



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
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Statement by

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Deputy Chairman of the Government of the Russian Federation,
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**to the Joint Ministerial Committee of the Boards of Governors
of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries
(Development Committee)**

Washington, D.C., April 13, 2003

Millennium development goals

1. Progress and Next Steps

International efforts to meet the MDGs and progress to date draw our attention both to specific sectoral goals and to some fundamental development issues.

In general, we share the World Bank's holistic approach to development. This approach is what puts the Bank at the cutting edge of development theory and practice. We also believe that social progress is not possible without economic growth, which is a powerful catalyst of social modernization. Hence we support the traditional emphasis of the IFIs on promoting sustainable long term growth based on macroeconomic stability and structural reforms. Successes of some countries and even regions of the world that achieved remarkable progress in poverty alleviation through sustained rapid growth bear witness to the validity of this view.

Yet global development record remains mixed. Some countries and regions continue to lag behind while their social situation stagnates or deteriorates. This naturally draws the attention of the international community to the problems of health, education, social infrastructure, disease control and other specific social challenges facing the poorer countries. These concerns have translated into the International Development Goals and later the Millennium Development Goals, and a host of related international initiatives in specific sectors. Increased attention to tangible and measurable results and special emphasis on the issues of governance and efficiency have led to a much better understanding and more detailed knowledge about social situation in the developing countries.

Nevertheless, we should be mindful of the side effects of putting the emphasis exclusively on the MDGs. Additional international efforts in a limited number of sectors could hardly be sufficient to resolve the social problems. Both the history and theory of development unequivocally demonstrate that social policies can only be effective and sustainable if they are resting on the foundation of solid economic growth. Therefore, the leading role of growth, which has been somewhat sidelined in our recent discussions, must be once again underscored and upheld.

Paying attention to international goals, we at the same time should avoid the risk of diluting the emphasis on country ownership and support for national priorities. By their very nature,

international goals are aggregates that do not necessarily reflect complex reality and specific challenges of a particular country. They call for concentrating additional donor resources in a handful of sectors or even sub-sectors, potentially increasing the risk of unbalancing overall development efforts.

It is also important to remember that today's MDG-related international initiatives are just the latest in a long succession of attempts to focus international development assistance on a particular sector or group of sectors. It could be instructive to study such past experience, if only to put the new proposals into proper perspective. The documents presented to the Development Committee seem to indicate that practical results of these past initiatives have tended to fall short of original expectations – largely due to their simplistic approach that ignored the complex realities and multidimensionality of development.

The key conclusion of the presented background reports is that the MDGs in the three leading areas are unlikely to be met if economic growth rates remain unchanged. To overcome the problem, estimated additional resource requirements are in the order of 35 to 65 billion dollars, of which 20 to 39 billion dollars would have to come from additional external aid. We find it unlikely that such resources could be mobilized at this time.

One way to overcome this contradiction would be to revise the underlying paradigm of development, the model that treats economic growth as an exogenous variable. The key question we should be asking is how developing countries can achieve and maintain rapid economic growth. Traditional methods of fostering growth may not be fully exploited. We believe that a renewed attention to the growth agenda may decrease the resource requirements for achieving the MDGs.

What should be the next steps? We believe that two areas are key:

In achieving the MDGs, tangible results on the ground should be emphasized over uniform coverage and cross-country comparability of indicators. In this vein ***we support the approach adopted in the EFA initiative*** - i.e., focusing donor resources on the countries with proven commitment and track record of using these resources effectively. Any automatic expansion of aid without due regard to commitment and tangible results would be a waste of resources.

We also support the Bank's drive to simplify its operational policies and procedures that would facilitate access to its resources – provided of course that this simplification would not undermine the emphasis on results and efficient resource management. We welcome the multi-sector perspective being developed in the Bank and agree that the idea of "service-delivery teams" deserves exploration and pilot implementation.

As for the overall development paradigm, we hope that the emphasis on the social goals reflected in the MDGs will not unbalance the Bank's approach to development. Although it has become fashionable to talk about the limitations of the "Washington consensus", the overwhelming majority of countries have come to recognize macroeconomic stability as a necessary prerequisite for sustainable growth and social development. At the same time the expectations that the private sector would take over infrastructure investment have not fully materialized. This is an opportunity for the Bank to step in and offer its traditional and new lending instruments designed to address specific development bottlenecks.

In this context stepping up investment in infrastructure could become an important vehicle of Bank's contribution to international development, since infrastructure plays a key role in fostering good investment climate, improving national competitiveness and addressing social problems.

We support the Bank's Management who recognized this problem and proposed an action plan to revive infrastructure lending. We also support the proposed study of the relationship between investment climate and investment flows on the one hand, and trends in social indicators – including the MDG indicators – on the other. It would also be useful to conduct a similar study on the links between social indicators, infrastructure and competitiveness, which is of special importance in the era of globalization.

We would particularly welcome a discussion of the interrelationships between infrastructure investments, economic growth and social development indicators at the next DC meeting. The Bank would be well placed to prepare a report on the subject, which could include, inter alia, the analysis of historic trends in Bank's financing of infrastructure and the necessary next steps in this regard.

2. Monitoring arrangements

We support the idea of creating a framework for monitoring global development situation and prospects of achieving the Millennium Development Goals (MDGs). Reports prepared by the Bank and the Fund on the basis of such monitoring could help focus the Committee's attention on the critical problems – and on the practical steps required to resolve them. This in turn could enhance the relevance and effectiveness of the Committee.

To be truly useful, such status reports would need to meet rigorous quality criteria, the most important of which are impartiality, frankness, and timeliness in analyzing both positive and negative trends and events. For example, these reports should identify countries where social and economic problems are deteriorating, clearly indicating key factors behind such deterioration, be it external shocks or policy failures. Special attention should be paid to trends in environment for private sector development and for attracting foreign investment. Reports should also examine developments in the trade policy of the industrial countries, and the extent to which these policies conform to the Monterrey declarations. By the same token, reports should also include candid assessment of the IFI activities and their role in the client countries.

While welcoming the Bank's and Fund's participation in MDG-related monitoring, we also believe that the preparation of reports by itself cannot change world realities. Given the Bank's mission and comparative advantage, its main contribution to achieving the MDGs should consist in stepping up its activities in developing countries and increasing effectiveness of its operations, which is impossible without candid ongoing dialogue with borrowing governments.

In this respect the shortcomings of existing monitoring tools and indicators is a serious limitation. For example, Country Policy and Institutional Assessments are the basis of allocating IDA resources among the borrowing countries, yet the reliability and transparency of these assessments need serious improvement.

Similar questions may be raised with respect to the reliability of indicators based on surveys and opinion polls rather than on national statistical data. Survey results are often biased by perceptions and personal views of respondents, and the use of such information without the necessary caveats and explanations may bias the overall approach and complicate country dialogue and development assistance.

We are sure that the Bank will not to pursue monitoring at the expense of its core activities – promoting economic growth and fostering social development. We would also like to see a balanced approach to including the MDGs in the Bank’s operations. Linking each and every Bank program and operation to the MDGs could cause serious practical problems, for example by introducing additional bureaucratic hurdles, lengthening project preparation and increasing costs. In addition, developing countries often have to concentrate on resolving urgent development and social problems, so that their relationship with the IFIs may face a real trade-off between country ownership and focus on longer term MDGs.

Enhancing the Voice and Participation of Development and Transition Countries

We support the idea of enhancing the voice and participation of developing and transition countries in decision making by the Bretton Woods institutions. If the Bank and the Fund are to make an impact on the quality of life in these countries, their activities must be client-driven and client-oriented. The key lesson of development assistance to date has been that reforms imposed from abroad do not work, and do not last. “Buying” reforms is not only a waste of scarce aid resources, it may in fact discredit the very ideology of reform it seems to support. Successful development is always home grown, based on the country’s own capacity and view of priorities.

In this respect the growing emphasis on country ownership in Bank and Fund operations is welcome. The best thing that the international financial institutions can do is to assist the client countries in achieving the goals they set for themselves by providing them with the knowledge and resources required to design and implement their own economic and social programs. In our view, recent progress in this area has been quite satisfactory. In recent years both the Bank and the Fund have taken serious measures to increase their client orientation, to understand better the complex challenges confronting the developing countries and countries in transition.

The natural extension of this approach is that client countries should have real opportunities to bring their views to the attention of Bank and Fund management, their major shareholders and donors, and to protect their interests in all aspects of the activities of these institutions. The consensus culture of these institutions helps to ensure that the views of all shareholders are heard, and decisions are very rarely made by simple majority vote. In this respect we believe it would be counterproductive to try to revise the basic organizational principles of the Bretton Woods institutions. These principles have stood the test of time, and an attempt to revise them would unavoidably lead to protracted debates, legal quagmire, and in the end could probably do more harm than good. At the same time, we would support administrative steps to address emerging practical problems for particular shareholders, without triggering conflicts or calls to revise the Articles of Agreement.