



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

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Statement by

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DEVELOPMENT COMMITTEE

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Highlights of Ministerial Statements

1. Ministers reaffirmed their commitment to poverty reduction, the Millennium Development Goals (MDGs), and the Monterrey Consensus. They said that the challenge of meeting those objectives was magnified in current circumstances by uncertain global prospects, reflecting (inter alia) faltering economic growth in many regions, conflict in Iraq and elsewhere, the outbreak of SARS, and the slow progress on the Doha Development Agenda. They stressed the particular importance of the Development Committee's deliberations at this time in keeping the international community focused on the objectives under discussion and in driving forward the critical actions for attaining them.

I. ACHIEVING THE MDGs AND RELATED OUTCOMES

A. Monitoring Framework

2. Ministers welcomed the proposals for monitoring the policies and actions for achieving the MDGs and related outcomes. They said that it would be useful to have action-oriented monitoring reports for future Development Committee meetings that would allow them to assess and catalyze progress in achieving the MDGs. They welcomed the framework's coverage of both developing and developed countries, and broadly supported the focus on developing country policies for growth, governance, and human development and developed country policies for trade and aid. Several Ministers urged that future reports should also cover the policies and actions of the World Bank and International Monetary Fund with respect to the MDGs. Ministers welcomed the efforts that had been made to clarify the respective monitoring roles of the Bank and the Fund on the one hand and the UN and other agencies on the other, and to consult with staff in partner agencies -- especially the UN, OECD/DAC, WTO, and other Multilateral Development Banks. Going forward, they urged continued consultation and collaboration with these and other partners on both the framework and the underlying data, with a view to avoiding duplication and proliferation of indicators and ensuring coherence and consistency with institutional comparative advantage. Ministers urged that the assessments included in the global monitoring reports be based on transparent criteria that would facilitate objective and impartial judgments, with several calling for the active participation of developing countries in the further work to be done on refining the CPIA methodology and application. One Minister stressed the importance of developing appropriate metrics for tracking developed country policies and actions, especially on aid and trade. Several Ministers welcomed the focus on improving statistical capacity in developing countries.

B. SCALING UP-EDUCATION FOR ALL, HEALTH, HIV/AIDS, WATER AND SANITATION

3. Ministers appreciated the opportunity to review progress on Education for All (EFA), health, HIV/AIDS, and water and sanitation. Several Ministers expressed concern over the

failure to make more progress in filling the financing gaps for these programs, which they said was symptomatic of a wider financing problem. They welcomed EFA's reorientation to support PRSP-based sector plans and to focus resources on those countries with strong commitment and track records. Cautioning that sector-based vertical funding initiatives could undermine country capacity, one Minister said that where fiduciary tests were met, it was better to provide support through the budget. Closely connected, another Minister suggested that donors fund a country's recurrent expenditures if it committed to mobilizing domestic financing and to scaling up its programs in priority sectors. Several Ministers stressed that efforts to scale up support for priority social interventions needed to be set within an integrated and multisectoral approach that took into account the country's needs and capacities. One Minister said that the demonstration effect of the EFA fast track initiative would be to help similar programs supporting the other MDGs. While several Ministers said that it was too early to draw implementation lessons from EFA for other sectors, one Minister said that water and sanitation offered a better model for other sectors than EFA. Another Minister called for further discussion of the appropriate conditions governing public/private partnerships, especially in the water sector. A third Minister, referring to the Camdessus Report (World Panel on Financing Water Infrastructure), looked forward to the G7/G8 Summit at Evian, which would present an action plan aimed at raising the needed financing for the water sector.

C. Poverty Reduction Strategies

4. In supporting the monitoring framework and approach to scaling-up, several Ministers emphasized the importance of maintaining the proper balance between bottom-up and top-down approaches, stressing the continuing importance of the PRSP, which they said must remain at the center of discussions of poverty reduction and the MDGs. Several Ministers said that to make the PRSP more effective, it should be better synchronized with the country's budget cycle; such synchronization would help the PRSP to become more operational and prioritized, thereby strengthening it as a platform for financial support from donors, the IMF (via the PRGF), and IDA (via the PRSC and other lending vehicles). One Minister stressed the importance of the poverty and social impact analysis for underpinning the PRSP, noting the fact that such analysis was ultimately the responsibility of the country itself. Several Ministers stressed that the trade focus of PRSPs needed to be enhanced.

D. HIPC

5. Ministers emphasized the importance of long-term debt sustainability, which they saw as important for the attainment of the MDGs. To address this issue, one Minister called for better monitoring of developing countries' balance of payments, more thorough analysis of debt sustainability based on realistic growth projections, and capacity building for debt and fiscal management. Another Minister stressed the findings of the recent OED review of HIPC, which concluded that debt relief should be seen as only one element of a broader development strategy; that the objective of HIPC to provide a basis for longer-term growth and poverty reduction would most likely be attained when performance standards were maintained; and that in addition to social expenditures, greater attention to promoting pro-poor growth was needed. Several Ministers stressed the importance of full participation by all creditors for the success of HIPC, and expressed disappointment with creditors who continued to be reluctant to assume their fair

share of the debt-relief burden. With respect to the methodology for calculating the “topping up” amount, several Ministers argued that voluntary bilateral debt relief should be excluded from the calculations, if fair burden-sharing was to be ensured. One Minister, however, believed that the current methodology was appropriate, and that there was sufficient flexibility to accommodate countries with unique situations. Several Ministers expressed concern about slow progress in HIPC implementation, pointing to conflict as a major cause of delay.

E. Aid: Quantity and Quality

6. Several Ministers stressed the need for more and better aid. They called for increased ODA flows, and urged all OECD members to meet the 0.7 percent-of-GDP ODA standard. One Minister offered her government’s proposal to establish an International Finance Facility (IFF) that would fund strongly committed countries’ pursuit of sound and effective poverty reduction strategies. Another Minister cautioned that an increased quantity of aid without a corresponding increase in developing-country absorptive capacity would not get the desired results. On a closely related topic, a number of Ministers reiterated their support for the harmonization of operational policies and procedures among multilateral institutions and bilateral donors; they said such actions by donors could reduce the cost to recipients of administering donor-supported programs and in turn enhance the cost effectiveness and efficiency of development assistance. They said that an important corner had been turned at the recent Rome Declaration on Harmonization, where broad agreement was reached on the way forward, and that implementation was now the key priority. Several Ministers underscored that in promoting harmonization, due attention must be accorded to country-ownership and country-specificity, with the developing countries taking the lead on the harmonization process at the country level using their own accountability and fiduciary systems. In this connection, several donors have embarked on a "harmonization in practice" initiative, working with the Government of Zambia. Some Ministers, however, lamented the slow progress in actually implementing the harmonization agenda. One Minister pointed out that the international community's discussion of harmonization started in 1996, and to date had produced very limited results on the ground.

F. TRADE

7. Ministers stressed the critical importance of trade to development. They said it was essential for growth and in turn for poverty reduction and the MDGs. One Minister called trade the single most important development catalyst. Another Minister urged developed countries to open up their markets to developing countries as this would spur reform efforts there, encouraging domestic and foreign investment that would in turn promote jobs, growth, and poverty reduction. In this context, Ministers highlighted the importance of the Doha Development Agenda, and expressed disappointment at the slow progress to date, especially on agricultural subsidies where rapid progress was needed. But several Ministers said that the trade/development focus should not be restricted to agriculture; rather progress also was needed in industry (especially textiles and other labor-intensive manufactures) medicines, and TRIPS. They cited the European Union’s “Everything but Arms” initiative as an example of developed countries opening their markets, and suggested that it be extended to all OECD countries. Several Ministers mentioned the efforts of countries in their constituencies to reduce/eliminate quotas and duties on products from least developed countries; and one Minister called for

positive discrimination in favor of the products from Sub-Saharan Africa. He also called on the Bank and the Fund to put forward concrete proposals to reform/strengthen existing compensation mechanisms for dealing with commodity price volatility and for fostering market-based mechanisms to cover the risks associated with commodity production and marketing. Another Minister urged that the Bank/Fund work on global monitoring include all forms of protection, and that the impact of impacts of trade liberalization on social and economic development be studied. Several Ministers encouraged the Bank to expand the treatment of trade in CASs and to follow-up more aggressively on the diagnostic studies carried out in the context of the Integrated Framework.

II. ENHANCING THE VOICE AND PARTICIPATION OF DEVELOPING AND TRANSITION COUNTRIES

8. Ministers welcomed the discussion of ways to enhance the voice of developing and transition countries in the Bretton Woods Institutions. They said that greater participation by developing and transition countries in the decision-making work of the Bank and the Fund would strengthen ownership of the institutions' policies and operations, and in turn improve institutional effectiveness. Some Ministers stressed the importance of increasing the voting power of developing and transition countries, in part to reflect the increasing shares of developing and transition countries in the global economy. However, others argued that the consensus culture of the two Boards diminished the practical importance of this issue; they said that, for the immediate future, efforts should be directed toward implementing pragmatic measures that could improve performance here and now and would not require any changes to the Articles of Agreement. These involved improvements in the capacities of Executive Directors' offices -- especially for constituencies with large numbers of countries, as in Sub-Saharan Africa -- and of the national authorities in charge of World Bank and IMF issues, special support for communications between Washington and national offices, and access to external analytic capacity. Several Ministers pointed to the gains to voice from mixed constituency Executive Directors' offices. Ministers also pointed to the importance of decentralization within the Bank and the Fund in strengthening the voice of developing and transition countries in the design of Bank- and Fund-supported country programs, and to the role that diversity among staff, especially at senior positions, can play.

III. WORLD BANK AND IMF ACTIVITIES

A. Results Agenda

9. Ministers highlighted the importance of the Bank's results agenda. They said that results measurement was essential for building public support for development assistance in developed countries, by demonstrating that aid works. In this connection, one Minister stressed the need for intuitively understandable measures that would resonate with the public; he also stressed the need for cost-effective measures, and for guarding against distorting incentives and behavior that reliance on proxy measures of results might engender. Another Minister, supporting the Bank's recent efforts to introduce results-based-management and to ground it in the CAS process, said

that it was essential that the exercise be forward looking (managing for results) and not backward looking (managing by results). This was in line with another Minister's statement, which stressed the importance of results measurement for guiding the allocation of resources, according to where they would have the most results. He said that MDB activities should be able to demonstrate measurable results, with all lending operations having clearly defined performance measurement plans, allowing for mid-course correction as needed and ex-post evaluation as a basis for learning and accountability. Citing strides in the Bank on the conceptual framework for results measurement and monitoring, he said the priority now was to embed the framework in practice and incentives. Another Minister said that he planned to introduce an initiative similar to the Bank's in the national aid agency and urged others to do likewise.

B. Infrastructure

10. Several Ministers welcomed the Bank's renewed attention to infrastructure. One Minister said he looked forward to a discussion in the Development Committee of the interrelationship between infrastructure, growth, and social development, along with an analysis of Bank lending to the sector. Another Minister stressed the need to narrow the gap between the supply of infrastructure and the needs of the poor, arguing that the MDBs should supplement and catalyze private financing for infrastructure and help countries to build institutional arrangements; he welcomed the Bank's work on an Implementation Action Plan and looked forward to its expeditious implementation. Yet another Minister commended the Bank's efforts to be responsive to client demand and to refocus on the role of infrastructure in promoting development and poverty reduction; he stressed the importance of creating the conditions for infrastructure and private sector development as a vehicle for enhancing the ability of developing countries to participate in and capture gains from international trade.

C. Private Sector Development

11. A Minister welcomed the Bank's work on assessing and strengthening the investment climate in developing countries. In this connection, she also welcomed the participation of MIGA and IFC as catalysts for private sector investment in developing countries, and urged countries that are not yet party to MIGA to become so as soon as possible.

D. Financial Architecture

12. One Minister was encouraged by the recent progress on the Financial Sector Assessment Program (FSAP) and the international standards and codes initiative. She also welcomed progress -- in collaboration with partners -- in helping developing countries assess and strengthen their debt management systems.

E. Combating Terrorist Financing and Money Laundering

13. One Minister stressed the need to maintain the integrity of the financial system in the fight against the financing of terrorism and money laundering. He was encouraged by the

progress of the pilot program undertaken by the Bank, Fund, and FATF to assess country performance in this area, and hoped that this activity would become a permanent part of the effort to protect financial systems from abuse.

F. Support for Iraq

14. Several Ministers pointed to the importance of swift action by international institutions -- including the Bank and the Fund -- to assist Iraq, and encouraged their participation. One Minister, praising the role that the Bank has played in Afghanistan, said that IFI engagement was critical; he said a World Bank assessment of Iraq's needs would help to inform the work of the international community going forward. Another Minister focused on the provision of loans and technical assistance -- with the Bank financing infrastructure, following the clearance of arrears, and the UN playing a central role in coordinating humanitarian and reconstruction activities. A third Minister stressed the importance of engagement by the international community, including the Bank and the Fund, in order to ensure sustainable social, political, and economic development and commensurate improvements in the lives of the Iraqi people.

Abbreviations and Acronyms

CAS	Country Assistance Strategy
CPIA	Country Policy and Institutional Assessment
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
EFA	Education for All
FATF	Financial Action Task Force
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IFF	International Finance Facility
IMF	International Monetary Fund
MDB	Multilateral Development Banks
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department
PRGF	Poverty Reduction Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
SARS	Severe Acute Respiratory Syndrome
TRIPS	Trade Related Intellectual Property Rights
UN	United Nations
WHO	World Health Organization
WTO	World Trade Organization