IDA's Executive Directors for information at the end of each fiscal year.

56. ***Enhancing effectiveness in small states***. Participants recognized the importance of IDA's support to small states with populations of 1.5 million or less given their vulnerability. Focusing on financial assistance provided by IDA to small states, Participants agreed to raise the base allocation of SDR 1.1 million per year (or SDR 3.3 million per replenishment period) provided to all countries to SDR 1.5 million per year (or SDR 4.5 million per replenishment period) to benefit the small states where base allocations constitute an important part of overall allocations. This increase keeps IDA's

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[55] *In grant element terms, including assistance provided under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), Participants noted that Africa is expected to receive an estimated 60 percent of IDA's resources during the IDA15 period. Further, Participants noted that many of the policy changes (a systematic approach to arrears clearance, extension of exceptional allocations to post-conflict and re-engaging countries, increase in the regional project envelope) agreed upon during the IDA15 replenishment discussions would largely benefit African countries. Finally, Participants also welcomed graduation of countries from IDA as a positive development, which helped release resources during IDA15 to all regions, especially to Africa.*

assistance to small states constant in real terms since IDA9. Moreover, Participants agreed to raise the cap on IDA allocations from SDR 13.2 to SDR 19.8 per capita to adjust for dollar inflation since IDA9. Such an increase would be in line with IDA's performance orientation since the small states more likely to reach this cap would be the better performing ones. Micro states, with very small populations and large fixed costs, would also benefit.

57. ***Regional projects***. Participants reiterated their support for IDA's regional project program as a way to promote regional integration in all regions, particularly in Sub-Saharan Africa. In recognition of their support, Participants had previously agreed to increase the topping-up funds to support regional projects from SDR 200 million to SDR 250 million at the IDA14 Mid-Term Review. In view of the continuing strong demand for IDA's regional projects, Participants proposed a further increase of SDR 150 million per year during the IDA15 period, for a regional topping-up pool of SDR 1.2 billion. In addition, while IDA's regional project program has generally worked well so far, Participants recognized that some countries with small IDA allocations, including the small states, were having difficulty participating in regional projects given the limited size of their allocations. This is because the IDA regional project program requires participating countries to contribute a third of the cost of their participation in regional projects from their country allocations. Given that regional integration is particularly important for countries with small allocations to overcome diseconomies of scale, Participants agreed to limit country contributions to regional projects to 20 percent of the annual allocations. While this ceiling applies to all countries, Participants noted that it is intended to assist countries with small allocations. Participants requested Management to provide an overall review of the regional program, as well as the experience with the cap on country contributions to regional projects at 20 percent, at the IDA15 Mid-Term Review.

B. Achieving and Measuring Results

58. ***IDA's focus on results***. The IDA Results Measurement System (RMS) was launched in 2002 during the IDA13 replenishment and enhanced in IDA14 to strengthen IDA's focus on results. The RMS tracks two forms of effectiveness: *development* or *country-level effectiveness* which refers to the achievement of sustainable improvements in outcomes on the ground in IDA countries, and *agency effectiveness* which means the work that organizations in

the donor community do to ensure that their business practices conform to the principles of good aid management, have enabling effects on country capacity and institutions, and thus contribute to country-level effectiveness.

59. ***Two-tiered system***. Following that logic, the IDA RMS is a two-tiered system. Tier 1 monitors aggregate progress on 14 country outcome indicators grouped into four categories: growth and poverty reduction, public financial management and investment climate, infrastructure, and human development. Tier 2 monitors IDA's contribution to development outcomes using indicators of the quality and effectiveness of IDA programs as well as examples of the outputs that IDA produces in four sectors. Participants recognized that while difficulties remain in attributing specific development outcomes to particular actions by IDA, the RMS significantly contributed to strengthening the result-orientation of IDA programs and projects and urged Management to continue its efforts to further improve the management for results during IDA15. Participants also urged the World Bank over the coming years to strengthen tracking of progress on gender and environmental outcomes.

60. ***Tier 1: Monitoring Country Outcomes***. Tier 1 RMS provides an overview of the economic and social progress of IDA countries during the IDA14 period. To further strengthen usefulness of Tier 1 indicators, Participants asked Management to take two specific actions by IDA15 Mid-Term Review: (i) review Tier 1 private sector development indicators in view of the increased emphasis on private sector in IDA15 and closer collaboration between IFC and IDA; and (ii) review the feasibility of developing a Public Expenditure and Financial Accountability (PEFA)-based aggregate indicator to measure the quality of IDA countries' public financial management and to replace the current "number of HIPC benchmarks met" indicator.

61. ***Statistical capacity building***. Participants noted that the IDA RMS has contributed to the awareness of the lack of good quality data to inform decision making by the governments as well as the development partners. In this regard, they agreed that IDA has a role as the platform for donors and developing countries to work together in the area of statistical capacity building under the framework of PARIS21 as well as the regular Roundtables on Results. Internally, a World Bank-wide committee and an external advisory panel on statistical capacity building (established in 2006) led the effort to

significantly scale up support for building statistical capacity. Participants noted that a major achievement of these World Bank-wide efforts has been the completion of National Strategies for the Development of Statistics (NSDSs) for the majority of IDA countries. Participants requested that IDA, as part of its statistical capacity building efforts, work towards the collection and analysis of gender-disaggregated statistics at the country level.

62. While progress has been made, Participants noted that there remains an urgent need to close the statistical gaps in IDA countries, especially in Sub-Saharan Africa, and to forge progress in implementation of the NSDSs. They urged IDA to continue its efforts to: (i) advocate improvements in the quality and frequency of data collection and reporting in IDA countries; (ii) strengthen links between statistical capacity building and public sector budget and civil service systems/reforms so that incentives for generating and using data are in place; and (iii) where appropriate, to provide resources for investments in national statistical systems. Consequently, in order to strengthen IDA's platform role in building statistical capacity in IDA countries, Participants urged IDA to adopt a two-track approach. *First*, in each IDA CAS, require a more comprehensive discussion of weaknesses in country statistical systems and their use in decision making. When relevant, follow up, as appropriate, in DPOs, Investment lending (IL), Analytical and Advisory Activities (AAA), CAS Progress Reports (CASPRs), CAS Completion Reports (CASCRs) and Implementation Completion Reports (ICRs). *Second*, explore the potential for expanding and redesigning the existing Trust Fund for Statistical Capacity Building (TFSCB) to provide a mechanism to primarily finance and co-finance as well as to supervise investments in statistical capacity and implementation of NSDSs.

63. In addition, Participants urged IDA to develop a web-based data standards system to help IDA countries track their progress towards meeting internationally accepted norms of data coverage, frequency, and timeliness. Subscribers to the system can provide information about their data compilation and dissemination practices for posting on the World Bank's Bulletin Board (similar to IMF's Dissemination Standards Bulletin Board), allowing monitoring of the quality of development statistics. Participants also asked IDA to intensify its efforts with donors and partners to identify 'lead donors' for work in selected priority countries and accelerate efforts to develop a sector wide approach to building statistical capacity in these priority countries.

64. ***Tier 2: Monitoring IDA's Contribution to Country Outcomes***. The second tier of the RMS monitors IDA's contribution to development effectiveness across three levels of the World Bank's work—program, project, and aggregate outputs—while acknowledging that outcomes at the country level cannot be attributed to IDA alone. Participants noted that the implementation of the RMS during IDA14 has contributed to positive shifts in the World Bank's internal "results culture," which needs to be sustained and further mainstreamed. To ensure greater responsiveness to the IDA RMS, a Results Steering Group was formed to foster greater attention to managing for results throughout the World Bank. IDA is implementing training programs in developing results frameworks and using and re-evaluating them systematically during project supervision and at completion to report on outcomes. In addition, revised ICR guidelines have been issued to help with more specific measurement of project achievements and to facilitate dissemination of experience from project design and implementation. Finally, the "IDA at Work" website provides concrete country, sector, and project level results, and helps showcase examples of IDA's contribution to poverty reduction in low-income countries. Participants endorsed Management's proposal to continue this exercise.

65. ***Progress made***. Participants discussed the steps taken by Management in support of the commitments made during the IDA14 Mid-Term Review and progress in Tier 2 indicators since then. In particular, Results-based Country Assistance Strategies (RBCASs) have been mainstreamed; quality at entry remains high as evidenced by an increased percentage of projects with information on baselines, well defined Result Frameworks and institutional arrangements for project monitoring and evaluation (M&E); outcomes as measured by IEG continue to remain high, even with increasing lending commitments by IDA. Participants invited IEG to contribute to discussions at the IDA15 Mid-Term Review.

66. ***Areas for strengthening***. Participants noted that despite progress, areas of weakness remain, especially in IDA's ability to assess key aspects of IDA contribution to country outcomes as well as to track development outcomes. A results-based CAS, which links IDA programs and projects to country priorities and systems, is one of the key instruments for IDA to ensure and monitor its contribution to country outcomes. To move the frontier further from monitoring the number of RBCASs to monitoring their quality, Participants urged IDA to: (i) monitor CASCR self-ratings and their independent validation by IEG; and (ii) enhance the quality

of CAS Results Frameworks by strengthening the emphasis on results in the corporate review process.

67. With respect to the IDA portfolio, Participants asked IDA to introduce additional measures to improve the quality of outcome indicators, the availability of baselines for key outcome indicators at entry in IDA projects, and the quality of output and outcome reporting in ICRs for IDA operations. Regarding quality at entry of IDA operations, which is highly correlated with satisfactory project outcomes and serves as a leading indicator of project results, Participants asked Management to track the percentage of operations whose outcome indicators in the project documents cover key aspects of the Project Development Objectives. To better monitor the quality of supervision, Participants asked Management to track the percentage of projects with adequate baselines for key outcome indicators, and to seek to ensure that this percentage shows a material year-on-year improvement. To improve the quality of output and outcome reporting in ICRs for IDA operations, Participants asked for two actions. *First*, in addition to monitoring the two measures agreed at IDA14 replenishment,[56] track the percentage of ICRs that report on key outputs and outcomes from the results framework. *Second*, to address weaknesses in reporting on Tier 2 output indicators, based on collaborative efforts between Networks and Regions, develop lists of output indicators for four to five sectors by IDA15 Mid-Term Review to allow a more accurate indicative aggregation of sector-specific outputs. This would eventually replace the current practice of reporting on examples of sector-specific aggregated outputs.

68. Finally, in line with IDA's focus on results, Management will continue to improve staff and Management incentives for implementation of the results agenda by aligning performance evaluation to results.

C. Progress in Harmonization and Alignment

69. ***IDA's approach to harmonization and alignment***. Participants underlined that IDA should advance harmonization and alignment at the country level by helping build capacities and strengthening

[56] *Namely: (a) the share of IDA operations that successfully achieve (or are likely to achieve) their development outcomes, and (b) the percentage of projects with satisfactory ICR quality.*

ownership, aligning IDA assistance with country priorities, and working with country authorities to pursue harmonization with other donors. Participants agreed that IDA's role in promoting harmonization and alignment is important not only for its own activities, but for the development community as a whole. In this regard, they noted that emerging new donors and creditors bring much-needed resources and development knowledge. Therefore, Participants requested Management to make further efforts to engage with non-traditional partners, and facilitate "South-South" cooperation. Given IDA's pivotal role in the aid architecture, both internationally and at the country level, Participants urged IDA to continue to provide leadership and aspire to the highest standards as it implements the Paris Declaration. In this context, Participants reviewed progress made so far by IDA,[57] and urged Management to take further steps to strengthen harmonization and alignment. Participants welcomed the Matrix of Actions for Harmonization and Alignment which helps sharpen IDA's focus on results and asked Management to provide an update on progress at the IDA15 Mid-Term Review.

70. ***Reinforcing country ownership***. Recognizing the centrality of country ownership and policy space, Participants underscored the importance of robust country systems and a continued focus on capacity building. In this context, they welcomed progress made with the application of conditionality in development policy operations (DPOs) under the Good Practice Principles, as outlined in the report discussed by the Board in December 2007.[58] Participants endorsed the key messages of the report and the 2007 consultations—to respect ownership, give space to develop home-grown reform programs, and promote greater involvement of local counterparts in planning and execution of analytic work. They asked Management to follow up on the next steps outlined in the report in order to further strengthen and deepen the implementation of the good practice principles. Participants asked Management to strengthen its communications with external stakeholders and continue its dialogue with Civil Society Organizations. They also noted that the scheduled IEG evaluation of PRSCs would provide further analysis on the use of conditionality. Participants

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[57] *IDA (2007). "IDA's Role in Strengthening Country-Level Effectiveness: Strengthening Harmonization and Alignment."*

[58] *Operational Policy and Country Services (2007). "Conditionality in Development Policy Lending." Posted on the external web at www.worldbank.org/conditionality*

noted that IEG should include external consultations in this evaluation. They welcomed the proposal to further review application of conditionality as part of the DPO Retrospective in FY09.

71. ***Assessing the potential impact of reforms***. Participants highlighted the importance of upstream poverty and social impact assessments (PSIAs) of reforms supported by IDA, particularly in sensitive policy areas. They urged IDA to ensure that progress made in the use of PSIAs is sustained and strengthened. They further asked that such analysis be integrated into the PRS processes, be used to inform policy choices and be disclosed wherever possible. While conducting PSIAs, Participants urged appropriate use of analytical capacity within the countries. Participants also took note of the draft updated Good Practice Note on PSIAs and welcomed its posting on IDA's external website for public comments. They also noted that the scheduled IEG review of the World Bank's PSIA work will further contribute towards ensuring relevance and quality of IDA's work in this area. Finally, Participants looked forward to the review of the World Bank's use of distributional and social analysis as part of the DPO retrospective.

72. ***Other areas for improvement***. Going forward, Participants requested IDA to focus on areas where further progress would enhance country-level effectiveness. In particular, they asked IDA to pay closer attention to staff and Management incentives, develop country capacity by decreasing reliance on parallel Project Implementation Units (PIUs) consistent with the Paris Declaration, and provide an analytical framework that can assist IDA's consideration of decentralization by laying out options to better calibrate and target expertise needed and define cost effectiveness in light of budget implications. Participants also encouraged IDA to continue its work on strengthening country systems and increasing their use where appropriate, as well as building country capacity in recognition of the fundamental role that country leadership plays in the successful implementation of the Paris Declaration principles.

73. ***Addressing next generation issues***. To further strengthen IDA's role in harmonization and alignment, Participants asked Management to complement measures identified during the IDA14 Mid-Term Review with several well-targeted additional measures, including:

- issuing guidelines that will require that integration of PIUs into government structures become the default option for IDA proj-

ects, with any proposal to establish a new parallel PIU (for example, due to fiduciary concerns) being clearly justified in project documentation;

- reviewing IDA's performance on predictability of disbursements, as well as the constraints to medium-term predictability of IDA disbursements at the country level at the IDA15 Mid-Term Review;
- reporting by Regional Management to the Board periodically, on IDA's actions at the country level to assist in the preparation and implementation of country-led strategies or plans for harmonization and alignment;
- updating CAS Good Practice Note to recognize and encourage joint or collaborative CAS preparation, provide guidance on how best to manage this work and encourage such collaborative work when it makes sense from a country perspective;
- leading an effort to gain agreement with other lenders and donors on harmonized requirements in a range of legal documentation;
- stepping up efforts to help countries upgrade their procurement policies and procedures and ensure their efficient implementation, working in collaboration with other donors;
- facilitating and supporting partner countries' efforts to incorporate nontraditional partners—vertical funds, non-DAC donors, and the private sector—in harmonization and alignment actions;
- carrying out—jointly with other interested donors—a survey of selected IDA country programs and the total amounts of co-financing and of pooled and parallel financing leveraged through IDA's budgetary support and investment lending; and
- enhancing incentives for harmonization and alignment by a) continuing to communicate to staff, Management commitment to harmonization and alignment as key IDA priorities; b) continuing to work with OECD-DAC and others on good practice guidance and communicating it to staff; and c) including reference to harmonization and alignment in Terms of References for country/sector directors and managers and as parameters for selection and promotion to senior positions.

74. ***Decentralization***. Decentralization of staff and devolution of decision-making authority to country offices was seen as critical to IDA's platform role, to enhancing IDA's contribution to aid effectiveness, and to advancing progress on harmonization and alignment. Participants noted that IDA has taken several steps to decentralize its staff and looked forward to further progress. They requested Management to address this important issue by reviewing the appropriate skills mix, staff incentives, costs and benefits

with special attention to fragile states. They acknowledge that in a flat budget environment prevailing in recent years, decentralization has entailed trade-offs. They welcomed the efforts being made in the Africa region, which is pursuing an ambitious decentralization of internationally recruited staff to country offices as part of the Africa Action Plan. By planning for all new and vacant internationally recruited positions to be based in the field, the Africa Region expects to increase the number of internationally-recruited staff located in the field by over 50 percent by end-FY08 compared to FY06. The Region also plans to significantly increase the percentage of projects and programs managed in the field by continuing to move towards a model where a majority of tasks are managed in the field with task managers located in one country and working on two to three. The Africa Region intends to continue to pursue this field-based recruitment effort during the IDA15 period so that the number and percentage of internationally recruited staff in the field would increase.

75. To assist in decentralization, Participants asked Management to analyze different models of staff location and develop an approach to measure cost effectiveness and better define it in the light of budget implications. Participants requested IDA to provide indicative estimates for decentralization during the IDA15 period, which would facilitate the monitoring of progress in this area. As a first step, Management agreed to include baseline figures in the Matrix of Actions for Harmonization and Alignment. It will also explore the possibility of providing indicative projections for the middle of the IDA15 period.

76. Finally, Participants urged the development of a draft World Bank Action Plan for aid effectiveness in preparation for the High Level Forum on Aid Effectiveness to be held in Accra in September 2008.

SECTION IV. IDA'S EFFECTIVENESS IN FRAGILE STATES

77. ***Fragile states pose special challenges for IDA***. In discussing this **third special theme**,[59] Participants noted that fragile states represent a critical challenge for IDA: while they are home to less than 19 percent of the total population in IDA-eligible countries, they

[59] *IDA (2007). "Operational Approaches and Financing in Fragile States."*

account for over one third of the extreme poor, almost two fifths of all child deaths and one third of 12-year-olds who did not complete primary school. Participants noted that these poor development outcomes in fragile states were a result of several challenges: weak institutions, poor governance, unstable political environments, and in some cases, ongoing violence or lingering effects of past severe conflicts. Participants recognized that these challenges made development assistance to fragile states inherently risky—weak institutions undermine effectiveness of aid and high vulnerability to renewed conflict increases the risks that any incipient gains made could be reversed. Engaging in fragile states can also create reputational and fiduciary risks for IDA.

78. ***But IDA should strengthen its engagement***. Despite these challenges, Participants reiterated the need for IDA to strengthen its engagement in fragile states, where there are high concentrations of extreme poverty and low levels of social development. They also pointed out that the increasing of capacities in many of these countries to absorb higher ODA volumes would also facilitate strengthened engagement. Participants noted that even if the probability of donor interventions (in the form of projects and programs) being successful is relatively low, improvements in social indicators accruing from successful interventions could be high because these countries start from very low levels of development. Participants also maintained that disengagement and failure to address the problems of fragile states imposes costs on the neighboring countries: a strong response from IDA is hence in the interests of all its members, as progress in these environments will produce positive spillover effects and help protect the development gains made in the stronger performers.

A. Strategy, Instruments and Operational Response in Supporting Fragile States

79. ***IDA's key objectives in fragile states***. Participants encouraged IDA to continue adapting its core strengths in support of the key objectives of state building and peace building in fragile states. While recognizing that *state building* can be complex, Participants noted that IDA has a crucial role to play by: supporting government processes to develop budget priorities; financing policy reform; financing infrastructure and basic service delivery through the state; supporting transparent public-private partnerships; building public financial management systems, including for the management of natural

resource revenues; and leading analytical work on economic and governance issues. Participants also noted that IDA has an important supporting role in furthering *peace-building* goals in fragile states through its core competencies in economic and development issues, by adapting economic and social programs to support peace-building goals and by participating in integrated programs with other partners.

80. ***Differentiating approaches based on country circumstances***. Participants recognized that fragile states are heterogeneous and supported the differentiation of IDA's role, strategies and operational approaches depending on the direction and pace of governance change. Participants supported a larger role for IDA in *post-conflict/peace-building transition or in gradually improving scenarios*, where there is a reasonable level of government capacity to act as a conduit for development finance to help it implement pro-poor policies and adhere to basic governance standards. In *prolonged crisis scenarios*, where government capacity is non-existent or severely constrained, Participants agreed that IDA should focus on maintaining operational readiness to scale up engagement when appropriate and make use of opportunities to provide funding for basic social services where possible. In *deteriorating governance/rising conflict risk scenarios*, Participants recognized IDA's comparative advantage was in focusing on economic dialogue, transparency and ring-fenced social development and social protection programs, working together wherever possible with other development partners to decrease conflict risk.

81. ***Strengthening research and results monitoring***. Participants urged IDA to continue and strengthen its research and operational good practice work on fragile states. Participants noted a particular need to focus attention on strengthening operational approaches to situations of deteriorating governance and rising conflict risk and ensuring operational readiness in situations of prolonged crisis, where international approaches are less well developed than post-conflict situations. Participants urged IDA to pay close attention to the gender dimension of conflict, peace-building and reconstruction, and continue to focus on overall results. Participants welcomed the multi-donor results framework tool developed by the World Bank and other partners to assist national authorities in post-conflict and political transition situations. Participants further urged IDA to work with other donors to develop adequate indicators for measuring progress on state-building and peace building activities in fragile states.

82. ***Working together better in fragile states***. Recognizing that support for state-building and peace-building roles requires coordinated action, Participants encouraged IDA to continue its partnership with the UN and other donors. In this regard, they noted that IDA, in response to an IEG evaluation of World Bank's work in fragile states, has increased its participation in shared strategies with other donors to strengthen cooperation at the country level. They also noted IDA has improved collaboration with the UN at several levels and welcomed the work by the World Bank and the UN on a new partnership agreement in response to crises and emergencies, urging that this reinforce collaboration while ensuring flexibility to adapt to different country environments and borrower needs. Participants noted that, going forward, cooperation with the UN system should be deepened, based on a clearer understanding of the relative comparative strengths of IDA and the UN. In addition, they welcomed the role played by IDA in coordinating joint needs assessments and recovery plans and external financing needs in several countries. Participants urged IDA to continue working with regional institutions in leading dialogue on conflict prevention and governance. Participants also encouraged IDA to continue working with the UN, EC and other bilateral donors at the OECD-DAC to revise the guidance for integrated post-conflict recovery planning, which aims at greater coherence among political, security, development, and humanitarian actors in fragile transitions.

83. ***World Bank's organizational and operational reforms***. Participants supported the steps taken by the Executive Directors to fine tune IDA's organizational, policy and procedural approaches to better respond to the needs of the fragile states, learning from its experience and in close cooperation with other actors. Participants welcomed the new policy on rapid response in crisis and emergencies approved by the Executive Directors in February 2007. The World Bank will report on progress under the new rapid response policy during FY09 to the Executive Directors. They recognized that there are fiduciary risks involved in working in emergency situations and noted the risk-mitigation measures put in place by the policy. They encouraged measures to further strengthen operational support and build on lessons learned, together with increased field presence and enhancing human resource systems to attract staff and reward strong performance in these difficult environments. Participants particularly stressed the need to look not only at human resource incentives but at the skills and experience of staff working in fragile states, where knowledge and understanding of political economy issues is particularly important. Finally,

Participants urged IDA to report on progress on human resources reforms, cooperation with the UN and other actors, implementation of DAC Principles, adaptation of country assistance strategies to fragile and conflict-affected environments, and progress on development of better indicators for measuring progress on state-building and peace building activities in fragile states at the IDA15 Mid-Term Review.

B. Financing for Fragile States

84. ***A review of IDA's financing arrangements***. Participants welcomed a review of IDA's financing arrangements in fragile states. Participants noted that fragile states face very different challenges and governance environments and require different financing approaches. From a financing perspective, participants noted that fragile states fall into four categories: (i) countries receiving allocations based on IDA's PBA system; (ii) countries receiving exceptional post-conflict allocations; (iii) countries receiving exceptional allocations upon re-engaging with IDA after a prolonged period of inactivity but which did not qualify for post-conflict assistance; and (iv) countries that do not receive IDA financing because they are in arrears on IDA payments.

85. ***PBA system and fragile states***. Participants recognized that the financing for fragile states based on the PBA system, with carefully ring-fenced exceptions for post-conflict and re-engaging countries, was working well. The PBA system calibrates IDA resources to many fragile states in line with their governance and policy performance. Participants noted while *volumes* of resources were set by the PBA system, the *terms* of IDA's assistance to fragile states to address their special needs were authorized during recent replenishment rounds. In particular, the IDA14 grants framework directs grants to debt-distressed countries, many of which are fragile states. In addition, many fragile states are also expected to receive debt relief from IDA through the HIPC Initiative and MDRI.

86. ***Post-conflict countries***. Participants supported lengthening the duration of exceptional assistance to post-conflict countries from 7 to 10 years by doubling the phase-out period from 3 to 6 years. They maintained that these exceptional allocations during the phase-out period should continue to be calibrated on a case-by-case basis, based on country performance as measured by the Post-Conflict Performance Indicators (PCPIs). In this context, Participants welcomed the proposed public disclosure of PCPIs during

the IDA15 period, after review by an external panel, whose findings will also be disclosed. Participants also supported linking the share of post-conflict allocations in overall allocations to changes in the overall replenishment size. Further, Participants agreed that some post-conflict countries could be graduated from receiving exceptional allocations earlier than ten years depending on country circumstances. Participants agreed to the retention of additional flexibility in deciding post-conflict allocations in the first year as agreed during the IDA13 replenishment discussions.

87. ***Countries re-engaging with IDA after a prolonged period of inactivity***. Participants agreed to the lengthening of duration of exceptional allocations to countries re-engaging with IDA after a prolonged period of inactivity from 3 to 5 years, including three years of phase-out to PBA allocations. They noted that if country performance does not improve, then countries should be "graduated" from receiving exceptional allocations before the end of 5 years. They agreed that the level of resources made available would be around half of what would be provided under the post-conflict allocation system.

88. Participants noted that the increase in financing for post-conflict and re-engaging countries will be proportional to the increase in IDA15 commitment authority, otherwise implementation of these changes would take away resources from other countries in the PBA pool.

89. Participants asked Management to present an assessment of the implementation experience with the lengthened phase-out for post-conflict and re-engagement allocations at the IDA15 Mid-Term Review.

C. A Systematic Approach to Arrears Clearance

90. ***Timely and adequate support from IDA***. Participants noted that six fragile states have arrears to IBRD and/or IDA, and that the arrears are large relative to country capacity to pay as well as to other available sources of financing.[60] Once each country is ready for re-engagement, the arrears constitute a significant barrier to access to timely and adequate support for recovery from IDA, as well as to debt relief available under the HIPC Initiative and

[60] *A seventh country, Liberia, cleared its arrears on December 5, 2007.*

MDRI. Participants, therefore, endorsed Management's proposal for a systematic approach to help finance the clearance of these arrears using IDA resources.[61]

91. ***Coverage and conditions for support***. The approach would cover IDA countries with arrears to IBRD and/or IDA as of December 31, 2006 and grandfathered for eligibility under the HIPC Initiative but that have yet to reach the HIPC decision point.[62] Eligible countries would only be able to receive exceptional arrears clearance support after meeting the World Bank's requirements for re-engagement, as well as conditions for each operation to finance arrears clearance. Such conditions would include a medium-term growth-oriented reform program, satisfactory performance under an IMF program, and a financing plan that provides for the full clearance of arrears to the World Bank and for the normalization of relations with other multilateral institutions where there are also arrears to those institutions. Participants noted that while there are moral hazards and other risks associated with exceptional support for arrears clearance, these risks are reduced by recent IDA policies relating to grants, debt relief and non-concessional borrowing.

92. ***Tailored approach***. Participants also noted that while all of the six countries in arrears are currently classified as fragile states their economic and financial capacity, and levels of indebtedness, vary widely. These factors would affect the design of arrears clearance packages, including with respect to the share of arrears that each country would be expected to finance from its own resources. This share and, thus, also the level of support required from IDA, would be determined through a detailed assessment prepared by World Bank staff. Lastly, Participants noted that each arrears clearance operation, and thus also each exceptional arrears clearance allocation, would be subject to the approval of the Executive Directors.

93. ***Pre-arrears clearance grants***. Participants also noted the positive experience with the selective use of IDA grants to support early recovery efforts in post-conflict countries in advance of arrears clearance. They endorsed Management's proposals to enhance the framework for pre-arrears clearance grants, and urged Management to finalize these proposals with IDA's Executive Directors.

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[61] IDA (June, 2007). "Further Elaboration of a Systematic Approach to Arrears Clearance."

[62] Two countries would need to be grandfathered into HIPC before they could be eligible for exceptional arrears clearance support.

SECTION V. MANAGING IDA'S FINANCIAL RESOURCES

94. Deputies recognized that the IDA15 replenishment period (FY09–11) is a critical time for the donor community to increase assistance to developing countries to help them in their efforts to reach the MDGs by 2015. Towards this end, they endorsed a total replenishment of SDR 27.3 billion (equivalent to USD 41.6 billion)[63] during the IDA15 period, which would constitute the IDA15 commitment authority envelope.

A. Commitment Authority

95. ***Sources of commitment authority***. IDA's commitment authority is backed by donor contributions, internal resources of IDA, transfers[64] from IBRD and IFC, and by other resources, as available. Donor contributions supporting IDA15 commitment authority are provided as part of the IDA15 replenishment itself as well as under the MDRI replenishment. Deputies noted that Management will review IDA's commitment authority and report to the Board on an annual basis, per current practice. This review will take into account the status of donor financing commitments to the IDA15 replenishment and the MDRI replenishment. In the event of a shortfall of donor commitments, the level of IDA15 commitment authority could be adjusted over the course of the IDA15 period. Deputies reiterated the commitment made under MDRI to fully finance the costs to IDA of providing MDRI debt relief, and that financing of these costs would be additional to regular IDA contributions.

96. ***Sources***. The volume for each source of funding is as follows:

- Deputies endorsed SDR 16.5 billion (equivalent to USD 25.1 billion) of total **donor contributions for the IDA15 replenishment**. IDA15 donor contributions comprise: (i) regular contributions of SDR 14.6 billion (equivalent to USD 22.3 billion), net of the structural financing gap;[65] (ii) contributions to cover IDA's debt relief costs under the HIPC Initiative during the IDA15 commitment period (FY09–11) of SDR 1.1 billion (equivalent to USD

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[63] *At the IDA15 foreign exchange reference rate of USD/SDR 1.52448.*

[64] *IBRD transfers are made out of its net income. IFC designates grants to IDA out of its retained earnings.*

[65] *Including the structural financing gap, the total target volume of regular donor contributions is SDR 17.8 billion.*

1.7 billion); and (iii) contributions to finance arrears clearance operations of SDR 0.8 billion[66] (equivalent to USD 1.1 billion).

- Deputies reaffirmed the need to provide additional **donor contributions for the MDRI replenishment** of SDR 4.1 billion (equivalent to USD 6.3 billion), so as to cover IDA's debt relief costs due to the MDRI during the IDA15 disbursement period (FY09–19) as agreed under MDRI.
- Deputies acknowledged proposed commitments against IDA's **internal resources** in the amount of SDR 4.1 billion (equivalent to USD 6.3 billion), subject to approval by IDA's Executive Directors. Internal resources include credit repayments received from both current and past IDA borrowers, as well as resources from IDA's liquid assets including investment income.
- Replenishment funding would also comprise expected **transfers** from IBRD net income in the amount of SDR 1.3 billion and grants from IFC in the amount of SDR 1.3 billion, in each case subject to availability of net income and annual approvals by the IBRD and IFC (equivalent to an aggregate World Bank Group contribution of USD 3.9 billion).

97. ***Donor contributions*** of SDR 16.5 billion continue to be the primary source of IDA's commitment authority, accounting for some 60 percent of the total resources supporting IDA15. Donor commitments for the IDA15 replenishment (subscriptions and contributions) of SDR 16.5 billion as shown in Table 1 of Annex 3 reflect the agreement reached among donors. Donor contributions for the MDRI replenishment of SDR 4.1 billion are governed by the MDRI Resolution.[67] Under the terms of the MDRI Resolution, IDA has undertaken to reflect changes in actual and estimated costs of MDRI debt forgiveness by making adjustments to donor contributions to the MDRI every three years normally in conjunction with regular replenishments.[68] A revised Compensation Schedule and revised Donor Contribution tables to the MDRI Resolution will be provided to members reflecting the updated cost estimates for the MDRI as of September 30, 2007. Corresponding adjustments to reflect these updated amounts are also

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[66] *Total estimated arrears clearance costs during IDA15 are SDR 907 million, of which donors pledged to cover SDR 742 million.*

[67] *"Additions to IDA's Resources: Financing the Multilateral Debt Relief Initiative," IDA Resolution No. 211 adopted by IDA's Board of Governors on April 21, 2006 (the "MDRI Resolution").*

[68] *Paragraphs 1(f), 2(c) and 2(d) of the MDRI Resolution.*

required in the payment schedule attached to each member's Instrument of Commitment for its MDRI subscription and contribution.[69] Section VI provides further information regarding donors' contributions to finance debt relief costs under the HIPC Initiative and the MDRI and for arrears clearance operations.

- *Prospective new members and donors*. Participants welcomed China, Cyprus, Egypt, Estonia, Latvia and Lithuania to the IDA15 discussions as new IDA members and new donors. Participants welcomed representatives from Argentina and Croatia as observers to replenishment discussions and encouraged them to become donors to IDA.

  Participants noted that, in their view, there are still a number of countries that have the economic capability to contribute to IDA but have not yet done so. Participants acknowledged Management's efforts to reach out to these countries and agreed that efforts should continue to encourage them to become IDA donors.
- *Burden-sharing*. Participants acknowledged the dual challenge of securing an adequate replenishment size while achieving an acceptable burden-sharing framework. Deputies noted that adjusted Gross National Income (GNI) remains a useful point of reference for IDA shares, but that it cannot be followed rigidly as the basis for determining replenishment shares. In view of substantial exchange rate movements in recent months and years, Deputies agreed that flexibility was required on the part of each donor for a successful outcome of the replenishment.
- *Pro rata provision*. Donor contributions become available in three equal tranches to the extent they are unqualified. It is the practice of some donors to deposit qualified instruments of commitment to IDA because payments are subject to annual legislative approvals. In view of this, since IDA7, donors under the *pro rata* provision have restricted the use of part of their contributions proportionate to any payment shortfall from donors whose contributions exceed 20 percent of the total. This provision did not apply in IDA14 since no single donor contribution accounted for 20 percent of total donor contributions. Deputies agreed to discontinue the use of the *pro rata* provision for IDA15 to ensure predictability of resources and protect the interests of IDA recipients.

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[69] *Members will be notified of the necessary amendments to their MDRI Instruments of Commitment and the payment schedule following adoption of the IDA15 Resolution by the Board of Governors.*

- *Additional contributions*. Donors may, at any time, make additional contributions to the amounts shown in Table 1 of Annex 3. Such contributions would reduce the financing gap and result in a corresponding increase in IDA's available commitment authority.
- *Voting rights*. Participants agreed that the existing IDA voting rights system continue for the IDA15 period.

98. ***Internal resources***. To increase IDA's commitment authority, Participants endorsed IDA's existing practice of using internal resources to complement donor resources. They supported the analysis presented during the replenishment discussions demonstrating that IDA would have an adequate level of internal resources to continue to support future replenishments. Participants noted that credit repayments constitute an important component of internal resources and recognized the impact of the MDRI, HIPC Initiative and IDA grants on credit reflows. They confirmed their commitment to compensate IDA for these forgone reflows on a "dollar-for-dollar" basis. Participants reviewed the structure of IDA's liquid resources and discussed Management's projections regarding IDA's long-term financial capacity.

99. ***IBRD and IFC contributions***. Participants welcomed the undertaking for a planned record contribution of USD 3.5 billion[70] from World Bank Group resources in support of an ambitious IDA15 replenishment. Participants noted that the ability of IDA to assist low-income countries over the next three years depends heavily on the agreed IDA15 funding package and that a critical component of this funding package was the continued ability of IBRD and IFC to contribute financial resources to IDA. Such transfers are approved annually by IBRD's Board of Governors and IFC's Board of Directors.[71] Participants emphasized the importance they attach to continued and substantial transfers from IBRD and IFC to IDA. They urged IBRD and IFC to maintain their financial support to IDA15, consistent with IBRD's and IFC's financial priorities.

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[70] *This amount is expected to generate additional investment income of USD 400 million and provide total financing for IDA15 of USD 3.9 billion, equivalent to SDR 2.6 billion.*

[71] *IFC's Board of Governors notes with approval the designation of retained earnings by IFC's Board of Directors.*

B. Replenishment Effectiveness

100. Deputies recommended that financing for IDA15 be made subject to an effectiveness condition similar to that used under previous IDA replenishments. The purpose of such a condition is to ensure that most donor financing, including contributions by major donors, is in place on time. Deputies recommended that IDA15 become effective when Instruments or Qualified Instruments of Commitment accounting for 60 percent of the total donor contributions have been received by IDA. They recommended a target effectiveness date for the replenishment of December 15, 2008.

101. Deputies noted the expected limited availability of commitment authority for making grants at the start of the IDA15 period, before the replenishment becomes effective. Principal reflows derived from credits extended in replenishments prior to IDA11 cannot be used for the financing of grants as the associated replenishment resolutions did not authorize the making of grants. IDA would, therefore, need to rely on donor contributions to back new grant commitments during IDA15. Since many IDA countries receive their entire assistance in the form of grants, the timely availability of donor contributions to support commitment authority for grants is of particular concern.

102. In response to this concern, Deputies noted the importance of providing their Instruments of Commitment as early as possible, so as to advance the date of reaching the threshold for replenishment effectiveness.[72] Deputies also noted two options to address the constraint associated with the provision of grants, both of which were used with success in IDA14: (i) the continued use of the Advance Contribution Scheme; and (ii) the use of conditional grants and convertible credits.

- *Advance Contribution Scheme*. In past IDA replenishments, some donors agreed that a share of their contributions could be used before the replenishment becomes effective. Under this Advance Contribution Scheme, one-third of the amount specified in a contributing member's Instrument of Commitment would be released for commitment authority purposes, provided

[72] *Some donors' budgetary and legislative timetables permit them to make their contributions at an early stage in the fiscal year.*

that at least a defined minimum threshold volume of total donor Instruments of Commitment has been received. In view of the limited availability of commitment authority for grants during the first six months of IDA15, Deputies agreed to eliminate the threshold for the Advance Contribution Scheme, following the same procedure as in IDA14.

Consequently, unless stated otherwise by the donor, one third of that donor's contributions will be released for commitment immediately upon receipt of the donor's Instrument of Commitment by IDA. The second and third tranches of donor contributions will be released at the beginning of each fiscal year, on July 1, 2009 and July 1, 2010, respectively.

- *Conditional grants and convertible credits*. Deputies noted two other options to address constraints on commitment authority: (a) using conditional grants; and (b) converting credits to grants. Grants during the first six months of IDA15 could be made conditional upon availability of sufficient commitment authority from donor contributions. Alternatively, IDA15 grant operations could be approved as credits in the first six months of IDA15 with an automatic conversion to grant terms as and when sufficient donor resources become available. Upon conversion, any IDA service and commitment charges paid under the credit would be refunded to the borrower. To the extent required, Management would adopt a combination of conditional grants and conversion of credits into grants, as described above, following the same procedures that were used successfully in IDA14.

C. Contribution Procedures

103. ***Payments***. Deputies recommended that the contribution and payment arrangements for donors continue as in previous replenishments. Donors will provide their contributions in the form of cash or notes in three equal annual installments. The first installment will be due 31 days after the replenishment becomes effective, which is expected by December 15, 2008, except for advance contributions which will be paid as specified by IDA. The second installment will be paid no later than January 15, 2010, and the third installment no later than January 17, 2011. IDA may agree to postpone any payment under the terms of the IDA15 Resolution.

104. Deputies recommended that subscription and payment arrangements for non-donors continue as in previous replenishments. Subscription payments of non-contributing members will be fully paid in one installment and in national currency, either in cash or notes.

105. ***Encashment***. Donor contributions will be encashed on an approximately *pro rata* basis among donors following the agreed regular encashment schedule (Attachment II of the IDA15 Resolution). Donors may, with the agreement of Management, adjust their encashments to reflect their legal and budgetary requirements. Deputies agreed to indicate any special preferences in this regard to Management when donors deposit their Instruments of Commitment. Deputies recognized that the timing of encashments affects IDA's resource base. They agreed that in exceptional cases, should unavoidable delays occur, IDA's encashment requests to the affected donor are expected to be adjusted to take into account any past payment delays by that donor and any related lost income to IDA. IDA may also agree with any member on a revised encashment schedule that yields at least an equivalent value to IDA.

106. ***Valuation of contributions***. Deputies agreed to denominate their contributions in their respective national currencies if freely convertible, in SDRs, or, with the approval of IDA, in any convertible currency of another member country. They also agreed to determine the currency of denomination for each donor contribution as of the date of conclusion of the IDA15 replenishment discussions. For the purpose of establishing the equivalence of value among different currencies and the SDR, donors agreed to use the average daily exchange rate for the period April 1, 2007, through September 30, 2007. To help maintain the value of contributions from donors with high inflation rates, contributions from donors with domestic annual inflation of 10 percent or higher in 2004–2006 will be denominated in SDRs.[73]

107. ***IDA14 funds carried into IDA15 replenishment***. Deputies agreed that the IDA14 funds carried over into the IDA15 will be administered under the terms of the IDA14 replenishment with respect to financial management matters such as payment, encashment, and allocation of voting rights. For ongoing operational matters, such as commitment authority, IDA15 terms, conditions and procedures will apply.

108. ***Reporting of contributions***. Participants requested Management to report regularly to the Executive Directors on the status of each

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[73] *Inflation is measured by the rate of change of the national Consumer Price Index (CPI), or the GDP deflator in case of donor countries for which the CPI is not available.*

donor's commitment and actual contributions to IDA and to include this information in the Annual Report of the World Bank and other publications as appropriate. Participants also requested Management to analyze the structural financing gap in IDA replenishments for the IDA15 Mid-Term Review.

SECTION VI. FINANCING OF DEBT RELIEF AND ARREARS CLEARANCE

109. Participants reiterated their strong support for the HIPC Initiative and MDRI, which provide debt relief to the world's poorest and most indebted countries. They noted the progress that has been made in the implementation of the enhanced HIPC Initiative since its adoption at the beginning of IDA12. They also noted IDA's implementation of the MDRI beginning in FY07, the second year of the IDA14 period, and reviewed updated cost estimates for IDA's lost credit reflows and the status of donor financing for the MDRI. In addition, Deputies discussed the financing arrangements for exceptional IDA allocations for arrears clearance beginning in IDA15 and supported expanding the scope of the HIPC Trust Fund (which will be renamed as the Debt Relief Trust Fund after approval of such amendments by HIPC donors and IBRD's and IDA's Executive Directors) to accept resources from donors and IBRD net income transfers for this purpose.

A. The HIPC Initiative

110. ***Impact on IDA finances***. Participants reviewed the impact of HIPC debt relief on IDA's finances. They reaffirmed the basic HIPC principle that debt relief should not reduce IDA's capacity to support poverty reduction and development and should be additional to other IDA assistance. They noted that current resources available to finance IDA's debt relief costs will be fully utilized by the end of calendar year 2008, i.e., early in the IDA15 period. IDA will, therefore, need additional financing of about SDR 1.2 billion during the IDA15 period to finance forgone credit reflows due to the HIPC Initiative.

111. ***Two mechanisms***. Deputies supported the continued use of the two mechanisms introduced in IDA14 for donors' HIPC-related contributions: (a) contributing to IDA directly; or (b) channeling contri-

butions through the Debt Relief Trust Fund.[74] The HIPC-related contributions will be recorded separately from regular IDA contributions in order to ensure that HIPC debt relief is additional to other IDA assistance. As in IDA14, each donor's share will be determined based on the agreed burden-sharing and shown as a separate column in Table 1 of Annex 3 of the IDA15 Resolution.

112. Donor funds provided directly to IDA will be treated in the same manner as regular contributions, becoming part of IDA's general resources. Donors can choose to submit one Instrument of Commitment that would include the amount of the HIPC-related contribution, or separate Instruments of Commitment for regular IDA contributions and HIPC-related contributions. Donors can pay their HIPC contributions in cash or promissory notes. Since these additional contributions will reimburse IDA for its forgone reflows during FY09–11, they will be drawn down over this three-year period. Donors will receive voting rights for contributions upon payment to IDA15.

113. Donors can also make HIPC contributions directly to the Debt Relief Trust Fund. Donors would sign contribution agreements with IDA, as administrator of the Debt Relief Trust Fund, specifying the contribution amount and payment modalities—in cash or in promissory notes to be drawn down over a three-year period. Donors will deposit their contributions in the World Bank component of the Debt Relief Trust Fund, and contributions will be transferred to IDA to reimburse IDA for its forgone credit reflows. Since these funds become part of IDA's general resources at the time of transfer from the Debt Relief Trust Fund to IDA's cash accounts, donors will receive additional voting rights in IDA following such transfers. Management will report periodically to donors on the status of their contributions to the Debt Relief Trust Fund.

B. The MDRI

114. ***Replacement of lost credit reflows***. In the spring of 2006, donors and shareholders approved IDA's participation in the MDRI, which provides 100 percent cancellation of eligible debt owed to IDA by countries reaching the HIPC completion point. Starting

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[74] *Upon approval of amendments to the HIPC Trust Fund by donors and the Executive Directors.*

on July 1, 2006 and over the next four decades of MDRI implementation, IDA is projected to cancel an estimated total amount of SDR 24.7 billion (equivalent to USD 37.6 billion) of credit reflows from eligible HIPC countries. Under the MDRI replenishment arrangements, donors have committed to compensate IDA's MDRI costs on a 'dollar-for-dollar' basis, over the duration of the cancelled credits. Donors "affirmed their unanimous commitment to provide MDRI financing additional to donors' regular support to IDA in real terms[75] with IDA14 as the baseline, and they emphasized that this commitment should be sustained over the entire 40-year period of IDA's forgone credit reflows."[76] Under the MDRI, donors agreed that the "contribution baseline would be indicative in nature and intended to demonstrate transparently the delivery by donors on their strong commitment to the additionality of debt relief financing. The aggregate level of successive IDA replenishments will ultimately depend on each member's sovereign decision on its future contributions to regular IDA replenishments."[77] Participants noted that the agreed volume of donor contributions for IDA15 represented an increase of about 25 percent over IDA14, thus exceeding the MDRI baseline. Participants reiterated the need for full replacement of the lost credit reflows due to the MDRI so as to ensure that the debt relief granted by IDA will be additional for recipient countries, providing further resources for their development efforts.

115. ***MDRI replenishment***. Donor contributions for IDA's MDRI costs are recorded under a separate replenishment and added to IDA's general resources, following established IDA procedures. Deputies reaffirmed the need for full replacement of lost credit reflows due to debt relief and their commitment "to fully finance the costs to IDA of providing MDRI debt relief over the 40-year time span of the MDRI".[78] To preserve IDA's advance commitment capacity—under which IDA uses its stream of available

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[75] *Under MDRI, donors "established a contribution baseline at the level of regular donor contributions in IDA14, to be kept constant in real SDR terms over time." See paragraph 52 of "IDA's Implementation of the Multilateral Debt Relief Initiative" (IDA/R2006-0042), approved by IDA's Executive Directors on March 28, 2006.*

[76] *Paragraph 42 of "Additions to Resources: Financing the Multilateral Debt Relief Initiative," approved by IDA's Executive Directors on March 28, 2006.*

[77] *Paragraph 39, ibid.*

[78] *Paragraph 5, ibid.*

future credit reflows to back future disbursements on approved credits and grants—Deputies acknowledged the need to provide unqualified, firm MDRI financing commitments over the disbursement period of each future IDA replenishment. Specifically, in the context of the MDRI replenishment, donors recognized that: "It will be critical to provide an Unqualified Commitment for subscriptions and contributions in FY07 and 08". For the remainder of the first decade of MDRI implementation (FY09–16), donors recognized that: "Firm, Unqualified Commitments are also needed over this period. Participants recognized that some donors would require periodic approval of their contributions over this period, resulting in the provision of some portion of Qualified Commitments. . . . Participants encouraged IDA's donors to take all necessary steps in successive replenishments to provide firm financing on a rolling basis."[79] To back IDA15 commitment authority, Deputies reaffirmed the urgent need to provide additional donor contributions for the MDRI replenishment of SDR 4.1 billion, so as to cover IDA's debt relief costs due to the MDRI during the IDA15 disbursement period (FY09–19) as agreed under the MDRI. In that context, Participants noted with appreciation that a number of donors have already provided unqualified MDRI financing commitments over 40 years, including Ireland, Kuwait, Luxembourg, Portugal, Russia, and South Africa.

116. Participants noted that the value of IDA's lost credit reflows under the MDRI will continue to fluctuate over the 40-year period, and that the MDRI financing arrangements include a mechanism to adjust the compensatory amounts payable by donors in conjunction with every regular IDA replenishment. Participants reviewed the updated cost estimates for the MDRI, as of September 30, 2007, which provide the basis for updates to the MDRI cost tables and donor payment schedule. Revised tables to the MDRI Resolution reflecting the updated cost estimates will be provided to members. Corresponding adjustments to reflect these updated amounts are also required in the payment schedule attached to each member's Instrument of Commitment for its MDRI subscription and contribution. Donors noted that, in the Instrument of Commitment, each member had agreed to amend its Instrument of Commitment to reflect any such adjustment.

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[79] *Paragraph 19 (a) and (b), ibid.*

117. ***Monitoring donor contributions***. Participants reaffirmed that there should be continued monitoring of donor contributions to the MDRI. For transparency, donor contributions to the MDRI will continue to be recorded separately from regular IDA replenishment contributions, as additional to donors' regular financial support to IDA. They noted that donor contributions to the MDRI have been reported in IDA's fiscal year 2007 financial statements and will continue to be reported regularly in IDA's future financial statements during the IDA15 period. Such reporting will contain information on the volume of debt relief delivered by IDA under the MDRI and the amount of compensatory donor resources received.

C. Financing of Arrears Clearance Operations

118. ***Burden shares***. The cost of providing exceptional support for arrears clearance to countries eligible per the criteria set out in Section IV.C and that could be expected to clear arrears before the end of the IDA15 period is estimated to be SDR 0.9 billion. Donors agreed that this amount is included as a new, additional part of IDA's overall new financing commitments during IDA15 based on fair burden shares. In general, therefore, Donors supported the use of their HIPC (i.e., IDA13) burden shares to finance arrears clearance operations in IDA15; this would be appropriate since exceptional support for arrears clearance frontloads HIPC debt relief, which IDA donors have committed to finance on an ongoing basis. Most donors expressed support to scale up their HIPC burden shares to close the structural gap for financing arrears clearance operations in IDA15. Participants also noted that the IDA-financed clearance of arrears to IBRD would lead to a corresponding increase in IBRD's income. They noted that such increases would result in an increase in IBRD's ability to make financial contributions to IDA additional to the indicative level proposed for the IDA15 period. Participants expressed the hope that such additional contributions would be used to close the structural gap in the MDRI financing framework.

119. ***Set aside of resources***. Participants agreed that the resources provided to finance arrears clearance operations would be released for commitment only when such arrears clearance actually takes place. Hence any unused resources during the IDA15 period would be carried over into IDA16, and used to finance arrears clearance operations when the eligible countries become ready to

re-engage. They also agreed that if the resources requested for IDA15 would be insufficient to cover the full cost of the exceptional support, the shortfall would be made up in IDA16, in the same manner that HIPC costs are updated at each replenishment based on use and availability of resources. Once the projected arrears for eligible countries have been cleared, Deputies will discuss how to use the remaining funds.

120. ***Debt Relief Trust Fund***. Participants noted that the widening of the scope of the HIPC Debt Initiative Trust Fund (Debt Relief Trust Fund) to allow it to receive donor contributions for arrears clearance provided an additional avenue for donors to finance the cost associated with arrears clearance. They also noted that any donor making bilateral contributions towards coverage of arrears clearance costs into the arrears clearance window of the Debt Relief Trust Fund, ahead of IDA15, will have the option of having these contributions credited against the donor's burden-shared contributions for arrears clearance financing during IDA15. Similarly, in IDA15, donors have the option of contributing directly to IDA or channeling their contribution for arrears clearance through the Debt Relief Trust Fund. The Debt Relief Trust Fund would be able to receive contributions from IBRD net income, which would be used to address any remaining structural gap in the financing of IDA's debt relief costs, including HIPC and MDRI.

121. ***IBRD debt***. In HIPC countries with debt to IBRD, Participants also agreed that IDA provide debt relief grants or credits where these would be necessary in order for the World Bank to deliver its share of debt relief under the HIPC Initiative. Such debt relief grants from IDA (for interim HIPC relief on IBRD debt service payments) and prepayment by IDA of remaining IBRD claims at the HIPC completion point are part of the implementation modalities for IDA's delivery of debt relief under the HIPC process.[80] The countries for which such assistance could be required are Côte d'Ivoire and Zimbabwe, if Zimbabwe is reclassified as a HIPC. The amounts required for this purpose are not expected to be significant during the IDA15 period.

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[80] *IDA (2000). "Heavily Indebted Poor Countries (HIPC) Initiative: Note on Modalities for Implementing HIPC Debt Relief under the Enhanced Framework," IDA/R 2000-4, approved by the Executive Directors on January 25, 2000.*

SECTION VII. RECOMMENDATION

122. The Executive Directors recommend to the Board of Governors the adoption of the draft IDA15 Resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on April 23, 2008)

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[1] *See page 182.*

REPORT OF THE BOARD OF DIRECTORS OF IFC

May 2, 2008

Membership of the State of Qatar

1. In accordance with Section 17 of the By-Laws of the International Finance Corporation, the application of the State of Qatar for membership in IFC is hereby submitted to the Board of Governors.

2. Representatives of the State of Qatar have been consulted informally regarding the terms and conditions recommended in the attached draft Resolution and they have raised no objection thereto.

3. Accordingly, the Board of Directors recommends that the Board of Governors adopt the Resolution. . . .[1]

(This report was approved and its recommendation was adopted by the Board of Governors on June 13, 2008)

[1] *See page 175.*

REPORT OF THE BOARD OF DIRECTORS OF MIGA

July 9, 2008

2008 Regular Election of Directors

1. Resolution No. 75, adopted by the Council of Governors on August 3, 2006, provides that a Regular Election of Directors shall take place in connection with the 2008 Annual Meeting of the Council of Governors. It is proposed that this Regular Election be conducted by rapid means of communication so as to conclude a reasonable time in advance of November 1, 2008, when the term of office of the elected Directors shall commence.

2. Since the 2006 Regular Election of Directors, a Category One country (New Zealand) and three Category Two countries (Djibouti, Liberia and Montenegro) completed all of their membership requirements.

3. The Report of the Ad Hoc Committee on the Rules for the 2006 Regular Election of MIGA Directors stated once again in paragraph 3 that:

   > The Committee expressed the view, as reflected in the Report of the Board of Directors, that at a time when membership in MIGA became equivalent to that of the Bank (International Bank for Reconstruction and Development), the MIGA Board of Directors would become identical in size and composition with that of the Board of Executive Directors of the Bank and would be based on the same principles of preserving a broad geographic pattern of representation and of allowing all major groups of countries to be represented.

4. The Board is now composed of 24 Directors, representing roughly the same constituencies as in the Bank; these Directors represent 172 MIGA member countries (as opposed to 185 IBRD, 167 IDA and 179 IFC member countries), while, as stated in paragraph 2 above, at least another four member countries will participate in the upcoming election.

5. This increase in membership since 2006 indicates that efforts should continue toward achieving homogeneity among the Boards of MIGA and the other institutions of the World Bank Group. Moreover, the number of common issues being dealt with by the Executive Directors/Directors of the World Bank Group institutions have continued to increase in number and complexity.

6. In view of these developments and noting that Article 2 of the MIGA Convention mandates the Agency to complement the activities of other members of the World Bank Group, the Board of Directors makes the following recommendations.

RECOMMENDATIONS

Size of the Board

7. The Board of Directors recommends that the number of Directors remain at its present twenty-four.

Composition of the Board

8. The Board of Directors urges the Governors to form, as closely as possible, the same constituencies in the MIGA Board of Directors as those for the Boards of other World Bank Group institutions.

9. During the informal meeting held on May 20, 1991, it was the consensus of Directors that, beginning with the 1992 Election of Directors, Governors should be urged to nominate candidates based in Washington, D.C., and all Governors complied with this suggestion in the 1992, 1994, 1996, 1998, 2000, 2002, 2004 and 2006 Regular Elections. It is again recommended that Governors be urged to nominate the same persons as Directors of MIGA as those nominated to the Boards of the other World Bank Group institutions.

10. It is further recommended that Directors, particularly those elected by more than one Governor, appoint the same persons as Alternate Directors of MIGA as those appointed to be Alternate Executive Directors/Alternate Directors to the Boards of the other World Bank Group institutions.

Term of Office

11. Article 32(c) of the Convention and Section 10 of the MIGA By-Laws provide that the Council of Governors shall determine the term of office of the Directors. It is desirable that the term of office of MIGA's Directors should coincide with those of the Boards of the other World Bank Group institutions to facilitate elections of persons holding positions on these boards. Thus, the Board of Directors recommends that the Council continue this practice. It is also recommended that the 2008 Regular Election of Directors be held by requesting nominations and conducting ballots by rapid

means of communication so as to conclude a reasonable time in advance of November 1, 2008, when the term of office of the elected Directors shall commence.

Maximum and Minimum Percentages of Votes Applicable to the Election

12. For the purpose of Schedule B to the MIGA Convention, paragraph 9 of the Rules for the 2006 Regular Election of Directors set the maximum and minimum percentages of voting power applicable to the 2006 Regular Election at 15 and 3, respectively, of eligible votes. These percentages appear appropriate for the election of the number of Directors to be recommended in the attached report, and therefore the Board of Directors recommends that they be made applicable to the 2008 Regular Election of Directors. In the unlikely event that these percentages are inappropriate due to additional new countries having become members of the Agency and subscription to additional shares prior to the 2008 Regular Election, the Council of Governors could modify them before the start of the election.

13. On October 3, 2004, the Council of Governors adopted Resolution No. 70 entitled "Parity of Voting Power in MIGA" so that the aggregate number of votes of Category One members would be the same as the aggregate number of votes of the Category Two members as required by Article 39 of the Convention. Therefore, a member country's vote is calculated on the basis of its membership votes plus its subscription votes plus the parity votes.

14. The Board of Directors also recommends that the subsequent Regular Election of Directors take place in connection with the Annual Meeting of the Council of Governors in 2010.

15. Accordingly, the Board of Directors recommends that the Council of Governors adopt the Resolution . . .[1] and Rules for the 2008 Regular Election of Directors embodying the above recommendations.

(This report was approved and its recommendation was adopted by the Council of Governors on August 1, 2008)

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[1] *See page 197.*

Rules for the 2008 Regular Election of Directors

DEFINITIONS

1. In these Rules, unless the context shall otherwise require,

   (a) "Convention" means the Convention establishing the Agency.
   (b) "Council" means the Council of Governors of the Agency.
   (c) "Chairman" means the Chairman of the Council or a Vice Chairman acting as Chairman.
   (d) "Governor" includes the Alternate Governor or any temporary Alternate Governor, when acting for the Governor.
   (e) "Secretary" means the Corporate Secretary or any acting Corporate Secretary of the Agency.
   (f) "Election" means the 2008 Regular Election of Directors.
   (g) "Eligible votes" means the total number of votes that can be cast in the election of the Directors to be elected pursuant to the provisions of paragraphs 6 to 11 of Schedule B to the Convention.

2. All actions taken under these Rules, including communications by the Secretary and the Chairman and nominations and balloting by the Governors, may be taken by rapid means of communication.

TIMING OF ELECTION

3. The 2008 election shall be held by requesting nominations and conducting ballots so as to conclude a reasonable time in advance of November 1, 2008, when the term of office of the elected Directors shall commence.

BASIC RULES—SCHEDULE B

4. The provisions of Schedule B of the Convention shall apply to the conduct of the election. For this purpose:

   (a) Twenty-four Directors shall be elected.
   (b) Six Directors shall be elected separately, one each by the Governors of the six members having the largest number of shares. The person nominated by each of the said Governors shall be deemed to be elected upon being so nominated.
   (c) The Directors not elected separately pursuant to paragraph 4(b) above shall be elected in accordance with the rules in paragraphs 5 through 12 below.

SUPERVISION OF THE ELECTION

5. The Chairman shall appoint such tellers and other assistants and take such other action as he deems necessary for the conduct of the election.

NOMINATIONS

6. (a) The Secretary shall request nominations from Governors during a suitable period specified by the Secretary. As noted in the Report of the Board of Directors to the Council of Governors dated July 9, 2008, Governors are urged to nominate the same persons as the Directors of MIGA as those elected to the Boards of the other World Bank institutions, and to form the same constituencies in the MIGA Board of Directors as those in the Boards of the other World Bank Group institutions. In addition, the Directors, particularly those elected by more than one Governor, are urged to appoint the same persons as Alternate Directors of MIGA as they have in the Boards of the other World Bank institutions.
   (b) Each nomination shall be made on a nomination form furnished by the Secretary, signed by the Governor or Governors making the nomination and submitted to the Secretary.
   (c) Any person nominated by one or more Governors entitled to vote in the election shall be eligible for election as Director.
   (d) A Governor may nominate only one person.
   (e) If a nominee withdraws from the ballot after the closing date of the nomination period, but before the closing date of the ballot, the Secretary shall inform all Governors eligible to vote of such withdrawal and invite them to submit nominations of a candidate by rapid means of communication during a suitable period specified by the Secretary. At the end of the prescribed period of time for this nomination, the Secretary shall compile a new list of candidates with all individuals who were nominated by at least one Governor in either nomination period, and circulate that list by rapid means of communication to all Governors eligible to vote with an invitation to vote through similar channels before the end of the balloting period.

BALLOTING

7. (a) Upon the closing of nominations, the Secretary shall send to all Governors entitled to vote in the election the list of candidates for the election, together with the invitation to Governors to vote in the first ballot, and announce the deadline for receipt of ballots.

(b) One ballot form shall be furnished to each Governor entitled to vote. On any particular ballot, only ballot forms distributed for that ballot shall be counted.

8. Each ballot shall be taken as follows:

(a) Ballots shall be conducted by deposit of ballot forms, signed by Governors eligible to vote, with the Secretary. The first ballot shall take place after the close of nominations concluding no later than the first day of the 2008 Annual Meeting of the Council of Governors.
(b) When a ballot shall have been completed, the Secretary shall cause the ballots to be counted and, as soon as practicable after the tellers have completed their tally of the ballots, shall announce the names of the persons elected. If a succeeding ballot is necessary, the Secretary shall announce the names of nominees to be voted on, the members whose Governors are eligible to vote and the time period for balloting.
(c) If the tellers shall be of the opinion that any particular ballot is not properly executed, they shall, if possible, afford the Governor concerned an opportunity to correct it before tallying the results; and such ballot, if so corrected, shall be deemed to be valid.

9. For the purposes of paragraph 6 of Schedule B to the Convention, the following percentages of total votes are decided, namely, a maximum of 15 percent of eligible votes and a minimum of 3 percent of eligible votes.

ANNOUNCEMENT OF THE RESULT

10. After the tally of the last ballot, the Chairman shall cause to be distributed a statement setting forth the result of the election.

EFFECTIVE DATE OF ELECTION

11. The effective date of the election shall be November 1, 2008, and the term of office of the elected Directors shall commence on that date. Incumbent elected Directors shall serve through the day preceding such date.

GENERAL

12. Any question arising in connection with the conduct of the election shall be resolved by the tellers, subject to appeal, at the request of any Governor, to the Chairman and from him to the Council. Whenever possible, any such questions shall be put without identifying the members or Governors concerned.

MULTILATERAL INVESTMENT GUARANTEE AGENCY

2008 REGULAR ELECTION OF DIRECTORS STATEMENT OF RESULTS OF ELECTION, OCTOBER 13, 2008

Directors elected separately by the Governors of the six member countries having the largest number of shares:

Candidate Elected	Members Whose Votes Counted Toward Election	Total Votes
E. Whitney DEBEVOISE	United States	**32,823**
Toru SHIKIBU	Japan	**9,238**
Michael HOFMANN	Germany	**9,195**
Ambroise FAYOLLE	France	**8,824**
Susanna MOOREHEAD	United Kingdom	**8,824**
ZOU Jiayi	China	**5,789**

Directors elected by the Governors of member countries other than those listed above:

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Svein AASS			**8,038**
	Denmark	1,524	
	Estonia	374	
	Finland	1,316	
	Iceland	349	
	Latvia	430	
	Lithuania	446	
	Norway	1,491	
	Sweden	2,108	
Abdulrahman M. ALMOFADHI			**5,787**
	Saudi Arabia	5,787	
Gino ALZETTA			**11,501**
	Austria	1,625	
	Belarus	492	
	Belgium	3,836	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
	Czech Republic	1,043	
	Hungary	1,253	
	Kazakhstan	627	
	Luxembourg	463	
	Slovak Republic	650	
	Slovenia	439	
	Turkey	1,073	
Jorge Humberto BOTERO			**7,405**
	Brazil	2,865	
	Colombia	1,029	
	Dominican Republic	406	
	Ecuador	580	
	Haiti	334	
	Panama	490	
	Philippines	743	
	Suriname	341	
	Trinidad and Tobago	617	
Dante CONTRERAS			**5,839**
	Argentina	2,469	
	Bolivia	479	
	Chile	1,114	
	Paraguay	400	
	Peru	916	
	Uruguay	461	
Sid Ahmed DIB			**7,217**
	Afghanistan	377	
	Algeria	1,403	
	Ghana	691	
	Iran, Islamic Republic of	1,918	
	Morocco	872	
	Pakistan	1,422	
	Tunisia	534	
James HAGAN			**7,740**
	Australia	3,278	
	Cambodia	423	
	Korea, Republic of	1,050	
	Micronesia, Fed. States of	309	
	Mongolia	317	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
	New Zealand	772	
	Palau	309	
	Papua New Guinea	355	
	Samoa	309	
	Solomon Islands	309	
	Vanuatu	309	
Merza H. HASAN			**8,835**
	Bahrain	395	
	Egypt, Arab Republic of	1,068	
	Iraq	609	
	Jordan	430	
	Kuwait	1,898	
	Lebanon	509	
	Libya	808	
	Maldives	309	
	Oman	425	
	Qatar	500	
	Syrian Arab Republic	555	
	United Arab Emirates	915	
	Yemen, Republic of	414	
Dhanendra KUMAR			**7,225**
	Bangladesh	858	
	India	5,630	
	Sri Lanka	737	
Alexey G. KVASOV			**5,787**
	Russian Federation	5,787	
Giovanni MAJNONI			**7,974**
	Albania	361	
	Greece	752	
	Italy	5,229	
	Malta	391	
	Portugal	932	
	Timor-Leste	309	
Toga MCINTOSH			**10,975**
	Botswana	347	
	Burundi	333	
	Ethiopia	382	
	Gambia, The	309	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
	Kenya	562	
	Lesotho	347	
	Liberia	343	
	Malawi	336	
	Mozambique	430	
	Namibia	366	
	Nigeria	1,746	
	Seychelles	309	
	Sierra Leone	391	
	South Africa	1,921	
	Sudan	465	
	Swaziland	317	
	Tanzania	507	
	Uganda	492	
	Zambia	577	
	Zimbabwe	495	
Michel MORDASINI			**6,449**
	Azerbaijan	374	
	Kyrgyz Republic	336	
	Poland	1,023	
	Serbia	666	
	Switzerland	2,902	
	Tajikistan	389	
	Turkmenistan	325	
	Uzbekistan	434	
Louis Philippe ONG SENG			**7,994**
	Benin	367	
	Burkina Faso	320	
	Cameroon	366	
	Cape Verde	309	
	Central African Republic	319	
	Chad	319	
	Congo, Dem. Rep. of	855	
	Congo, Republic of	374	
	Cote d'Ivoire	569	
	Djibouti	309	
	Equatorial Guinea	309	
	Gabon	428	
	Guinea	350	
	Guinea-Bissau	309	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
	Madagascar	435	
	Mali	402	
	Mauritius	412	
	Rwanda	391	
	Senegal	515	
	Togo	336	
Jose A. ROJAS R.			**6,331**
	Costa Rica	465	
	El Salvador	381	
	Guatemala	399	
	Honduras	437	
	Nicaragua	439	
	Spain	2,524	
	Venezuela, Rep. Bolivariana de	1,686	
Ruud TREFFERS			**12,020**
	Armenia	339	
	Bosnia and Herzegovina	339	
	Bulgaria	902	
	Croatia	589	
	Cyprus	442	
	Georgia	370	
	Israel	1,094	
	Macedonia, FYR	347	
	Moldova	355	
	Montenegro	320	
	Netherlands	4,081	
	Romania	1,237	
	Ukraine	1,605	
Sun VITHESPONGSE			**6,596**
	Fiji	330	
	Indonesia	2,108	
	Lao People's Dem. Rep.	319	
	Malaysia	1,279	
	Nepal	381	
	Singapore	531	
	Thailand	1,001	
	Vietnam	647	

Candidate Elected	Members Whose Votes Counted Toward Election	Number of Votes	Total Votes
Samy WATSON			**10,405**
	Antigua and Barbuda	309	
	Bahamas, The	435	
	Barbados	379	
	Belize	347	
	Canada	5,484	
	Dominica	309	
	Grenada	309	
	Guyana	343	
	Ireland	909	
	Jamaica	578	
	St. Kitts and Nevis	309	
	St. Lucia	347	
	St. Vincent and the Grenadines	347	
Total Number of Countries Voted	**170**	**218,811**	

/s/
Carmen Maria Madriz Contreras
(Costa Rica)
Teller

/s/
Carl-Hermann G. Schlettwein
(Namibia)
Teller

ACCREDITED MEMBERS OF THE DELEGATIONS AT THE 2008 ANNUAL MEETINGS

Afghanistan

Governor
Anwar ul-Haq Ahady

Alternate Governor
Wahidullah Shahrani

Adviser
Khaleda Atta
Murtaza Bahrami
Said Tayeb Jawad
Shah Mehrabi
Tia Raappana

Albania

Governor
Ridvan Bode

Alternate Governor
Fatos Ibrahimi

Adviser
Mimoza Vangjel Dhembi
Toni Gogu
Nezir Haldeda
Gramoz Kolasi
Elona Krypa
Genci Mamani

Algeria

Governor
Karim Djoudi

Alternate Governor
Abdelhak Bedjaoui

Adviser
Hadia Amrane
Hadji Babaammi
Mohamed Bensabri
Sid Ahmed Dib
Ahmed El-Hamri
Rostom Fadli
Amine Kherbi
Soraya Mellali
Amor Nedjai

Angola

Adviser
Joaquim Flavio Couto
Ana Beatriz G. De Ceita Da Costa
Mauro Fonseca
Bernardo Lourenco
Lucombo Joaquim Luveia
Mario Miguel
Amadeu Leitao Nunes
Celso Justino Pongolola
Matias Sacutingo
Beatriz Ferreira de Andrade Santos

Antigua and Barbuda #

Governor
Whitfield Harris

Alternate Governor
Curtis Silston

Adviser
Deborah-Mae Lovell

Argentina

Governor
Carlos Fernandez

Alternate Governor
Martin Abeles*
Pablo Barone*

Adviser
Felix Alberto Camarasa
Victorio Carpintieri
Adrian Consentino
Bernardo Lischinsky
Hector Timerman
Luis Viana

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Armenia

Governor
Vahram Nercissiantz

Alternate Governor
Tigran Davtyan

Adviser
Tigran Sargsyan
Adrine Ter-Grigoryan

Australia

Governor
Wayne Swan

Alternate Governor
Paul Flanagan*

Adviser
Nicolas Keith Brown
Rebecca Bryant
Jean-Bernard Carrasco
James Chalmers
Robert Christie
Matthew Coghlan
Robin Davies
Damien Dunn
Jim Hagan
Steven Morling
Kellie Olsen
Susan Richards
Paul Scott
Andrew Thomas

Austria

Alternate Governor
Edith Frauwallner
Marcus Heinz*

Adviser
Carl De Colle
Gerhard Gunz
Konstantin Huber
Walter Mayr

Azerbaijan

Alternate Governor
Ilqar Fatizada

Adviser
Azar Alasgarov
Yashar Aliyev
Rashad Orujov
Ulvi Fuad Seyidzade
Ashraf Shikhaliyev

Bahamas, The #

Governor
Zhivargo Laing

Alternate Governor
Colin Higgs*

Adviser
Jerry Butler
Paul Feeney
Rhoda M. Jackson
Corrine L. Miller
Chet Neymour
Carl Oliver
Sharon Turner
Simon D. Wilson
Simon R. Young

Bahrain #

Governor
Ahmed Bin Mohammed Al-Khalifa

Alternate Governor
Yousif Abdulla Humood

Bangladesh

Governor
A.B. Mirza Md. Azizul Islam

Alternate Governor
Md. Aminul Islam Bhuiyan

Adviser
Md. Mahfuzul Haque
Md. Humayun Kabir
Zakir Ahmed Khan
Muhammad Zulqar Nain

Barbados

Governor
Darcy Boyce

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\# Not a member of IDA

Alternate Governor
Grantley W. Smith

Adviser
Donna Forde
Michael Ian King
Patrick McCaskie

Belarus #

Governor
Vladimir Amarin

Alternate Governor
Gennady Medvedev*

Adviser
Andrei Jumkou
Oleg Kravchenko
Oleg Morozov
Mikhail V. Nikitsenka
Oleg Popov
Sergei Roumas
Alexandr Rutkovsky

Belgium

Governor
Bernard Andre Clerfayt

Adviser
Gino Alzetta
Patrik De Coster
Kurt Delodder
Erwin De Wandel
Philippe Gerard
Willy Kiekens
Christian Panneels
Johan Rosseel
Stephane J.M.E.B. Rottier
Dirk Slaats
Dominique Struye de Swielande
Harold Vandermeulen

Benin

Adviser
Abel Agbebleo
Adam Dende Affo
Nounagnon Aristide Djidjoho
Babatunde Mohamed Gado
Martin Nani Gbedey
Cyrille Oguin
Hermann Orou Takou

Bhutan

Governor
Lyonpo Wangdi Norbu

Alternate Governor
Kapil Sharma

Bolivia

Governor
Carlos Villegas Quiroga

Alternate Governor
Luis Alberto Arce Catacora

Adviser
Varinia Cecilia Daza Foronda
Hernando Larrazabal Cordova
Raul S. Mendoza Patino

Bosnia and Herzegovina

Governor
Nikola Spiric

Alternate Governor
Gordana Zivkovic

Adviser
Dragana Aleksic
Vjekoslav Bevanda
Dara Crnic-Babic
Aleksandar Dzombic
Adnan Hadrovic
Haris Ihtijarevic
Donko Jovic
Sveto Miletic
Bisera Turkovic

Botswana

Governor
Serwalo S.G. Tumelo

Alternate Governor
Boniface G. Mphetlhe*

Adviser
Lapologang Caesar Lekoa
Ita Mary Mannathoko
Ontefetse Kenneth Matambo
Michael Moleleke
Peggy Onkutlwile Serame

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\# Not a member of IDA

Brazil

Governor
Maria Celina B. Arraes

Alternate Governor
Luiz Eduardo Melin
Marcos Galvao*
Henrique de Campos Meirelles*
Antonio de Aguiar Patriota*
Rogerio Studart*

Adviser
Maria Isabel Rezende Aboim
Leandro Martins Alves
Pompeu Andreucci Neto
Fernanda Arraes
Luis Antonio Balduino
Paulo Henrique Braga da Silva
Rodrigo Cabral
Marco Aurelio Cardoso
Luciano Galvao Coutinho
Jose Pedro Fachada Silva
Joao Carlos Ferraz
Marcelo E. Fiche
Eduardo Fingerl
Ives Fulber
Admilson Garcia
Renata Graf
Artur Cardoso de Lacerda
Rogerio Lot
Sandro Marcondes
Jose Carlos Miranda
Ricardo de Moraes Monteiro
Sergio Nazare
Alvaro Luiz Vereda Oliveira
Alexandre P. Rego
Eduardo Saboia
Paulo Sampaio
Carlos Henrique Moojen de Abreu e Silva
Ramiro Alves da Silva
Luis Gustavo Mansur Siqueira
Natalia B.S. Speer
Paulo Fontoura Valle
Carlos Augusto Vidotto

Brunei Darussalam <>#

Governor
Abdul Rahman Ibrahim

Alternate Governor
Aminuddin Taib*

Adviser
Zaki Hassanol
Shamsul Bharin Hussain
Honeyta Mustapha
Irwan Rashid

Bulgaria #

Alternate Governor
Dimitar Kostov

Adviser
Lachezar Borisov
Rumyana Kyuchukova

Burkina Faso

Governor
Francois M. Zoundi

Alternate Governor
Lene Sebgo

Adviser
Issa Benjamin Baguian
Boureima Balima
Marie Didier Francois
Issaka Kargougou

Burundi

Governor
Clotilde Nizigama

Alternate Governor
Leon Nimbona

Adviser
Edouard Bizimana
Donatien Bwabo
Beatrice Hamenyayo
Pamphile Muderega
Desire Musharitse
Jacques Ngendakumana
Nicodeme Nimenya
Dieudonne Nintunze
Celestin Niyongabo
Mathias Sinamenye
Bonaventure Sota

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<> Not a member of IFC
\# Not a member of IDA

Cambodia

Governor
Aun Porn Moniroth

Alternate Governor
Vissoth Vongsey

Adviser
Ratha Chey
Bonnaroth Houl
Phalla Kim
Sopheak Kim
Meng Eang Nay
Seilava Ros
Srey Siyout
Kresna Tauch Chan
Rithipol Tith

Cameroon

Governor
Louis Paul Motaze

Alternate Governor
Dieudonne Evou Mekou

Adviser
Philibert Andzembe
Georges Diffo Nigtiopop
Didier Edoa
Blaise Essomba Ngoula
Joseph Bienvenu Foe Atangana
Nazaire Fotso Ndefo
Idriss Ahmed Idriss
Yves Sererin Kamgna
Barthelemy Kouezo
Bela Lazare
Rene T. Mbappou Edjenguele
Lucie Mboto Fouda
Armel Mbouloukoue
Gregoire Mebada Mebada
Alphonse Ngbako
Francois Ngoubene
Michelin Njoh
Edith Strafort Pedie
Alexandre Renamy-Lariot
Jean Tchoffo

Canada

Governor
James Michael Flaherty

Alternate Governor
Margaret Biggs
Thora Broughton*
Antoine Brunelle Cote*
Brendan Carley*
Adam Chambers*
Nancy Clifford*
John Davies*
Graham Flack*
Nathalie Gauthier*
Laird Hindle*
Gary Holub*
Diane Jacovella*
Anna Kwik*
Tiff Macklem*
Steven McLaren*
Chisholm Pothier*
Steve Pugliese*
Jonathan Rothschild*
Samy Watson*

Adviser
Chadrick Buffel
Robert Chiew
Jim Haley
Alanna Heath
Julian Karaguesian
Susan Love
David Cal MacWilliam
Sheila Niven
Michael Wilson
Terence F. Winsor

Cape Verde

Alternate Governor
Sandro De Brito*

Central African Republic

Governor
Sylvain Maliko

Alternate Governor
Bendert Bokia

Adviser
Assane Abdalla Kadre
Albert Besse
Marie Laure Dengou Dokossi-Nozikoum
Honore Mbaye

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Chad

Governor
Ousmane Matar Breme

Alternate Governor
Doudoua Bichara

Adviser
Mahamat Ali Adoum

Chile

Governor
Andres Velasco Branes

Alternate Governor
Mario Campos*
Luis Cespedes Cifuentes*
Eric Parrado*
Raul Saez*

Adviser
Francisco Bernasconi
Dante Contreras

China

Alternate Governor
Li Yong
Xiaoxia Sun*
Wu Jianjun*
Yang Yingming*
Xiaosong Zheng*
Zou Jiayi*

Adviser
Zhijun Cheng
Rui Li
Zhenyi Tang
Wang Yanning
Ying Wang
Wang Zhongjing
Fan Wu
Dongning Xu
Licheng Yao
Yixin Yao
Guochun Zhang
Tianwei Zhang
Ciyong Zou

Colombia

Governor
Oscar Ivan Zuluaga

Alternate Governor
Carolina Renteria
Carolina Barco*
Jorge Humberto Botero*
Luis G. Echeverri*
Viviana Lara Castilla*
Juan Pablo Zarate*

Adviser
Ivan Duque
Maria Catalina Escobar
Maria Alejandra Gutierrez

Comoros

Governor
Ibrahim Houssen Hassan

Alternate Governor
Said Abdillah

Congo, Democratic Republic of the

Adviser
Chiriji Celestin Chiza Chiva
Zola Diambuana
Dieu Donne Essimbo Numayeme Manu
Makiadi Ephem Ghonda
Genevieve Inagosi
Jean Claude Kabongo
Kayembe Kayembe Wa
Blaise Kiangala Ne Tulente
Camille Kos'isaka Nkombe
Firmin EyOlanga Koto
Ntahwa Kuderwa
Pierre Le Beller
Lobota Liondjo
Numbi Lumbila
Paul Luwansangu
Mapon Matata Ponyo
Faida Mitifu
Joseph Mukania Kabwe
Tambo A. Kabila Mukendi
Pongola Honore Mulangu
Kashama Mkoy Mulossa Dede
Jean-Claude Nachega
Tadi Lewa Ndongala

* Temporary
<> Not a member of IFC
\# Not a member of IDA

Nzinga Vincent Ngonga
Mawakani Samba
Jean Sefu-Idonge
Jose Sele Yalaghuli
Tshamala Serge
Felicien Tshibangu Luamuela
Moise Tshimenga Tshibangu
wa Bilenga Tshishimbi

Congo, Republic of

Governor
Pierre Moussa

Adviser
Lipipi Catherin
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Oman

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Darwish bin Ismail Al Balushi

Alternate Governor
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Hussain Malallah Al Lawati

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Cecilia de Jesus Lee
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