



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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## **Supporting Sound Policies Through Adequate and Appropriate Financing**

From the outset, there has been a broad consensus that the task of meeting the Millennium Development Goals (MDGs) was a dual responsibility: developing countries had to commit to a clear poverty-reduction agenda, supported by commensurate policies and actions; the developed countries would match such efforts by providing appropriate and incremental financing to the developing countries. My constituency has taken its part of the understanding seriously, persevering with the process of economic reform and working to institutionalize the elements of good governance.

The implementation of the Monterrey Consensus is now well underway, and we are beginning to get some understanding of where we are and what needs to be done as a way forward. On the adequacy, allocation and timeliness of financial assistance, we would like to highlight four points:

**First**, as demonstrated by the recent joint analysis of the staffs of the World Bank and the IMF, there is a need for a significant scaling up of aid, a need that is critical even in a good policy environment. Put simply, better use of existing resources and increased aid are necessary conditions for the attainment of the MDGs. Private capital has a role to play, and its mobilization domestically and abroad must remain a focus of attention. However, our expectations must be realistic, especially with regards to potential private inflows to the poorer countries. Past trends show that private capital flows strongly favor a small number of developing countries, even in a more robust investment climate than at present. In addition, directing private capital flows to poorer countries is not an overnight affair. It involves careful planning and decision-making which is a time-consuming process.

Second, to enhance effectiveness, modalities for aid delivery must be flexible, including, among others, budget support to cover critical recurrent expenditures, especially for the social sectors; and increased financing for infrastructure, recognizing that this not only has a strong bearing on growth, but also a direct relationship to the ability of developing countries to improve the delivery of services. Our development partners must see infrastructure spending as a pro-poor investment, and the World Bank should be proactive in working with countries to include infrastructure as a central pillar of its Country Assistance Strategy.

**Third**, there is need to augment financial support to post-conflict countries and low income countries under stress, the so-called LICUS. To require these countries to put in place “sound policies” as a precondition for significant financial assistance is to miss the opportunity to effect positive change at a time when it is most critical. This is especially valid for countries constrained by major political and economic problems. The Bretton Woods institutions need a clearer paradigm for dealing with this category of countries.

**Fourth**, with Sub-Saharan Africa being most at risk for not being able to meet the MDGs, the resource requirement of the region deserves more urgent attention, both in terms of predictability and timing. This leads to the important issue of cross conditionality between the Bank and the Fund, which generally interrupts Bank financing as well as official flows in the

event of slippages in Fund-supported programs. As a result, critical social and capital projects are delayed with significant consequences, simply because of problems in meeting a short-term macro target. There is need to take a more pragmatic view to the challenges of macroeconomic programming and its relationship to longer-term development goals—in this case, the MDGs—and consider ways of de-linking the short-run PRGF issues from the longer-term PRSP/CAS agenda.

We also call on the international community to recognize that Sub-Saharan Africa needs a judicious balance between programmatic and project lending, with the latter being given greater attention to help countries in the region close the wide infrastructure deficit. Against this background, we look forward to further refinements of the Country Assistance Strategy framework, which, as the principal instrument for Bank assistance should become more of a focal point for reflecting country priorities as indicated in the PRSP.

Creating the environment for developing countries to generate their own resources through trade is an important part of the calculus of development financing. In this vein, we continue to make the point that trade reforms and increased access to the markets of developed countries will have a significant role in improving the prospects for developing countries to achieve the MDGs. A more propitious outlook for the global economy would also be a boost to the developing countries' potential to reach the MDGs, noting the ancillary effect on trade and the investment climate.

We should continue to support the HIPC Initiative. It should be noted, however, that the process still remains very slow. Only two countries have reached the completion point; and just one has recently reached the decision point. Not only must we speed up the process, but we should also consider extending the sunset clause to ensure that the maximum number of countries can benefit. Furthermore, the jury is still out on whether at the end of the day countries benefiting would have achieved debt sustainability. We also pointed out during the last meeting that HIPC as presently designed has the potential to restrict a country's access to resources that might be needed to help it move toward the MDGs, even if those resources are of a concessional nature. In other cases, the nature of debt relief does not lead to increased resource inflows. We urge that the study due to be completed by the end of the year should address these issues. We should also begin to look for innovative ways of dealing with the special circumstances of the few HIPC-eligible countries which, due to the nature of their debt, might not be able to relieve their debt overhang under the present dispensation. The issues, in part, is related to the under-financing of the HIPC Trust Fund.

Even as we recognize the need for additional aid, the fact cannot be lost that the method of aid delivery affects its effectiveness. This is why we continue to support donor harmonization and see the Rome Declaration as a good platform for action by all donor agencies. What we look for now is more visible results at the country level.

## **Global Monitoring of Policies and Actions for Achieving the MDGs and Related Outcomes: Implementation action Plan**

We welcome the steps being taken by the Bank since the last Development Committee meeting to develop a framework for global monitoring and reporting. For the process to work, all of the agencies and institutions involved would have to be diligent in sharing information. But even before getting to this point, many of our countries will need assistance to improve statistics, including building capacity at the local level. This is an important task that should be given high priority by the World Bank, The United Nations and the IMF through a coordinated effort. In this connection, impetus should be given to the efforts of the Paris 21 Initiative, which was intended to give a global approach to the issue of improving statistics. Once the common platform is agreed it should not be difficult to develop an on-line working systems between Washington and country capitals and among capitals themselves.

It is reassuring that the monitoring framework includes the actions of developed countries. This reinforces the underlying concept of mutual accountability, and, hopefully, will ensure that such actions are consistent with those being made by the developing countries. An important aspect of accountability on the part of the developed countries has to do with their commitment to provide full financing for meeting the MDGs. Presently we hear much talk about this, but little concrete action.

While recognizing the value of having a comprehensive approach to monitoring, this should not necessarily lead to the imposition of global standards and codes. Many developing countries would need time, especially on matters relating to the financial sector.

The usefulness of the Country Policy and Institutional Assessment (CPIA) as one of the instruments for monitoring and reporting progress will be enhanced by making its methodology more transparent and establishing a process for countries to contribute their perspective on the determination of the ratings. It should be noted, in this regard, that African Governors will be holding a workshop on the methodology and applicability of the CPIA in November. Given that developing country concerns have not been addressed, there is a need for further deliberation before contemplating going beyond the present disclosure policy.

We support the efforts to involve NEPAD, a home-grown effort by Africa to improve governance and lay the foundation for sustained economic growth in the continent. This lends credence to the objective of making the Action Plan as inclusive as possible and should be a way of fostering ownership of the monitoring process. Early involvement of the private sector would also make the framework more robust.

Being in the forefront of coordinating and fine-tuning the monitoring process places upon the Bank the responsibility to improve its internal accountability and quality assurance systems. In this regard, it is important to ensure that the proposed *Global Development Review* is comprehensive, multisectoral and contains clear messages for both developing and developed countries, and aid agencies as well.

## **Enhancing the Voice and Participation of Developing and Transition Countries in Decision-Making at the World Bank and the IMF**

We were encouraged by the administrative decisions of the Board to enhance the capacity of the Executive Directors' offices taken prior to our Spring meeting and welcome the further progress in his direction to include technological support and the secondment of staff from the capitals to the Bank for brief periods. Nevertheless, we are disappointed that not much progress has been made on some of the critical issues since our Spring meeting.

Regarding the strengthening of capacity, my constituency is very interested in the Secondment Program, the details of which has already been developed for Sub-Saharan Africa by our Executive Directors working with the management of the Bank. We call on our partners to support this Initiative so that implementation can begin by the end of the year. In the event that donor support is not adequate, the Bank could use its own resources as part of its efforts to build capacity in our region, the scarcity of which, all agree, is a major constraint to development. We also urge donor support for the establishment of a trust fund which will, among others, finance independent research to help enrich the perspective of African Executive Directors. Such assistance should be used to strengthen existing African institutions, rather than be channeled through a center outside Africa.

We would like to remind all governors that the Development Committee has a clear mandate from Monterrey to discuss "voice and participation" to a conclusion. Therefore we may not resort to prolonged delays, we need to bring this matter to full closure. As a way forward, we think a decision is needed to restore basic votes to their original levels, combined with a selective capital increase, as a first step towards addressing the structural issue of governance. We continue to emphasize the need for extra chairs for in the Boards of the two institutions, given the heavy work load of our Executive Directors. We also look forward to work on the quota review and that on the share structure in the World Bank. However, the point could not be overemphasized that every effort must be made to ensure that the voting strength of Sub-Saharan Africa is not eroded, as this would be inconsistent with the underlying concept of increasing the voice of the poor.

There is also a need to move quickly to give developing countries room for a more meaningful participation in the decision-making process of IDA. This means giving the Executive Board a greater role in IDA matters. In doing so, we call on donors to support a trust fund to assist countries that have not been able to fully subscribe to their shares in IDA. At the same time, the role of borrower representatives in the IDA Deputies meetings needs to be strengthened. In addition, the Development Committee should give explicit recognition to the need for a culture change within the Bank and the Fund that will permit room for developing countries to influence the agenda of these two institutions. This message must reach down to the staff, so that the views of developing countries are given due consideration before policies and initiatives are brought to the Board for endorsement. In this vein, it should be added that there is little to be gained by pushing transparency at the Board level if it is not given equal thrust downstream, where policies are developed and implemented.