



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



SIXTY-EIGHTH MEETING
DUBAI, UNITED ARAB EMIRATES – SEPTEMBER 22, 2003

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Statement by

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Indonesia

On behalf of the Southeast Asia Group

Supporting Sound Policies and Adequate and Appropriate Financing

The Monterrey consensus laid out a new era of cooperation between developed and developing countries with each recognizing their responsibilities to ensure that the MDGs are reached. We are gratified by the staff's finding that countries in our constituency are among those that present the strongest case for large and immediate increases in aid citing our good policies and prospects for further improvement, large unmet financing requirements, with regard to certain key MDGs targets and low levels of aid dependencies.

We welcome the commitment by our development partners to increase the current level of ODA by USD 16 billion by 2006. However, even this enhanced level falls far short of the necessary amount to ensure the achievement of the MDGs. We note staff's estimate that over the medium-term, assistance levels need to double if we are to meet the MDGs. We call on the developed countries to seriously consider an increase in the level of ODA pledges and disbursements. We support the proposal of establishing an International Financing Facility that significantly enhances the amount of available resources and the access to them by developing countries to meet the MDGs challenge.

We support the continued targeting of aid resources towards low income countries pursuing policy reform, and endorse the recommendation that as countries build a track record of policy performance they should be rewarded by having access to timely and predictable aid. Performance based country aid allocation will enhance the value of aid. However, any performance based approach must be complemented with humanitarian assistance as well as analytical and institutional support and capacity building for low-income countries under stress (LICUS). Aid resources should continue to be channeled to middle income countries that have the instituted policy reforms and a good track record of policy performance in eradicating poverty.

In order to maximize the efficacy of limited resources, policy frameworks with clear benchmarks must be tailored to each country's circumstances, and grounded and aligned with the country's overall poverty reduction strategy. Aid resources need to be targeted towards the poverty reduction and development strategy priorities of the recipients. This requires greater harmonization and coordination by donors with the recipient's program.

We concur that for their part, developing countries need to ensure that they align their budgets with MDG priorities, use domestic and external resources more effectively and ensure sufficient provisions be made for recurrent costs. A greater amount of aid should be in the form of grants to alleviate debt burdens that hinder efforts to achieve MDGs.

We believe that the PRSP serves as an essential tool linking policies and resources to MDG outcomes. Technical assistance targeted towards improving management, information gathering and analytic capabilities would greatly increase the effectiveness of that tool. Greater participation by the donors from the early stage of the formulation of the PRSP is very important.

Enhancing Voice and participation of Developing and Transition Countries

Increasing the voice and vote of the developing and transition countries in the formulation of international finance and development policy remains the best way to increase their ownership of the policies advanced by the Bretton Woods Institutions

We welcome the steps already taken to enhance the voice of developing and transition countries, including efforts to improve the operational efficiency of the Board, to increase the staff capacity of Executive Directors' offices serving the largest multicountry constituencies and to bolster the technical support provided to developing country chairs. Additional steps, however, need to be taken if the voice issue is to begin to be adequately addressed.

We strongly support an increase in the number of basic votes and urge that number as a share of total votes return to its level at the time of the formation of the institution. We would also suggest further consideration by softening the special legal requirement in the process of decision making in the Bank. We believe that these would be a real, not just a symbolic step, in increasing the influence of member countries.

We also support the proposal to strengthen the capacity of the Executive Directors Office and increase its effectiveness, by providing intra-constituency consultation, in-country capacity building measures, secondment, enhanced communication with capitals, and providing independent research. To support these goals, a trust fund to finance these activities would be necessary.

Progress Report on Trade

We welcome the work of the Bank in Trade Capacity Building. For many developing countries, trade is the single most important development catalyst. The Bank can make an important contribution to improving trade-related policies, institutions and human capital in developing countries to help maximize the gains from trade. We endorse the doubling of lending for trade capacity building and believe that additional work in this area would be beneficial for member countries. Although increased benefits can be achieved through additional capacity building efforts, they pale in comparison to the benefits that can be achieved through the process of balanced liberalization of world trade. Despite the failure of the recent WTO meeting in Cancun to reach the much hoped for agreements, we continue to believe that an orderly negotiation process within a multilateral framework remains the best way forward for all parties. We urge the early resumption of the negotiation with renewed sense of urgency, fairness and a spirit of reconciliation. We continue to urge for greater and faster progress to be made in opening markets and phasing-out trade distorting subsidies in industrial countries, particularly for agriculture, textiles, and labor-intensive manufactures.

We also wish to commend the new initiative announced by the Bank at the WTO Ministerial meeting in Cancun to assist poor countries in taking advantage of new market opportunities.

The two components of the new initiative: enhanced lending in support of programs that are designed to protect workers and vulnerable groups and assist countries over a sustained period to implement development-related trade reforms; and increased resources devoted to trade logistics and facilitation, will lessen the burden initially suffered by countries adversely affected by trade reforms and assist countries to capitalize on the opportunity brought about by trade liberalizations.

Other Business

Implementation Report on Monitoring Policies, Actions and Outcomes Needed to Achieve the MDGs

We note the progress made in advancing collaboration with partner agencies and urge the Bank to continue to broaden cooperation going forward, and to assess the scope for consolidation of global monitoring to ensure efficiency and cost effectiveness in the reporting process. We endorse the proposed use of the PRSPs and PRSPs progress report in global monitoring particularly increasing their use in assessing country resource needs and availabilities for achieving development goals. We urge the Bank to accelerate its work in developing a comprehensive measure of trade protection and encourage particular focus on policies related to agricultural products, product standard and subsidies.

PRSP/HIPC Progress Reports

We welcome the progress reports on PRSPs and HIPC which indicate, *inter alia*, that debt service burdens have been brought down by the HIPC initiative, there is greater creditor participation and growing support gained by the PRSP approach. We are pleased to note that 27 of the 42 eligible countries under HIPC have reached the decision point. The slow progress towards reaching completion points is discouraging. While attaining macroeconomic stability and meeting completion point triggers are in themselves critical towards realizing the objectives of the HIPC program, they are not ends in themselves.

We recognize that substantial challenges remain for several countries to arrive at the decision point and urge the staff to work diligently with those countries that still need to establish a track record before the sunset clause takes effect at the end of 2004.

World Bank Group Infrastructure Implementation Action Plan, including Water

Over recent years it has become increasingly clear that the private sector alone can not meet the infrastructure financing needs of the developing world. We endorse the proposed intensified Bank Group's engagement in infrastructure and the action plan to follow up on the Camdessus Panel recommendations on financing for water infrastructure projects.