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Statement by the Hon. **HILDE FRAFJORD JOHNSON**,
Governor of the Bank for **NORWAY**,
on behalf of the Bank Nordic Countries
at the Joint Annual Discussion

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Governor of the Bank for Norway,
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I am honoured to be addressing the 2005 Joint Annual Meetings on behalf of Denmark, Finland, Iceland, Sweden, and Norway. Let me begin by thanking the US authorities for once again hosting the Annual Meetings here in Washington D.C.

One of the great heroes of our host country, Abraham Lincoln, has said that
“You cannot escape the responsibility of tomorrow by evading it today.”

It is the “responsibility of tomorrow” that must guide our actions today.

I am talking about the responsibility to improve the lives of the millions who spend every day in a state of misery incomprehensible to you and me.

I am talking about keeping our word, delivering on our promises, translating pledges into progress – for those who need it the most.

I am talking about staying on track for the MDG deadline, now only ten short years away.

We have just concluded the UN summit in New York, and we welcome the progress made. However, I think we must all agree that the outcome gave us considerably less than we had hoped for.

The Nordic-Baltic constituency fully endorses the international partnership for development, building on the Monterrey Consensus and the Millennium Development Goals (MDGs). The UN summit and our meetings this weekend clearly show that MDG progress depends on continuing and strengthening our global partnership. Sound national policies and good development strategies are crucial, but not enough. Policies and strategies must be reinforced by the successful conclusion of a development-focused Doha round, adequate levels of development assistance, and targeted debt relief.

This means we are all responsible, all equally involved – or not involved. Because the danger is this: when everybody is responsible, this can mean that nobody really is. It can mean that when 2015 comes around, we will have to look back and admit that we evaded our responsibility. It can mean that we failed to meet the most significant challenge of our generation.

It is up to us to prevent this from happening – right now.

We know very well what has to be done. MDG assessments show us where the problems are greatest. Africa comes last – on every count. Women and children are still the losers in the global prosperity game.

This means we must intensify our efforts to give assistance where it is most desperately needed. Africa and the poorest countries must be a priority. This is not happening today. Much of global ODA is going elsewhere – to those who are better off. This must change. And we must ensure that the support we give to Africa and to the poorest is based on additionality, and that it delivers to those who need it most.

The Nordic countries welcome the World Bank's Africa Action Plan. Many of Africa's leaders are making renewed efforts to advance the continent. We applaud their initiatives and stand ready to support them. Because Africa **is** making progress – just not fast enough.

The picture is complicated. Armed conflicts, HIV/AIDS and governance problems are posing challenges that can seem insurmountable. Africa's leaders cannot meet these challenges without assistance. But with sound leadership on the inside, and solid support on the outside, I know that this continent – the continent where I grew up – will be able to take great strides over the next decade. The commitments of the G8 and other donors will lead to an increase in ODA to Africa of around 25 billion dollars a year by 2010, more than double the aid for 2004.

We urge the Bank, in partnership with the Fund, to act swiftly and concertedly on the recommendations in the Africa Action Plan. Including measures to increase net transfers. Following the sound reviews of conditionality and poverty reduction strategies, as well as the discussions on aid for trade, the Bank must act quickly, so that the recommendations of this annual meeting, and the results of the Development Committee discussions, can be put into practice at once.

The Nordic countries remain convinced that the most credible, reliable and durable approach to financing the funding gap for the MDGs would be to make faster progress in increasing aid budgets and raising ODA towards the UN target of 0.7 per cent of gross national income. Therefore we welcome the renewed firm and time-bound commitment by many developed countries to reach this target. We urge those donors that have not yet done so to make concrete pledges towards this target.

In addition to providing aid, we need to better integrate low-income countries in the world economy. We must enable them to sustain and accelerate economic growth. We must ensure that trade becomes a vehicle for growth and poverty reduction. We welcome the efforts of the World Bank towards this end. The Nordic countries stand ready to deliver on the development promise of the Doha Ministerial Declaration. We are willing to make Doha a 'Round for Free' for the poorest countries. And we recognise that the link between trade and development is not automatic: developing countries need our support to overcome supply-side constraints on their participation in international markets.

The Nordic countries continue to be strong supporters of debt relief and the HIPC initiative. But it has become increasingly obvious that we need to go beyond the HIPC initiative if debt sustainability is to be achieved. The Debt Sustainability Framework is very important, as it focuses on prudent future borrowing *and* lending. In addition we need a debt relief proposal that can reduce the debt burden *now*. This is why the Nordic countries welcome and support the G8

initiative for multilateral debt cancellation to poor countries. The fact that the global fight against poverty is now at the top of the G8 agenda is very promising.

The Nordic countries are pleased about the statement in the G8 proposal that donors will provide additional contributions to the IDA and the AfDF. Without this compensation, which ensures an increase in net transfers to poor countries, the proposal will undermine multilateral development co-operation and will not bring in additional resources.

We will hold the G8 countries accountable. We will also assist wherever we can in hammering out a debt relief deal that follows the principles of the G8 proposal. While we assume that the G8 countries will deliver on their promises of compensation, we want to stress the need for up-front payments or binding commitments.

Let me remind everyone that the IDA was promised full compensation for the cost of HIPC. But IDA 14 ended up with a gap of around 50 million dollars, money that is desperately needed for reaching the MDGs. On a purely exceptional basis, Norway has decided to pick up this bill. The IDA should not be punished because of broken promises.

In the process of finalising the design of the multilateral debt relief, the Nordic countries will give full attention to the issue of compensation to the IDA and AfDF and the question of additionality. We believe the success of the proposal depends on the G8 communiqué being followed to the letter – and especially in these two key areas.

We must ensure that IDA has robust financial capacity and viability, otherwise we risk undermining its role in helping developing countries reach the MDGs. We must ensure full donor compensation to the IDA for lost reflows due to debt relief. This compensation must come in addition to donors' regular contributions to the IDA. We think the World Bank idea of benchmarking would help safeguard the compensation. As already said we do of course assume that the G8 deliver on their promises, and I can assure you that the Nordic countries will do their part.

We fully support the G8's emphasis on good governance, accountability and transparency for securing the full benefit of debt cancellation. But further debt relief should not mean conditionality beyond what is required under the HIPC initiative and existing IDA arrangements.

The debt relief proposal could have far-reaching implications for the Bretton Woods institutions. However, if all parts of the proposal are coherently implemented, the institutions will be able to take a firmer stand in the global fight against poverty. Poverty eradication through pro-poor economic growth, social inclusion and empowerment will continue to be the overarching objective of all Bank operations. The Bank is in a unique position to combine financing with policy advice. Its global role must be safeguarded and strengthened.

Now we need to find a mechanism for monitoring the compensation to the IFIs and the follow-up of the G8 proposal. We need a broader approach to make sure everyone brings in new money in response to new promises. Recycling will not do. We need fresh funds and firm commitments. We need to trust – but we also need to verify. We need benchmarking and tracking mechanisms.

The poor are waiting for us to deliver. They do not want hot air and heady debates. They want evidence that all of us will pay what we have promised – without delay.

The poor are tired of rhetoric, resolutions and reports. They want a better life, a new chance, a way out.

The World Bank and the donor countries can and must help.

The past year has been a good one in terms of promises and pledges. But, to quote Kofi Annan, *“Pledges are good, but cash is better.”*

The poor have seen too many promises come and go, leaving very little behind them. They have become accustomed to expecting little and receiving less. It is up to us to show them that the promises we made this time are different, that our commitments stand firm, that we are shouldering the responsibility of tomorrow, together.

We can, we must, and we will.