



**DEVELOPMENT COMMITTEE**  
(Joint Ministerial Committee  
of the  
Boards of Governors of the Bank and the Fund  
on the  
Transfer of Real Resources to Developing Countries)

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**EIGHTY-NINTH MEETING**  
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**Statement by**  
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**Constituency of Albania, Greece, Italy, Malta, Portugal,**  
**San Marino and Timor-Leste**

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9 Meeting of the Development Committee**

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**Introduction**

Addressing the challenges to growth in developing countries as a central theme of these Spring Meetings is timely and relevant to the wider discussion taking place in other fora, like the G20. The analysis presented by the World Bank is accurate and the policy recommendations go in the right direction.

In the relative short-term, countries need to be prepared to manage the major risks associated with the gradual return to normal of monetary policy in highly advanced economies; in the longer-term, they will have to adopt appropriate policies to tackle the drastic reduction in productivity growth that, as shown in the *Global Economic Prospects*, is at the root of the slow post-crisis recovery.

A sound combination of fiscal and monetary policies to address short-term challenges, together with growth enhancing structural reforms is the appropriate way forward.

**The Role of the Bank**

The ingredients of the policy recipe are well known. Reducing the external deficits and rebuilding fiscal buffers are key to increasing the resilience to shocks. Reforming the business environment, improving access to finance, investing in human capital and in infrastructures will boost growth potential and people's well-being in the long run when blended with policies designed to protect the environment and to foster a fair income distribution.

The challenge comes in tailoring the appropriate policy mix to the specificities and the needs of each country. This is where the Bank can add value and its new organization will hopefully make it more relevant in helping countries to remove impediments to growth.

The key to success in this endeavor is the Bank's new strategy and, in particular, its new model for policy dialogue with countries: the Country Partnership Framework, which is based on the two pillars of an enhanced diagnostic of each country's development challenges and an improved identification and delivery of possible solutions.

**The challenges ahead**

Since last October, when the Bank's new strategy was endorsed, significant progress has been made toward its full implementation.

Visible changes have been approved in order to steer the institution on a more solid financial path. An agreement has been reached on increasing the price and offering more choices on duration of the Bank's financial products; shareholders have agreed to allow management to leverage more and manage Bank's

equity with more flexibility. An expenditures review process is ongoing to improve efficiency and free up resources. A new budget process has been designed to allow the Bank to allocate human and financial resources more strategically.

The new organizational model moved forward. The Global Practices and the Cross Cutting Solution Areas have been staffed through personnel reorganization; their senior directors have been appointed.

However, more needs to be done before the Bank's new strategy can bring in the desired results. In the spirit of full cooperation this Chair recommends that the following three issues be further considered.

### *Global Practices*

The new Global Practices are expected to improve knowledge sharing. However, as we pointed out last October, there are good reasons to fear that the fourteen new Global Practices may turn into fourteen new silos unless a strong institutional coordination mechanism is devised and a proper system of incentives to cooperate is put in place. The accountability line between Regional Units and Global Practices should be fully clarified.

### *Counter-cyclical role*

Many shareholders are requesting that the Bank, as a global financial institution, preserves its counter-cyclical capacity, complementing what other institutions are doing. The overall economic prospects for emerging markets and the background papers for these meetings illustrated the importance of this role. Helping countries to be resilient to short-term fluctuations improves their long-run growth prospects. In this respect, the increase in lending capacity of the Bank is welcome. In addition, more efficient use of the existing capital of the four institutions and the introduction of a new lending instrument tailored to support countries' short-term needs could provide additional buffer.

### *Data Gap*

The Bank needs to step up its investment in the Data Agenda, especially in the Surveys on Household Consumption and Income, which are crucial to its core business. The evidence-based analysis of countries' development challenges, which the Bank is putting at the center of its new approach to country engagement, requires that the Bank increases its potential in data collection, dissemination, standard setting, and capacity building. Moreover, the Bank needs to stay relevant in the ongoing discussion with the UN regarding the post-2015 development agenda by providing a platform for tracking progress, especially on the goals closer to its mandate.

### **Tracking progress**

The momentum of the change process needs to be maintained to ensure that the World Bank Group (WBG) delivers the results we are all waiting for, while preserving financial sustainability. Support can be sustained and strengthened by all parties (shareholders, stakeholders and staff) if progress can be tracked. To this end the design of the WBG's new Corporate Scorecard is welcome and its full implementation is expected by the upcoming Annual Meetings. In this vein, other measurable benchmarks and criteria would be most welcome. One noteworthy example in this direction is the new financial anchor proposed in the last Medium Term Business and Financial Plan (whereby overall costs would be covered by business revenues) which this chair regards as an important step toward a simple and efficient accountability device.