



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)



**SEVENTY-SECOND MEETING
WASHINGTON, DC – SEPTEMBER 25, 2005**

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Statement by

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This year has been an important one for development with the fight against global poverty at the centre of international debate. The G8's meeting in Gleneagles achieved a significant agreement to help poor countries – but it was only one in a series of international meetings this year at which practical steps were taken to move towards our goal of a world free of poverty. Commitments were made to relieve poor countries of their debts, increase aid and make it more effective, remove trade barriers, improve governance, and build stronger development partnerships.

But the commitments that we have made are only the first stage. We must act on our commitments, and act now. As agreed this weekend, we will provide the financing for a debt deal to relieve 100% of the multilateral debts owed to the World Bank (IDA), AfDB and IMF by all countries that have completed the Heavily Indebted Poor Country Initiative. We must provide the increased aid that we have promised - some US\$50 billion a year by 2010, compared to 2004 - in particular, the EU commitment to spend at least 0.56% of their Gross National Income on aid by 2010, and G8 commitments to double aid to Africa. And, as promised at Paris in March, we must provide this aid as predictable long-term finance so that countries can, for example, buy the drugs and hire the teachers needed to build their health and education systems. The commitments made to increase aid are very positive steps. To bring forward the delivery of these commitments we need innovative financing mechanisms. We urge countries to support the International Finance Facility as a mechanism for frontloading aid, improving its predictability, stability and efficiency, and able to deploy a critical mass of aid when it will have the most impact. As a first step, on 9 September we and other countries launched the \$4 billion pilot International Finance Facility for Immunisation, which will prevent 5 million childhood deaths, and demonstrate the effectiveness of the IFF mechanism. Developing countries too must act on their commitments to improve their governance, tackle corruption and prioritise the fight against poverty. And in Hong Kong this December we must take action to remove barriers to trade – in particular the rich country tariffs and subsidies which undermine developing countries' ability to share in the benefits of globalisation. The year of development is not yet over – there are many challenges ahead. Let's work together to ensure that we achieve our common goals.

Africa Action Plan

Things are changing on the continent of Africa. Recent years have seen improvements in economic growth and in governance, and African leaders are showing new commitment to tackling the problems Africa faces.

The Bank has a central role to play in taking forward the commitments made this year. It must do more itself to assist Africa and it must play a major role in the international effort to increase international development assistance and to make it more effective. It must reflect Africa's voice, and should work closely with the Africa Partners Forum.

We therefore welcome the Africa Action Plan, which sets out an ambitious programme. We welcome plans to do more to build capable states and improve governance; to play a full part in the Africa infrastructure consortium; and to promote the ability of poor people to participate in and benefit from growth. The Bank should strengthen its work in fragile states and those affected by conflict, as well as in those performing well.

We urge donors to support the proposed Catalytic Fund which provides a real opportunity to scale up assistance in priority areas. We hope that the Fund will be designed so as to push the boundaries of what the Bank is able to do in Africa, and in a way that increases Africa's voice in establishing the Fund's strategies and priorities.

Debt Relief

This year, we must write off once and for all the debts owed by the poorest indebted countries. The Heavily Indebted Poor Country (HIPC) Initiative has done much to relieve the world's poorest countries of their debts and so free up money for health, education and other essential investments. We must all ensure that the HIPC Initiative is fully financed and implemented in the most generous way possible, including for those countries that may enter the Initiative under the extended Sunset Clause. We will continue to urge those countries that have not yet completed the Initiative to establish the strong record on poverty reduction that is required.

But more can and should be done, and now is the time for action to free these countries of their residual multilateral debts, so that they can make the investments that are essential to achieve the Millennium Development Goals. The G8's proposal to cancel the outstanding International Development Association, International Monetary Fund and African Development Fund debt stock of qualifying countries is a crucial opportunity to do this. With assured financing from donors, it will not erode the financial viability of the International Financial Institutions, and will free up to \$55 billion for spending on health, education and other key areas. It is an opportunity to be seized, and we are pleased that the proposal has rapidly gained support and will be discussed at this Meeting. We hope to see it agreed this weekend. And looking forward, we would like to see further relief extended to all low-income countries that need - and can use - additional debt forgiveness in order to achieve the MDGs. The UK will continue to unilaterally pay its share of multilateral debt service for a wider group of countries.

Trade

Trade is an engine of economic growth and poverty reduction. It is vital that developing countries are able to draw on this. To do so, first, they need greater access to markets. The Doha Round can deliver this. We will be seeking an ambitious pro-development outcome from the World Trade Organization's ministerial conference in Hong Kong in December and beyond. If the Round is really to deliver for the world's poor, it will need to include not only greater market access but also reductions in agricultural subsidies, as well as effective special and differential treatment across all agreements. We believe that developing countries should also have the flexibility to decide and sequence trade reforms within their own plans for development and poverty reduction.

But greater market access alone will not be sufficient for poorer countries to reap the benefits of trade. For this, they need a second element: support for trade capacity building, to help them to boost their competitiveness and manage their international trade effectively. At the G8 summit in July, the G8 committed themselves to help developing countries build the physical, human and institutional capacity to trade. We now need to agree swiftly how best to deliver this support. We welcome the Bank's and Fund's proposals in this regard. We need to support countries' own priorities, through the Poverty Reduction Strategy process and by enhancing the Integrated Framework for trade-related technical assistance. It is vital that we are able to reassure developing countries that the commitment will translate into additional support on the ground. We call on the IFIs to work with others to implement these proposals and to report back to our next meeting.

Infrastructure

Investment in infrastructure, alongside health and education, is essential for trade, growth and poverty reduction. The World Bank's participation in the Africa Infrastructure Consortium initiative, announced at Gleneagles, is especially welcome. Given the scale of the infrastructure investment needs in Africa, we will look to the World Bank to secure funding from a range of public and private sources.

We also welcome the Bank Group's proposals for innovative approaches to sub-sovereign lending for local infrastructure provision and the facilitation of cross-border and regional projects.

World Bank Conditionality Review

Many of us have been grappling with the issue of conditionality. The UK published a policy paper this year calling for a new approach between donors and developing countries. Our approach focuses on using agreed benchmarks to monitor progress against poverty reduction, rather than imposing conditionality on specific policy choices. At Gleneagles this year, the G8 also agreed that developing countries should decide, plan, and sequence their own economic policies, to fit with their own development strategies.

Last year the World Bank was asked to review its policy and practice on conditionality, and the findings of this review have been published at these Meetings. We endorse the good practice principles set out in the Review. Our priority is to ensure these principles are now applied consistently across countries. In particular, we place great importance on the Bank management ensuring that conditions are not used to impose particular economic policies on countries, especially in sensitive areas such as privatisation and trade liberalisation. We are pleased that a commitment has been made to monitor the implementation of the good practice principles, and call for the Bank to report back at the 2006 Annual Meetings on how this has been taken forward. We would like to see the Bank place a greater emphasis on assessing countries' progress towards poverty reduction and less on countries carrying out specific policy actions.

Aid Effectiveness

We also need to improve how aid is delivered. Progress has been made in 2005, in particular at the Paris High-Level Forum. We urge all countries to agree the proposed targets on aid effectiveness. And we need to look at implementing the targets at the country level. The UK intends to publicly monitor our own practice against the targets.

We call upon all donors attending these meetings to work together to elaborate a programme for action on "scaling up" country led development. Developing Countries need to be able to take forward their plans to tackle poverty with confidence that donors will honour their commitments. We need to look for opportunities to fill financing gaps in existing country and sector plans where there is scope to make faster progress now. The Africa Action Plan and Catalytic Fund provide a good starting point but we need to do much more to help deliver sustainable growth, universal access to free healthcare and primary education and better lives for poor people in the years to come. We look forward to discussing these issues further at the Development Assistance Committee meeting on Monday and we hope follow up action will be agreed so we can make rapid progress on scaling up in the coming months.

2005 Review of the Poverty Reduction Strategy Approach

We welcome the analysis of the 2005 Poverty Reduction Strategy review, which supports our view that ambitious, country-led poverty reduction strategies are essential for development. But we believe that the World Bank should suggest specific actions on how its own and other donors' performance can better support poverty reduction strategies.

Voice and Participation of Developing and Transition Countries

The World Bank and IMF have made good progress in improving the voice of developing countries in the design of programmes and projects in-country. There has also been progress on improving voice through reducing conditionality and increasing transparency and decentralisation. But we are frustrated by the

continuing lack of progress in improving voice in the Bank and Fund's governance structure. It seems that there is still no consensus between shareholders on these structural issues. We urge the Development Committee to come together on a package of proposals that can be agreed by all parties.

Climate Change

Climate change poses one of the greatest threats to the world today, and could erode progress towards the MDGs. At Gleneagles a consensus was achieved regarding the scale and urgency of the problem. Adopting cleaner technologies will help significantly. Countries vulnerable to climate variability will need assistance to adapt to the impact that climate change will have on the poor. The G8 agreed a programme of action to widen access to low-carbon energy; and on a process to continue discussions between the G8 and developing countries on how to tackle climate change beyond 2012.

A number of climate change initiatives require sustained World Bank leadership. We commend the World Bank for rapidly acting on the G8 call to put forward proposals at this Meeting on helping developing countries to access affordable low-carbon energy. We welcome the Bank's work plan on climate change, and we look forward to a report on this work at the Spring Meetings in 2006.

A special meeting on the G8 Climate Change Action Plan will take place in the margins of these Meetings. The UK will co-chair this with the World Bank President. This will be an important opportunity to consult the growing economies of the world on the proposed Energy Investment Framework. It will be important that the Bank, working with regional development banks, complete work on this by the Spring Meetings in 2006.

Conclusion

Many countries have risen to the challenge to make this the year of development. We have made new commitments to cancel the debts of the world's poorest countries, to increase aid dramatically and make it more effective, and to improve governance to allow the poor more of a say in their lives. We now must turn these commitments into action to ensure that we keep our promises to the world's poor.