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MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **JOSE ISIDRO N. CAMACHO**,
Governor of the Bank for the **PHILIPPINES**,
at the Joint Annual Discussion

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We once more come together as member countries of the IBRD to look at how far we have all moved towards the goal of eradicating poverty within our midst. In March in Monterrey, the consensus recognized that development is a complicated process which requires much more than inflows of foreign aid. Growth and development will come with much hard work along with foreign aid and will thrive in an environment where good governance reigns.

The Bank's approach to poverty reduction is premised on the paramount importance of ownership and a quality consultative process. This is noteworthy and cannot be overemphasized enough. Poverty reduction strategies, whether for low income countries which are more dependent on foreign aid, or for middle income countries which have more available financing options, need to be country-driven, not externally imposed; results-oriented with accountability measures; comprehensive and long-term in perspective; and more importantly, attuned to the unique political realities and cultural sensitivities in the borrowing countries.

Yet there is still so much to be done. Not all our countries have the capacity to formulate their own national poverty strategies. In these countries, the Bank would need to focus strongly on building capacity. This action has to be assessed carefully on what the country needs to develop healthy sustainable institutions of governance, and not

chiefly to impose an external model which worked elsewhere. We already have lessons learned on what has worked and what has not. The more difficult challenge for each country and for the Bank is discerning the mix of policies which will work consistently and over time.

We would like the Bank to review its policies on disbursement procedures, procurement and consultancy services and be aware that at the ground level, several constraints and delays happen due to these policies and procedures which hamper project implementation. On disbursement procedures, we would like the Bank to review its policy on requiring borrowing countries to advance cash disbursements before the Bank reimburses through the presentation of Statement of Expenditure. Many poor countries cannot and do not have the financial resources to make cash advances. If we have the financial resources, we would not have to borrow. Procurement procedures for goods and services should be revisited. Distinction should be made as to the amount and the type of project being funded.

Where we would like to see a stronger Bank presence is in moving forward the agenda for the harmonization of operational policies, procedures, and practices of donor agencies. In April 2001, Ministers at the Development Committee “encouraged development partners to rely increasingly on borrower government’s own planning and budgetary processes, while maintaining appropriate standards, and to help strengthen these systems and processes where needed”.

We are glad to note that progress has been made on the harmonization agenda. We need to emphasize, however, that the Bank and the other development partners should not forget that borrower governments have a stake in pursuing intensified harmonization of policies, operations, and procedures governing development assistance. We look at harmonization with the end objective of eliminating front-loading of financial requirements, reducing transaction costs, and minimizing human resource demands on borrowers. Standardization of development assistance lends itself well to rational planning, to more transparent government systems and procedures, and to improved public finance management.

The Argentine crisis, and its resulting adverse effect on other Latin American countries highlight a concern regarding indebtedness of middle income countries. These countries which have more access to market financing options are also more vulnerable to the fickleness of market perceptions. We would like to see more proactive support from the World Bank and the IMF on debt management in middle income countries to guard against the onset of a crisis in the proportion of that of Argentina.

The Philippines stands staunchly in support of present international actions to combat money laundering and the financing of terrorism. We welcome the role of the IMF and the World Bank in line with their respective mandates and core areas of expertise. However, they should not be involved in law enforcement issues. Furthermore, we would like to see more representation of developing countries in the Financial Action Task Force (FATF).

Late last year, the Philippines passed a law on anti-money laundering. The Anti-money Laundering Council has been established and is now operationalizing the law. In addition, the Executive Branch has submitted to the Philippine Congress an Anti-Terrorism and Anti-Terrorist Financing Bill. We have also taken a series of strong measures to directly address issues on terrorism. We have signed the UN Convention on Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime. The latter has already been ratified by our Senate.

We deeply appreciate the Bank's engagement in areas of development. The World Bank's mission is poverty alleviation and the myriad ways and strategies by which it tries to achieve its mission have lasting imprints in the developing world. The Bank is in an enviable position and has the comparative advantage in pushing the poverty reduction agenda. We encourage the Bank to continue with this daunting task.