



International Monetary and Financial Committee

Twelfth Meeting
September 24, 2005

Statement by Mr. Paul Wolfowitz
President of the World Bank

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE
WASHINGTON DC
SEPTEMBER, 24

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1. This is my first meeting of the IMFC since I became President of the World Bank Group, and I am looking forward to contributing to the Committee's work. I have already had the opportunity to work closely with Rodrigo de Rato over the past three months, and I am confident that together we will consolidate and reinforce the strong partnership between our two institutions.

Global Economy and Current Challenges for Developing Countries

2. World growth is projected to continue at a decelerating rate, with developing economies as a group continuing to outperform high-income countries. But there are also major risks. Many developing countries remain vulnerable to the continued threat to global financial stability from persistent global imbalances, and the possibility of a reversal in current low long-term interest rates and spreads.

3. High and volatile oil prices are a particular concern for many developing countries. For oil-importing Sub-Saharan African countries, the shock to the terms of trade since January 2004 is estimated to be as much as -2.7 percent of GDP, with serious impacts on poverty reduction prospects. The Bank's research shows that the poor suffer from high energy prices twice as much as the highest income group. The Bank stands ready to help poor countries cope with a sustained oil shock and mitigate its impact on the poor.

4. Achieving a successful outcome at the Hong Kong Ministerial meeting on the Doha Development Agenda (DDA) is critical both to counter protectionist pressures which pose an immediate threat to global growth and to complement other actions to support countries' development strategies. A successful outcome must include substantive liberalization in agriculture, led by the developed countries, and action by all countries on manufactures and services. Little time is left to reach agreement. Strong leadership from Finance Ministers is essential to achieving results that are as important to the world's poor as the welcome commitments to provide additional aid and debt relief.

5. For the Doha Development Agenda to deliver on the promise of its name for poorest countries, the Round must be accompanied by increased "aid for trade" for the poorest countries that need additional support in addressing supply-side constraints and addressing transitional adjustment costs. We have joined with the Fund, in consultation with other partners, to present proposals to significantly expand such support and I am looking forward to discussion of these proposals at the Development Committee meeting.

Bank-Fund Collaboration in Supporting Low Income Countries

6. In this "year of development" the Bank strongly values the Fund's major contribution to fostering macroeconomic stability in the world's poorest countries. In recent months, against the backdrop of the Gleneagles G8 Summit and the Millennium Summit review, there has been strong and welcome international focus on issues that are central to the

development agenda. The UN Summit has reaffirmed the global compact between developing and developed countries on assistance for performance, and the international consensus that increased aid financing and aid effectiveness must go hand in hand.

7. Against this background we need to move forward on two fronts: to help countries achieve concrete results on the ground, and to deliver effective international support through aid, debt relief and trade.

- We must help countries improve their poverty reduction strategies and rely on them as the basis for scaled up assistance and achieving increased results and performance on the ground. Complementing the Fund's role in promoting macroeconomic stability, the Bank helps countries develop the structural, sectoral and institutional underpinnings needed for sustained growth and poverty reduction. We will continue our joint work to support countries in managing, absorbing and effectively using increased ODA inflows, increasing domestic resource mobilization and creating the fiscal space needed for infrastructure investment.
- We also need to make sure that the donor community collectively delivers on the commitments of debt relief and increased and more effective aid. The landmark G8 proposal on debt relief is welcome and can add more resources to achieve the MDGs if the remaining issues are dealt with in a way that protects the capacity of our two institutions to assist our low-income members in future. The Bank, in collaboration with the DAC Secretariat, is strengthening mechanisms for monitoring the implementation of the new aid commitments. We must also deliver on the commitments to improve the effectiveness of aid and fully implement the framework set out in the Declaration on aid effectiveness adopted last Spring in Paris and endorsed in New York. Development partners should be joining together to provide recipient countries with a much simpler and better coordinated service in support of country programs and priorities. The Bank is applying these principles in its own Africa Action Plan. The Global Monitoring Report, that we prepare jointly with the Fund, will constitute an important vehicle for monitoring and reporting on the delivery of all these commitments.

8. We will have the opportunity to discuss many of these issues and recent initiatives in the development agenda at greater length at the meeting of the Development Committee. It is clear, however, that many aspects of this agenda will not be achievable without a continued close partnership between the Bank and the Fund in low income countries, a partnership that has been much strengthened in recent years.