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Report to the Boards of Governors of the Bank and the Fund
by the Hon. **TREVOR MANUEL**,
Chairman of the Joint Ministerial Committee of the
Boards of Governors on the Transfer of Real Resources to
Developing Countries (Development Committee),
at the Joint Annual Discussion

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- Mr. Chairman, Mr. de Rato, Mr. Wolfowitz, Governors, ladies and gentlemen: as Chairman of the Development Committee, I am pleased to report to you on the Committee's work during the two meetings held in 2005.

Progress on Millennium Development Goals

- As in 2004, the main focus of our meetings has been implementation of the actions and partnerships agreed in Monterrey and Johannesburg to meet the Millennium Development Goals (MDGs). During this year, which marks the fifth anniversary of the adoption of the MDGs and which has been called the "Year of Development", this work has had a special significance.
- At our Spring meeting we assessed progress that had been made over the five years since adoption of the MDGs, as an important input into meetings over the Summer, in particular the UN World Summit held in New York this month. We based our discussion on the analysis in the second annual Global Monitoring Report (GMR) prepared by the staff of the Bank and Fund in collaboration with others. We recognize the importance of the GMR as an important tool to monitor progress made on MDGs. While we welcomed progress made on actions by both developed and developing countries, we noted that overall progress had been less than envisaged. At our Fall meeting we have been able to welcome some important progress made over the summer in agreeing proposals for further debt relief and in commitments to more and more effective development assistance.
- Despite this progress and the stronger policies put in place in many developing countries, we remain concerned that the MDGs will not be met in many countries, particularly in Sub-Saharan Africa. Further and stronger efforts are needed by all parties to the Monterrey agreement – developing countries, developed countries and the international institutions.
- The Committee has discussed actions being taken by many developing countries to strengthen policies and institutions. We endorse the emphasis on country-led and owned development strategies linked to medium term budget frameworks, which should provide a way to operationalize the MDGs at the country level. Successful strategies need to include macroeconomic stability, stronger public financial

management, good governance, promoting a strong private sector, and expanding infrastructure and service delivery in education and health. The Bank-Fund review of the poverty reduction strategy approach points to the need for further efforts to strengthen these strategies and their implementation in many countries. We have discussed and call for rapid implementation of the Education for All Fast Track Initiative, including closing the financing gap; and stepping up the fight against major diseases including HIV/AIDS and malaria. We have also considered and welcome the review of Bank conditionality and call for consistent application of the proposed good practice principles designed to strengthen country ownership and leadership.

Need to Increase Aid and Debt Relief

- Stronger country policies must be matched with increased aid and debt relief. We have therefore welcomed agreement reached for a substantial replenishment of the International Development Association (IDA), and the commitments made by many donors this year to timetables for achieving the target of 0.7 percent of GNP for ODA. We have also discussed proposals for innovative sources of development financing, and have asked the Bank to assist with implementation issues, as appropriate, to ensure that these initiatives are coherent with the overall performance- and country-based aid architecture. We have also noted ongoing work on blending arrangements and advance market commitments for vaccines.
- Further, we have discussed and welcomed the G8 proposal for 100 percent cancellation of debt owed by eligible heavily indebted poor countries to IDA, the African Development Fund (AfDF), and the International Monetary Fund, as providing a valuable opportunity to reduce debt and increase resources for achieving the MDGs. We are agreed on the need for an “*interdependent package*” with dollar for dollar compensation for IDA that is truly additional to existing commitments and that maintains the financial integrity and capacity of IDA to assist poor countries in the future. Donor countries must ensure financing to fully compensate IDA for forgone reflows resulting from debt relief in order to reach a final agreement on the proposal.
- As important as mobilizing more aid is, we recognize that there is an urgent need to improve the quality of aid. The Committee has discussed issues relating to aid financing and aid effectiveness at both its Spring and Fall meetings. We welcome progress toward establishing tangible indicators and targets for commitments made in the Paris Declaration on Aid Effectiveness. We stress the importance of *Mutual Accountability* between donors and recipient countries in order to realize the aid effectiveness agenda. We have asked the Bank to work closely with the OECD Development Assistance Committee and other partners to support the delivery and improve the quality of increased assistance, through systematic monitoring and follow-up on aid commitments, and through vigorous implementation of the agreed agenda on managing for results, harmonization, and alignment.

Action Plan for Africa

- A special focus of our discussions has been the development challenges in sub-Saharan Africa, the region farthest from achieving the MDGs. In this context we have welcomed the World Bank Group's ambitious Africa Action Plan, which will support African countries in their efforts to increase growth and tackle poverty. We commend its comprehensive approach toward developing an African private sector, creating jobs, enhancing exports, expanding infrastructure, raising agricultural productivity, strengthening human development, building capacity (including in conflict-affected and fragile states), and increasing regional integration. The Committee expects to see timely and vigorous implementation of the Plan, which correctly focuses on building state capacity and improving governance, strengthening the drivers of growth, and promoting broad participation in growth and sharing its benefits. The Committee has asked for regular reporting on progress in implementation of the Plan.

Doha and Aid for Trade

- The Committee supports stronger country policies and more and more effective aid must be complemented with ambitious moves to increase openness and market access and to ensure that trade benefits the poor. Without a timely and ambitious outcome for the Doha Development Agenda, developing countries will not achieve the economic growth needed to meet the MDGs. Progress at the December Hong Kong Ministerial meeting will be critical to a successful conclusion of the Doha Round in 2006. Now is the time for action by all WTO members to move the negotiations forward, and we have called upon developed countries to show leadership. We have stressed the importance for the global economy and for meeting the MDGs of achieving an outcome that includes: (i) a major reform of agricultural trade policies to expand market access and eliminate trade-distorting subsidies; (ii) action to open markets in manufactures and services; and (iii) increased aid for trade to address supply-side constraints and enhance the capacity of developing countries to take advantage of expanded trade opportunities. We have endorsed the proposal for an enhanced Integrated Framework for Trade-related Technical Assistance, and supported a strengthened framework for assessing adjustment needs so that IFI and donor assistance mechanisms can be better utilized. We have also asked the Bank and the Fund to continue their global advocacy role on trade and development.

Infrastructure Action Plan

- Increased investment in infrastructure, alongside strong programs for education and health, is key to faster growth and progress in reducing poverty. We therefore welcome the progress made by the Bank Group in implementing its Infrastructure

Action Plan and strengthening public-private partnerships to leverage investment and maximize impact. We hope the Bank will now continue deepening and scaling up of support for infrastructure service delivery, to respond to needs in both low- and middle-income countries.

Climate Change

- We have also discussed the importance of countries integrating climate concerns into their policy formulation, and support the World Bank's efforts, including through the Global Environment Facility, to assist member countries in measures to mitigate and adapt to the impact of climate change and improve energy efficiency and access to renewable and cost-effective energy. We welcome efforts to follow up on the Gleneagles plan of action with early consultations with partner countries and institutions to identify pragmatic investment and financing policy options.

Voice and Participation

- Enhancing the voice of developing and transition countries in our institutions is of vital importance. The Committee intends to continue its discussions of this issue with a view to building the necessary political consensus to make progress, taking into account also progress made in the context of the IMF quota review.

New Bank President

- Our Spring Meeting was the last meeting of the Development Committee attended by Jim Wolfensohn in his capacity as President of the World Bank, and we expressed our deep appreciation for his talented leadership at the Bank. At our Fall meeting we welcomed the new President of the World Bank, Paul Wolfowitz. We wish him a successful tenure.

End of Tenure

- This will be my last report to you as Chairman of the Development Committee, and I would like to take the opportunity to thank all members for their support for the work of the Committee during my term of office, and to wish every success to my successor, Mr. Alberto Carrasquilla, Minister of Finance and Public Credit of Colombia.