Our meeting is taking place at a time when the world is facing new challenges and opportunities in the aftermath of multiple crises, including the global financial crisis and the transition that has taken place in some of the Arab countries. While there are concerns about instability in certain regions, overall, there is greater confidence today than when we last met. There are positive signs of growth in Europe, USA and Japan and recent growth projections of the global GDP by IMF and the Bank—2.4% in 2013, 3.2% in 2014 and 3.5% in 2015—are encouraging. At the same time, however, there will be challenges for emerging market economies once advanced economies begin to return to conventional monetary policy. Amidst these challenges, sustained growth of the largest emerging economies would be critical to global growth, trade and jobs.

This positive picture is nevertheless dampened by volatility in the global economy, uncertainty about the fiscal and debt situation in the US and Europe. These developments could have serious negative effects on the emerging markets and the Arab region and alter the global economic outlook.

There has been meaningful progress on the Millennium Development Goals (MDGs), particularly the achievement of the goal of halving extreme poverty and the proportion of people without sustainable access to improved sources of drinking water ahead of the target date. Nevertheless, the average global poverty rate masks serious shortcomings and unevenness within and between countries. There are more than a billion people without access to electricity and affordable energy remains an issue in many low- and middle-income countries. Another billion lack adequate sanitation facilities. There are also lingering issues of hunger, malnutrition and maternal mortality. Ensuring long-term food security continues to be a daunting challenge. While the international community gives a final push to close the MDGs gap, it has also begun to debate the post-2015 development agenda. The overarching guiding principles for this agenda should be poverty eradication, shared prosperity and better quality of life.

The World Bank Group Strategy

The World Bank Group (WBG) has a frontal role in all of this. I welcome the new WBG Strategy, whose headline messages have been overwhelmingly endorsed by the Executive Board. I would like to thank President Jim Kim for his leadership on this initiative and all others who have worked hard to shape these headline messages. But harder work lies ahead. Translating these headlines into implementation details will be critical, in particular how the WBG is going to go about pursuing the poverty and prosperity goals: internally, with clients, with development partners, and with other external stakeholders. I look forward to the organization structure, human resources and the finance and risk framework being adapted to support the corporate strategy. In that context, it is important to be clear on what the Bank Group is going to do more of, less of, and why. I would expect the Executive Board to continue to be engaged in the discussion of implementation plans and would like to offer three points of guidance in this regard.
First, the Strategic Country Dialogue (SCD)—the centerpiece in engagement with countries under the new strategy—should be held around country needs and priorities in the context of our dual objective of poverty eradication and promoting shared prosperity. It should strike a balance between corporate goals and country preferences. Moreover, if we want to work effectively as “One” World Bank Group, then it is necessary that both private sector and public sector financing arms of the Group be at the table during the strategic dialogue with the Government.

Second, flexibility and selectivity should be exercised in consultation with the country. In designing country assistance programs, it should be borne in mind that the Bank Group support is only a part, and often a small part, of the country's overall development program. For the Bank Group to be able to make the greatest impact in terms of the two overarching goals, its country programs will need to be in harmony with the country's overall development program.

Third, I welcome the Strategy’s focus on “evidenced-based” solutions. Bank Group is at its best when it provides technical solutions that focus on critical areas such as infrastructure, energy, agriculture, etc. that are at the heart of development strategies. And in these areas, robust partnerships with the private sector are critical. Working with governments to create a conducive environment for private sector participation, and working with the private sector to promote corporate social responsibility, are both critical to sustainable public-private partnership.

**WBG Finance and Risk Framework**

A financially robust WBG would indeed be critical to the implementation of the WBG Strategy. A robust IDA17 replenishment would in particular be key to meaningful pursuit of the poverty and prosperity goals in the poorest countries. Management’s assessment is that WBG’s financial capacity will need to be strengthened and that a range of short- and long-term measures are being considered. I welcome that a vision is being developed to realign the WBG Finance and Risk Framework in support of the Strategy, which should help optimize the use of resources currently at the disposal of WBG institutions. I broadly endorse this approach, including the short-term measures aimed at accelerating growth in business revenues, a leaner cost base achieved through efficiency gains and better leveraging of external resources.

These measures should, however, be guided by some principles. First, any pricing measures for IBRD lending over and above cost recovery should be recognized as borrowers’ contribution to the Bank’s financial sustainability.

Second, trust-funded operations should be subjected to the same governance requirements that apply to operations funded by WBG’s own resources and administrative expenses financed by Bank-executed trust funds should be fully mainstreamed in the administrative expense budget.

Third, movement of financial resources from one WBG institution to another (such as IBRD and IFC transfers to IDA) should not be at the expense of the transferring institution’s own ability to deliver on its mandate.

In general, the issues of financial sustainability and financial capacity are inter-linked but it is useful to consider them independently. Financial capacity means having enough resources to deliver on respective mandates of WBG institutions while maintaining some cushion for counter cyclical lending and investment in times of need. This, in turn, is a question of capital and borrowing headroom keeping in mind the need to maintain AAA ratings. The policy based equity-to-loans ratio is inevitably one of the factors influencing financial capacity. Financial sustainability, on the other hand, is a question of balancing revenues and expenses while leaving enough for IDA transfers and building reserves. Prudent
management of this balance requires both income and cost-efficiency measures. The Note that we have been provided focuses on short-term financial sustainability measures, which I can endorse. However, WBG should undertake an integrated analysis of both capacity and sustainability issues and the options to address them.

**Implementation of the Gender Equality Agenda**

I am pleased to note that robust progress has been achieved on the gender equality agenda, and achievements against key targets have exceeded those laid out in the Corporate Scorecard and the IDA Results Measurement System. I also appreciate IFC’s adoption of a new gender strategy and its mainstreaming in the IFC Performance Standards.

I take note of the three frontier areas—gender-based violence, inequality in work and entrepreneurship and legal discrimination—in which management proposes to do more work. I agree with this focus but would like to add a word of caution. We live in ‘One World’ that includes many cultures, often multiple cultures within the same country. Being a multilateral institution, we must respect this diversity. As a matter of conscious policy, we respect and care for the cultures and traditions of indigenous peoples. We should have the same respect for the rest of the humanity.