



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)



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Statement by

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This year's Spring Meetings take place against the unfortunate setting of the war in Iraq and the continuous suffering of the Palestinian people. The war adds to the tensions in the Middle East which were already high due to the continuing occupation of Palestinian lands in the West Bank and Gaza and the destruction and pain inflicted on its people. We hope for an early end to the war in Iraq in a manner that respects the integrity of the country and its people as well as urgent attention to an expeditious resolution of the Palestinian issue consistent with the announcements made by President Bush and supported by European Union. We also hope that as peace is restored and issues related to post-war governance are resolved, the international community unites to alleviate the short- and long-term damages that have been inflicted on the Iraqi and Palestinian people.

The war in Iraq has also exacerbated uncertainties in the global economic environment. These uncertainties are putting pressure on the development agenda agreed at Monterrey at least in the medium-term especially at a time when net private capital flows to developing countries, which collapsed in the late 1990s, continue to decline and developing countries as a group have become net-exporters of capital to the developed world without much prospect of a reversal in the 3-5 year time horizon as concluded by the report on Global Development Finance 2003.

The sobering reality of these global developments should give us additional impetus to reaffirm our commitment to eradicating poverty and achieving sustainable development in an inclusive and equitable global order. In this spirit I turn to the agenda of this meeting, and would like to start by addressing some of the key issues raised in the report on **“Achieving the Millennium Development Goals (MDGs) and related outcomes: A framework for Monitoring Policies and Actions”**. The staffs of the World Bank and the IMF are to be commended on their efforts to consult with other partner agencies and institutions involved in global monitoring activities. This is critical to avoid duplication, and to make maximum use of the complementarities among agencies, in an effort to further develop the proposed monitoring platform into a truly partnership-based one. Having said this, ***I would encourage the Bank and the Fund to confine their efforts to credible agencies and institutions, and to avoid the temptation to include those agencies and institutions which are politically driven or motivated and whose data bases lack credibility.***

As envisaged, the proposed framework for global monitoring consists of: (i) regular reporting to the Development Committee of the implementation of policies and measures by the developing countries, the developed countries, and the international financial institutions, that are needed to achieve the Millennium Development Goals (MDGs) and related development outcomes; and (ii) the monitoring and data platform, for which a prototype has been developed, that underpins the reporting.

While we support such a framework, we continue to have the following four concerns:

First, the monitoring process itself, while extremely needed, runs the risk of causing attention to become totally focused on the MDGs, which are only a subset of the broader national development priorities of countries. *In the effort to show progress, developing countries, as well as the international donor community could end up diverting the bulk of their resources away from other equally legitimate development priorities.*

Second, it is indeed important to invest in the collection of data and development of indicators that are timely, robust and reliable. Such efforts should not come at the expense of research and analysis. The challenge, especially for the Bank and the IMF, is to understand better the links between macroeconomic policies and structural reforms, on one side, and economic growth and poverty reduction on the other side. This is particularly important in view of the preliminary assessment and findings resulting from the use by Bank and IMF staff of the proposed global monitoring framework. One such finding refers to the fact that progress made by low-income countries on macroeconomic and trade policies had not translated into similar improvements in growth and poverty reduction. *Enhancing our knowledge of the links between policies and actions, on the one hand, and outcomes on the other hand, is key to achieving the MDGs. This said, it is indeed encouraging to note that the Bank and Fund are moving their research efforts in this direction.*

Third, the Country Policy and Institutional Assessments (CPIAs), seems to be accorded a very important role in the monitoring process of the performance of developing countries. It is clear that in the context of IDA13, there is a movement towards CPIA disclosure. As acknowledged by staff, further work needs to be done to improve the CPIA methodology both in terms of its transparency and the evaluation process to ensure its significance and credibility for global monitoring. *Furthermore, we would caution against the use of this instrument for countries where it could adversely affect their access to capital markets. More generally, we believe it is important that the Bank takes the necessary steps to ensure that its use and public disclosure of CPIAs does not put it in the undesired position of a rating agency.*

Fourth, we generally agree with the priority areas for attention in the developing countries, developed countries, and the international financial institutions that the preliminary work on global monitoring has identified as crucial for achieving the MDGs. It is absolutely right to point to **aid** and **trade** as priority areas for actions by the developed countries, in addition to the crucial role their **macroeconomic policies** play in the stability and growth of the global economy. *It is unfortunate, therefore, that the discussion on Scaling Up tends to focus on ODA levels as the main source of financing without taking into account the potential additional resources accruing to developing countries from trade liberalization by the OECD countries.*

Turning now to the second agenda item entitled “**Progress Report and Critical Next Steps in Scaling Up**”, it is clear that except for the Education for All (EFA) target, the prospects for reaching the MDGs are not promising, to say the least. Therefore there is a need to scale up the effort by the developing countries through better policies and stronger institutions, and by the international donor community through providing more funding in support of good policies.

The process of scaling up, however, is complex and poses formidable challenges. The report’s main contribution is to explain the magnitude of the challenge, and to point to the need to accelerate economic growth, make progress on multiple fronts given the inter-connectedness of the MDGs, enhance implementation capacity, and ensure the availability of adequate funding. In this context, I want to highlight the following points:

First, growth is indeed critical to reach the poverty and service delivery MDGs. There is good knowledge of the factors that contribute to economic growth, including a strong macroeconomic framework, a conducive investment climate, a healthy financial system, and strong institutions. The fact remains, however, that some countries achieve high growth rates but the benefits of growth do not filter down to the poor households, and that other countries implement sound programs supported by the IMF and the Bank but do not achieve the desired growth. As I mentioned above, there is ongoing research in the Bank and the Fund to understand better the linkages between policies and outcomes. But, more needs to be done. Having said this, and to give an idea about the magnitude of the challenge at hand, it is worth noting the observation in the report that Sub-Saharan Africa might be able to reach the income poverty goal if projected economic growth rates double, but will still be unable to reach the education and health MDGs.

Second, the finding that progress on one MDG depends on progress on other MDGs increases the complexity of the process of reaching the MDGs. This requires multi-sector approaches which can test even more existing capacities in the developing countries and in the international financial institutions. This is by no means an easy challenge to meet, and I note that the Bank had only recently started developing a multi-sector perspective to scaling up, including the move towards result-based Country Assistance Strategies. But, it will be sometime before the Bank can translate multi-sector analysis into interventions at the country level that are mutually reinforcing.

Third, crucial to achieving the MDGs is the need to greatly strengthen implementation capacity at all levels in developing countries, especially the low-income countries. For a number of reasons, past efforts have not yielded too many positive results in terms of building lasting capacities in developing countries. This is perhaps one of the most important reasons, albeit not the only one, for the inability of many developing countries to *sustain* economic growth. Much remains to be done, and existing approaches to capacity building may need to be modified. Programmatic approaches that indicate the willingness of the international donor community to

provide support over long periods, might prove more effective. But, they are new and it is too early to pass judgment on them.

Fourth, unfunded programs are of course destined to fail. It is critical, therefore, to provide adequate funding to support developing countries' efforts to reach the MDGs and the related development targets. But, unfortunately, the Bank and Fund have focused on the need to ramp up ODA. To some extent this is understandable given that some high-income countries are currently well below the UN ODA target of 0.7 percent of Gross National Income, and will continue to be so even after the announcements they made at the time of the Monterrey conference to increase significantly their ODA.

This said, the estimates for annual incremental ODA that is needed to reach the MDGs tend to vary and the range for these estimates is very wide casting doubt about the accuracy of such estimates. It would be important to get a better fix on cost estimates, identify all potential sources of finance, and then estimate the needed ODA increase to finance the gap. Just as with the HIPC, numbers that are made public could develop their own momentum and increase public pressure on donors and the international financial institutions to fund programs even in the absence of a good policy environment and adequate absorptive capacity.

In our view, a main source of financing that needs to be considered and pursued, is **trade**. It is worth noting that public support to agriculture in OECD countries is six times their current ODA levels, and that full liberalization of trade in goods could reduce poverty by 300 million people by 2015. Such actions by the developed countries would contribute significantly towards helping developing countries achieve the MDGs. For developing countries to take advantage of the opportunities resulting from better access to industrial markets, they will need to strengthen their trade-related institutions and infrastructure, including roads, transport and telecommunications. Therefore, developing countries access to industrial countries' markets will more likely accelerate the reform effort, encourage the flow of FDI to push growth above current projections, and generate employment.

As we have long stated and recently substantiated by the Bank's Chief Economist, agricultural subsidies in high-income countries and market restrictions benefit a small number of farmers in these countries, affect consumers adversely through higher food prices, and divert substantial public resources away from more efficient utilization. *The high income countries have recently missed a great opportunity to reform their agricultural sector and to help in a tangible way developing countries to reach the MDGs, by failing to reach an agreement on farm support and market openings.*

I want to make one last comment on scaling up. The report seems to promote EFA Fast Track Initiative as a model for scaling up in other service-delivery areas such as health, nutrition and water and sanitation. Experience with the EFA FTI model is only recent and the lessons are still being studied. It is therefore, too early to replicate

this model in other service-delivery areas. In fact, this model might not necessarily be the best approach for health and water.

I welcome the discussion of **“Enhancing the Voice and Participation of Developing and Transition Countries”** in the World Bank and the IMF. This can only enrich the dialogue among and between all the shareholders of the two institutions and, in the process, improve the quality and ownership of development programs.

In this context we note the efforts to build capacity at both the country level and in the Boards of the two institutions which can be implemented without amendments to the Articles. We support the measures adopted by the Boards of both institutions to implement short-term measures to enhance staffing capacity of the largest multi constituencies representing Africa and encourage the two Boards to continue to address further possible enhancements.

We also note the broader ideas that have been suggested. We believe, from past experience, that options to change the size and composition of the two Boards and of the Development Committee as well as issues pertaining to voting strength are more difficult and need much further consideration before a consensus can be achieved. We look forward to participating in these discussions with an open mind.