



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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April 13, 2003

Statement by

Senator the Honorable Ian Campbell  
Parliamentary Secretary to the Treasurer  
Australia

On behalf of the constituency comprising Australia,  
Cambodia, Kiribati, Korea (Republic of), Marshall Islands  
(Republic of), Micronesia (Federated States of), Mongolia,  
New Zealand, Palau (Republic of), Papua New Guinea,  
Samoa, Solomon Islands and Vanuatu

**STATEMENT BY SENATOR THE HON. IAN CAMPBELL  
PARLIAMENTARY SECRETARY TO THE TREASURER, AUSTRALIA<sup>1</sup>**

**DEVELOPMENT COMMITTEE MEETING  
13 April 2003**

*Achieving the MDGs and Related Development Outcomes*

We are meeting this year at a time of global uncertainty, with weak consumer confidence in the major economies, hesitant financial markets, recent volatility in Latin America, and the conflict in Iraq. We face major challenges in dealing with these uncertainties and in strengthening the recovery. Renewed efforts – by developing countries in pursuing reforms, by the international community in liberalizing trade, and by donors in enhancing aid – will be needed if we are to achieve our longer term development objectives, including the MDGs.

Still, it is important to see the current situation in a larger context: the economic growth achieved by developing countries as a group over the past two decades has brought unprecedented reductions in poverty. Despite dramatic increases in population, we are broadly on track at the global level to meet the goal of halving the proportion of people living in poverty between 1990 and 2015. As the Bank's own data shows, the proportion of people living in absolute poverty has fallen from almost 30 per cent in 1990 to about 23 per cent. The past decade has seen over 80 million more children going to primary school, while in the past 20 years child mortality has declined by almost a third.

There is no room for complacency. Progress has been very unevenly spread and, even in the best performing countries, not always smooth. Individually and collectively, we all need to do more. But greater appreciation of past progress, and clearer demonstration of future results as they are achieved, are likely to be critical in maintaining public support for all of our continued efforts.

*A Framework for Monitoring Policies and Actions*

The Development Committee is an important forum for reviewing progress in reducing poverty and identifying and addressing policy issues that need to be resolved to progress even faster. In this context, we support a role for the Development Committee in monitoring countries' policies and actions to meet the MDGs.

Sound policies, continued reform, and strengthened institutions in developing countries remain key to reducing poverty. The countries that have made the greatest gains have done so by establishing outward oriented policy environments that encourage private sector led growth and by investing in poor people to allow them to take advantage of the opportunities offered by

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<sup>1</sup> On behalf of the constituency comprising Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands (Republic of), Micronesia (Federated States of), Mongolia, New Zealand, Palau (Republic of), Papua New Guinea, Samoa, Solomon Islands and Vanuatu.

growth. Progress in these areas will need to be a central focus in regular monitoring and reporting to the Development Committee. In this regard, it is encouraging to see that in many countries there have been broad improvements in macro-economic and trade policies, but disappointing that this is offset by limited overall progress on governance and structural reform. The Bank's assessment that almost two thirds of developing countries have business environments that seriously inhibit investment underlines the importance of continued efforts in this area. The Bank's individual country performance and institutional assessments could provide a central pillar for the monitoring and analysis of country policies, although this will require improving the robustness and transparency of these ratings.

Another central focus must be on the global trade environment. As the Bank's own research has demonstrated, full trade liberalization has the potential to help hundreds of millions of people in developing countries to escape from absolute poverty. Agricultural subsidies, which currently total approximately seven times total aid flows, are a serious problem for many developing countries, particularly in those countries where the majority of the poor live in rural areas. Recent set-backs in the Doha negotiations, and especially the failure to meet deadlines for progress on agriculture, are especially disappointing. We urge all concerned to renew their efforts to regain momentum ahead of the Cancun Ministerial meeting so that these negotiations can make their essential contribution to global development.

While progress on multilateral trade liberalization is of central importance, unilateral actions can also provide additional support. Australia will provide tariff and quota free access to all imports from least developed countries and Timor Leste effective July 2003. Like New Zealand's existing scheme, the Australian initiative will be comprehensive and complete, without phase-in periods or exemptions.

Improved development cooperation is vital. Aid volume is obviously one element of this, but aid does not and can not provide the bulk of the investment resources required to drive development. Far more important are the resources generated through the mobilization of domestic savings, supported by international trade and international capital flows, and the efficiency with which these resources are allocated and used. Estimates of the amount of additional aid needed to meet the MDGs need to take account of the uncertainties affecting these much larger aggregates, including the extent of future policy reforms and trade liberalization. Attempts to reduce these uncertainties to a single global figure are unlikely to be meaningful and may be of dubious value as an incentive for mobilizing additional aid commitments. Concentrating on identifying specific needs on a country by country basis may be more realistic and effective in this regard.

If the goals are to be achieved, it will also be necessary to ensure the effective targeting of limited donor resources. We must not forget the significant development needs of the Asia-Pacific Region, which is home to around two-thirds of the world's poor - or 800 million people.

Aid quality is also important. Improving harmonization, enhancing the policy coherence of assistance programs, and adopting effective results oriented management practices are areas where donors can play a key role. Developing better indicators of aid quality has the potential to support efforts being undertaken by all donors. We welcome the commitment to broad consultation to ensure that the metrics produced reflect appropriately the different dimensions of

aid quality. These dimensions include the importance of skills transfer and capacity building as well as the transfer of financial resources, and the need for donors to effectively and innovatively engage with poor performers.

*Scaling-Up – Education for All, Health, HIV/AIDS, and Water Supply and Sanitation*

Social investments must be an integral component of any development strategy. Poor people need access to basic social services, primary education, health care and water. Since 1990, donors in this constituency have in real terms more than doubled programs to these areas, and we support World Bank efforts to rebuild its education and water portfolio as well as to maintain its strong focus on health issues.

Efforts to scale-up support for priority social interventions need to be set within an integrated and comprehensive approach that allows balance to be maintained in each country according to its needs and capacities and recognizes the central importance of economic growth. Improving educational outcomes, for instance, requires attention to complementary inputs such as health and nutrition, water and sanitation and rural infrastructure. Without some level of economic security, poor people will often not be able to afford the opportunity cost of sending their children to school – even if there are no school fees. And without growth, school leavers may not be able to find jobs.

Thus specific interventions need to be closely integrated into each country's overall development priorities and planning. The MDGs can provide a useful guide, but each country needs to develop its own program of agreed approaches and indicators that reflect its priorities and circumstances. Consistent with this approach, we consider that increased Bank engagement in education, health, HIV and water should be pursued within the Bank's overall country-based framework, as reflected in PRSPs and the country performance-based lending allocation system.

*Enhancing the Voice and Participation of Developing and Transitional Countries*

Setting priorities and planning at the country level with strong country ownership is essential if development is to be effective. The quality of the engagement between individual countries and the Bank and Fund is central to enhancing the voice and participation of countries in their own development. But effective participation by developing and transition countries in the governance of the Bank and Fund is also critical to the success of these institutions.

We welcome actions by the Boards of both institutions to provide additional administrative resources and capacity building measures to support developing country participation, and especially to meet the needs of large multi-member constituencies. In order to preserve efficiency, however, we are not yet persuaded of the advantages of increasing the size of what are already very large full time boards. In addition, we consider strongly that constituency arrangements should continue to be an issue for the members of each constituency.

The World Bank and the IMF are financial institutions, and their governance arrangements must ensure they have the capacity to maintain their financial strength. Shareholdings that primarily reflect members' relative economic weight are a key element in this. Some rebalancing of shareholdings would be appropriate to reflect changes in the global economy over the past couple of decades, and especially the dramatic growth in several emerging market economies. We are also prepared to explore some adjustment of basic votes. In the absence of a consensus, a degree of caution will be needed in pursuing shareholding issues – but this should not result in them being put interminably in the “too hard” basket.

The issue of voice, however, goes beyond questions of shareholdings or Board arrangements. Ultimately, we need to ensure that the institutional culture of both the World Bank and the IMF encourages engagement with developing countries and ensures that both institutions listen to a wide range of views. There have been strong moves in this regard, as shown by the importance placed on country ownership in the PRSP process and greater outreach efforts by the Bank and the IMF. Nevertheless, even greater responsiveness to these cultural issues by the boards and managements of both institutions could potentially play a significant role in encouraging deeper and broader participation than may be brought by more mechanical changes to Board staffing, constituency groups or voting rights.

### ***Progress on HIPC***

Under HIPC and associated bilateral debt relief, the international community has already committed \$40 billion in net present value terms to 26 of the poorest countries – reducing their debts by two thirds and taking their average debt-to-export ratios below the average for all developing countries. The debt relief provided has allowed HIPC countries to increase social expenditures by almost half compared with just four years ago.

The HIPC Initiative offers considerable flexibility in providing interim debt relief while countries undertake policy reforms to set them on a path where debt sustainability, once achieved, is more likely to be maintained. Although there have been some setbacks for countries in moving from interim relief to a final exit from the HIPC initiative, recent agreements on Benin and Mali provide reassurance that the process is working. Continued debt sustainability requires growth in exports, and thus in private sector activity, and strong institutional capacities for controlling and managing new public debt commitments. Establishing a sound basis for continuing institutional and policy reforms to promote economic growth is essential not just for poverty reduction but for continuing debt sustainability as well. This is consistent with the key messages that came from the independent Operations Evaluation Department's review of HIPC: that the HIPC Initiative 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 is most likely to be achieved when performance standards are maintained; and that, in addition to social expenditures, greater attention to promoting pro-poor growth is needed.

Full creditor participation has always been an important principle underpinning HIPC. We continue to strongly encourage those creditors yet to accept their responsibilities to do so.

## ***Harmonization***

The recent Rome Forum on Harmonization provided a new impetus to efforts by the international community to further harmonize development programs. Better coordination between donors and greater alignment of procedures holds considerable potential. This is particularly important for small states, where capacity tends to be limited. We were pleased with the emphasis in the Rome Declaration on country ownership and government leadership as the central element of harmonization efforts. Harmonization efforts are most likely to be successful if pursued within a country-based framework that recognizes the complementary roles that different donors and creditors can play – bilateral, multilateral and non-government – and that acknowledges the utility of diverse aid modalities in differing situations.

At least as important as efforts to harmonize processes and procedures are the potential gains from donors working closely with governments and each other to improve policy coherence. Coordination between the international financial institutions is clearly improving, although continued leadership from senior management of all institutions will be required to further embed institutional cultures which value cooperation. Opportunities should be sought for upstream policy coordination between developing country governments and bilateral and multilateral donors. In this constituency, for instance, the World Bank, the Asian Development Bank and Australia are working on the development of a joint country strategy to assist the Government of Papua New Guinea in its development efforts. As far as I am aware, this joint approach has not been tried anywhere else in the world, and I expect that there will be some challenges in operationalising the strategy. The potential benefits in development outcomes make it worth the effort, and we hope that in due course other donors will join up too, and that the approach might be tried in other Pacific countries.

## ***The Results Agenda***

As noted previously, the need for renewed efforts from the international community should not obscure the fact that we are collectively making clear progress on development issues. Maintaining public support for development cooperation efforts will require giving attention both to the successes that have been achieved – and the contribution made by aid - as well as on the obstacles that remain.

The work being undertaken by the Bank to develop a set of indicators to measure results is a path-breaking initiative both for monitoring – and learning lessons from – what we are doing, and for publicising overall development progress. In undertaking this work it will be important to generate intuitively graspable indicators of the contribution made by Bank programs to overall improvements in people's lives. It also is important to be realistic in assessing what can be achieved at reasonable cost and to ensure that imbalances in the availability and quality of indicators do not skew the assessment of results and subsequent allocations of aid resources.