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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Report to the Boards of Governors of the Fund and the Bank
by the Hon. **TREVOR MANUEL**,
Chairman of the Joint Ministerial Committee of the
Boards of Governors on the Transfer of Real Resources to
Developing Countries (Development Committee),
at the Joint Annual Discussion

**Report to the Boards of Governors of the Fund and the Bank by the Hon. Trevor Manuel, Chairman of the Joint Ministerial Committee of the Boards of Governors on the Transfer of Real Resources to Developing Countries (Development Committee), at the Joint Annual Discussion**

Mr. Chairman, Mr. de Rato, Mr. Wolfensohn, Governors, ladies and gentlemen: as Chairman of the Development Committee, I am pleased to report to you on the Committee's work during the two meetings held in 2004.

When I last reported to you in Dubai, I advised you that the central focus of our meetings had been the implementation of the strategies, partnerships and actions agreed in Monterrey and Johannesburg to achieve the Millennium Development Goals. The partnership set out in Monterrey identified the clear need for strengthened efforts by both developed and developing countries, as well as international institutions. For developing countries, three areas in particular were emphasized: improving the environment for investment and private sector activity, strengthening governance, including public financial management and increasing human capital through broader and more effective delivery of basic services to the poor. For developed countries, increased market access, debt relief and increases in the volume, predictability and effectiveness of aid were highlighted.

We have continued to focus on these same critical issues during the last year.

At the Committee's Spring meeting, we reviewed the first *Global Monitoring Report* prepared, at our request, by the staff of the Bank and the Fund to assess progress on the policies and actions needed to achieve the MDGs. Despite progress on many fronts, including significant reforms undertaken by developing countries and important gains in reducing income poverty, it is not adequate. We are concerned that, based on current trends, most Millennium Development Goals will not be met by most developing countries, particularly in sub-Saharan Africa.

Progress in the reform effort in many developing countries has been demonstrated not only in the reduced levels of global poverty – but also in the strong growth being witnessed in the global economy today. This has had a direct and positive effect on the capacity of these countries to carry out country-led efforts to reduce poverty. At the same time, we are mindful that not all developing countries have benefited from this rise in global growth and that further efforts are required to spread the opportunities for private sector-led growth.

In that regard, we have stressed the importance of a successful conclusion of the Doha Development Agenda. We noted with satisfaction the many positive signs emerging from Geneva and elsewhere. The challenge is now to seize the opportunity to turn the recently agreed frameworks into tangible results.

To take advantage of new opportunities, we have to help developing countries strenghtening their capacity to compete. This means in addition to improved trade access and support to address potential adjustment costs, helping them to strengthen their investment climates. We have welcomed the renewed focus in the Bank being given to private sector development and urged an intensification of work on potential sources of growth and ways to mobilize them.

Strengthening the foundations for growth also depends critically on addressing the large infrastructure needs in many countries. We have considered progress on the Bank Group's Infrastructure Action Plan and called for an acceleration in support of country efforts, including at the regional level.

These and other actions required to lay the basis for sustained stronger growth are critical to our ability to achieve the MDGs, as is the progress in providing effective health systems, education for all and other basic social services. Regrettably, reform efforts in many developing countries continue to suffer from a lack of adequate funding. We are on the verge of missing the first MDG next year which is to achieve gender equality in primary education. We have called urgently on donor countries to respond to this initiative and provide the necessary financial support. The world cannot allow any more generations of children to have their lives wasted.

As we stated in Monterrey, sound policies by developing countries must be supported by adequate and appropriate financing. Ensuring this and enhancing aid absorptive capacity through policy and institutional reforms is critical to the virtuous cycle of actions needed to meet the MDGs. We urged all countries, without delay, to take specific steps to meet their commitments to provide additional aid resources by 2006.

We have also examined a report by the Bank and the Fund on innovative mechanisms that could provide additional financial support – including an International Finance Facility, global taxes and voluntary contributions. In considering these options, we agreed on the need to ensure additional resources and that too little resources are currently available. We also acknowledged the flexibility that could be achieved through the use of variable geometry in the implementation of new financing options. We have asked the Bretton Woods Institutions to continue their work and to report back to us at our next meeting on how to take such options forward.

While welcoming the broad agreement within the international community to harmonize and align support behind country-owned policies, we recognize that further concrete actions are required to turn this into clear and specific commitments and timetables. We have urged that the Second High Level Forum on Harmonization in Paris next Spring agree to indicators and benchmarks. At the same time, while welcoming progress on implementing the Poverty Reduction Strategy, we called for further efforts to address remaining challenges and have called for a review of efforts by the Bank and the Fund to streamline their aggregate conditionality.

The Committee has reviewed progress under the HIPC initiative. We have reconfirmed our commitment to its implementation and full financing, and agreed to extend its sunset clause for another two years. The achievement of long-term debt sustainability is an essential underpinning for growth. We have welcomed the development of a forward-looking debt sustainability framework to help low-income countries manage their borrowings and avoid a buildup of unsustainable debt, while pursuing the MDGs. We have asked the Bank and the Fund to complete the remaining work on making this new framework operational as soon as possible. At the same time, we have also called on staff to accelerate their work on ways to help reduce the vulnerability of these countries to exogenous shocks.

Finally, as called for at Monterrey, we have continued our discussion of innovative and pragmatic ways to enhance the voice and effective participation of developing and transition countries in the work and decision making of the Bank and the Fund. As I have said before, there is no single approach to accomplish this, but rather action is required over time across a range of issues. Some progress has been made.

However, as to the most challenging issues of quotas, voting structure and composition of the Boards, it is recognized that these will require time and effort to arrive at the necessary political consensus. We are committed to continue our efforts on these matters. We have asked the Boards to provide us with a report regarding the feasibility of a number of options, so that we might address the necessary political decisions at our next meeting.

Thank you, Mr. Chairman.