



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-SEVENTH MEETING
WASHINGTON D.C. – APRIL 13, 2003**

DC/S/2003-0025

April 13, 2003

Statement by

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Brazil

On behalf of Brazil, Colombia, the Dominican Republic,
Ecuador, Haiti, Panama, The Philippines, Suriname, and
Trinidad and Tobago

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**Achieving the MDGs and Related Outcomes: A Framework for Monitoring Policies and
Actions**

1. We welcome the document on monitoring the policies and actions aimed at achieving the Millennium Development Goals and related outcomes, as well as the synthesis paper and addenda that focus on four specific goals; namely, education, health, HIV/AIDS, and water and sanitation. We encourage the staff of the World Bank and the International Monetary Fund to strive to improve this system of regular monitoring, while increasing the focus on results evaluation.
2. A regular report focusing on the progress made in achieving the MDGs, similar to the unifying role played by the IMF's "World Economic Outlook," could contribute both to policy formulation and to coordination among the various stakeholders involved in the development agenda. Such a report could also make a contribution towards timely shifts in orientation, whenever necessary. We recommend that the collaboration with other entities involved in the same task, especially the United Nations, be deepened and strengthened, with a clear definition of the activities and responsibilities of the World Bank and the International Monetary Fund, within the framework of the agenda set at Monterrey and Johannesburg.
3. Despite uncertainties regarding the performance of the global economy, we believe that favorable conditions for economic and social development can be maintained. Undoubtedly, a less than favorable international environment presents even greater challenges to be overcome and makes the critical task of implementing social and economic reforms even more difficult. We must build on the political consensus that has been reached and on the progress recently made by developing countries in managing macroeconomic and social policies. Major challenges still remain, since better policies have not led to visible trends towards higher GDP and productivity growth rates and greater poverty reduction.
4. The Monterrey and Johannesburg summits not only ushered in a new agenda; they also defined new responsibilities, including those of the Development Committee. This Committee is now responsible for monitoring and evaluating the progress made by both developed and developing countries in a joint effort to promote sustained growth with better income distribution. In order to achieve this common objective, the new concept of managing for results that currently guides the World Bank's activities represents an important step forward in the efficient use of scarce resources. A monitoring system is a natural and necessary complement to the establishment of goals and results-oriented management. This monitoring system should keep the political consensus reached on the MDGs at the top of the agenda.
5. The reports before us do not present an encouraging picture. The challenges set forth by the international community are ambitious and thus require great international cohesion and a spirit of partnership and cooperation between developed and developing countries, firmly rooted

in a strong sense of responsibility. These reports, tempered by the necessary realism, underscore the magnitude of the challenges that lie ahead and the monumental task to be performed in the years to come. The magnitude of this task should serve as a source of inspiration and energy, rather than an excuse for conformism and inaction.

6. It is well known that achieving the MDGs requires, from the standpoint of developing countries, policies that favor growth as well as social interventions that target income distribution. Allow me to stress that those objectives are inextricably linked: on the one hand, growth with macroeconomic balance is not enough; on the other hand, while recognizing the intrinsic value of equity, little poverty reduction can be achieved over a decade by policies exclusively dedicated to income distribution, in particular social policies not supported by economic growth. Consequently, in order to improve the economic and social indicators of developing countries, a regulatory and institutional environment conducive to private investments is needed – especially to investments in infrastructure – in conjunction with ongoing efforts to improve the quality of public expenditure. A greater relative share must go towards social expenditures, particularly those that target nutrition, education, and health. Greater transparency and control of public policy instruments are also needed, in order to enhance the efficiency of interventions and to legitimize the process from a political standpoint. The design of social policies is by no means irrelevant. The starting point must be an integrated approach, based on priorities and policy design that take into account the specific challenges faced by each country.

7. Numerous differences exist among countries. Even countries that have achieved a similar level of development face different problems and have completely different political structures, natural resources, and cultural features. Bearing this in mind, we reject any attempt to impose agendas and implement preconceived models. We welcome initiatives that involve the difficult, yet necessary, exercise of partnership, that acknowledge national strategies, and that support those strategies not only in financial terms but also with analytical work and capacity building. The superiority of strategies built on dialogue and led by legitimate governments is beyond dispute. Even though this idea is widely accepted nowadays, it still has to become more firmly rooted in the daily work of the multilateral institutions.

8. The development agenda also confers responsibilities on developed countries.

9. The adequate coordination of the macroeconomic policies of developed countries, the soundness of their financial systems and of their corporations, and the creation of a climate conducive to global economic growth, constitute an essential framework for any social and economic development strategy. A stable world economy is also required in order to enhance the priority attached to the development agenda.

10. It must be acknowledged that the current level of Official Development Assistance (ODA) is insufficient to finance the policies and actions necessary to achieve the MDGs. For this reason, we welcome the commitments already announced by a number of countries to increase their bilateral aid flows, as well as the proposal regarding innovative mechanisms aimed at the simultaneous achievement of increased availability of resources, a higher level of grants as part of ODA, expanded coordination of bilateral actions, and renewed political impetus to the MDGs.

We consider it to be fundamental that such initiatives receive attention from all country members and that we proceed towards the construction of a multilateral effort dedicated to the reduction of extreme poverty, as President Lula has recently underscored in Davos. Among other objectives, this multilateral effort aims at attributing the necessary degree of coordination among all agents involved and strengthening the capacity to face, in the most effective manner, the grave social problems that plague the less favored regions in the world. Also here we suggest that the World Bank take the leading role in this endeavor.

11. Most of the efforts currently being made may prove insufficient if concrete actions in crucial areas, such as international trade, are not taken. Access to markets is essential for both low income and middle income countries, as set forth in the Monterrey and Johannesburg agendas. Protectionism is naturally complex. It involves issues related to domestic politics, mobilizes extremely vocal interest groups, and manifests itself in myriad forms: from tariffs to quotas; and from subsidies to sanitary barriers, which are not always justifiable. The lack of consensus on the procedures for discussing the agricultural chapter, which expired on March 31, 2003, makes it difficult to achieve progress within the WTO's Doha Round framework. Large subsidies for agricultural products and the restrictions imposed on market access prevented conclusion of negotiations within the agreed timeframe. We urge the countries that are still reluctant to liberalize trade and eliminate subsidies to reassess their position in order to facilitate resumption of negotiations within the framework of the WTO. We note, once more, that trade liberalization and the elimination of subsidies, mainly in agriculture, are important objectives of most developing countries and one of the major commitments of the international community in setting the MDGs. For this reason, we encourage continuation of the work being done by the World Bank and the International Monetary Fund to monitor the international trade issue at the technical level. We strongly suggest that this monitoring be expanded to encompass all forms of protectionism and that efforts to communicate the impact of trade liberalization on social and economic development be continued.

12. We also encourage efforts to create proper conditions for infrastructure and private sector development, allowing developing countries to take full advantage of the opportunities that will be created by the necessary and urgently needed liberalization of global trade.

13. The challenges to the implementation of the MDGs are not limited to a lack of resources. Without a doubt, the international community must stand ready to support the countries committed to reform processes, especially those capable of using resources efficiently. However, it is also essential to provide proper support to countries which, although still lacking a sound track record, have shown promising signs in the areas of public policies and governance. The results-oriented approach must not constitute another barrier to breaking the vicious cycle, where a lack of support leads to unsatisfactory results at the expense of entire populations. In countries beset by major political and economic problems, flexible humanitarian aid mechanisms must be mobilized and constraints must be lifted. Better results can be achieved by streamlining coordination and harmonization work among donors. In addition, courageous decisions must be taken, even if they are very risky, in a manner proportional to the great challenges created by emergency situations.

14. Against this backdrop, the World Bank's role should be expanded. Given its technical expertise the World Bank must play a leadership role in the coordination efforts involving other multilateral agencies and bilateral donors. Low income countries would greatly benefit from the catalytic effect of the World Bank's leadership.

15. There is no doubt that improvements in collecting and analyzing statistical data are a prerequisite for designing effective policies and for monitoring efforts. Nevertheless, collecting and analyzing information on the volume, distribution, and effectiveness of aid is equally important. It is as difficult to obtain reliable data on some low income countries as it is to obtain precise information on the criteria that govern the amount and use of concessional resources from different donors.

16. Greater attention must be paid to the quality of information used in monitoring processes. The international comparability and methodological soundness of collecting and processing data, as well as the comprehensiveness of indicators, are all prerequisites for a reliable monitoring system. Very often, it is tempting to use shortcuts to measure complex issues; however, this often leads to erroneous conclusions, followed by negative implications in the policy formulation process.

17. In a scenario where the Monterrey commitments seem insufficient to finance the actions necessary to achieve the MDGs, aid effectiveness assumes greater importance. Effectiveness may be optimized by more coordinated and transparent dialogue among donors, who often act in an isolated manner, thus squandering valuable opportunities for synergy in projects involving the same recipient country.

18. Coordination among donors and the harmonization of initiatives with national policies must take into consideration two key aspects. First, the sovereignty of recipient countries, reflected in the inherent role of national institutions in determining priorities and thus the use of budgetary resources; and second, fiscal restrictions adopted by countries in periods of macroeconomic adjustment. These restrictions, aimed at deepening and strengthening the macroeconomic structure, contribute to the creation of a favorable climate for private-sector-led development. The World Bank must provide assistance by engaging in candid and mature dialogue with national leaders, by sharing successful experiences in other countries, and by advocating, on an ongoing basis, best practices in formulating public policies and control mechanisms. The World Bank must demonstrate flexibility with respect to its mechanisms for taking action, by adapting them to political consensus reached at the national level and to the macroeconomic constraints prevailing in member countries. To acknowledge the importance of fiscal adjustment and of macroeconomic balance to the effectiveness of social policy is a prerequisite to keep the World Bank's action aligned with its basic mandate: reducing poverty.

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

19. We consider the discussion of mechanisms to strengthen the representation and influence of developing and transition countries in the Bretton Woods institutions to be extremely timely. Given the nature of the issue, we believe that significant progress will depend on broad political consensus among member countries. However, we note that such a consensus does not yet exist.

20. The World Bank and the International Monetary Fund are unique institutions, capable of accommodating universal representation of their members while preserving the attributes of efficiently-run financial institutions, from a financial standpoint as well as the standpoint of flexibility in the decision-making process.

21. We believe that the most straightforward way to strengthen the representation of developing and transition countries in the Bretton Woods institutions is by increasing the cumulative voting power of this group of countries. Two combined mechanisms should be considered: a careful change in the formulas for calculating quotas in the International Monetary Fund, by simplifying these formulas and giving more weight to GDP as the indicator of the representativeness of each country in the global economy, and an increase in the number of basic votes, so as to restore the situation that existed when the institutions were initially established.

22. We acknowledge that an extremely protracted discussion of this issue may expose the institutions to criticism regarding the degree of representativeness of their governance structures and that the motives behind this criticism are not always pure. However, given the need for these institutions to adapt to changes in the relative weight of countries in the global economy and the importance of the distribution of quotas in determining the access of member countries to IMF resources, we believe that the structural aspects of this discussion must remain on the agenda.

23. With respect to the proposals related to the functioning of the Board and the structuring of constituencies, we welcome the addition of new positions in a number of multi-country Chairs, approved by the Board last week. We also support the idea of creating a second Alternate Director for multi-country Chairs, especially for those that bring together a number of countries with significant engagement with the World Bank. We believe that this initiative may enhance the representation level in the Boards as it attracts more senior, highly visible personnel to the Executive Directors' offices. Moreover, we welcome the discussion regarding the extension of mandates for Executive Directors, which we deem to be excessively short, an issue that affects the stability of the governance system of the institutions.

24. We consider the increase in the number of Chairs in the Boards of the institutions to be inadequate. Such an initiative would have limited effectiveness and would jeopardize the efficient work of the Boards. In addition, we believe that the composition of the constituencies must be the product of a free decision of each member country, pursuing their best interests. Therefore, we do not see the need for change, since the necessary flexibility is already in place.

25. We also see merits in several other proposals that could be implemented without further delay. It is important to stress, once more, that none of these measures should be adopted as

substitutes for a revision of the quotas formula, which is aimed at enhancing the representation of developing countries as a whole and compensating for the current underrepresentation of a number of emerging economies that grew more than the world average in the past fifty years.