

# **IMFC Meeting April 24<sup>th</sup>, 2004**

## **Statement By James D. Wolfensohn**

### **President of the World Bank**

#### **Introduction**

1. I would like to begin by joining members of the Committee in expressing my appreciation and thanks to Horst Koehler for all that he did during his time as Managing Director, and for his unwavering commitment to collaboration between our two institutions. Early on in his tenure, Horst and I set out a joint vision for strengthened partnership, and I believe that we have been very successful in implementing that vision, thanks in no small part to his commitment. His has been a strong voice for development and poverty reduction and we will all miss having him at the helm of the IMF. I look forward to developing an equally productive relationship with Horst's successor.

#### **The Global Economy**

2. Since we met last September, global recovery has gained momentum. But at the same time, the medium-term global outlook remains highly uncertain given the macroeconomic imbalances in and between the major economies.

3. As a group, developing countries have continued to grow more rapidly than the high income countries. Growth of GDP of developing countries this year is expected to surpass the record 5.2% growth achieved in 2000. East and South Asia have been at the forefront of the strong growth performance. There has been a strengthening of growth in other regions as well, although growth remains subdued in many countries, particularly in Latin America which is experiencing a slow recovery. And despite a booming oil sector in West Africa, Sub-Saharan Africa's overall growth slowed to 2.4 percent.

4. Sustaining the momentum on growth and ensuring that it extends to the poor is key to achieving the Millennium Development Goals (MDGs). I see three important medium-term challenges. First, ensuring smooth adjustment of the large global imbalances is an important collective challenge. Second, it will be important for developing countries to use the period of buoyant growth and low interest rates to further reduce vulnerability to external financial shocks. A third and key challenge is to accelerate growth in the poorest countries especially in Sub Saharan Africa. Without a substantial increase in growth rates in the region, only 8 countries representing about 15 percent of the regional population in Sub-Saharan Africa are likely to achieve the goal of halving income poverty between 1990 and 2015.

## **Implementing the Monterrey Consensus: Supporting Development and Reducing Poverty**

5. At the meeting of the Development Committee on April 25 we will discuss the first of a planned annual series of reports prepared jointly by Bank and Fund staff monitoring global progress in implementing the Monterrey Consensus: the policies and actions by all parties that we agree are needed if we are to achieve the MDGs. The findings of the report provide a sobering assessment of progress in meeting the commitments made at Monterrey. As the report makes clear, on current trends, most MDGs will not be met by most countries. This is not to downplay the impressive progress made in many countries, particularly large ones such as China and India. But there are just as many who are falling behind especially in sub-Saharan Africa. It will take a significant and immediate scaling up of actions by all parties to avoid falling far short of meeting our aspirations on the MDGs. The report also identifies where the need for action is most urgent: particularly on trade and aid.

6. A more open and balanced global trading system is central to the Monterrey agenda. Trade can be a powerful engine for growth and poverty reduction, but restrictions on trade remain substantial and skewed against the poor. I cannot stress enough the importance and urgency of reinvigorating the Doha round, including the market access for agriculture and labor intensive manufactured goods that is critical to the prospects for low-income countries. In November, Horst Koehler and I sent a joint letter to the heads of state of all WTO members stressing the importance of a concerted effort to revitalize the Doha negotiations and our willingness to provide financing support where needed. We have been using any and all opportunities with key participants to drive home how high the stakes are. We are also working in the Bank to provide analysis and support for actions required at the regional and country level to remove impediments to trade and improve countries' abilities to take advantage of new trade opportunities.

7. There is also a clear need for more and more effective development assistance to support countries implementing sound policies. As requested at Dubai both by this committee and the Development Committee, together with the Fund, we will be reporting at the Annual Meetings on key issues on the future architecture of development aid. We will revisit the case for more, better and more frontloaded aid, issues of absorptive capacity, the need to make aid more effective through better alignment, harmonization and results-based focus, and innovative policy options and financing mechanisms to mobilize the substantial additional resources that are needed. I hope that this work will provide a basis for discussion at the Annual Meetings leading to early decisions and actions to increase the quantity and quality of development assistance – for without such action I see little prospect of successful progress to meeting the MDGs.

### **Bank-Fund Cooperation**

8. I remain strongly committed to the vision of close collaboration between Bank and Fund in supporting our member countries that Horst Koehler and I set out in 2000. I will work with Horst's successor to continue to put this vision into practice: to deepen and strengthen the close partnership between the Fund and the Bank so as to maximize

our joint contribution, while respecting our complementary and linked mandates and capitalizing on areas of comparative advantage. We are using the framework agreed in 2002 to guide our collaboration in middle-income countries – where in the Bank we are implementing an action plan to enhance our support, in part through stronger collaboration with development partners - alongside our deepening cooperation in support of low-income countries (discussed further below). Managements have decided to strengthen the Joint Implementation Committee (JIC), giving it a renewed mandate to address cross-cutting issues on Bank-Fund collaboration and issues that arise in the context of middle-income as well low-income countries.

9. The Bank also continues to work closely with the Fund on a range of cross cutting issues. Jointly we continue to support global efforts in strengthening the international financial architecture. As of end-December 2003, more than 100 countries had participated or agreed to participate in the near future in a financial sector assessment under the joint Bank-Fund Financial Sector Assessment Program (FSAP), and 491 Reports on Standards and Codes (ROSC) modules have been completed for 101 countries. The Bank is also stepping up its efforts to help countries address gaps and strengthen capacity based on the findings of these assessments. The multi-donor Financial Sector Reform and Strengthening Initiative (FIRST), established to supplement these efforts with about \$55 million pledged over the initial four-year term, had approved 61 projects by end-December, of which 20 have already been completed.

10. Combating money laundering and terrorist financing (AML/CFT) is a high priority for member countries and another area where the Bank and Fund are collaborating to good effect in support of member countries. We are providing technical assistance to countries following AML/CFT assessments. We are incorporating AML/CFT issues into Bank Country Assistance Strategies (CAS) where weaknesses in the AML/CFT regime pose a significant governance and development risk. We will continue to work with the Fund, the Financial Action Task Force (FATF) and the UN on the whole range of AML/CFT issues.

11. We collaborate with the Fund on many other cross cutting issues relevant to both middle- and low-income developing countries, some of which I have already mentioned. These include for example current work in developing debt and debt sustainability analysis, and analysis of important emerging new issues such as those relating to migration and remittances.

### **Collaboration with the IMF in supporting Low-income countries**

12. The Committee will be discussing the Fund's role in supporting low-income countries. I remain strongly convinced that the existing strong partnership between Bank and Fund will remain key to helping these countries meet the MDGs. Countries benefit from the complementary perspectives and support from our two institutions. And we have also seen from the PRSP and HIPC processes how our partnership can crowd in support from other development partners. So we will continue to work closely together as the Fund discusses how to enhance and adjust its financial and policy support for low-income countries.

13. The key element for this collaboration at the country level is an effective poverty reduction strategy process. Country owned strategies and processes for achieving growth and poverty reduction provide the context in which both Fund and Bank support – in our respective areas of comparative advantage and mandate – can be placed alongside support from other development partners for countries’ broader efforts to achieve successful development and make progress in meeting the MDGs. We are accordingly stepping up our joint support to countries to deepen their poverty reduction strategy process, including in priority areas such as public expenditure management, strengthening links with budget processes, and poverty and social impact analysis.

14. The Development Committee will take stock of progress with HIPC, and our joint work in developing a new framework for debt sustainability in low-income countries. On HIPC, I am delighted that in the last three weeks we have seen three countries reaching completion points, with Niger and Ethiopia receiving additional relief totaling \$850m in NPV terms. For the future we need to address the debt overhang in the HIPCs that will not be able to enter the initiative before the sunset clause becomes effective. We need to complete work on the new framework for long-term debt-sustainability of low-income countries; the focus is on developing a framework for lending and external assistance that facilitates debt sustainability in post-HIPC and other low-income countries while helping these countries meet the MDGs at the same time. And we need to examine the potential need for new measures, from both Bank and Fund, to help low-income countries preserve debt sustainability in the face of exogenous shocks.

## **Conclusion**

15. Discussion at the Development Committee on 25<sup>th</sup> April will focus on progress in implementing the Monterrey consensus and achieving the Millennium Development Goals. It is clear from the joint Bank-Fund report prepared for that meeting that while there has been good progress in some areas, notably in improved quality of countries’ reform efforts, action in other areas is falling seriously short of what is required to meet the MDGs in most countries. It is now urgent to make real progress on the Doha trade agenda; and for developed countries to make and implement commitments to provide more and more effective, results-based, development assistance. I hope that Ministers at the IMFC will also help build momentum for global progress on these issues, and thereby for progress in global poverty reduction.