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# Economic and Social Council

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**Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development**

**Provisional summary record of the 7th meeting**
Held at Headquarters, New York, on Friday, 11 March 2011, at 10 a.m.

*President*: Mr. Kapambwe . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . (Zambia)

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*The meeting was called to order at 10.10 a.m.*

**Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development** (*continued*)

*Introductory remarks*

*Mr. Jorge Familiar Calderón, Vice-President and Corporate Secretary, World Bank Group; and Acting Secretary of the Development Committee*

1. **Mr. Familiar Calderón** (Vice-President and Corporate Secretary, World Bank Group; and Acting Secretary of the Development Committee), after expressing sympathy to the people of Japan in connection with the devastating earthquake and tsunami that they had just suffered, said that the Development Committee, at its meeting on 16 April 2011, would examine several areas critical to sustaining growth and development and reducing poverty.

2. Among other issues, it was likely to discuss the implications of the *World Development Report 2011: Conflict, Security and Development* for the World Bank Group's work in fragile and conflict-affected situations. Violence, which took many forms, was often recurrent and could mutate over time, could not be resolved by short-term or partial solutions. Successful transitions from situations of violence involved the creation of "inclusive enough" coalitions and early signalling of intent through concrete, credible actions. Building capable and legitimate institutions was also key to delivering the security, justice and employment that could break cycles of violence. In responding to those priorities, external actors needed to demonstrate greater partnership and discipline and develop revised procedures allowing for faster response, longer engagement and better risk management.

3. Since the launch of the Low-Income Countries under Stress initiative in 2002, World Bank assistance had had many successes and had guided reforms. Following publication of the *World Development Report 2011*, such support would become even more of a priority. In the future, the Bank would enhance the scope and breadth of its engagement while ensuring strategic focus and selectivity in line with its mandate, convening power and comparative advantage. Its review of policies and guidance notes built on existing partnerships at the international and local levels, including with the North Atlantic Treaty Organization (NATO), the United Nations, the European Union, the African Union and the Organization of American States (OAS).

4. The Bank was also strengthening its approach to justice reform, building on areas where it had experience while emphasizing global partnerships and the comparative advantages of other actors. Its various work streams would be aligned under a consolidated community of practice to ensure a coherent response in fragile and conflict-affected situations. By the end of 2011, the Bank planned to establish a hub and centre of excellence in Nairobi in order to strengthen operational capacity in such situations in Africa and increase knowledge transfer across regions.

5. Food price volatility and its impact on food security was another area of discussion for the Development Committee's upcoming meeting. International food prices were rising sharply for the second time in three years, igniting concerns about a repeat of the 2008 food price crisis. However, the Bank's analysis showed that recent increases were more widespread across agricultural commodities than in 2008, suggesting that demand in emerging countries was playing a greater role. The current situation was also more affected by weather-induced production shortfalls. Policy responses had increased the scale of grain price rises in 2011, though not as much as in 2008, and higher food prices had pushed an estimated 44 million more people into poverty with 68 million net food consumers falling below the poverty line and 24 million net producers unable to escape from poverty. The resulting higher levels of undernourishment, a critical humanitarian issue, would curb current and future economic growth as well.

6. The World Bank Group's Post-Crisis Directions stressed the importance of creating growth opportunities by promoting agriculture and food security and helping clients manage risk and prepare for crises. The Group had drawn lessons from its short-term emergency food crisis response, in place since 2008, to complement its core focus on the longer-term agenda. Hence, its Global Food Crisis Response Program had allocated US$ 1.5 billion to support 44 countries to date, while its longer-term food production and distribution response, reflected in the Agriculture Action Plan 2010-2012, was scaling up support for agriculture in order to improve longer-term resilience to climate change and tighter land and water

constraints, thereby lessening the supply shocks associated with price volatility.

7. Coordinated multilateral action was essential in the face of long-term food and agriculture challenges. The World Bank Group was building on existing international partnerships with the United Nations and other bodies; for example the Consultative Group on International Agricultural Research now provided more results-oriented, longer-term strategic funding through research programmes and the Global Agriculture and Food Security Program had allocated US$ 321 million for recipient-executed grants in eight countries. The Bank had also supported the United Nations High-level Task Force on the Global Food Security Crisis since its inception in 2008.

8. Each year, the Development Committee reviewed the Global Monitoring Report, a joint World Bank/International Monetary Fund (IMF) publication that assessed progress towards the Millennium Development Goals (MDGs). With less than five years remaining before the 2015 MDG target date, the report highlighted the fact that although global progress towards the various Goals remained mixed, half of the off-track developing countries were within 10 per cent of being on track. Thus, although they might miss the target date, they could achieve the Goals soon afterwards through improved policies and acceleration of growth to pre-crisis levels. For countries that were on track or close to it, solid economic growth and good policies and institutions, areas in which progress had been made since the 1990s, were the key factors. The development of country policy responses, for example, had softened the negative impact of the recent global economic downturn, particularly for low-income countries and especially in Africa.

9. However, there were no grounds for complacency; without a stable expansion of the global economy, continued access to advanced and developing country markets and adequate assistance from donors, progress could still break down. Greater efforts must be made to enhance resilience to adverse economic shocks, including through social safety nets. Countries with slower growth and poorer institutions were, not surprisingly, the farthest behind. Many of them were also fragile States and thus in ever greater need of support.

10. Lastly, the Development Committee would receive updates on the World Bank's modernization and governance. The Bank had embarked on a comprehensive set of ongoing actions designed to modernize its structures, operations and delivery of effective results, which were already transforming the way it did business.

*Mr. Siddharth Tiwari, Secretary of the International Monetary and Financial Committee, International Monetary Fund*

11. **Mr. Tiwari** (Secretary, International Monetary and Financial Committee, International Monetary Fund) said that the International Monetary and Financial Committee (IMFC) was in the process of selecting a new Chairman by consensus in preparation for the 2011 spring meetings of the World Bank and IMF.

12. In the past year, IMF had increased its crisis lending to over US$ 250 billion, including a sharp rise in concessional lending to low-income countries. In particular, it had lent US$ 4 billion to countries in sub-Saharan Africa in 2009 and 2010. The Group of Twenty, at its London summit in April 2009, had agreed to triple IMF lending capacity to a total of US$ 750 billion and to support a general allocation of special drawing rights equivalent to US$ 250 billion — a near tenfold increase — in order to increase global liquidity. The Fund's quotas or permanent resources were also to be doubled, albeit with a corresponding reduction in New Arrangements to Borrow.

13. The Fund had overhauled its lending framework, establishing two new crisis prevention tools. First, it had created a new flexible credit line for countries with robust policy frameworks and a strong track record in economic performance; it functioned as a renewable credit line and gave countries the flexibility to draw down funds at any time in a pre-specified window. Once a country had been approved for the facility, there were no conditions to be met. The flexible credit line, which had provided Colombia, Mexico and Poland with access to lending of over US$ 100 billion, had been further enhanced in August 2010. Second, a precautionary credit line, which combined an initial disbursement following approval with further disbursements subject to focused conditions, had been established for sound economies that still faced vulnerabilities. In January 2011, Macedonia had become the first country to access its effectiveness.

14. IMF had made its concessional financing framework more flexible in order to address the diverse needs of low-income countries and provide more effective short-term and emergency financial assistance. The new framework included a doubling of borrowing limits, zero interest until the end of 2011 and a new interest rate structure thereafter. Furthermore, the Fund had established a Post-Catastrophe Debt Relief Trust, which allowed it to contribute to international debt relief efforts for very low-income countries affected by catastrophic natural disasters. In that connection, it had financed debt relief of about US$ 270 million for Haiti in 2010. In the context of its new architecture of lending facilities for low-income countries, the Fund was also placing increased emphasis on strengthening safeguards for social and other priority spending in close collaboration with the World Bank and the donor community.

15. IMF had enhanced its analyses and targeted its advice more closely in the past year. Its monitoring, forecasts and policy advice had been in high demand and it had already engaged in consultations with 115 of its members in the first part of 2011, as compared with 120 members in 2010. Its multilateral surveillance was becoming better integrated and its spillover reports were providing more targeted global analysis of the effects of systemically important countries' domestic policies outside their borders. It supported the Group of Twenty mutual assessment process and would continue to do so. It had also taken steps to sharpen its financial sector surveillance and had decided to make assessments mandatory for members with systemically important financial sectors. Initiatives such as the Early Warning Exercise and new work on financial interconnectedness would alert policymakers to emerging risks at an earlier stage.

16. The Fund had reformed its governance structure to enhance its legitimacy and effectiveness and better reflect the global economy. The measures adopted by its Board of Governors in December 2010, including a doubling of quotas, would lead to a more than 6 per cent shift in quota share to dynamic emerging market and developing countries while protecting the voting shares of low-income countries; it would also result in a more representative, fully elected Executive Board. Combined with the package agreed in April 2008, those reforms would constitute an overall shift in quota share of about 9 per cent.

17. The Fund's broader investment mandate had taken effect as a key part of a new income model that was designed to place its finances on a sustainable footing and enable it to manage its operations more effectively. It had also expanded its technical assistance to member countries and had raised more than US$ 150 million in extra donor support for such assistance in fiscal year 2010, of which over US$ 50 million had been used in the same year; a similar amount was expected to be raised in 2011. The delivery of technical assistance had been expanded through seven regional technical assistance centres in the Pacific, the Caribbean, Africa, the Middle East and Central America, while a new centre for Southern Africa should begin operations in mid-2011. IMF also hoped to open two further centres in due course, one for non-francophone West African countries and one for Central America.

18. The Fund's future work programme included promoting prosperity in the global economy through, inter alia, balanced and sustainable growth, a well-functioning international monetary system, a robust global financial architecture, and improved growth and stability in low-income countries. IMF would continue to consider requirements for global rebalancing. In order to enhance the stability and effectiveness of the international monetary system, it was working to manage capital flows, assess reserve adequacy, enhance the role of special drawing rights and improve global financial safety nets. It was assessing the extent to which reforms designed to sharpen the focus on macroeconomic stability and cross-border spillovers, as well as the traction of its surveillance, had addressed identified gaps. It would build on the recent Basel III reforms to strengthen the quality and quantity of bank buffers; continue its work in the areas of macroprudential surveillance, crisis management and resolution and standard assessment; and review progress in developing frameworks for macroprudential policy and the role of intervention measures and tools for the management and resolution of financial institutions. It would strengthen its support for low-income countries, including by working on a framework for vulnerability exercises and providing assistance on volatility management. It would also review its engagement with countries in fragile situations and consider how to better help them meet the challenges that they faced, including through the provision of technical assistance and the revamping of facilities. The future of the Heavily Indebted Poor

Countries (HIPC) Initiative, under which 90 per cent of eligible countries had now reached the decision point, would be considered.

19. The past year had been characterized by fundamental change in several areas. Much remained to be done and although many far-reaching steps had been taken, the ongoing process of strengthening the Fund's engagement with its member countries was still at an early stage.

*Thematic debate of the whole on Theme 3: Follow-up to the 2010 MDG Summit outcome: Building the global partnership for development, including in response to new challenges and emerging issues* (E/2011/74)

*(a) Remarks on "Delivering development results — IDA 16: A global coalition for the poorest" by Mr. Axel van Trotsenburg, Vice-President, Concessional Finance and Global Partnerships, World Bank*

20. **Mr. van Trotsenburg** (Vice-President, Concessional Finance and Global Partnership, World Bank), accompanying his statement with a computerized slide presentation, said that the International Development Association (IDA), the World Bank's fund for the poorest countries, was one of the largest sources of financing for health, education, infrastructure, agriculture and capacity-building. The support it provided to the world's 79 poorest countries, about half of them in Africa, had averaged US$ 14 billion over the past two years and was expected to exceed US$ 50 billion in the current fiscal year. Recalling the sense of urgency that had been evident at the 2010 High-level Plenary Meeting of the General Assembly on the Millennium Development Goals, he stressed that IDA was actively supporting its partner countries to achieve the MDGs.

21. One of the key strengths of IDA was its focus on country-led development; it supported national development priorities with predictable, non-earmarked funds and had staff on the ground in nearly all partner countries. The growing coalition that it had built in support of the poorest countries — its donor base had expanded to 52 countries in the sixteenth replenishment round — was another strength. Its rigorous results measurement system, emphasis on transparency, low overhead and focus on efficiency and effectiveness offered good value for money. IDA had achieved impressive results, particularly in the social and infrastructure areas, which were ultimately leading to poverty reduction. It supported developing countries' efforts to improve their institutions procurement and financial management and strengthen service delivery. It also served as a platform for knowledge-sharing, policy advice and analysis, and technical assistance.

22. Negotiations on the sixteenth replenishment of IDA (IDA 16) had encountered major challenges; donor countries were facing significant fiscal constraints as a result of the global financial crisis and the replenishment round had coincided with other multilateral replenishments and capital increases for multilateral development banks. Changing public sentiment in traditional donor countries had led to discussions about the relative advantages of bilateral and multilateral development assistance and the benefits to donor countries of providing development aid. It was therefore important for multilateral institutions to communicate the effectiveness of investment in development and the importance of their own role in such efforts. Despite the challenges, IDA 16 had achieved a record replenishment of US$ 49.3 billion through strong pledges from both traditional and new donors; pre-payments from former IDA recipients and contributions from World Bank net income.

23. It had become clear during the negotiations that IDA 16 should focus on development results as its overarching theme. In that context, four special sub-themes had been identified: crisis response, fragile and conflict-affected countries, gender and climate change. In the area of crisis response, the driving concern was to ensure that long-term development gains were not undone by crises. An IDA response window had therefore been established in order to better support borrowers affected by severe exogenous economic crises or natural disasters. The response window had been capped at about 5 per cent of resources, a portion of which had been reserved for the reconstruction of Haiti.

24. Fragile and conflict-affected countries were lagging behind progress towards the MDGs. IDA 16 would seek to improve the effectiveness of assistance to such countries through greater cooperation. Consideration had also been given to the idea of selectively extending the period of exceptional allocations to post-conflict countries and the

operational implications of the *World Development Report 2011* would be discussed.

25. In the area of gender, where there were similar concerns about countries that were off-track for the relevant MDGs, IDA would scale up gender mainstreaming in all its operations, track indicators for measurement of its support to gender-based country outcomes and prepare and implement regional gender action plans. The *World Development Report 2012*, with its focus on gender, would provide further guidance.

26. Lastly, climate change was likely to have a disproportionately negative effect on the poorest countries. IDA would scale up its analytical activities on adaptation and mitigation and consider how to climate-proof its projects.

27. The sense of urgency that had marked negotiations on IDA 16 must now be translated into results. The record replenishment amount represented a vote of confidence in IDA and its capacity to maximize the development impact of donor funds in partner countries and the strong sense of solidarity and spirit of cooperation that had characterized the negotiations provided a sound basis for its work with donors and borrowers.

*(b) Remarks on "The MDGs and fragile and conflict-affected situations" by Mr. Joachim von Amsberg, Vice-President, Operations Policy and Country Services, World Bank*

28. **Mr. von Amsberg** (Vice-President, Operations Policy and Country Services, World Bank) said that as most fragile States could not achieve the MDGs without further assistance, IDA 16 had made support for those States a key consideration for donor countries' contributions to the IDA programme and had helped build momentum for cooperation in support of fragile States. The *World Development Report 2011* was an example of such cooperation; it had drawn heavily on international knowledge about fragility and violence, had been prepared with input from a broad range of organizations and had provided an opportunity for closer partnership between the World Bank and multilateral organizations, including the United Nations.

29. The least developed countries' fragility reflected not a temporary disruption of their normal development process that called for short-term solutions, but an underlying weakness in their institutions that made them unable to deliver justice, security, employment or economic and social outcomes on a sustained basis. A new approach to assistance based on long-term solutions was needed. The World Bank was adjusting its business model for fragile and conflict-affected situations to focus more on fragility; include political analysis and risk assessment in country assistance and interim support strategies; incorporate short-term deliverables into the process of building lasting, sustainable institutions; work with partner agencies, in particular the United Nations, to strengthen cooperation on development, security and justice; support employment and private-sector development through the International Finance Corporation and the Multilateral Investment Guarantee Agency, as well as public sector and community development programmes; operationalize a new risk management model that allowed it to manage its risks while continuing to support national institutions; and seek opportunities for less volatile development financing in fragile countries.

30. Lastly, the Bank would enhance its effectiveness in fragile and conflict-affected situations by establishing a hub and centre of excellence in Nairobi in order to strengthen its operational capacity in Africa and to increase knowledge transfer across regions, and consolidating its community of practice in order to provide a coherent response in fragile and conflict-affected situations.

*(c) Presentation on the* World Development Report 2011: Conflict, Security and Development *by Ms. Sarah Cliffe, Special Representative and Director for the* World Development Report 2011, *World Bank*

31. **Ms. Cliffe** (Special Representative and Director for the *World Development Report 2011*, World Bank), introducing the *World Development Report 2011: Conflict, Security and Development*, said that despite the progress in reducing the trauma caused by civil war, 1.5 billion people still lived in areas affected by the legacy of conflict; people living in fragile States were three times less likely to have access to education and two times less likely to receive adequate maternal care in childbirth. Countries in protracted crises lagged 20 percentage points behind other countries in poverty reduction and the lack of legitimate institutions to provide security, justice and employment, along with

stressors such as rising inequality, economic shocks and high youth unemployment, were key causes of vulnerability to conflict.

32. Countries that had made the difficult transition away from violence had done so by building inclusive coalitions comprising labour, business and civil society; achieving rapid results in the short term in order to build confidence and convince the population that progress was possible; focusing on security and justice reforms and improving economic conditions in society, particularly through job creation; and taking a series of steps over time to build long-term institutional capacity.

33. From an international perspective, it was important to invest in prevention through security, justice and employment, including new or enhanced international capacity for policing and justice and a wide range of support measures; and in job creation in insecure areas through infrastructure support, access to finance, assets and skills, community-based employment and public-private partnerships. It was important to abandon the narrow focus on growth and on the income benefits of jobs and to stress the benefits of providing young people with productive occupations that would ultimately facilitate the peacebuilding. Investments should be available not only in post-conflict countries, but also in countries grappling with conflict prevention. International organizations should change their internal operating procedures to ensure that their knowledge and analyses led to stronger national institutions in fragile and conflict-affected countries.

34. Regional and global action on external stressors was paramount since many problems were caused by conflicts that spilled across borders from neighbouring countries or by global economic shocks, cross-border trafficking networks or transnational organized crime. The *World Development Report 2011* looked at the possibility of using cross-border and regional development programming to expand economic opportunities and of marshalling the combined experiences and resources of high-, middle- and low-income countries that had made the difficult transition away from violence; it also considered the impact of proposed actions on peacebuilding and security in fragile and conflict-affected countries.

*Interactive dialogue*

35. **The President** recalled that in chapter I of his note on coherence, coordination and cooperation on Financing for Development (E/2011/74), the Secretary-General had raised several issues for discussion, including which actions could be taken at the global level to respond more quickly and effectively to new challenges and emerging issues; what the effective ways to facilitate the flow of international private capital, particularly long-term investment, to developing countries were; how the conclusion of the Doha Round of multilateral trade negotiations could be expedited and the potential benefits of the Doha Development Agenda realized; how international cooperation could be more effective in ensuring debt sustainability of developing countries and fostering consideration of enhanced and fair approaches to sovereign debt restructuring mechanisms; how the international community could ensure that official development assistance levels and effectiveness commitments were met; and how complementary sources of development cooperation financing could be mobilized.

36. **Mr. Almofadhi** (Dean and Executive Director for Saudi Arabia, World Bank) said that while economic growth was strengthening after the recent financial crisis, further setbacks were still possible. International food prices were surging for the second time in three years, compromising growth and exacerbating political instability around the world as witnessed in North Africa and the Middle East. Coordinated multilateral action was essential for long-term food security and for helping countries focus on achieving the MDGs. The *World Development Report 2011* showed that international engagement in fragile and conflict-affected countries was needed at an earlier stage and should be sustained over time. Emerging economies had been playing an important role in mitigating the effects of the crisis and contributing to global growth. The World Bank would continue to be a strong partner of low-income and poor countries through international development assistance and other initiatives.

37. **Ms. Handrujovicz** (Argentina), speaking on behalf of the Group of 77 and China, expressed concern that the ongoing world financial and economic crisis was still affecting developing countries and called for coherent, coordinated measures at the international level in order to resolve it. Mechanisms for innovative financing, provided on a stable,

predictable and voluntary basis were needed. Such financing should be disbursed according to the priorities of developing countries and should not replace traditional sources of funding or unduly burden the recipients.

38. Official development assistance (ODA) remained an essential complement to other sources of financing and a catalyst for development; the change in developed countries' attitudes on that issue was surprising.

39. **Ms. Ortiz de Urbina** (Observer for the European Union) said that fragile States faced unique challenges that called for comprehensive strategies, including preventive diplomacy, humanitarian response, long-term development and policy coherence and coordination. An update on the development of joint benchmarks and the sharing of best practices to facilitate convergence of the strategies and management models of the various international stakeholders would be appreciated. While welcoming the regional approach adopted in addressing the problems of fragile countries, she wondered whether there were non-European examples of regional efforts to promote South-South cooperation and the long-term development of fragile and conflict-affected States.

40. **Mr. McNee** (Canada) said that the issue of fragility was particularly pertinent for his own country, which had experience in providing assistance to Haiti and chairing the Sierra Leone configuration of the Peacebuilding Commission. It was often difficult to assess which factors would be critical in enabling a transition from conflict to development.

41. Achievement of the MDGs would require a strengthened partnership that included the United Nations and the Bretton Woods institutions. Canada had focused on the 4th and 5th of the MDGs and was committed to the pledges made by the Group of Eight.

42. **Ms. Brandt** (Executive Director for Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden, World Bank) said that the eight Nordic and Baltic countries which she represented were eager to see multilateral implementation of the *World Development Report 2011*, which had been compiled in cooperation with the United Nations system. In assisting fragile and conflict-affected countries, "business as usual" was not enough; the institutions providing assistance should be more willing to take risks.

43. There was often a perception that the United Nations system should step in at times of fragility before handing over to the World Bank. However, the *Report* showed that both entities should act more swiftly and decisively, each in its areas of competence. Donors should show patience and realism over the long term; there could be no quick-fix solutions.

44. The *World Development Report 2012: Gender Equality and Development* was eagerly awaited as it would help donors and institutions mainstream gender across their operations. She hoped that the team compiling the *Report* would consult with the United Nations system and, in particular, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

45. **Ms. MacEachron** (Observer for the Business Council for the United Nations, accredited to the Financing for Development process) said that the private sector was eager to contribute time, talent, resources and expertise towards achievement of the MDGs. The idea of including the private sector in the formulation of outcome documents had been raised in 2010 but to date, no such decision had been taken. Private sector organizations should be given that opportunity as they could contribute substantial research on such vital areas as non-communicable diseases.

46. **Ms. Colligan** (Observer for the NGO Committee on Financing for Development, accredited through the Sisters of Charity Federation) said that since the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals held from 20 to 22 September 2010, non-governmental organizations (NGOs), the International Labour Organization (ILO) and other partners had been discussing social protection floors. She asked whether IMF and the World Bank had also addressed that issue, for instance through consultations with members of the European Union that were working to develop social protection floors in Africa.

47. The Secretary-General's note (E/2011/74) emphasized that improving human welfare and eradicating poverty must remain the ultimate objectives of national development strategies and asked how complementary sources of development cooperation financing could be mobilized. It would be worth considering the possibility of using revenue from national progressive taxation and from any

international financial transaction tax that might be introduced.

48. The shift in emphasis identified by the Vice-President for Operations Policy and Country Services of the World Bank was encouraging. The Financing for Development Office in the United Nations Department of Economic and Social Affairs could be strengthened in order to act as a coordinating body for all entities involved in development work.

49. **Mr. Fernández-Arias Minuesa** (Spain) recalled that the Vice-President for Concessional Finance and Global Partnerships of the World Bank had referred to the need for improved cooperation among development partners. He wondered whether the World Bank intended to associate itself with the "delivering as one" approach in order to promote national ownership of the development process and how the Bank encouraged such ownership in its own national strategies for conflict and post-conflict situations.

50. His Government appreciated the fact that the *World Development Report 2012* would address gender equality, a subject to which it attached particular importance.

51. **Mr. Momen** (Bangladesh) said that the previous programmes of action for least developed countries had not been fully implemented; he wondered what would be done to achieve their aims.

52. The emphasis on fragile and conflict-affected countries, climate change and gender was welcome. However, in 2010, the United States of America had spent significant funds on Afghanistan alone. It might be preferable to complement such assistance with preventive action in order to avoid situations of fragility and conflict in other countries.

53. Only four years remained in which to achieve the MDGs, and lack of resources remained a threat. He asked whether a road map or plan was envisaged in order to build a global partnership for that purpose.

54. The share of least developed countries in global trade had stagnated, the Doha Round had yet to be concluded and a growing number of States were fragile or at risk. He wondered whether there was any plan to restructure the global financial system in order to provide stability and address the miserable conditions that prevailed in poorer countries.

55. **Mr. Hassani Nejad Pirkouhi** (Observer for the Islamic Republic of Iran) said that although peace, development and security were undeniably connected, the focus on so-called "new and emerging" issues was detrimental; those terms were only vaguely defined and were not consistent with the development mandate of the international financial institutions. Of the four special themes identified in IDA 16, two bore no direct relevance to development or to the MDGs and the most important objectives, such as eradicating poverty and combating hunger and unemployment, had not been addressed. The emphasis on fragile and conflict-affected countries would be better replaced with preventive development.

56. Lastly, IDA 16 had highlighted the importance of value for money. He wished to know whether that concept had been defined by poor countries or by donors.

57. **Mr. Solomon** (Executive Director for the United States of America, World Bank) said that the national security strategy of the United States of America recognized development as a moral, strategic and economic imperative. The Council's interactive dialogue would be most useful if it could identify a few specific areas for cooperation. One such area was transparency and, in particular, accountability and accessibility of information on assistance provided to countries. The World Bank had made important progress in providing access to data and its Executive Directors had recently approved a new policy for greater accountability. Information regarding assistance should be made available on common platforms for the benefit of donors, governments, civil society, the private sector and other partners.

58. **Ms. Cliffe** (Special Representative and Director for the *World Development Report 2011*, World Bank), responding to the observer for the European Union, said that some progress had been made in establishing combined programmes and benchmarks. For instance, joint needs assessments in crisis situations had led to a more coherent focus on benchmarks. However, the international system did not yet offer a single assessment or planning process that included benchmarks for national Governments; the emphasis had been more on coordination than on combined programmes. The link between social protection and longer-term institution-building, to which the observer for the NGO Committee on Financing for Development

had drawn attention, would be an important area for practical action.

59. In reply to the representative of Bangladesh, she said that the work reflected in the *World Development Report 2011* had been influenced by numerous consultations that had highlighted the importance of prevention. A combination of high unemployment, rising food prices, inequality and weak institutional capacity could create risks of conflict. The international community tended to provide assistance only in the aftermath of conflict. The growing emphasis on prevention was therefore important and was intended to reflect the Bank's original mandate for reconstruction and development.

60. Responding to the observer for the Islamic Republic of Iran, she said that the *Report* examined the connection between development initiatives and peacebuilding by analysing the ways in which high unemployment rates and other such problems could create a risk of conflict. The Bank approached the issue from a development perspective while working with partners whose mandates and expertise were more closely related to conflict and security.

61. **Mr. von Amsberg** (Vice-President, Operations Policy and Country Services, World Bank) said that because the processes of development and post-conflict recovery were neither sequential nor short-term, the United Nations system and the Bretton Woods institutions needed to adjust their way of working together. Joint needs assessments should emphasize the participation of all stakeholders, including the development and security communities, both from the earliest stages and in the long term. Good examples of such collaboration on the ground had been seen in Liberia, Sierra Leone and Yemen.

62. The various partners were complementary but had different business models. The World Bank's was country-based, demand-driven and defined through consultations with national authorities that were intended to strengthen national ownership; its strength lay in its ability to combine national planning with top-down global objectives, such as the MDGs.

63. Responding to the observer for the Islamic Republic of Iran, he said that there was substantial overlap between countries' need to combat poverty and create jobs, and the international development targets. The Bank's focus on fragility rather than specifically on post-conflict situations put prevention at the centre of its agenda; many of its strategy recommendations had broader implications for employment, justice and security.

64. **Mr. van Trotsenburg** (Vice-President, Concessional Finance and Global Partnerships, World Bank), on the issues raised by the representative of Argentina on behalf of the Group of 77 and China, said that donor States were asking whether donations were being put to the best possible use and making comparisons between bilateral and multilateral aid; for some donor States, it was important to be identified with the aid provided. Other discussions focused on ensuring that every contributor, including both new and traditional partners, could make the best possible contribution to the global effort. Such debates had proved fruitful in the context of IDA.

65. Responding to the representative of Bangladesh, he said that IDA was the main mechanism through which the World Bank assisted least developed countries; in the past decade, IDA had provided some $45 billion specifically to those countries.

66. In reply to the observer for the Islamic Republic of Iran, he said that the concept of value for money had been identified by both receiving and donor States; the IDA scorecard addressed operational and organizational effectiveness and countries had stressed the importance of quality of design and aid predictability. Donor States had an interest in those questions, but receiving States ultimately stood to gain.

67. **Ms. Moorehead** (Executive Director for the United Kingdom, World Bank) said that fragility, conflict and gender issues were among the greatest obstacles to achievement of the MDGs. It would therefore be important for the *World Development Report 2012* to be discussed in depth with United Nations bodies. There was an urgent need for a change in relations between the Organization and the World Bank. The United Kingdom was among the largest providers of aid, but World Bank entities such as the International Finance Corporation (IFC), which managed relations with the private sector, and the Multilateral Investment Guarantee Agency (MIGA), which focused on the issue of political risk, should not be neglected.

68. The United Nations and the World Bank had a collective responsibility to develop integrated planning, more appropriate financial mechanisms and a greater appetite for risks. It would be worth exploring

the possibility of joint senior-level visits. Delegations should coordinate closely with their capitals and take individual responsibility for building trust.

69. **Ms. Mokate** (Executive Director for Angola, Nigeria and South Africa, World Bank) said that one way to ensure coherence and coordination would be to focus on specific activities such as the preparation of the annual *World Development Report*, taking a learning-by-doing approach in order to identify best practices. Such initiatives could be complemented by high-level contact between institutions. Valuable lessons could be learned from IFC, which had a mandate to work with fragile States, and from collaboration across the institutions of the World Bank Group.

70. **Mr. Iziraren** (Morocco) said that the most recent Development Cooperation Forum, held in 2010, had drawn attention to the fact that at least 30 per cent of technical cooperation and 50 per cent of food aid remained tied to the purchase of goods and services; that approach held back developing economies and increased costs by 25 to 60 per cent. Those funds amounted to some US$ 20 billion, almost half of the figure which, according to the Vice-President for Concessional Finance and Global Partnerships of the World Bank, had been provided to least developed countries over the previous decade through IDA. Any donor State that untied its aid completely would find itself at a disadvantage. It was therefore vital for donors to coordinate closely on the issue and to consider establishing a code of good practice. Lack of aid predictability was another factor that prevented States from taking ownership of development policy.

71. Lastly, the possibility of preparing “spill-over reports” had recently been raised within IMF. He wondered what the status of that proposal was and whether article IV of the Articles of Agreement of IMF would be amended accordingly.

72. **Mr. Sipangule** (Zambia) said that, in the context of the statement made by the representative of Argentina on behalf of the Group of 77 and China, he wished to highlight the particularly fragile economic situation of African countries. The incoherence in development assistance structures needed resolution. The World Bank could greatly enhance its support for the least developed countries, the majority of which were in Africa, by harmonizing its criteria for the economic classification of countries with those of the United Nations and the World Trade Organization (WTO). His own Government would benefit greatly from the use of a single system. For example, the various annual assessments of aid, including the World Bank’s *World Development Report* and the United Nations Development Programme (UNDP) Human Development Index, could send a unified message to both recipient countries and donors. Harmonization within the United Nations system and among institutions, including the World Bank, would lead to a strong agenda and to the achievement of joint objectives.

73. **Mr. Gutiérrez** (Peru) said that efforts to improve coordination between the World Bank and the United Nations must be reflected through, inter alia, more joint missions. The examples of successful collaborations on the ground in Liberia and Sierra Leone mentioned by the Vice-President for Operations Policy and Country Services of the World Bank, had been the result of individual leadership, not cross-cutting institutional policies. Manuals and guidelines that established specific coordinating mechanisms for joint programmes between the Bretton Woods institutions and the United Nations were still needed.

74. **Mr. Guerber** (Switzerland) said that the success of global partnerships relied on mutual accountability, including the responsibility of both donors and recipients to improve monitoring instruments. Global partnerships for development must also include civil society and the private sector, which bore a clear responsibility in fragile and conflict-affected countries; for example, it was critical to divorce business from conflict financing. More broadly, strengthening multilateral frameworks would counter the negative effects of transitional business and enable investments to create national-level growth and employment opportunities. That approach required a strong civil society that would promote human rights and transparency and a private sector that would assume its corporate responsibility. The international community should make every effort to strengthen multilateral arrangements between the United Nations and the Bretton Woods institutions.

75. Many private sector investments in developing countries were made independently of development cooperation programmes and only a small number of such investments were made in consultation with governments and multilateral organizations. He asked the panellists whether there was scope to expand

mechanisms that could involve private investors, especially those without previous contact with the Bretton Woods institutions, in development cooperation partnerships.

76. **Ms. Dong** Zhihua (China) said that the financial crisis had eroded progress in achieving the MDGs over the past two years. Although the world economy was on the path to recovery, new challenges had emerged owing to high food and oil prices. Maintaining food security and monitoring global liquidity in order to avoid inflationary pressure on global markets must remain a priority. Her Government would welcome feasible proposals from the World Bank, WTO and the United Nations Conference on Trade and Development (UNCTAD) in the area of international financing for development as they could greatly improve the prospects for achieving the MDGs. The increase in food prices had plunged 44 million people in developing countries into extreme poverty, which in turn posed a threat to peace and political stability. She wished to know whether the resources available under the World Bank's Global Food Crisis Response Programme were sufficient to deal with the current crisis.

77. **Mr. Tachie-Menson** (Ghana) said that while he commended the World Bank's programmes for conflict-affected States, he wondered whether such efforts were part of a broader approach that included zones of peace; the contagion effect on countries surrounding conflict-affected States was an important consideration. He would also appreciate details on the Bank's plans to build productive infrastructure in poor countries.

78. **Ms. Muchhala** (Observer for the Third World Network) said that she welcomed efforts to link the situation of conflict-affected States with the need for economic security. The next step was to connect MDG-related interventions in those countries with efforts to build productive capacity and scale up public investment and financing. Many States emerging from conflict were compelled to accede to free trade agreements with asymmetrical rules and to accept loans and aid with conditions that hindered their efforts to build capacity. In light of the critical need for national development strategies in conflict-affected States, she wondered how the World Bank aimed to build social and economic infrastructure in light of the constraints posed by international financial and trade regimes and whether it took such constraints into account.

79. **Ms. Samuels** (Observer for Global Clearinghouse for Development Finance, accredited to the Financing for Development process), speaking also as a representative of the Financing for Development Business Sector Steering Committee, said that she was heartened by the comments made by the World Bank's Executive Directors and by the recurring emphasis on "learning by doing". Given the limited amount of ODA used to leverage the private sector, her organization worked to promote private-public partnerships. A recent project that sought to catalyse development finance institutions had led to many of the conclusions that had been highlighted at the current meeting, including the need to change the ruling business model and to examine internal risk management approaches. She agreed with the representatives of Argentina and Bangladesh on the need to focus on both middle-income countries and fragile States. Development finance institutions were critical to mobilizing the private sector at all economic levels.

80. With the support of the Governments of Norway and Sweden, her organization had developed three tools to help foster partnerships on the ground, improve the accountability of the business environment and promote country ownership. The World Bank's MIGA was a complementary resource for achieving the last of those objectives. She agreed with the representative of Peru on the need to implement partnerships on the ground, which should include the participation of the private sector.

81. There was a need to understand how working in partnerships could scale up development initiatives. In particular, more performance benchmarks were required in order to show the private sector what approaches worked. Private sector experts must also become more involved in development efforts. Her organization was currently working with the United Nations Capital Development Fund (UNCDF), and would welcome collaboration with similar agencies.

82. **Mr. Berger** (Germany) said that financing for development remained a major challenge to achievement of the MDGs. Donor countries must honour their commitments, including by allocating 0.7 per cent of gross national income (GNI) to ODA. Despite severe budget constraints, Germany would meet its commitments in that regard.

83. The quality of aid should be considered as important as the quantity; greater emphasis should be placed on results. He therefore welcomed the World Bank's proposed Program-for-Results (P4R) lending instrument. His Government was also piloting results-based financing approaches that included "aid on delivery", an innovative concept which linked funding to results and offered flexibility to recipients while donors took a "hands-off" approach.

84. In the context of fragile States, ensuring effective financing for development was a serious challenge. The *World Development Report 2011* offered valuable recommendations that could help prioritize actions specific to fragile and conflict-affected States. The *Report* also showed the need for differentiated approaches in responding to the highly diverse situations in those countries. He was pleased that the *Report* was a result of a consultative process and included the United Nations perspective. Such collaborative efforts were vital to meeting peacebuilding objectives and achieving the MDGs in conflict-affected environments, and he urged the United Nations system and the World Bank to continue to strive for improved coordination. Having chaired the Peacebuilding Commission, his delegation encouraged Commission members and representatives of the World Bank to share their expertise. He asked the panellists to provide an initial assessment of the recently published United Nations report on civilian capacity in the aftermath of conflict (A/65/747-S/2011/85).

85. **Mr. Tomasi** (France) said that he agreed with two points made by the representative of Argentina on behalf of the Group of 77 and China. First, his delegation supported the call to resolve systemic issues, particularly in light of the fragile state of recovery of the global economy. As current President of the Group of Twenty, France had foregone easier, more consensus-based issues and had prioritized analysis of the structural inequalities of the global economy in the Group's agenda. He hoped that as the Group of 77 and the Group of Twenty had provided a similar analysis of the systemic problems, their solutions would be equally compatible.

86. Secondly, his delegation agreed that innovative forms of financing would be critical in the next 10 years and must be scaled up as more sustainable sources were needed for costs that were difficult to cover through ODA. The Leading Group on Innovative Financing for Development was currently made up of 63 countries, two thirds of them developing countries; it had recently proposed a series of potential mechanisms for innovative financing ranging from voluntary individual contributions to insurance mechanisms, obligatory contributions and new forms of taxation. While Member States did not have to agree on all those mechanisms or implement them all at once, they would be sending a strong political message if they, and particularly the Group of 77, endorsed the Leading Group's recommendations. Each Member State could also send a positive message by choosing to implement one or more instruments, based on the particular political context in the country in question.

87. The *World Development Report 2011* was a valuable tool for the international community in dealing with a fractured world and increasing numbers of conflicts. Peacebuilding was at the heart of the work of the United Nations, and the involvement of the Bretton Woods institutions in that area would lead to consistent international action. Bringing about innovation and new ways of thinking was never easy in large international institutions, and the proposals contained in the *Report* were evidence of the courage and perseverance of its authors.

88. **Ms. Bibalou** (Gabon) said that she welcomed the international community's efforts to address the situation in fragile and conflict-affected countries on both the political and economic fronts. Progress achieved in middle-income countries often masked economic disparities within; while they had experienced gains in areas such as education and gender equality, those countries faced many of the same issues as the least developed countries in terms of building capacity and infrastructure and still required the support of the international community. For example, her Government could not continue its work on governance issues, particularly its efforts to implement anti-corruption measures, without further support. On the need to determine the most appropriate means of providing aid, she noted that, next to bilateral assistance, the New Partnership for Africa's Development (NEPAD) was the major framework for providing international aid to the continent.

89. **Mr. Elkaraksy** (Egypt) said that while the *World Development Report 2011* addressed the issue of unemployment, IDA 16 omitted the important issue of job creation. He hoped that future discussions would not be confined to fragile States and would include middle-income countries. Developing countries must

maintain the political will to ensure that ODA commitments were met and more effective instruments to monitor those commitments should be developed. He drew attention to the report of the Secretary-General entitled “A monitoring mechanism to review commitments towards Africa’s development needs” (A/65/165) and urged that the recommendations set out therein should be followed. He asked the panellists how external sources of financing, including development assistance and concessional loans, could be linked in order to increase productive capacity and employment in developing countries.

90. **Mr. Saether** (Norway) said that he agreed with the Executive Director of the World Bank for Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden on the need for coherence between the policies of the United Nations and those of the World Bank, particularly with regard to their work with fragile States. His Government saw no need for a division of labour between the two institutions, which could actually hamper cooperation in the field. The Bank must remain as continuously engaged with fragile States as the United Nations. He requested details on specific barriers to implementing multi-donor trust funds in fragile States and asked how the work of the Peacebuilding Commission could be helpful to the Bank’s work with those States.

91. **Mr. Samudera** (Observer for Indonesia) said that although solid partnerships had been formed in the context of the Bretton Woods institutions, they had not succeeded in creating national economic structures and policies that supported development. Such partnerships must be strengthened in order to foster external financing for development. Developing countries required ODA, private capital inflows, debt forgiveness and, most importantly, additional financial investment and innovative financing mechanisms. He requested more details on IDA programmes and other investments aimed at mitigating climate change in vulnerable countries and asked what the World Bank was doing to lessen vulnerability to the global food crisis, in particular through IDA and donor efforts to make their funding for food security more coherent.

92. **Mr. Sumi** (Japan) said that his Government, in cooperation with the World Bank and the United Nations Children’s Fund (UNICEF), would be organizing a follow-up meeting on the outcome of the 2010 MDG Summit in June 2011. As Chairperson of the Peacebuilding Commission’s Working Group on Lessons Learned, Japan had a particular interest in understanding how humanitarian assistance could advance development. Noting that many institutions in fragile States were not prepared to manage aid, he asked what kind of technical assistance, including training of human resources, accompanied World Bank financing. With regard to private-public partnerships, he recalled that the private sector considered investment in post-conflict States to be high-risk and requested details on the Bank’s strategies for tempering the perception of such risk.

93. **Mr. von Amsberg** (Vice-President, Operations Policy and Country Services, World Bank), in response to the comments on aid effectiveness, said that the World Bank had seen progress in strengthening national ownership of development through the use of its business model, which was based on untied aid distributed through national systems and investment plans. However, he recognized that partnerships remained a challenge. The P4R lending instrument was a step towards the creation of pooled arrangements between institutions.

94. In response to the representative of Japan, he said that the World Bank sought to build capacity through working with national institutions that required technical assistance. In that sense, United Nations agencies could be key partners as investment in country systems would create more capacity to generate aid resources, which in turn would scale up outcomes. In terms of work with the private sector, MIGA and IFC were developing instruments with a focus on investment in fragile States. Loss provision was one of several World Bank initiatives to improve private-sector investment in development.

95. The rise in food prices was an area of great concern. In addition to participating in international forums on the issue, the Bank was committed to increasing its investment in agricultural production and research and working with partner countries to strengthen social protection systems. In response to the representative of Germany, he said that although he had not yet studied the United Nations report on civilian capacity in the aftermath of conflict (A/65/747-S/2011/85) in detail, he was familiar with its main messages and was pleased to see that they were complementary with those of the *World Development Report 2011*.

96. He recognized the need to avoid a too-rigid division of labour between the United Nations and the World Bank; the two organizations should use their comparative advantages and strengths in the context of a particular country. World Bank headquarters strove to provide a supportive environment for the most important aspect of partnership, better collaboration on the ground. Evaluations of multi-donor trust funds had shown that they could have been more effective; a working plan for improving relations with the United Nations was a key priority of the Bank. The findings of the *Report* were an opportunity for transforming that relationship and he looked forward to translating the current high-level discussion into practical improvements on the ground.

97. **Mr. van Trotsenburg** (Vice-President, Concessional Finance and Global Partnerships, World Bank) said that it was important to note that of the 44 million new poor, 34 million lived in middle-income countries. The World Bank's response to the global food crisis therefore aimed to be comprehensive and included middle-income countries and short-, medium- and long-term measures. The Global Food Crisis Response Programme would provide US$ 1.5 billion and IDA had already provided US$ 4.8 billion over the past three years; IDA 16 offered the potential for additional resources.

98. Although 40 per cent of IDA investment programmes were dedicated to infrastructure development, fragile States required further investment, including through private sector involvement, in order to create jobs. Employment had been discussed in the IDA 16 negotiations and a working group on growth and job creation would be formed. The issue was also being given special priority by World Bank operations in North Africa and the Middle East.

99. **Ms. Cliffe** (Special Representative and Director for the *World Development Report 2011*, World Bank) said that the *World Development Report 2011* emphasized that domestic conflicts held back development in neighbouring countries and that regional programmes had been emphasized in IDA 16 round. On the issue of employment, she noted that the World Bank's focus on institutions, justice, security and job creation had been drawn from its experience with economic transition and pressures in high- and middle-income countries such as Northern Ireland, Indonesia, Chile and Argentina. While the impact of such pressures was worse on low-income countries, the issues were relevant across income levels.

100. The *Report* highlighted the Peacebuilding Commission's unique advisory position on issues of security and national politics. However, there was still untapped potential in terms of gaining the Commission's perspective at the thematic level, particularly with a view to developing realistic timetables for transition processes. Although financing should continue to be channelled through national institutions, more intensive technical assistance was required. Improving public-private partnerships required analysis of infrastructure complementarities, risk-sharing and -financing, and political risk guarantee issues.

*The meeting rose at 1.15 p.m.*