



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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Washington D.C., April 30, 2001

DEVELOPMENT COMMITTEE COMMUNIQUE

1. The 63rd meeting of the Development Committee was held in Washington, D.C., on April 30, 2001 under the chairmanship of Mr. Yashwant Sinha, Minister of Finance of India. The Committee also met on April 29, 2001 in joint session with the International Monetary and Financial Committee to focus on strengthened cooperation to foster growth and fight poverty in the world's poorest countries.¹

2. Strengthening the World Bank Group's Support for Middle-Income Countries:

Ministers broadly welcomed the proposals put forward by the Bank following the work of the World Bank Group Task Force on Middle-Income Countries. They noted that combating poverty in this group of countries was essential for meeting the International Development Goals, and reemphasized the Bank Group's important role in supporting these countries' growth and poverty reduction efforts. The Committee noted that good policies, and the institutions to implement them, were at the core of successful development programs, and welcomed that an increasing number of countries were adopting this approach; that external resources were most effective when supporting such policies and institutions; and that even countries with access to international financial markets may benefit from Bank financial support since their access is often limited, volatile and restricted to short maturities. Ministers recognized that such volatility can lead to disruptions and cause substantial adverse effects on poverty levels. Ministers stressed that since in most cases the Bank Group's share of a country's overall external financing is small, its role must be selective and strategic—as a catalyst for policy and institutional change, including capacity building as well as pro-poor policies, for stable and sustainable private investment flows, and for policy and financial support from development partners in promoting sustainable and equitable growth and poverty reduction.

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Mr. James Wolfensohn, President of the World Bank; Mr. Horst Köhler, Managing Director of the International Monetary Fund, and Mr. Joseph O. Sanusi, Chairman of the Group of Twenty-four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

3. Following on their discussion of this topic at the Committee's previous meeting, Ministers reiterated the need to tailor Bank Group support to the widely differing circumstances found among this diverse set of countries. The Committee stressed that to ensure country ownership, this support must be grounded in the country's own vision of development. This should serve as the starting point for the Bank Group Country Assistance Strategy (CAS), backed by strong diagnostic and other economic and sector work. The Bank should systematize and strengthen its analysis of the country situation, including through expanding, in concert with its partners, support for local capacity building. Ministers noted the particular importance of stronger analysis on structural, social, and sectoral issues and priorities, as well as on public expenditure, procurement, and financial management systems.

4. Ministers noted the importance of a menu of lending instruments, reflecting borrowers' different needs, objectives, and track records and Bank Group comparative advantage. They stressed that lending must be based on country commitment to poverty reduction. The Committee reemphasized the continued importance of Bank investment lending, set within a sound CAS framework, as a powerful vehicle for transferring knowledge, testing and demonstrating new approaches, building government capacity and supporting the provision of needed social services and infrastructure. Ministers welcomed the improving quality and developmental focus of adjustment lending. They stressed that its envisaged more systematic use must be matched by commitment to policy and institutional reforms or a proven track record. It must also be underpinned by adequate country policies and fiduciary systems and, where needed, action to strengthen them. In this regard they stressed the importance of strong capacity for managing and accounting for public expenditures. They called for a more transparent and systematic approach to the monitoring and forecasting of the mix of overall IBRD lending—as between investment and adjustment lending—to complement the CAS process. They also discussed the proposed deferred drawdown option and its potential value for a group of reforming countries which is likely to be small in number, and encouraged the Bank to complete the work needed to finalize the proposal for consideration by Executive Directors.

5. Ministers urged the Bank to translate its proposals into specific actions for strengthening the Group's analytic and financial support for middle-income countries. They emphasized that the Bank must be highly selective in what it does, drawing increasingly on analyses by other development partners and by the countries themselves, and looking to development partners to take the lead in supporting reforms in particular sectors where they have a comparative advantage. They attached particular importance to the Bank and Fund using these proposals as an element in enhanced cooperation at the country level.

6. Harmonization of Operational Policies and Procedures: Ministers stressed the importance of harmonizing operational policies and procedures by the Bank, other MDBs and bilateral aid donors, with the objective of enhancing development effectiveness, increasing efficiency, and reducing administrative burdens and costs on recipient governments. The Committee stressed the need to move more rapidly, while maintaining appropriate standards, to harmonize aid management arrangements, in particular to help low-income countries implement their PRSPs. Ministers noted that harmonization in individual country programs provides a pragmatic approach that can lead to early action, and encouraged all development partners to rely increasingly on the borrower government's own planning and budgetary processes, helping to

strengthen these systems and processes where needed. Ministers urged them to work with developing countries to develop common good-practice approaches for procurement, financial management, and environmental assessments. They stressed that such approaches would provide a good basis for fostering capacity-building by guiding action plans designed to help countries address country priorities. They encouraged the World Bank and its partners—including other MDBs and the OECD/DAC Working Group on Harmonization—to work together to develop an overall framework (including time-bound action plans) to help guide and coordinate future work in this area. The Committee looked forward to receiving a report from the Bank on progress against an action plan of specific changes to its own procedures to facilitate harmonization.

7. Global Public Goods: The Committee welcomed the Bank’s progress in supporting global public goods in the areas endorsed by the Committee at its last meeting—i.e., communicable disease, trade integration, financial stability, knowledge and environmental commons. The Committee welcomed the Bank’s commitment to anchor its global public goods activities in its core business and country work, to remain selective and focused in each of these areas, to consolidate its cooperation and division of labor with other international partners, and to carry out further analytical work with its development partners on the financing arrangements and governance required for support of global public goods, including cautiously exploring a possible role for IDA grants.

8. Leveraging Trade for Development—World Bank Role: Ministers reemphasized the critical importance of trade for economic growth and poverty reduction and the important role the Bank, in collaboration with its partners, can play in helping developing countries to increase their ability to access global markets. In this context, they welcomed recent initiatives taken by a number of countries. The Committee broadly endorsed the global, regional and national level work program set forth in the Bank’s paper prepared for this meeting, including, most importantly, expanded activities at the country level which would increasingly be highlighted in the Bank Country Assistance Strategies. This would include support for countries to address trade issues in their PRSPs. The Committee agreed on the particular significance of focusing on “behind the border” issues—such as investment regulations, obstacles to efficient transport of goods and materials, standards and technical regulations, telecommunications, and business services—to ensure that countries are able to take full advantage of the opportunities presented by globalization. In response to the need to increase the capacity of the poorest nations to participate more effectively in the international trading system, the Committee urged the Bank to work together with its partners to achieve maximum benefits from the recently strengthened Integrated Framework for Trade Related Assistance for the Least Developed Countries. In this context the Committee welcomed efforts to untie aid, including the recent ad referendum decision by OECD donors to untie their aid to the Least Developed Countries.

9. HIV/AIDS: Ministers welcomed the rapid growth of global attention to HIV/AIDS in the year since the Committee had described the epidemic as a grave threat to development progress in many areas of the world, especially in Africa. They noted with great concern, however, the still unchecked spread of HIV/AIDS, the growing evidence of its devastating toll, and the continuing need for greater government leadership. Ministers urged that the new commitment reflected by many leaders of developing and developed countries be converted quickly into

coordinated and focused international action for prevention, education and comprehensive care, including broader access to treatment. The Committee urged that the epidemic be addressed on a multi-sector basis, including a focus on HIV/AIDS in development policies and assistance to governments in health and other sectors. In particular, Ministers suggested that World Bank Country Assistance Strategies analyze the impact of HIV/AIDS and indicate appropriate responses, working with partners in the context of each country's national HIV/AIDS strategy. The Committee expressed its appreciation for the actions taken thus far by the Bank to implement the strategy that Ministers had reviewed a year ago, and encouraged the Bank to work with its partners to continue expanding efforts in all geographic regions. The Committee also urged the Bank and the United Nations to play an active role as a facilitator of the improved links between the pharmaceutical industry and developing countries in support of AIDS-related programs. The Committee also recognized the need for a substantial increase in global resources for HIV/AIDS-related analysis, research and action programs; a portion of such increased funding might be channeled through a possible new multilateral trust fund for AIDS, malaria and TB. The Committee also called on participants in the June 2001 UN General Assembly Special Session on HIV/AIDS to make concrete commitments that would produce a rapid intensification of global action on HIV/AIDS.

10. International Financial Architecture: Ministers welcomed the continuing contributions of the Bank and the Fund, in partnership with other groups, in strengthening the international financial architecture and helping countries build the capacity required to participate in, and benefit from, the global financial system. The joint Bank-Fund Financial Sector Assessment Program and Bank-Fund collaboration on the Reports on Observance of Standards and Codes have established a valuable framework for helping countries strengthen their financial and economic systems. The Committee welcomed the Bank-Fund Guidelines for Public Debt Management, which would help governments build capacity to manage their debt, thereby reducing vulnerability to potential financial instability. Ministers also welcomed the Principles and Guidelines for Effective Insolvency and Creditor Rights Systems and encouraged their further development based on close consultation with borrowing countries, additional comments received, continuing work with partner institutions, and experimentation with country assessments.

11. Ministers agreed that money laundering is an issue of global concern, affecting both large and small economies. The Committee generally agreed with the recognition of the FATF 40 recommendations as the appropriate standard for combating money laundering, and that work should go forward to determine how the Recommendations could be adapted and made operational in the work of the Fund and the Bank. In this regard, the Committee noted that, to be consistent with the ROSC process, assessments should be undertaken on a uniform, cooperative and voluntary basis. The Committee urged closer collaboration by the Fund and the World Bank with the FATF and other anti-money laundering groups in reviewing standards and procedures in this area. Ministers also noted that the Bank and the Fund are already making valuable contributions through their ongoing programs to help countries strengthen their economic, financial and legal systems. They agreed that the primary responsibility for actions against money-laundering rests with the countries themselves and with specialized institutions that have a mandate and expertise in this area. The Committee observed that the main focus of the Bank, consistent with its development mandate and comparative strengths, would be on enhanced

support for capacity building and to help countries identify and put in place the policy and institutional foundations needed to reduce the risks of financial abuse.

12. **Next Meeting:** The Committee's next meeting is scheduled for October 1, 2001 in Washington, D.C. Ministers considered it might be timely at this meeting to discuss issues arising in connection with the U.N. Financing for Development event scheduled for early 2002, based in part on a continued exchange of views between their representatives at the United Nations and the Bank and the Fund. Ministers also agreed to consider, at a future meeting, the subject of education, including implementation of the Dakar commitments on Education for All.