



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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DEVELOPMENT COMMITTEE COMMUNIQUE

1. The 62nd meeting of the Development Committee was held in Prague, Czech Republic, on September 25, 2000 under its new Chairman, Mr. Yashwant Sinha, Finance Minister of India. The Committee expressed its great appreciation to Mr. Tarrin Nimmanahaeminda, Minister of Finance of Thailand, for his valuable leadership and guidance to the Committee as its Chairman during the past two years.¹

2. The Ministers' discussions took place against the background of continuing public debate about the benefits and risks of globalization. Ministers stressed that the more integrated global economy and technological gains brought about by globalization should be a great source for economic and social progress, equity and stability, but that these results are not inevitable. Ministers recognized their important responsibility to help ensure that globalization works for the benefit of all, and not just the few, and reemphasized their commitment to strengthening the Bank, the Fund and other multilateral institutions as valuable allies in this effort whose ultimate objective is global poverty reduction, in particular halving the proportion in extreme poverty by the year 2015.

3. Poverty Reduction and Global Public Goods: In considering the role the Bank might play in global public goods in areas within its mandate, Ministers noted four key criteria for Bank involvement: clear value-added to the Bank's development objectives; Bank action is needed to catalyze other resources and partnerships; a significant comparative advantage for the Bank; and an emerging international consensus that global action is required. They endorsed four areas for Bank involvement, in cooperation with relevant international organizations: facilitating international movement of goods, services and factors of production; fostering broad inclusion in the benefits of globalization and mitigating major economic and social problems, such as the transmission of disease and the consequences of conflict; preserving and protecting the environment; and creating and sharing knowledge relevant to development.

¹ Mr. James Wolfensohn, President of the World Bank; Mr. Horst Köhler, Managing Director of the International Monetary Fund, and Mr. Carlos Saito, Chairman of the Group of Twenty-four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

4. Ministers warmly endorsed the greatly expanded efforts being made by the Bank, the United Nations and other international, national and private partners, to combat communicable diseases, such as HIV/AIDS, malaria and tuberculosis. Ministers noted the progress made since the April meeting of the Committee, and were encouraged that the international consensus that AIDS and other widespread diseases created severe development problems was being turned into strengthened action. They also welcomed the commitment of International Development Association (IDA) donors to expand and make more flexible the concessional resources available for these activities, without compromising fundamental IDA allocation policies. They encouraged the Bank to press further ahead on its commitment to help turn back the global HIV/AIDS epidemic, and welcomed the recently approved \$500 million IDA program for this purpose in Africa.

5. Ministers noted the Bank's valuable role, in partnership with the Fund and other international agencies, in strengthening international financial architecture. This includes helping to develop appropriate standards and codes, taking account of the developing country perspective, in areas that are important to financial resilience and integration into the global financial system, and assisting countries to strengthen their related institutions and policies. Ministers also pointed to the importance for all nations of increased national and international efforts to combat cross-border financial abuse, such as money-laundering and other forms of abuse. They urged the Bank to expand its program of technical and advisory support as a significant contribution to greater participation by developing countries in a more open and equitable world trading system. They reiterated both the promise and the challenge of communications technology to promote equitable growth, and welcomed initiatives by the Bank to help provide greater access, in partnership with others, for poor countries and communities to the knowledge and information opportunities of the digital age.

6. Ministers recognized the need to explore further opportunities for securing appropriate financing for carefully selected priority global and regional programs with substantial impact on poverty reduction. This would require innovative use of World Bank lending and, in some cases, grant facilities, taking into account alternative sources of such funds and financial implications for the Bank, as well as of new forms of collaboration with international, bilateral, philanthropic and private partners. They stressed global public goods investments that benefited all countries should attract new resources.

7. The Committee looked forward to receiving at its next meeting a report on progress made in further delineating priority global public goods investment areas for the Bank, as well as on division of labor between development partners and the development of appropriate financing arrangements.

8. Bank Support for Country Development: Recognizing that working with individual countries remains the backbone of the Bank's business, Ministers welcomed this initial opportunity for a broad review of the World Bank Group's role and instruments in support of member countries' development, taking into account the role of the IMF and other institutions.

9. Ministers emphasized that the Bank must tailor its support to reflect widely differing country situations. To help ensure that country programs are well grounded, Ministers urged the Bank to continue to strengthen its country diagnostic and other economic and sector work. They stressed the need to focus on relevance to the country concerned, and on opportunities for greater synergy with the work of the country and other development partners. Ministers noted that this analytic work, along with capacity building, took on added importance in light of the use of programmatic adjustment lending in support of borrowers' social and structural reforms, and the vision for Bank and Fund roles and partnership set out in the September 5, 2000 Joint Statement by the President and the Managing Director.

10. Ministers emphasized the urgent need for the World Bank Group to clarify its agenda for institutional selectivity (based in part on its upcoming review of sector strategy papers), to manage carefully total demands made on Bank staff and other resources, and to work closely and systematically with other multilateral development banks and international organizations on a better coordination of responsibilities. Ministers stressed that multilateral and bilateral donors could contribute greatly to country ownership, more efficient use of resources, and achievement of the agreed International Development Goals, by making greater progress on the harmonization of their operational policies and procedures to reduce the burden on developing countries. Ministers asked the Bank to work closely with its partners and prepare a report for the Committee's next meeting on progress with harmonization.

11. Ministers welcomed the Bank's overall approach for low-income countries and its proposals for achieving greater coherence among various program documents and instruments, including basing Country Assistance Strategies on Poverty Reduction Strategy Papers. Ministers welcomed the discussion of a poverty reduction support credit that would support poverty reduction strategies of governments and complement the Fund's poverty reduction and growth facility. They suggested that in its further definition of the instrument, the Bank should also address the nature of the analytic work needed to underpin it, such as public expenditure reviews and poverty and fiduciary assessments. They also requested the Bank and the Fund to review the modalities for their cooperation in implementing both the Bank's support credit and the Fund's growth facility. Ministers stressed the importance of effective Bank/Fund coordination given the significant role the institutions play in support of poverty reduction in low-income countries.

12. Ministers reaffirmed the very important continuing role of the Bank Group in helping to reduce poverty in middle-income countries, home to so many of the world's poor. They stressed that the Group's focus must be on providing support that the private sector can not or will not provide and on fostering private-sector led economic growth. They welcomed the creation of a task force to address how the Group can best respond to the evolving development needs of this diverse group of economies. Ministers agreed that the task force should consider, *inter alia*, the modalities of conditionality and instruments to maximize the effectiveness of Bank assistance for countries at different stages of development and reform; the scope and conditions for providing borrowers more financial support for social and structural programs at times of market dislocation; the coverage of economic and sector work; and the costs of doing business with the Bank, including the implications for pricing of Bank products. Ministers looked forward to a progress report at their next meeting.

13. Heavily Indebted Poor Countries Initiative (HIPC): Ministers welcomed the progress achieved in implementing the Initiative and urged that all appropriate steps be taken to further strengthen the process. They noted that the enhancements endorsed at their meeting last year are resulting in “deeper, broader and faster” debt relief to eligible countries undertaking the economic and social reforms needed to reduce poverty. They noted in particular that to date, ten countries have reached their decision point under the enhanced framework, and work is being accelerated within that framework to try to reach the goal of bringing twenty countries to this point by the end of the year. This is expected to result in combined debt service relief (including original and enhanced HIPC assistance) amounting to well over \$30 billion. Taken together with traditional debt relief mechanisms, a total of about \$50 billion will be provided to these countries.

14. Ministers also welcomed the increased efforts to improve implementation of the Initiative. They asked that the Bank and the Fund continue to work with other creditors and eligible countries to ensure that the modifications to the original HIPC framework (reflected in the enhanced Initiative endorsed a year ago), such as the provision of interim assistance beginning at the decision point and adoption of a floating completion point, provide the much needed support to qualifying countries on a timely basis. Ministers expressed support for the strengthened partnership between the two institutions in implementing the Initiative, and for their commitment to move forward as expeditiously as possible. It was recognized, however, that the pace of implementation would also be determined by country factors. Ministers supported maintaining a flexible approach with respect to track record requirements. They endorsed the extension of the “sunset clause” until end-2002 to allow additional countries, particularly those emerging from conflict, to participate in the Initiative. Ministers also reiterated that within the existing HIPC framework the option exists, at the completion point, to reconsider the amount of debt relief for countries seriously affected by exceptional adverse shocks.

15. Ministers stressed the importance of fully financing the enhanced HIPC Initiative, without compromising concessional facilities such as IDA. They urged all donors to meet their commitments of financial support, and welcomed the arrangements in place to accomplish this objective. While recognizing the special needs of particular developing and low-income transition country creditors, Ministers also urged all creditors to participate in the debt relief framework.

16. Poverty Reduction Strategy Papers: Ministers reviewed progress with respect to the Poverty Reduction Strategy approach, endorsed at their September 1999 meeting as a way to strengthen the link between poverty reduction, HIPC debt relief and Bank and Fund concessional lending. They noted the growing momentum in the adoption of the approach and the positive response to it on the part of countries and development partners. Ministers recognized the challenges countries faced due, *inter alia*, to limited data and institutional capacity, but urged movement from interim to full poverty reduction strategy papers on a timely basis. While strongly reiterating the core principle of country ownership, Ministers called on the Bank, the Fund and other agencies to provide appropriate technical support for countries’ strategy preparation efforts.

17. Comprehensive Development Framework: Ministers expressed support for the comprehensive approach to development reflected in the framework and welcomed the progress being made, and the lessons learned, in implementing it in pilot countries. They recognized that implementation is still at an early stage and many country-specific challenges remain, but noted that a wider application of the framework is already taking place in the preparation of Poverty Reduction Strategy Papers which are based on the framework's principles, particularly that of achieving strong country ownership. They looked forward to reports of further progress in implementing the comprehensive development framework.

18. IBRD Financial Capacity: Ministers reviewed the World Bank's updated report on this subject and confirmed that the Bank's finances remained sound. At the same time, Ministers recognized that the Bank's financial capacity may, in the case of significantly increased demand, limit its ability to respond. Ministers requested management and the Executive Board to keep this subject under review, including the level of Bank reserves.

19. Bank/Fund Staff: Ministers took this opportunity to express, on behalf of all member governments, their appreciation to Fund and Bank staff for their continued hard work and high level of dedicated service for the goals of the Bretton Woods Institutions.

20. Note of Appreciation: Ministers expressed their deep gratitude for the warm hospitality and support provided by the Czech authorities and the people of the Czech Republic.

21. Next Meeting: The Committee's next meeting is scheduled for April 30, 2001 in Washington, D.C.