2010 ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Press Release No. 14
October 8, 2010

Statement by the Hon. **JYRKI KATAINEN,**
Governor of the Bank for **FINLAND,**
on Behalf of the Nordic and Baltic Countries

2010 Annual Meetings Statement
by Jyrki Katainen
World Bank Governor for Finland
on behalf of the Nordic and Baltic Countries

I am honoured to be able to deliver this message to fellow Governors and to Bank management and staff on behalf of the Nordic and Baltic constituency at the World Bank Group.

In April the Development Committee endorsed three important political decisions concerning the World Bank Group:

- First, we endorsed post crisis directions for the Bank Group;
- Second, we agreed to strengthen the IBRD's capital base to ensure that the institution has the necessary resources to support its member countries on the road to recovery after the credit crisis; and
- Third, we reformed the Bank's governance by realigning voice and enhancing the participation for the developing and transition countries to reflect the evolving changes in the world economy.

Now is the time for the Management to implement the agreed strategic directions. And for Governors to formally complete the ratification processes necessary to ensure the timely implementation of the decisions on capital and governance.

Moreover, as we speak work is ongoing in replenishing the IDA resources. With only five years to achieve the jointly agreed Millennium Development Goals, a successful completion of these negotiations is vital in supporting the prospects for the poorest countries in the post crisis world. We encourage all current, and especially the new and emerging donors to play their part in making this replenishment round successful. Increased voice means increased responsibility.

These are important decisions for the World Bank Group. However, they only provide the basis for the Bank's work.

At first sight, the outlook for the emerging markets in particular looks bright. They were the first to come out of the crisis and they have grown at a fast pace for the past year. In low income countries growth has also returned to healthy levels after the slowdown in 2009. Sub-Saharan Africa is growing at the same rate as the entire developing world – excluding China and India – for the first time in 30 years. However, as the income level in Africa is low, the development needs in the continent are still enormous.

The recovery in advanced countries has been weaker and now we are seeing signs that growth may be low for some time. This would support the view that in the world economy we are seeing a structural change towards the emerging markets, and to developing countries more broadly. To quote President Zoellick, we should start seeing the world as a "multi-polar growth world".

In broad terms, such secular change has been taking place for some time already. As longer historical perspective reveals, centres of economic dynamism have not been and are not static. A word of caution may however be in order in the post-crisis world. Transition to a "new normal" may be bumpy. Recent volatility in financial and commodity markets can remain high for some time. Asset bubbles only seem like bubbles once they have burst. Increasing food prices are again causing social unrest in some countries. And climate change is posing enormous challenges especially to many of the poorest developing countries. No country is insulated from the rest. Trouble from one country can quickly spread to other countries.

The World Bank Group is there to help its clients navigate through these uncertain times. In performing this task effectively the Bank needs to continuously learn from the past and adjust to new developments. This also applies to our Spring Meeting decisions on strategic directions, on capital and on governance.

Moreover, daily challenges for the Bank staff remain as before – how to deliver tangible development impact at the country level. Be it through project related investment lending or through budget support, policy dialogue or global and regional programs. The objective remains to reduce poverty through growth and productivity improvements. Now concerns about climate change have rightly broadened attention to the adaptation and mitigation agendas that cannot be fully separated from development.

The Bank deals with multidimensional challenges, often requiring comprehensive approaches for addressing them. At the same time, the institution can risk blurring its mandate and spreading too thinly. To remain effective, the Bank still needs to prioritize and focus. Such focus areas can vary between client countries based on their own priorities. Sometimes less is more. Some issues can be left to others to address based on country level division of labour among donors. This is essential also for the overall aid effectiveness. Although the Bank is rightly seen as the premier development institution in the world, it is not the only game in town. As any other institution it needs to continuously make its case and focus on the value added it brings.

This can be challenging. The bottom line for the World Bank Group is defined by maximizing public goods, not private profits. This means not only that the projects and programs that the Bank finances have to be financially sound, but that they also need to take into account their broader economic, social and environmental impacts.

Designing practical, concrete metrics for setting objectives and for tracking performance especially at the corporate level is difficult for an institution like the World Bank Group. Much more difficult than for a profit-maximizing company. Still such results metrics – for instance on job creation, service provision and productivity trends – are needed. Indeed, if we can't measure whether we have been successful or not in our intervention, we will never be able to tell whether such an intervention is good value for money. This is important for both development results and credibility of the institution. The IFC has shown leadership in this area through its development impact tracking system and Performance Standards, which not only guide the IFC's approach, but also form the basis for the broader Equator Principles. And IDA has also been at the forefront in this area and is currently further refining its Results Measurement System. We welcome such leadership and encourage their application more broadly.

We live in a dynamic world. This also applies to the World Bank Group. Borrowing countries grow, and eventually graduate and take their place as non-borrowing countries. Most of our constituency countries were once borrowing clients of the Bank. Now, all of us are IDA donors helping to mobilize scarce resources for the poorest part of the membership. Dynamism and graduation are at the heart of the Bank's mission. Details of the pace of transition from one status to another may be subject to cyclical developments, and even diverging interpretations, but the overall principle is clear to all. Dynamism and graduation go hand in hand with increased responsibility.

The logical conclusion from this dynamism also implies that the end objective for the institution is to make itself redundant. But we are still very far away from such a point in time. In the meanwhile, the World Bank Group provides the international community one of its most valuable assets in trying to find solutions to some of the most difficult development challenges we face. No institution is without its problems and the Bank is no exception. But in our view the Bank's overall track record remains impressive and recent decisions on capital is a vote of confidence to the institution.

Indeed, as a conclusion, I would like to extend, on behalf of the Nordic and Baltic countries, our constituency's gratitude to the Bank's management and staff for their hard work during the past year.

Thank you.