



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**

DC/S/2005-0049

September 25, 2005

Statement by

The Honorable Giulio Tremonti
Minister of Economy and Finance
Italy

Constituency of Albania, Greece, Italy, Malta, Portugal,
San Marino and Timor Leste

General Remarks

At the outset, I wish to express my deepest appreciation to Minister Trevor Manuel, outgoing Chairman of this Committee, for providing precious leadership and insightful contribution to the Committee's work during the past four years. I would also like to salute Paul Wolfowitz as the new President of the World Bank Group, and to welcome him at his first meeting of this committee. President Wolfowitz is taking on his new responsibilities at a very crucial juncture for the progress of the world development agenda, at a time when the need to speed up the fight against poverty is ever more pressing.

Five years ago, the turn of the millennium prompted our nations to confront the greatest challenge of our time: ensuring the sustainability of a global world where half the population has limited or no access to an unprecedented power to create wealth. We saw a dramatic reality in front of us, which we felt responsible to do something about before the costs of inaction would become unbearable.

Our response gave rise to hope. The United Nations' Millennium Development Goals (MDGs) that we agreed upon, and the consensus that we reached on how to implement them, gave renewed impetus to the grand mission of ridding the world of poverty. We have indeed achieved some real progress since, in terms of how we have organized ourselves for the task at stake, and in terms of attaining encouraging results which show that the path we took is the right one.

Yet, five years into the mission reveal also that we are still far from where we should be. At the current trends, almost no single MDG will be achieved globally by the year 2015, as originally envisaged. Some countries will even show regress.

Any delay or missed objective means that we are losing precious opportunities to assist real people with real needs, and to help human beings to get the means to a better existence. Failing to attack mass poverty keeps our world exposed to increasing risks of instability and insecurity.

The reports to the Development Committee from the Bank's and the Fund's staffs on the items for today's agenda show that our institutions are striving to do their part. This Chair commends the continuous efforts made by the Bank and the Fund to intensify their action.

Agenda Items for Discussion

The proposed Africa Action Plan strikes a balance between ambition and realism. In implementing it, priority support should be given to countries showing strong leadership, a resolute drive to reforms, and a commitment to participatory governance. Prioritization should aim at allocating scarce aid resources on the basis of each country's own priorities. We support the plan's objective to include capacity building analyses and programs in each Bank's country assistance strategy document, and we urge that special

attention be devoted to areas of public sector management, where African countries need considerably to improve their capacity to manage resources and curb corruption. Given the presence in Africa of many small states, we recommend that the plan addresses the specific vulnerabilities affecting small state economies, as identified by the recent review of the small states agenda set out in the Commonwealth/World Bank Joint Task Force Report of 2000.

A major boost to economic growth and poverty reduction in Africa, and elsewhere in the developing world, would derive from broader trade opportunities, both through greater access of developing country producers to the markets of the rich countries and through lower trade barriers among developing countries themselves. Furthermore, trade liberalization, as part of the Monterrey compact, would be crucial to translate the benefits of increased aid and debt relief into higher growth. A successful WTO Hong Kong Ministerial meeting would pave the way for an ambitious Doha Development Agenda (DDA) outcome. We need to cooperate to that end.

Yet, even if an ambitious DDA outcome were to prevail, many developing countries—especially least developed ones—would not be in a position to fully benefit from broader trade opportunities, due to a number of domestic structural impediments. We underscore the importance of “aid for trade,” not only to address supply-side constraints to developing countries’ trade capacity, but also to facilitate their participation in the multilateral process of trade negotiations.

Debt relief is another core element of the Monterrey consensus on fighting global poverty, since it frees domestic resources that developing countries can devote to growth-promoting and poverty-reducing investments. The proposal from the Group of Eight currently on the table should be supported by the whole community of donors. It would thus complement the ongoing Heavily Indebted Poor Countries (HIPC) Initiative by providing a major relief of multilateral debt, while generating substantial resource flows for all the countries eligible for concessional financing from the World Bank, the International Monetary Fund and the African Development Bank. The final definition of the proposal will ensure the financial integrity of the creditor institutions. Donors’ contributions to financing the debt cancellation should be additional to their aid commitments. Looking forward, countries benefiting from debt cancellation should manage their future debt strategies in the context of a sound debt sustainability framework, under close assistance from the Bank and the Fund.

On the HIPC Initiative, indications that debt sustainability continues to be problematic for some of these countries raise concern. We urge that the list of potential beneficiaries of the initiative be finalized soon, so as to be able to calculate the related financial implications. Finally, we encourage a more cooperative attitude of the non Paris Club official creditors.

Other Items on the Agenda

Aid is a most important component of the Monterrey package. The donor countries are improving the prospects for substantial increases in aid commitments. Still more can be done, and the innovative financing mechanisms may play an important facilitating role in this respect. Italy supports in principle the International Finance Facility (IFF), even if some important aspects of the initiative are still to be defined, in particular the aid disbursement modalities and the resources requested. Moreover, Italy has recently decided to support the International Finance Facility for Immunization with an investment of 600 million dollars overall for the next twenty years.

We support the use of Advance Market Commitments for vaccines, as a way to provide incentives for manufacturers to produce new vaccines that meet specific requirements in those cases where market incentives are not enough. We consider it important to give further thought on proposals to blend aid with other sources of financing, including for targeted development needs in middle income countries.

Improving the quality of aid is as important as increasing its quantity. Closer monitoring will be important to ensure the effective delivery of aid, and an enhanced collaboration between the World Bank and the OECD Development Assistance Committee would be instrumental to this end. Strengthening the donors' focus on results and harmonizing their action around strategies owned by the partner countries will be key to maximize the developmental impact of aid flows, while reducing their transaction costs.

Since 2003, the Bank Group has re-entered the infrastructure investment business sector and is planning to increase its lending volumes at a sustained pace, in recognition of the fact that infrastructure are essential to economic growth and poverty reduction. We support this strategic decision, but we recommend a gradual re-engagement in the sector, and a careful management of the significant risks, which typically threaten the environmental, social and financial sustainability of infrastructure investment operations.

We believe that the economic reforms that the Bank nowadays supports require new conditionality modalities, based on shared objectives rather than on externally imposed rules. We welcome the conditionality review process and support the good practice principles that have emerged from it. As the Bank aims at expanding its lending, consideration should be given to the idea of separating, within the institution, the responsibilities for lending decisions from the responsibilities for designing and implementing conditionality.

The Poverty Reduction Strategy (PRS) approach constitutes, in our view, a major tool to build up strong country ownership and to broaden participation in the reform process. The participatory nature of the exercise could be broadened even further, by increasing the involvement of parliaments and politically representative institutions. Also, participation should be extended from the formulation of the PRS to its monitoring and results assessment. Still in the context of participation, we support the special

attention given to the use of strategic communications as a way to strengthen the approach.

On the issue of voice and participation, structural proposals discussed in the Bank should be considered in parallel with progress in the Fund. The work undertaken to strengthen the developing and transition countries' ownership of their development programs and to build their capacity is an important element of voice and participation, and needs to be continued. Finally, we again recommend the Bank to incorporate the communication component in its operations, to allow stakeholders to become involved in all stages of the project and program cycles.

Conclusion

We have today an internationally broad consensus on the major tasks to be accomplished to fight poverty in the world, and we are doing better at implementing them. Now, all our nations—both developed and developing—need to feel the urgency to do more. Their renewed commitment, recently at the U.N., is an encouraging sign. While the Bank and the Fund are doing a highly commendable job, they can intensify further their effort towards greater effectiveness and efficiency.