

THE WORLD BANK GROUP

JOINT IMF/WORLD BANK TOWN HALL

with

CIVIL SOCIETY ORGANIZATIONS

JAMES D. WOLFENSOHN, President of the World Bank

RODRIGO DE RATO, Managing Director of the IMF

TREVOR MANUEL, Chairman of the Development Committee

GORDON BROWN, Chairman of the IMFC

Thursday, September 30, 2004

Room MC13-121
1818 H Street, N.W.
Washington, D.C.

PROCEEDINGS

MS. RAO: Good evening, everyone, and welcome to the Town Hall meeting. My name is Aruna Rao, and I'll be facilitating this session this evening. I am the Director of an organization called Gender at Work, which is a knowledge-building network on gender equality and institutional change, and I'm also the Board Chair of CIVICUS, which some of you are familiar with, which works to strengthen citizen participation and to strengthen civil society organizations.

What I'd like to do first is to introduce our four principal speakers this evening. To my right, Gordon Brown, Chancellor of the Exchequer, United Kingdom, and Chairman, International Monetary and Financial Committee of the IMF; Trevor Manuel, to my left, Minister of Finance, South Africa, and Chairman, Development Committee of the World Bank; James Wolfensohn, President of the World Bank Group; and Rodrigo de Rato, Managing Director of the International Monetary Fund.

Now, this meeting, as you know, is first and foremost your meeting. This is a dialogue with civil society organizations, and it's the second time, I've been told, that such a meeting has been organized in connection with the Annual Meetings at the Bank and the Fund.

There are over about 300 organizations that are accredited to these meetings, and they've come from about 65 countries around the world, and I know that there are many issues on your mind, and they range from debt relief to aid flows, safeguards, Extractive Industries Review, to inequity, HIV/AIDS, corruption and the whole issue of governance of multilateral organizations. And we also know that there are serious differences around this room on many of these issues. But this is a chance to talk about them openly, to share your understandings and your experiences, to ask questions and to have what I hope will be a constructive dialogue.

I also know that there are particular issues that many of you come here with that are particular to your countries, to particular projects. So I hope you'll have a chance, all of you, to air them.

But with your permission, first of all, I'd like to begin with a short introduction. I'd like to ask our principal speakers to speak for no more than, say, two or three minutes, and that will leave us with probably about an hour for dialogue and debate. So can I ask you, Mr. Brown, to begin?

MR. BROWN: Chair, can I say, first of all, it's absolutely right that at this meeting of the IMF, the World Bank and the G-7, of course, tomorrow--and many other organizations--that we meet civil society first. And I want to thank you, the NGOs, all organizations concerned with civil society for putting on the agenda the basic case that we need a world economy that works not for some of the people some of the time, but all of the people all of the time.

And I think that this weekend we should be looking back on the commitments that we made several years ago: the Millennium Development Goals, the promise of primary education for all by 2015, the promise to halve poverty, the promise to cut out avoidable infant and maternal deaths, all the goals that we set ourselves, including goals for girls' education, which I know you've been particularly interested in yourself, as Chair.

But we know now that if we take sub-Saharan Africa, we will not meet these goals on present trends with present resources by 2015. We would meet them only by 2130--115 years late. And as far as infant deaths are concerned, on present trends, we would be 150 years later than we have promised.

So, as we meet here this weekend, we have got to consider what we as a world community must do. We've got to consider it in the context, first of all, that we've got to move further

on debt relief, and I believe the proposals we are putting forward for multilateral debt relief that matches the 100-percent bilateral debt relief are the right proposals so that the burdens of the past that weigh people down and weigh countries down are removed.

But I also believe that we've got to look--and whether you are campaigning on AIDS or on health or on education or capacity to trade, whether you're campaigning on issues related to one continent or every continent, we are going to have to look--whatever conditions we lay down, and the conditions are incredibly important--we will have to look at how we can get more resources.

And that's why I think the debate has got to be about the International Finance Facility, other methods of financing suggested by the French, the Brazilians and others. We have committed ourselves, as a Government in Britain, to 0.7 and a time table to doing so, and others must do that as well. But we must, if we're going to meet the Millennium Development Goals over the next 10 years, every year, be in a position to dramatically increase the amount of development aid that is available.

So that is what is interesting me this weekend. That is where I want to hear your views as well. That is where I think we all come together. Whatever the interest that we represent or the country we represent or the cause we represent, I believe we've got to find better methods of financing development aid so that the great combination of economic development, trade, and of course development aid makes it possible that we have a world economy that's working for all of the people all of the time.

MS. RAO: Thank you, Mr. Brown.

Can I invite you now, Mr. Manuel?

MR. MANUEL: Thank you very much, Chairperson. Good evening to all of you.

I would like to align myself with what Gordon Brown has said and use 30 seconds to say that probably the greatest challenge that confronts us is that we've taken so many correct decisions that can't be implemented because of the extent of funding gaps. There are a number of issues on the table, and we have the responsibility to ensure that the resource is there to fund development on a sustainable basis.

And, secondly, while dealing with the realm of decisions we've taken, clearly, the support for the Millennium Development Goals should be unequivocal. In addition, it's very important that we are able to effect the development of the real economy in the poorest countries to ensure that there is sustainable growth and development, and that does require a new level of partnership. The decisions on that have been taken. Monterrey certainly set out the framework for that, but the funding gaps and the political will are still in deficit, and that is what we must apply our collective minds to.

Thank you.

MS. RAO: Thank you very much.

Mr. Wolfensohn?

MR. WOLFENSOHN: I don't want to say very much now because my two leaders have already indicated what they want to talk about in the meetings, and I'm delighted that they are addressing these questions.

I think that the one thing that I can say is that, notwithstanding recent commentaries, the Bank remains committed to have dialogue with civil society. It may appear to some that it is wasted or ineffective, but notwithstanding the occasional differences of view, or the less-than-occasional

differences of view, I think that the dialogue has been extraordinarily useful over the last decade. And I just want to say that I'm looking forward to the questions, and I'm looking forward, hopefully thereafter, to resolving them in an amicable way.

MS. RAO: Thank you.

Mr. de Rato?

MR. DE RATO: Well, thank you very much.

I, like Jim Wolfensohn, am here representing a public organization, an international public organization. We provide international public goods, and of course we follow the mandate of our organizations and of course of the countries that are represented on our Boards.

The Fund has a very close relationship with civil society. We follow, on almost a daily basis, interchangeable opinions, and me, personally, I have been involved in all my international trips in which I have represented the Fund since the 7th of June that I'm the Managing Director, I had the chance of meeting civil society in Africa, in Asia, in Latin America. So I truly believe that we need the interchange of opinions with civil society to be able to perform our public responsibilities.

I certainly share what Gordon Brown and Trevor Manuel have expressed. We are committed to a policy in low-income countries. What we provide, which is the core business of our mandate—macroeconomic stability and financial stability—are essential prerequisites for growth and for poverty reduction, and we are becoming more and more involved in poverty reduction programs with low-income countries.

We also are, as I think most of you are aware, helping low-income countries in the process of debt relief. And just to follow up with some of the ideas that have been put on the table, certainly one of the big challenges for this weekend here in Washington is that countries take a step forward in increasing aid, increasing aid through new mechanisms that have been discussed and in which we are advising countries how they can be put forward, but also through the traditional mechanisms. We believe that aid is a requisite right now and to be able to attain the Millennium Goals.

And of course, I look forward, like the rest of my colleagues, to the discussion with you.

Thank you very much.

MS. RAO: Thank you, Mr. de Rato.

So we've got some clear issues on the table already: poverty reduction, development, equity and more resources for development.

Now, I'd like to turn the floor over to you, but before I do that, I'd like to specify some ground rules.

First of all, I would like to give everybody, as many people as possible, a chance to speak. So my plea to you is please be brief. So only one question or comment from each person when they speak. We're not taking any questions from the press in this meeting.

One thing I would like to try to do is to take a question around a particular topic, a few questions around those topics--around that topic, and then turn it to the panel, and then we'll go back to you and get questions around another set of topics.

There are--for those of you who aren't sitting at the table, there are two roving mikes. There's a gentleman at the back there, and there's a gentleman over here, and they will walk to you and

give you your mikes. This session is on record, and so that's why you have to speak in the mike. There will be a transcript on the web. It will be made publicly available, and there will also be a web screening, so you can see yourself on the web when you go back home.

MS. RAO: There's also simultaneous translation in French, in Spanish and in Russian. So, please feel free, if you want to speak in those languages, we all have our headsets. And please also remember not to speak too quickly so that our translators don't have a difficult job.

So, now, I'd like to turn it to the floor for questions. When you ask a question, please raise your hand, please tell us your name, your organization and the country that you come from.

Yes, madam?

PARTICIPANT: Hello. My name is Ana Quiros, and I come from Nicaragua. Both, thinking about MDGs or Millennium Development Goals and poverty reduction, one of the problems with both is that women are mostly invisible in both. Although there is a Millennium Development Goal related to women, the issues that are addressed in that goal are really weak. We would like to see a more committed approach to women's participation and to women's visibility to this--in both of these.

What are you planning, both in the IMF and the World Bank, to address these issues because it's not just a problem of seeing women as reproducers, but women as economic people and people with rights? What are you thinking about this?

MS. RAO: Thank you.

You may think this was orchestrated to have this as the first question, but it really wasn't, but I'm glad it came up.

[Laughter.]

MS. RAO: Are there other questions around this issue of equity, development, the MDGs?

Yes. This gentleman over here.

PARTICIPANT: My name is Jack Jones Zulu. I work for Jubilee Zambia, and I come from Zambia, Lusaka, in particular.

Coming from the sub-Saharan Africa region, it is clear, it has dawned upon us that MDGs, certainly, as Mr. Gordon Brown has put it, will not be realized by the year 2015, and it is almost 30 years, if not more than 30 years, from the time the developed countries made the pledge to give about 0.7 percent of their GNP to the low-income countries, if you like, or the poor countries. And so far indications are that I think they are around 0.25, somewhere there.

What is it that the IMF and World Bank are doing or are going to do to--given this scenario that the developed countries have not fulfilled that pledge, what is it that the two institutions are going to do to help these countries that are ravaged by AIDS, and they are also characterized by high poverty levels? What is it that they are going to do to ensure that we move towards those goals?

Thank you.

MS. RAO: Thank you.

I'll take two more questions around--yes, way back there. Do you have a mike?

PARTICIPANT: I come from Jubilee Research and the New Economics Foundation.

It is very encouraging that there has been development around multilateral debt cancellation, and unfortunately the Financial Times article shows that something may not happen this meeting. But what I'd like to throw in is the issue of using multilateral resources for providing resources for MDGs and multilateral debt cancellation, the issue of gold sales, which has been scuttled before, partly as a result of the potential impact on gold prices for poor countries.

How is that rich country central banks have sold more than \$100 million ounces of gold in the decade, past decade, and plan to sell another 80 million ounces over the next 5 years under the Central Bank Gold Agreement, and that doesn't impact gold prices? And they say that 5 million ounces of IMF gold sales every year for the next 20 years would impact gold prices. How is it that Central Bank strategic long-term portfolio rebalancing needs can moralistically take a superior stance to the urgent needs for people in sub-Saharan Africa and other poor countries in the world?

So I'd just like to throw that in the--and we actually released a paper jointly about how IMF gold can be sold for multilateral debt cancellation, which is available on the web. But I'd just like an answer to that, please.

MS. RAO: One more question? Yes, the gentleman here.

PARTICIPANT: Thank you. Patrick Watts, from ActionAid, U.K.

It's a question for Mr. Wolfensohn, and it's really about whether Mr. Wolfensohn feels there's a need for a review of World Bank conditionality. And I'm raising this partly because of recent reviews that's been done, including by OED inside the Bank looking at PRSPs, and one of the key findings has been the tension between ownership and the use of conditionality.

And I think, also, when we kind of look at what's been happening in the Fund over the past few years, that the Fund has undertaken to streamline its use of conditions, it's adopted a new position on conditionality, whether it wouldn't be timely for the Bank to follow suit. And given that the Fund is reviewing its use of conditionality, looking at the effects of streamlining in the spring, wouldn't it make sense for the Bank, in parallel, to undertake a similar exercise?

MS. RAO: Can I turn it over to the panel to respond?

Mr. Brown?

MR. BROWN: First of all, the first question was about the Millennium Development Goals and particularly why they did not emphasize the discrimination and the rights of women.

I don't think anybody is saying the Millennium Development Goals are either exclusive or perfect, but they are agreed goals. The whole international community signed up to them. Every national government signed up to them, and if they were achieved, the halving of poverty, the primary education for all, the three-quarters cotton, maternal mortality, the gender equality in education between girls and boys, the greatest group that are discriminated against at the moment are women and girls. Two-thirds of the people who are denied education are girls.

Maternal mortality is one of the greatest problems we've got to deal with, and of course, the greatest amount of poverty is amongst women. And therefore, to meet the Millennium Development Goals even in their present form would be a huge breakthrough for both rights for women and justice for women, and I think we should concentrate on trying to meet the goals that we've set as an international community where everybody has an obligation and where the issue now is will the promises that were made in 2000 be redeemed, will the trust that was entered into in 2000 be honored, and that's why the issue does move on to resources.

And that's why our speaker from Zambia is absolutely right to say what are we doing about 0.7; and we as a government in the United Kingdom have announced a timetable, 2013 for 0.7; 2008 if our finance facility proposal is accepted. Ireland, France, many other countries have joined. Netherlands, Sweden and other countries who have already, and to their credit, in past years signed up long before now.

So there is a move to the timetabling of 0.7. There is also a move in the search for new funds which I mentioned earlier.

As far as gold revaluation or gold sales are concerned, for multilateral debt relief to match the 100 percent bilateral debt relief, there has to be additional money. There has to be money provided so that the World Bank can do this without other countries suffering, and equally there has to be money somehow generated so that the IMF is in a position to deal with its debts.

We at the United Kingdom--I'm speaking here just as the United Kingdom, not as the chairman of the IMFC--we have suggested that a revaluation as happened in 2001 could take place again. There is the possibility that we could consider also, if the revaluation is not seen as the best way forward, a certain limited amount of gold sales, but it is undoubtedly the case that with the balance sheet of the IMF valued at an eighth of what the gold that it has is actually worth, that there is cause for taking some action here without either affecting the integrity of the reserves or alternatively the gold markets which Trevor will agree with me it is important that there is stability there.

So I believe that we could make a breakthrough on multilateral debt relief. I believe it might be possible to do so this weekend, but obviously, these decisions are something that we'll be discussing in the next few days.

What I do know is that Jim Wolfensohn this morning in his inspirational article when he called on us to take action in these areas, and Rodrigo de Rato when he started as Managing Director at the IMF saying that this was one of his priorities, I do know that we're in a position with the leadership of the World Bank and the IMF to move forward in these areas if there is the will from the member countries to do so.

MS. RAO: Thank you.

Mr. Manuel.

MR. MANUEL: Thank you very much. The first question from Anna is about gender in the Millennium Development Goals. The question I have--

MS. RAO: And poverty.

MR. MANUEL: --and poverty--the question that I have is what is the realm of decision making that we would like to place inside the World Bank and the IMF. The African Union at its summit earlier this year took a decision that every African member state must strive to secure a minimum of 50 percent representation at every level of government and parliament. It is an endeavor, as a country, that we in South Africa are committed to attain. We are at one-third and we're quite committed to push that up to a minimum of 50 percent. I'm sure that other African countries would deal with that similarly.

As you then undertake that--because it is a political decision--the idea that you can deal with the issues that impact most on gender inequality as a kind of ghetto-ized thing can no longer arise, and so the question--and clearly, I am in agreement with you, and the issues that Gordon that raised about how poverty impacts on women--but do we want all of these decisions taken in the Bank and

Fund or should we seek other institutions that ought to be better placed to take these kinds of decisions?

I think that in that respect, at least the decision taken by heads of state of the African Union is quite instructive, and perhaps a trend could be followed from there.

In respect of Soni's issue on gold sales--and Gordon raised this--in 1999, as a gold-producing country where we have seen very significant job losses and we have a gold mining industry that employs tens of thousands of people from neighboring countries as well--in fact, it used to be hundreds of thousands of people--we have lost so many jobs because of very rapid changes to gold prices. We made a very strong bid then, and we would make it again, that we need to be heard in the process. It's not about price. It's about taking such action as would introduce volatility and therefore cause job losses in poor countries--and mineral resources are one of those things. We don't plan for it to be there, but it happens to be in some of the poorest countries in the world.

So, it's a partnership that we would want on that, and I'm sure I would speak on behalf of the National Union of Mine Workers in South Africa and elsewhere on the African continent if I said let's take those decisions in partnership.

Thanks.

MS. RAO: Thank you.

Mr. Wolfensohn.

MR. WOLFENSOHN: On the first item, since my visit to the Beijing Conference on Women, I could not forget the role of women in development, and we have, I think, steadfastly here, first of all, looked inside the Bank at women and their appointments and participation, and have made really significant improvements in the last 10 years.

On the work that we're doing, I think you're probably familiar. We now have a strong gender department. We came out with--

MS. RAO: Excuse me. Mr. Wolfensohn, could you speak a little louder, please. They can't hear you back there.

MR. WOLFENSOHN: I'm sorry. I was saying that after Beijing, the first place we looked was inside the institution and discovered that there was really inadequate representation of women inside the institution, and we have taken, I think, very forthright measures to deal with that, and we would be happy to show the record to you and get you to discuss it with our colleagues.

The second thing is that we believe fundamentally that you cannot improve development without engaging women--and that's not on ad hoc basis; that is on a basis of including them in mainstreaming--and we've come out with our policy on that, and we're seeking to imbue the rest of the place with that understanding now, and I truly believe that we've made significant progress. So for us it is a central item of development.

The second thing is on the 0.7, I don't think anyone is pushing hard than we are for the 0.7, and we will continue to push for the 0.7. And I should comment that five new countries have recently indicated, including the United Kingdom, that they will aim for the 0.7 in approximate time and I am very grateful for that, and we will keep doing it.

We don't have gold to sell, so I leave that to Rodrigo to deal with, but we do need to finance the debt forgiveness, and now I want to pay tribute to Gordon Brown for the British response,

which is to say that the United Kingdom will come up with 10 percent of the funds that need to be replaced from the funds that are forgiven, and I think that it is exactly the initiative that is needed with the debt relief.

And on the question from Action Aid, we were equally taken with the internal review. We believe we have made a lot of progress on conditionality, but since others don't think so, we had recently a conference in Paris to look at conditionality. We have put it on the agenda for the Development Committee, and the Communiqué will say that the Bank is reviewing conditionality--we agree with that proposition--and after the June meeting in which some NGOs were invited, I can agree with the suggestion that we are going to take this up, and you'll find a reference to it in the Development Committee.

The idea of the PRSPs was in fact to reduce conditionality into agreed conditionality. And what the report of OED said is that we haven't gone far enough, and that there is still this dilemma between us and the people that we are working with, and I think OED, with whom I discussed it, think that we have made progress, but they think that we can probably make more. And that's why we had the conference, and that's why we will continue with the discussion.

MS. RAO: Mr. de Rato.

MR. DE RATO: Yes, thank you very much.

On the first question on the policies of the Fund regarding inside policies like Jim referred to, we certainly have a policy of equality in gender, and we are following it.

As to our collaboration with the Bank in poverty reduction--and I enjoyed the two questions--certainly the capacity to achieve the Millennium Goals is one of the objectives of poverty reduction, and we are working with the Bank in that respect, and that includes, of course, all the equality characteristics there are in the Millennium Declaration.

Under the poverty reduction strategy, we have made an analysis of the last five years by our Independent Evaluation Office, and we are seeing that although there is room for improvement, certainly room for improvements, the ownership issue has become much more important, and that is a very, very important response. The fact that countries are able to design together with us how they are going to apply policies that will be targeted to reduction of poverty has become much more efficient, and that, with the commitment of macroeconomic stability, has made many countries, low-income countries, many in Africa, now with rates of growth that have not been seen in many years. In that respect, we think that that is the path that we should continue in the next years to come.

As to the gold issue, as Gordon Brown has referred, that was already done, at least the last time four years ago, 1999-2000. So that's an issue that, of course, depends on the will of the Board, not on the will of the institution. It will have to be the Board—that is, the countries represented in the Board—who will make that decision, and as we have seen with the position of some countries, there has to be a sharing of the effort. And I am sure that if there is the political will, we will be able to find technical ways by which that share of the effort or that joint burden can be perfectly achieved.

Thank you.

MS. RAO: Thank you, Mr. de Rato.

I just want to say if any of you are having difficulty hearing, please use these earphones.

The gentleman back there. Yes, in the red shirt, yes, I'm looking at you. Yes, from the

Cameroon.

PARTICIPANT: Thank you very much, Madam.

I will try to speak in English so as to be understood by most people. My question is as follows. Why is it that the decisions or the recommendations brought by groups assigned to a specific task by the World Bank are left out afterwards or poorly taken into consideration, into account?

Is it that the World Bank has a too narrow margin of action, and if so, is it due to individuals piloting their institutions or something else? What should be done to improve that situation?

That's my question.

MS. RAO: I'm sorry. Your question is what should be done--what is the problem that you're saying something should be done about?

PARTICIPANT: The problem is that the World Bank commits a group, an organization, for a specific job. Some results come out of it. I will take the example of the Extractive Industries Review. The recommendations which are made, 10 percent of the recommendations are taken into consideration and 90 percent left out.

We want to understand why--why will you commit somebody to do something and afterwards, when he tells you what to do, you refuse to implement and to accept it?

MS. RAO: Could you please just tell us your name? You didn't tell us your name.

PARTICIPANT: My name is Ndoumbe Nkotto Honore

MS. RAO: From?

PARTICIPANT: --from Cameroon.

MS. RAO: Thank you.

The gentleman back there.

PARTICIPANT: Thank you very much. My name is Reverend David Ungolor. I work for an NGO based in Nigeria, African Network for Environment and Economic Justice. I came all the way from Nigeria yesterday to attend the World Bank and IMF meeting. But again I want to share my experience, very bad experience.

I have applied for accreditation for the NGO participation since last month, but up to now, I have not been accredited. I don't know why. I don't know why I have not been accredited.

Then, my question also deals on the issue of extractive industries and the issue of corruption. I would like to take the issue of corruption. I want to welcome Wolfensohn's commitment to fighting corruption. Just about two weeks ago or three weeks ago, Wolfensohn was granting an interview to journalists. And one of the statements in that interview was that when you fly into a country, within 24 or 48 hours, you can identify the crooks.

What that implies is that the World Bank can identify the crooks, particularly in African countries. But I would like to challenge the World Bank. If you can identify the crooks in Africa, and you know their collaborators, what responsibility now comes to the World Bank?

Take the particular case of Nigeria, where corruption has been identified as a very critical issue that has undermined governance in that country. Halliburton is a special case of reference. You

can go around to the investigations, going around to about three countries, where Halliburton has been investigated in terms of the Bonnie [phonetic] Airline corruption cases.

Now, the Nigerian Government has also decided to debar Halliburton from contracts in Nigeria. Will the World Bank take the lead also that Halliburton is debarred from contracts, in World Bank contracts?

Then, on the issue of the extractive industries, which is one of the main sources of--

MS. RAO: You need to come to a close.

PARTICIPANT: Yes. On the issue of extractive industries, which is the main source of income to Nigeria, now the Nigerian government has agreed in principle to adopt the British-led initiative called Extractive Industries Transparency Initiative, EITI, which organization is monitoring independently the Publish What You Pay Campaign in Nigeria.

The Nigerian government, President Obasanjo has agreed to support a mandatory disclosure by the companies of putting an industry to individually disclose what they are paying so that citizens can hold government accountable how they spend their resources.

MS. RAO: Thank you.

PARTICIPANT: But what is the role of the IMF supporting these individual disclosure?

MS. RAO: Thank you.

PARTICIPANT: Thank you very much.

MS. RAO: Thank you.

Questions around the Extractive Industries Review, corruption, can we have questions around those? Are there any questions around those? Yes, the lady.

PARTICIPANT: Yes, I want to address the issue of transparency and accountability. and this touches on the same topic.

I am Jo Marie Griesgraber, I chair a coalition, New Rules on Global Finance.

In terms of ownership and transparency, I wanted to ask Mr. Manuel directly how you are doing on your road map to voice and vote and changing the allocation of the voice and vote of developing countries within the Boards of the Bank and Fund because I think my own government is over-represented as are the governments of Europe. I am a U.S. citizen, and I would like to know how we're doing on that representation.

And to Mr. de Rato, to very briefly slip in--what are you going to do to implement the finding of the independent evaluation office that the PRSP follows the PRGF recommendations where, according to the ruling that established the PRSP, the PRSP was supposed to lead the PRGF, and it is in reverse?

MS. RAO: Can I take one more question? The gentleman there. Yes.

PARTICIPANT: This is tying in with corruption. I'm Justin Alexander from Jubilee Iraq, which is a coalition of Iraq economists and Western NGOs.

I think all four of our speakers have spoken in the recent past about the need for debt cancellation for Iraq. However, the basis has always been that of debt sustainability, whereas Iraqis unanimously argue that--and I quote Ayad Allawi, the current interim prime minister, in The

Independent a few weeks ago--the vast majority of this debt is odious. This funded Saddam's suppression and his corruption. And we have talked personally with over 30 Iraqi political parties who agree with this.

And now can I ask this, particularly of Mr. Brown and Mr. de Rato, but others can answer. Do you think it is important that the origins of these loans are taken into account, because if they are not, there is moral hazard for lenders in the future to regimes similar to Saddam's.

Thank you.

MS. RAO: Who would like to respond first?

Mr. de Rato.

MR. DE RATO: Yes, there are two questions that have been directly addressed to me. One is the gentleman from Nigeria. We certainly agree that all countries that have extractive industries, especially oil, abide by the Extractive Industries Transparency Initiative. We believe it is a very important issue, and we are putting that forward in all our dealings with governments that have oil facilities right now.

And regarding the relationship between PRGF and PRGS and the fact that it should be the country who designs the strategy and who owns the strategy, and then the Fund who, with the country, adapts the facility, we totally agree on that, and we are working towards that direction. The independent evaluation report was done this summer. So in that respect, we are taking very seriously into account those recommendations. We believe they are very valid.

Thank you.

MS. RAO: Thank you.

Mr. Wolfensohn.

MR. WOLFENSOHN: Firstly, on the issue of accreditation, this is an issue which fundamentally rests with the Executive Directors' offices. The EDs feel that they represent the shareholders and they determine who is or is not invited to the meetings, and in most cases we are able to work it out that the people who want to come here can come here. If there is a particular problem that you have, I suggest that you take it up with the Secretariat and we'll see if we can intervene with the Nigerian Executive Director.

On the issue of corruption in your country, I think you know that we have been extremely active on both the transparency question and on preparing with Mr. Ngozi, your Finance Minister, the transparency initiatives that she has been taking in terms of both the budget and in terms of payments in and out of the government, and we will continue to do that. And we are 110 percent behind what she is doing and what she is now being backed on by President Obasanjo.

But I think you would agree that what's happened in the last six months is quite extraordinary relative to history in terms of transparency in your country, and we will continue to work with the Finance Minister to support that.

On the question of will we take action against Halliburton, the basis on which we can blacklist companies-- and we have blacklisted 180 of them--is that they have been guilty of problems in our projects, and if Halliburton is involved in any one of our projects and is proven to have been corrupt, then, within the context of that project, we would blacklist them.

And you will recall that we had to wait until the Acres international case in Lesotho was

taken through the Appeals Committee in the Supreme Court, but the moment that it got through the legal process, we blacklisted Acres, which was a surprise to many.

So we are not afraid of blacklisting, but we have to have a reason to do it, and the fact that there has been corruption in other projects in other countries is not sufficient under our rules and regulations to allow us to blacklist them, because we have not been party to those arrangements.

Now, the other issue, which I think everybody has talked about, is the Extractive Industries Report. I think the notion that we've agreed to 10 percent of it just isn't right.

We, first of all, went through the process of having the report done, and we spent a tremendous amount of time discussing it. I met five times with the Chairman of the Committee, and we took a somewhat different view on two principal issues.

The first was he wanted us to get out completely from coal, oil and gas, which represents nearly 90 percent of the source of power. I said to him that, in relation, first, to the question of renewable energy, which is 2 to 3 percent of global power supply, and if we're lucky, in the next 5 years, we'll get to 4 or 5 percent of global power supply, that we were prepared to get right behind that, and in addition to whatever monies we put in, take as much of a lead as we can as a convener and organizer of that activity, as everybody would like us to do.

And we went to the Bonn Conference willing to do it, and I think because some people are less than enthusiastic about the institution, we're going to not take the lead, but we are, in fact, going to work very hard on trying to bring about more support for renewables.

The second thing that we did, in relation to coal, oil and gas, was to say that we think it's wrong for us to get out of it. It's a very small part of our lending process, but we have, we think, made a very significant contribution in trying to clean up the projects in coal, oil and gas. And I was reluctant to get out of coal, oil and gas because it is so important and because we have had a very strong influence in terms of cleaning up coal, in terms of environmental standards in oil and in gas, and I continue to believe that.

Now, whether I believe that or not, it is what the Board believed. I can assure you that we discussed this extensively with the Board. And, in fact, I think we came in with a negotiated settlement with the Board which maybe had gone further than many people would have wished.

But I have to say that if you're fair about the Extractive Industries Report, I think you would have to say that we have come a very, very long way in the Extractive Industries Report. The campaign that was launched against us was that if you don't do 100 percent, you're doing nothing, and I don't think that's right. I think you have a report, and the process is that we take it to our Board, and I can assure you that there are many people on the Board who were prepared to do a lot worse with that report than we ultimately did.

So I think we have come out with a rational step forward, and to be candid with you, I'm rather proud of where we came out, although I'm aware that there are those that don't agree with that position.

MS. RAO: Yes, Mr. Manuel?

MR. MANUEL: Thanks. Just on the Extractive Industries Report, I've been on the other side of this matter, representing a country that has quite a developed extractive industry, and we were quite concerned about the recommendations. I hope that our Executive Director--no, he did--our

Executive Director articulated the views that we asked him to articulate because we are concerned.

Now, it's very important, as a member state, that we be heard on these kinds of issues as well because I think that if we ask the World Bank to invite a specialist report and then to accept the report in its entirety, thereby denying member states the right of decisionmaking over the views articulated, we would in fact be destroying governance in the Bank.

That is a view I have on the matter, and I'm sure that many other duly elected governments would support me in the approach that I would take in this matter. So, clearly, there are going to be issues that are not fully implemented that arise from specialist reports.

Hopefully, the same thing would be seen in the Dams Commission, a series of other long reviews that take a lot of energy but that are intent on improving the levels of understanding of particular sectors or industries.

On the--let me deal with the issue of debt cancellation and odious debt. It's a very tough call. Who will be the determiner of when a debt is odious? Why should particular countries in instances be treated in a particular way? If that should happen in Iraq, why should it not happen in the Democratic Republic of the Congo under Mobutu Sese Seko?

And if that be the case, how do you begin to draw the line? Who would be the arbiter? Would it be one country--the largest shareholder in the World Bank and IMF who would be the arbiter of these kinds of things? I think that we must have rules that are equally applied in all aspects of the work of the Bank and Fund and only in that way would we be able to deal with issues that support development, that don't in fact, as you correctly point out, create moral hazard.

In respect of voice and vote, it's an ongoing battle. It's a huge battle. I mean, there is a deficit of democracy in the institutions. Poorer countries are poorly represented. The key challenges--and it's not so much of the leadership of the institutions, it's a wider political issue.

Of these institutions, the Bank and Fund, are they part of a multilateral system or are they merely arrangements between debtors and creditors? That is the question we have to crack. And in the minds of some, these are merely arrangements between debtors and creditors, and they articulate themselves in that way, and I think they create a fair amount of difficulty for those who work in these institutions. But that is a wider discourse that I think a lot more needs to be said about because I think that if we want development and we want the best out of these institutions, then it requires outside inputs into that that would guide the process.

Thanks.

MR. BROWN: Let me just say, very briefly, first of all, that I applaud what Jim has done at the World Bank in putting the focus on corruption, and I believe all of us, as governments and as individual civil society groups, must continue, indeed, step up that focus on tackling corruption, and the best way of tackling corruption is by the transparency that is proposed in a number of different initiatives which we have supported from the United Kingdom. And I believe the greater transparency that is demanded in the codes and standards that the IMF and the World Bank are championing is one means by which we will eliminate much of the corruption that has been a huge problem in many countries and you rightly focus on.

And so I would encourage you to continue that focus on corruption, but it does mean that conditionality, that is, that countries must take action to deal with the corruption, is built into a great deal of what we've got to do.

On Iraq, can I say that we support--and I hope there could be sooner consensus on what was being asked for--that the vast majority of the debt of Iraq is wiped up. The IMF analysis suggests that 80 percent at least wiped out is essential, but of course the issue in Iraq is bilateral debt, and only if I'm right, half a billion of \$124 billion of debt is multilateral debt.

The issue that we're dealing with for HIPC countries is now essentially a greater issue on multilateral debt, and that's why it's important to have, side-by-side with what's happening in Iraq, also this initiative that we've talked about earlier on multilateral debt. I hope that both of these can move forward this weekend.

MS. RAO: Thank you.

Yes, this gentleman here.

PARTICIPANT: Paul Tennessee, the World Confederation of Labor.

Gentlemen, you have identified the lack of political will, as where we are right now, to mobilize finances. Now, you know, one of the criticisms of the U.N. in the past has been that it was a talking shop, produced a lot of manifestos and a lot of conferences and no resources. So we had financing for development, and in Monterrey there was great expectation, great hope, but little has come of it. Mr. Wolfensohn even recently said that in his program for Education For All, there are about eight countries ready, and he was a bit ashamed that he can't respond.

So where--have we got to where the U.N. is now? And isn't this what made the difference between the U.N. and the IFIs, that you guys had more money over here and the U.N. had no money?

So my question is this: Mr. Brown and Mr. Manuel have also said there is a funding gap to meet the MDGs. So you guys are in the system. You are decision-makers. Tell us, where in this global governance system is the weakness that is failing to influence this political will--who? where?--and advise us who should we direct our energies towards in order to influence this political will? Because it's no use we continue talking about the MDGs, PRSPs because this is what you all are saying, that this is where we're at. It sounds to me like we are at the door of heaven right now or hell. We have to make a decision about it.

MS. RAO: Thank you.

Other questions around this issue of resources for aid?

Yes, the lady over here. Yes?

PARTICIPANT: Thank you. My name is Caoimhe De Barra. I work for Trocaire, The Irish Catholic Development Agency.

I would like to welcome Mr. de Rato's commitment to low-income countries and also particularly to implementing the recommendations from the IO review, but I do think that there's one important thing that needs to be borne in mind, is that there is a big difference between the success in countries, low-income countries, which are generally good performers, and the success under PRSP in those countries that face difficult, economic and political circumstances.

So we would like to underline that the flexibility to which you pointed does not exist in the countries, the flexibility from the IMF, which generally face a difficult relationship with the Fund for reasons of political and economic endemic crisis in some cases, but a long-running problematic relationship with the Fund is not going to be solved under the current way of looking at the IMF's role

in low-income countries.

We believe that there is a very concrete link here to resources in that the IMF's signal of an on-or-an-off PRGF means that countries tend to lose budget support on a very frequent basis, which undermines long-term poverty reduction programs.

My question, therefore, is actually to Mr. Brown and Mr. Manuel. I just wonder, this weekend, would you encourage Governors to reduce donor dependency on the IMF signal because it leads to damaging volatility in aid flows?

PARTICIPANT: My name is Marcus Faro de Castro. I represent Brazil Network on Multilateral Financial Institutions (Rede Brazil).

And as was said here, we agree that there is an important democratic deficit in the way international financial institutions operate. We also think that there are several reforms that could be adopted to overcome this unfair situation. One of the reforms we defend is that ownership be premised on formal approval of strategy documents by national parliaments and that such documents be subjected to amendment by the representatives of the people in national parliaments.

We also think that EDs should be accountable to national parliaments, including by means of mandatory participation in public hearings. Reforms like these, in our view, would advance, maybe would be a first step in the direction of subjecting more credibly the decisionmaking process of international financial institutions to democratic representation of interests. I would like to know your reaction.

MS. RAO: Thank you. Yes?

PARTICIPANT: Stefan Engelsberger, Interessengemeinschaft Argentinien. I am a representative of bond holders of Argentine debt in Germany, Austria and Switzerland, and we are deeply affected by IMF policies and the policy of G-7 members.

And we perceive, for your information, the Republic of Argentina is planning to do the biggest expropriation ever in financial history. This is called, in the language of technocrats, coercive debt restructuring. It's about US\$50 billion, and we should give a debt relief of 75 percent, the biggest relief ever.

And my question is because we perceive the world of the IMF as a support of a criminal act because we have a right of property. And I have already filed a lawsuit, a constitutional complaint against the IMF in the Federal Republic of Germany because this is a violation of our property rights.

Gordon Brown, we are disappointed of the G-7 because you also are responsible for us. We are European citizens.

And this is my question: How can you--are you aware that this is a crime what Argentina is doing with us?

MS. RAO: Thank you.

Mr. Manuel, would you like to respond first?

MR. MANUEL: Yes, thank you. And I must apologize. I am running late for another meeting. So let me respond.

I think the difficulty in the global governance system is that neither Mr. de Rato or Mr. Wolfensohn here generate their own resources. Now, in respect of the commitment, and I'd like to ask

you to read the speech that President Mbeki made at the U.N. General Assembly last week which deals precisely with this problem.

But the key issue is that we've got--there are a number of proposals on the table, and Gordon Brown referred to these. There's a proposal for an International Financing Facility, something that would provide certainty going forward, so that there's precommitment, and we know the quantum of resource available to undertake development. And, you know, I think that he might come in on this issue. There is support from a number of countries, but I think a lot more work needs to be done, and a lot of that work needs to be done in capitals.

Last Monday, there was also a conference convened jointly by President Chirac, President Lula, Prime Minister Zapatero on the issue of the prospect of taxing international financial transactions, but also arms sales and a series of other things. There are a series of proposals from there as well.

Now, these ideas are there. What we don't have is an additional resource that can fund right now all of the political commitments made at the Millennium Summit, at Monterrey, at the WSSD, and so on, and that's what we've got to crack. And I think that it's--in many respects, I'd raise a flag for the Fund and Bank and say that these are our allies because they need the resources to undertake all of what we need to undertake, but the decisions are made in capitals.

I would like to tie your question up with the one from--is it Brazil Network? You see, asking that level of accountability is not always possible. I am part of a constituency of 21 countries. Now, if we asked our ED to come to each parliament and participate in public hearings, I don't think that the countries in our constituency would be properly represented here in Washington because virtually all of the countries have programs with the Bank and the Fund.

So it's not possible to have a uniform set of rules in respect of that level of accountability, but clearly we must ensure that there is ownership. I'm not sure that constitutionally or statutorily it's possible to have the same set of rules across all.

There's one issue that I raised--Jim didn't ask me to raise it, and Rodrigo didn't ask me to raise it--but to release resources in one country, the government has to go to the Congress of that country, I mean, report to the Congress of that country, but what about the rest of us? Should they not divide their time equally and appear before the parliament in all of the countries? Is that not part of the voice issue? Because, at the end of the day, the quantum of resources is measurable. And so part of the big battle is to democratize these institutions to ensure that there can be fair play in the way in which we go about our work in these institutions.

On the issue of donor dependency, clearly it's important. It's about winning in the short-term positive improvements, measurable in respect of the Millennium Development Goals. It's about ensuring that countries own the PRSPs and that the PRSPs do indeed lead. The PRGF is another one, but you need country ownership. It's difficult. It's difficult because all of the measurables aren't always in countries. The statistical capacity in poor countries tends to be poorer, and this obviously is a difficulty, but countries must own it.

And so sometimes I'll disagree with NGOs, especially Northern NGOs who want to own the PRSPs which actually belong better owned by people of poor countries who can hold their governments accountable.

So I'm happy to disagree on some of these issues, but I think that in working through that, we will also be able to focus on the real economy and thereby to reduce the signal effect that

conditionality tends to have, and surveillance tends to produce negative signals from time to time.

Thank you.

MS. RAO: Mr. Brown, would you like to respond?

MR. BROWN: The questions that were being raised were almost entirely about resources, how they could be predictable, how you could avoid a situation where, in some cases, aid from international institutions can fall by 20, 30, 40 percent in a year because of things changing, and then where is the will to get the additional resources?

I believe Monterrey was a success and not failure, despite what was said. About \$18 billion extras in aid was pledged by America and Europe, but I do believe you've got to build on that if we're going to have the successes with the development goals, and with debt relief, and with building greater capacity for trade, all of the areas where more resources are needed.

And that's why the issue does come back to whether there is the will on the part of individual national governments. It is the shareholders of the IMF and the World Bank who have the responsibility to provide resources when these are necessary for the international institutions, and where it is bilateral it is decisions of individual governments that are required to increase the amount of aid. And that's why it does come back, therefore, to whether there is a set of proposals that could command the support of the individual governments who have the resources, if they chose to apply them.

Now, a variety of proposals have been put forward to raise additional resources in recent years. We had the SDR proposal that was put forward by George Soros. We have had the proposal about a tax on speculation, financial flows that has been put forward originally by Professor Tobin. We've had the discussion of the French and the Brazilians only a few days ago about other forms of international taxation, and I believe that the debate on all these things should continue.

But if you're looking for a mechanism which gives you predictability, long-term finance, front-loading of finance is going to be necessary to meet the Millennium Development Goals which governments ought to be capable of supporting more easily than the support of either SDR, which requires big changes in the IMF Constitution, or taxation, which requires every country to do it, otherwise it cannot be done, then the proposal that we're putting forward I believe should be looked at seriously by all the NGOs and civil society groups around this table, as well as by other governments, and that is to use the additional money that came out of Monterrey, to lever in additional funding from the international capital markets, to enable us to front-load the aid that is necessary to meet the Millennium Development Goals, including debt relief, greater resources to build capacity for trade, action on AIDS, action on health and education, and over the next 10 years effectively double the amount of development aid that is available, then, our proposal for an International Finance Facility is, in my view, the proposal that commands the best chance of winning support by a sufficient number of governments to enable us to have that additional money. It is the urgency of the need for the resources that makes us put forward this proposal in addition to us as a country committing ourselves to a time table of 0.7. I hope that over the next few months we can look at this.

I believe that over the next year we've got to make a decision as to whether we are going to take a bold step forward in the provision of resources, and we have put our proposals on the table, and we are very happy to listen to others.

MS. RAO: Thank you.

Mr. Wolfensohn?

MR. WOLFENSOHN: I just want to add something on the first question, or speculate on the first question. I think that Education For All is the best example I know recently of how the system has failed.

We are looking at 120 million kids that are out of school, and we started the Fast Track Initiative because we thought everybody would agree that that was something that you had to do. Estimates have ranged from \$3.5 billion to \$5 billion incremental funding for the 120 million kids, which needs to be predictable and for 8 or 10 years, because you can't just get money for one year and get the kids into school, and the next year, you get them out.

I did some figuring last night just to see what these figures meant, and \$3.6 billion a year is \$30 per child. So if you have a class of 40 kids, that's \$1,200 for 40 kids--the teacher, the books, the power, the supplies, the environment in which they work. So it is not an excessive number.

So far in the last two years, we have managed to raise over two years \$500 million, of which we provided \$300 billion and would provide more except that unless it is grant money, people will not take the money, because they don't want to borrow money for recurrent expenditures in education. So we have plenty of money that we could provide, but it needs to be grants, so it gets back to the same issue.

I would say that the work that Gordon has done has just been monumental in terms of focusing on how you get the money. But my own view is that there may be something a little more basic, which is that we are spending \$150 per person per year for everybody in the world on defense--we are spending \$900 billion--and we are asking for \$30 a year for kids in school for \$120 million. And I think this dysjunction gets back to something more fundamental even than what Gordon is talking about--and I repeat, I think Gordon's is the most pragmatic and the most helpful of all the suggestions--but it gets back to the heads of state issue as to whether they really believe in the undertakings of the Millennium Goals. And I think we should hold them to account. And I think that one day a year given to this or a meeting every five years to address the question of whether we have met the Goals, when we know now we are not going to, is an absurdity.

MS. RAO: Thank you.

Mr. de Rato?

MR. DE RATO: Yes, on the issues that have been raised to me, I want to first of all say that the whole process of poverty reduction is a very good process that is providing very good results. We see very clear changes in African countries in terms of growth, and we are seeing that not only oil-producing, but non-oil-producing countries in Africa are having much better chances to keep up very high levels of growth if we compare them with historical trends. Of course, they have to keep up in this direction.

So the combination of good macroeconomic policies plus ownership of the programs, plus a direction in the public expenditures to poverty reduction, is becoming a very important tool. It is a tool that we have to sharpen--it is true. And our own Evaluation Office--and there was a question before--to really point us in the direction that we have to strengthen the ownership, and we have to give more flexibility to the countries.

So your question is what happens when a country is not doing the right economic policy--what signals do we give to the donors? It is the country that is giving the signals to the donors. Let's

not kid ourselves. That's the truth. And we have to help those countries to perform economically, to do the right choices in the banking industries and in the budgets and in the way they allocate resources and in the transparency and the fight against corruption, to be able to go to the international community and have the right signals.

It is a very difficult issue what you are proposing, that we ignore whatever the government is doing and go to the international community and ask for help, because I think that is not going to perform, and that is not going to produce results, because the fact is what we're seeing in the specific cases, in the countries that are having better chances for poverty reduction for growth and absorbing aid, having countries that are doing macroeconomic projects of quality. So in that respect, it is true that we are looking at the signals that we are sending, and we are trying to improve them to the donors' community, but at the same time, there is a clear responsibility of the national governments to perform in a way that they will attract more help.

Then, of course, the whole issue that has been put forward by Gordon and by Jim regarding the need for more resources, I just want to add myself—this is a very important issue, and it is an important issue that has to be resolved not only through new mechanisms, that's true, but through the actual mechanisms of budget allocation by donor countries.

And then, regarding Argentina, first of all, gentlemen, the amount of debt is not \$50 billion, but \$100 billion, and the amount of the haircut is not 50 percent but 75 percent. So the issue is more serious than you're putting on the table. And we are not advising—we didn't advise the creditors to buy Argentinean bonds, and we are not advising the Argentinean Government....

PARTICIPANT: Yes, you did.

MR. DE RATO: No. We did not. No. We did not.

PARTICIPANT: You supported it in 2001.

MS. RAO: Sorry.

MR. DE RATO: We support all governments in their policies, but the risk in a free market to get rewards that are much above the market is always related to getting risks that are below the market. And that, in a speculative market like the capital market, is a very clear truth.

When you can buy bonds from a country at 2 percent, and you buy bonds from a country that is going to give you 15 percent interest, you are running much higher risk--and that's the truth.

But right now, we have in the Letter of Intent of the Argentinean Government to the Fund for the program we are supporting, it is clearly specified that negotiations have to be kept in good faith, and we are insisting on that to the Argentinean authorities, as we are also convinced that of course this will be a voluntary move by the creditors who want to join it.

So that's all I can tell you.

MS. RAO: Thank you very much.

I think we have time for one last round.

The lady at the back there.

PARTICIPANT: Thank you. This is a question for Mr. Wolfensohn. Good evening.

MS. RAO: Please tell us your name and organization.

PARTICIPANT: Jaroslava Colajacomo from Campaign to Reform the World Bank/Italy.

I have been asked to ask you this question from the Chixoy-affected community, the Chixoy Dam-affected communities in Guatemala. A representative was supposed to be here, but he has been held in Guatemala for visa problems.

You know about the case. You have addressed over the years this difficult problem of addressing the legacy, which includes genocide, which includes social problems, land compensation-- in one word, what is the environmental and social debt of the Bank, and not just the World Bank, but all the financial sponsors of this dam, toward the community.

The Bank is talking right now about debt relief. You don't think it is time to go beyond just debt relief and address the legacy of the thousands of World Bank projects that cause this environmental and social legacy in the world--

MS. RAO: Thank you.

PARTICIPANT: Just one last important thing. Recently, two weeks ago, in Guatemala, people had to peacefully occupy the dam to get the attention of the Government over this legacy. You might be aware of it. They agreed to start a negotiation process, and they are asking you--they asked me to ask you--and the Inter-American Development Bank that are going to meet to be part of this process. It is very important that the World Bank sits at this table and address this problem that created this kind of conflict in countries that--

MS. RAO: Thank you. Thank you very much.

PARTICIPANT: Okay.

MS. RAO: The next question, please. The gentleman over here--yes?

PARTICIPANT: Max Lawson from Oxfam.

Two thousand five is going to see a huge mobilization around the world by civil society around the G-8, around the Millennium Summit, demanding that rich countries deliver on many of the promises we have been talking about—canceling debt, raising aid, and trade justice.

I wanted to ask Mr. Wolfensohn and Mr. de Rato and Mr. Brown whether you believe that next year is the last chance we really have to get on track with these Millennium Development Goals and what you would like to see happening next year to achieve that?

MS. RAO: Thank you.

Yes?

PARTICIPANT: My name is Pera Wells. I am from the World Federation of United Nations Associations.

I'd like to follow up this question and ask Mr. Wolfensohn to elaborate a bit further on the statement he made about the Millennium Development Goals, in particular, to comment on whether he has any vision of the changes that should be made to multilateralism that might enable us to make more progress in achieving the MDGs.

Thank you.

MS. RAO: Thank you.

I'll take one more questions. Yes--this gentleman over here.

PARTICIPANT: Thank you. Jean Merckaert from CCFD France.

Much of the debate on the MDGs has been focusing on more resources for development, and I really believe that it would be misleading to focus primarily on more external finance, because what throws millions of people into unemployment and poverty is first of all a blind liberalization that the IMF and the World Bank keep on supporting. And while Mr. Brown has cited trade and debt and aid as problems, I think they are key problems, but I think there is another problem, which is tax competition and tax dumping, where the UK has a huge responsibility.

And one last point on the IFF. You will have two warnings on the IFF. One is on the post-2015 resources for development. We haven't had satisfactory guarantees from the UK that there will be resources, and we would strongly recommend to link the IFF proposal to long-term global taxes, and while it is a very clever proposal, we would want to warn as well against the IFF being counted twice as ODA--once when it is spent as development finance, and another time when it is repaid after 2015.

MS. RAO: I know that there is a question there about Russia. Would you like to ask your question?

PARTICIPANT: Yes, thank you. My name is Alexey Knizhnikov, and I am from Russia.

Since the fall of the Soviet Union, my country has become more and more involved in the globalization process, and since the fall of the Soviet Union, the World Bank has invested more than \$13.5 billion in my country to assist the globalization process. And at the same time, each year, my country is becoming less and less democratic.

Mr. President, my question is how will the World Bank adjust your lending strategy to Russia and also for other former Soviet republics to address the trend of declining democracy.

MS. RAO: Thank you.

Mr. Brown?

Mr. BROWN: I agree with the speakers who said that 2005 is a critical year. It is when the United Nations must meet to consider progress on the Millennium Development Goals. It is five years after the Goals were set. It is the first year in which a Goal that was set is clearly not being met, and then we know that the rest of the Goals are not going to be met, either. And if the world does not look carefully and look comprehensively at what are the difficulties moving ahead, then I don't believe there will be any bond of trust in the future, when other promises are made and other bonds are entered into about what might be done.

So I think it is really a very important year, and the question therefore is what can we all do together to push things forward?

I am one of the few politicians who are asking you to join together to make an issue of these things, even if I may regret it when the British have the G-8 Presidency and the European Union Presidency and all the protests are in Britain. But I do think that different groups here should come together, and you should look at what is the priority over this period of time and whether your cause is, as I said earlier, for one continent and not all continents, or whether your primary concern is AIDS or health or education or trade justice or whatever, I think you should come together with one set of proposals that can actually be examined and hopefully agreed during the course of the year, and when there is a partnership between politicians who are there to implement decisions and you who are there pushing a cause, I think we can achieve a great deal more together.

I think the Jubilee Campaign on Debt proved that where people can get together and push for particular answers and have a practical set of proposals that can be achieved, and all groups can come together to push them forward, then a lot actually can be done.

So 2005 is important not just because these are the dates where promises already come due and they are not yet being met; it's also where you can prove that you can come together and make a reality of a demand, a set of specific demands for change.

Now, I have put forward a set of proposals that I think are realizable. There are clearly other proposals that you have. But I think you should come together, and I know that if you do so, we can achieve far more working together than we can ever do working on our own.

MS. RAO: Thank you, Mr. Brown.

Mr. de Rato?

MR. DE RATO: I think that certainly 2005 is a very important moment if we want to be sure that the Goals are achieved. And as I said before, and my colleagues have said, too, right now, the financing is not sufficient. In that respect, I think the commitments of countries are going to be essential in the next few months and the next few years. In that respect, I totally share the sense of urgency.

I have to say that talking about aid, which is probably the most important issue, increasing the amount, we should also talk about better aid. That of course relates to effectiveness of the aid, better allocation, certainly greater predictability. I mean, countries need to know what amounts of aid they are going to be able to get to face educational, health problems, infrastructure problems--and also the reduction of red tape, the coordination of nonfinancial issues regarding red tape, is very important.

There is a new issue that is becoming more and more important, and of course, it has nothing to do with public aid, but it is having a very great impact on low-income countries, and that is remittances. And that is a private effort by working immigrants, but I think that the cost of those remittances is an issue that the world community has to be still looking at, because I think that we could factually increase financial flows, private financial flows, from citizens of those countries living abroad to their families at much lower cost than right now they are having.

MR. WOLFENSOHN: Let me try to give three quick answers. Guatemala--we got a letter on this 10 days ago. Our team is not only looking at it but is arranging to meet the Guatemalans concerned in Guatemala within the next couple of weeks, and we are working with Enrique Iglesias to see if it can be a joint Inter-American Development Bank and World Bank activity.

David de Ferranti is on top of it, and if you want a name, Jane Armitage is the person who is specifically engaged in the activity.

On the issue of next year, I think next year is a critical year, but I think we already know what is going to happen next year, and it seems to me that waiting until next year to take whatever action we are doing gives you a date certain, but I would be surprised if we couldn't write the report today, even before Jeff Sachs opines on what is happening.

So I think that we have a date in five years, which is important, but I think four years is important, and three years is important, and I think one of the issues which gets to the next question--do I have any ideas on how to better achieve the MDGs, and the answer is I hope so--and if you come to my Annual Meetings speech, you might hear them, if I can get them down on paper and I have the

guts to say them. But I do have some ideas.

On the issue about blind liberalization, I don't think that we do do blind liberalization anymore, and I would say that I think Monterrey was useful in the sense that--and perhaps we should mention this today—recognizing there is a need for rich countries to deal with helping build capacity, to open markets for trade, to increase aid, and to do some work on corruption. But there is also a need in developing countries to strengthen their legal systems, their financial systems, and fight corruption and bring in better governance. And I don't think that we solve all these problems just by the rich countries doing what they have to do. I think it is really important that we all recognize that it is a partnership, and some countries have done very well, but many have not, and I think that we should not think that if we win the aid battle, we have won the war on development.

That gets me to the last question on Russia. The first thing about our institution is that we cannot interfere in domestic politics. That is both a limitation and a blessing. We don't seek to determine who runs British politics or who runs American politics, although sometimes we wish we could, but we do not. And the same I would say is true in Russia.

But I can tell you that behind the scenes, we are not prevented from trying to move things along; we are not prevented from trying to address questions of corruption, of legal and judicial reform, issues of press freedom, issues of corporate governance. But most of that stuff--not just in Russia but everywhere--you have to do quietly, because it is not part of our official mandate. It is not part of my right to interfere on politics.

Just the last point is the reason that corruption was not mentioned here until 10 years ago was that it was defined by the General Counsel as being a political issue. So when I got here, I was told you cannot use the "C" word because it is political. Well, I redefined it as social and economic, and so we then got on with the corruption question.

But on things that are dramatically and evidently political, it is very difficult in any country to operate without dealing at our Board with the representatives of that country. The only thing you can do is to work behind the scenes and hope that the NGOs can do a lot of the things that we can't do. That's just the division of labor.

Thank you.

MS. RAO: Thank you, gentlemen.

Any last comments?

[No response.]

MS. RAO: Then, I would like to thank all of you very much for a very stimulating and very interesting debate. Sorry there was not enough time for all the questions in the room. I hope you have a chance at another point to ask those questions.

For all your hard work and your courage, there are refreshments outside, so please, I'd like to invite you on behalf of the Civil Society Team of the Bank and the IMF to the reception outside.