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WORLD BANK GROUP

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 Bank and the Fund
by the Hon. **ALBERTO CARRASQUILLA,**
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

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Mr. Chairman, Mr. de Rato, Mr. Wolfowitz, 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 2006. On behalf of the Committee I wish to thank the authorities and people of Singapore for the excellent hospitality and facilities provided for these Annual Meetings. As under the chairmanship of my predecessor, Chairman Trevor Manuel, the main focus of our discusions has continued to be the implementation of the actions and partnerships agreed in Monterrey to meet the Millennium Development Goals (MDGs).

Progress towards the MDGs

As has become our custom, at our Spring meeting the Committee reviewed progress toward the MDGs based on the assessment presented in the third annual *Global Monitoring Report*. We focused our discussion on aid, trade and governance. We were encouraged by progress in reducing income poverty with growth in Sub-Saharan Africa exceeding 5 percent for the third consecutive year. But we also noted that progress is uneven and insufficient for many countries to meet the MDGs. We called for further actions to strengthen governance, improve the business climate, increase access to infrastructure, enhance market access and trade opportunities, and promote equity to achieve rapid, sustained, and shared growth.

Aid, Aid Effectiveness and Debt Relief

At our Fall meeting we reviewed progress in meeting the pledges made in 2005 to substantially increase the volume of official development assistance (ODA), including a doubling of aid to Africa by 2010. We stressed the importance of meeting these pledges, and delivering the increased aid in a predictable manner. We also urged those donors that have not yet done so to make concrete efforts towards the target of devoting 0.7 percent of GNI to ODA in accordance with their commitments. We were encouraged by the progress made on some innovative forms of development finance including Advance Market Commitments for vaccines, and the launch of the international Financing Facility for Immunization and the International Drug Purchase Facility. We looked forward to a successful IDA 15 replenishment next year, and urged donors to meet their commitments to make HIPC and the Multilateral Debt Relief Initiative (MDRI) additional to other aid flows. For the future we have asked the Bank to develop a framework for its role in the provision of global and regional public goods including criteria for its involvement and financing modalities.

At both our meetings we stressed the key role being played by the Education for All Fast-Track Initiative (EFA-FTI). At our Fall meeting we recognized the need to expand the initiative to larger countries and fragile states, and for further work on measurement of learning outcomes. We called for predictable and long-term funding for the initiative.

We have discussed the need to improve the effectiveness of aid as well as aid volumes. At both our meetings we called for rapid progress in implementing the commitments embodied in the Paris Declaration. At our Spring meeting, we encouraged donors to improve the quality of aid and modalities of delivery, to achieve greater predictability and stronger alignment with national strategies, to move toward multiyear commitments, and to finance recurrent costs where feasible. We noted the key role of the Bank and IMF in helping ensure that increases in aid volumes can be absorbed effectively. At our Fall meeting we noted the country-based “results and resources meetings” approach to facilitate scaling up of aid being piloted in several African countries. We urged developing countries to prepare well-defined and costed programs for using scaled-up aid.

September 2006 marks the 10th anniversary of the HIPC initiative. At our Fall meeting we noted the substantial reduction of debt stocks and the increase of poverty-reducing expenditures of the 29 HIPCs that have reached the decision point. We welcomed implementation of the MDRI by the IMF, IDA, and the African Development Fund. At both meetings we stressed the importance of the joint Bank-Fund Debt Sustainability Framework (DSF) in helping to ensure that new borrowing in post MDRI countries does not undermine their debt sustainablity. We welcomed the approach proposed to deal with “free-riding” and urged all export credit agencies, IFIs, and other official creditors to use the Bank-Fund Framework in their lending decisions.

Doha and Aid for Trade

The de facto suspension of the Doha negotiations represents a setback to progress toward achieving the MDGs. The Committee urges WTO members to provide their trade ministers with the flexibility to resume the negotiations by the end of the year. We have also stressed our commitment to expanding the funding and strengthening the mechanisms for Aid for Trade. At our Fall meeting we welcomed the recommendations of the WTO Task Forces on Aid for Trade and the Integrated Framework (IF).

Middle Income Countries

Middle-income and emerging market countries (MICs), partner countries of the IBRD, are home to 70 percent of the world's poor. Although they constitute an extremely diverse group of countries, they all face major challenges of poverty reduction and development. At our Fall meeting, we reviewed the Bank's proposals to strengthen the IBRD's value added and engagement with these countries in response to their evolving needs. We strongly endorsed the statement on the Bank's corporate role and mission in its partnership with MICs. We also noted the IMF's efforts to adapt, better focus, and enhance its engagement with emerging market countries through its Medium-Term Strategy.

We welcomed the Bank's various proposals to deliver better and more flexible services to MICs. These include proposals to reduce the cost of doing business with the Bank; to simplify loan pricing and make its products more competitive; to increase provision of fee-based expert services, unbundled from lending; to mainstream sub-national lending; and to better exploit synergies within the Bank Group. We stressed that increasing the use of country systems where mutually agreed and verifiable standards are in place is an important part of this agenda. We also called for deeper cooperation between the Bank, regional develoment banks, and other partners in their engagement with MICs. We encouraged the Bank to develop a menu of options for targeted blending of concessional donor support with multilateral development bank loans in cases of market failure or where there are affordability issues.

Clean Energy and Development

The global community faces a major challenge in securing affordable and cost-effective energy supplies to underpin economic growth and poverty reduction while preserving the environment. At our Spring meeting, the Committee recognized lack of access to energy and adaptation to climate change acute problems for many low-income countries and agreed to explore ways to help developing countries enhance their accesss to affordable, sustainable, and reliable modern energy services, with due attention to environmental considerations. We asked the Bank to review existing financial instruments and to explore the potential value of new financial instruments to accelerate investment in clean, sustainable, cost-effective and efficient energy.

At our Fall meeting, we welcomed the progress made by the Bank in developing a Clean Energy Investment Framework. We found broad support for the Bank's approach in addressing the three inter-related issues of: (i) energy for development and access to affordable energy for the poor; (ii) the transition to a low carbon economy; and (iii) adaptation. In particular, we supported the Action Plan for improved energy access in low-income countries and urged donors to provide additional funding and other assistance required. We supported further examination of the Bank's future role in the transition to a lower-carbon economy, recognizing the primary institutional responsibility of the UN Framework Convention on Climate Change. We asked the Bank, in close coordination with the GEF, to continue to work on further exploring financing options to support investment in clean energy for development. We also stressed the need to develop strategies, tools and finance to help countries meet the challenge of adaptation to increased climate variability.

Governance

At our Fall meeting we discussed and supported the Bank's engagement in governance and anticorruption work. Actions to promote good governance are crucial to successful development and poverty reduction, and helping member countries on these issues is therefore important to the Bank's mission and to achieving the MDGs. Tackling corruption effectively and firmly is a significant part of this. We recognized that governments are the key partners of the Bank in governance and anticorruption programs, while, within its mandate, the Bank should be open to involvement with a broad range of domestic institutions taking into account the specificities of each country. We also emphasized that predictability, transparency, and consistent and equal treatment across member countries are the Bank's guiding principles. In stepping up attention to governance and anticorruption in Country Assistance Strategies, we asked the Bank to further develop and use disaggregated and actionable indicators, recognizing that IDA resources will continue to be allocated through the existing system. We recognized that the Bank's strategy will evolve with implementation and in the light of experience, but there is now a framework in place for continued Bank engagement in this work and for the further consultation planned with partner countries, with the Fund and with other donors and multilaterals, with civil society, and with the private sector. We stressed the importance of continued Board oversight of the strategy as it is further developed and then implemented.

Voice and Participation

At our Fall meeting we welcomed the Managing Director's report on progress made in the reform of IMF quotas and voice. Acknowledging the measures already taken by the Bank to enhance capacity in EDs' offices and capitals of developing and transition countries, we asked the Bank to work with its shareholders to consider enhancement in voice and participation in the governance of the Bank.

Looking ahead, on all these issues the Committee will continue to review progress and take forward the discussions at our future meetings.

Thank you.