Statement by

Mr. Bert Koenders
Minister for Development Cooperation
The Netherlands

On behalf of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, the Republic of Macedonia, Moldova, Montenegro, The Netherlands, Romania and Ukraine
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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)
74th Meeting

Washington DC, 15 APRIL 2007

1. During the Development Committee meeting we will discuss at length the Global Monitoring Report and the progress made by the Bank in Africa towards achieving the Millennium Development Goals. I shall therefore touch only briefly on these two issues and focus on the other topics that in my opinion merit attention, including Voice, Fiscal Space, IMF-WB Collaboration, Governance and Anti-Corruption and Clean Energy for Development.

The Global Monitoring Report and Africa

2. The Global Monitoring Report 2007 reveals once again the importance of improved development effectiveness and adherence to the Paris Agenda. What is more, the Bank’s report on Accelerating Development Outcomes in Africa shows that the focus on eight flagship areas should be complemented with more attention to cooperation with other development agents and the integration of these flagships into joint donor support for a country’s national development strategy.

3. The Bank and the Fund should take into account not only the design of their programmes, but also their impact on development, the situation of the poor and achievement of the Millennium Development Goals. The Global Monitoring Report should not only report on developing countries’ achievements but also closely monitor the Bank’s and Fund’s effectiveness in these areas. The report ought to remind both institutions that closer harmonisation with other development agencies is nothing less than indispensable for getting results.

4. However, the Bank and the Fund cannot go it alone! The Global Monitoring Report clearly indicates that more resources are needed to achieve the Millennium Development Goals and donors will have to contribute. If they were to devote 0.7% of their GDP to ODA, activities could be scaled up and achievement of the Millennium Development Goals would be much closer than is currently the case. IDA 15 provides an excellent opportunity for countries to turn their words into deeds and for the World Bank to focus on its core business.

5. It is not only the volume of assistance that counts but also the right modality. My constituency is therefore concerned about the GMR’s conclusion that donor support is becoming increasingly fragmented, with more and more vertical funds and tied aid challenging the principle of country-led development. In this context, I would like to draw
attention to the *Education for All Fast Track Initiative* as an excellent example of an effective partnership that enables predictable, long-term funding for the achievement of the education-related Millennium Development Goals, while leaving the recipient country in the driving seat.

6. The Global Monitoring Report elaborates on the challenges of achieving the Millennium Development Goals in fragile states. The report makes a case for more flexibility in procedures, more attention to governance and a clearer division of labour with other development agents. Earlier this year, the Bank adopted a new policy that takes these requirements into account and my constituency would like to urge the Bank to integrate this policy into the Africa Action Plan and put the new procedures into practice as quickly as possible. In this respect, we will also closely monitor the Bank’s performance in the field in Southern Sudan.

7. Finally, the Global Monitoring Report shows the importance of considering gender-related factors when working towards achievement of the Millennium Development Goals. My constituency fully supports the Bank’s gender strategy. But here too we would like to urge the Bank to make progress with the practical implementation of this strategy in the field, especially when it comes to sexual and reproductive health. For instance, sexual and reproductive health objectives should be specified in the new Health, Nutrition and Population Strategy. Only then will it be possible to attain the relevant Millennium Development Goals.

*A strategic vision for the Bank*

8. My constituency followed with interest recent Board discussions on the Bank’s strategic directions and emerging resource implications. We look forward to future changes in the Bank’s budget allocation process and appreciate the President’s intention to revise the medium term strategic framework and thus steer this process in the right direction by setting clear priorities for the Bank and defining its position in the international aid architecture. The framework should provide answers to questions such as:

(a) How does the Bank see the division of labour between IBRD, IDA and Bank administered trust funds, including a number of Global Funds? Current practices lead to increasingly fragmented funding and a certain disregard for the principles of the Paris Agenda.

(b) What is the Bank’s core business? In our comments on the Africa Action Plan, we have already indicated that instead of concentrating on a limited number of sectors, the Bank may be needed even more as a catalyst in the overarching themes of governance, capacity building, harmonisation, global public goods, environmental management and gender.

(c) What is the Bank’s modus operandi? While concentrating on its roles of financier, advisor and knowledge broker, the Bank should leave the implementation of its programmes to its clients whenever they are better equipped for that purpose and use country systems as much as possible. The Health, Nutrition and Population Strategy presented recently is a good example of this approach.

*Voice*

9. My constituency believes that the voice of developing and transition countries should be strengthened and taken properly into account within the Bank and Fund. Their representation in the two institutions should be enhanced in such a way as to reflect their special interests in them – balanced against the interests of other, developed countries – and their position in the world economy.
10. In the run-up to the Annual Meetings in October, the Bank should follow the Fund’s example of negotiating a package deal taking into account all options under consideration, as they each impact on Voice. Since the mandates of the Bank and the Fund are different, we would point out that the outcome of the negotiations does not necessarily have to be the same for the Bank as for the Fund. We welcome the proposals from the Bank, but these will have to be developed before we can reach agreement. When negotiating such a package, we believe it is important to take due note of two issues: first, mixed constituencies and second, ODA contributions, including those to IDA and trust funds, as evidence of a country’s commitment to the Bank group.

Fiscal space, results and resources

11. My constituency welcomes the Bank’s analysis of the possibilities of maximising fiscal space for growth-enhancing expenditures. The analysis gives developing countries the tool for achieving the Millennium Development Goals. We welcome the Bank’s conclusion that policies for the creation of fiscal space are country-specific and depend on governance, public sector management and cooperation amongst all national institutions involved. We feel that both the Bank and the Fund have a role to play in the discussion on fiscal space. Fiscal space is one of the areas where Bank and Fund should work together more closely.

12. My constituency is convinced that a clear understanding of the concept of fiscal space will lead to better informed and more effective budget management at country level. It will also help these countries to formulate trade-offs by elaborating different growth scenarios. Both institutions should closely coordinate their approach in this process and facilitate the dialogue with partner countries and other development agents on the resources required to achieve the Millennium Development Goals and the results that can be attained by the mobilisation of additional resources. The Netherlands is working with Sweden and the Bank on principles for such a process, referred to as Results Resources & Partnership. Parliamentarians and civil society ought to be involved in this process. As a former chair of the Parliamentary Network on the World Bank I know how important such outreach is for achieving results that are transparent and democratic and that benefit the poor.

WB-IMF cooperation and beyond

13. My constituency welcomes the Report to the Managing Director and World Bank President by the External Review Committee on IMF-World Bank collaboration. We support the report’s premise that collaboration and a clear demarcation of responsibilities are complementary. We invite both the Bank and the Fund to draw up proposals for a clear division of labour between the two institutions on the basis of the report.

14. We agree that the IMF should clarify its role in low-income countries. The Fund should focus on macroeconomic issues in all low-income countries, whereas the Bank should focus on poverty reduction and long-term economic growth. Meanwhile, the Fund should gradually withdraw from baseline financing such as the PGRF, since this is not among its core competencies. Obviously, the Fund should continue providing short-term balance of payments support to low-income countries.

15. In the light of the IEO’s report on the Fund’s aid to Sub-Saharan Africa, we believe that both institutions should make sure that the conditionalities they attach to their funding not only promote macroeconomic stability but also contribute to creating the right conditions for balanced growth and effective poverty reduction. Another concern is the translation of a strong macroeconomic performance into a significant reduction of poverty levels. In this
context, the Fund should proactively support the mobilisation of resources by accurately projecting tax and aid inflows, analysing the expected costs for achieving the country’s development goals and identifying cases where aid absorptive capacity exceeds aid availability. The Bank and Fund should analyse alternative aid scenarios in the light of the Millennium Development Goals and share their findings with authorities and donors. This would increase understanding of the combinations of policy adjustments, absorption capacity and aid flows needed to achieve the MDGs. Suboptimal collaboration between Bank and Fund could be one of the reasons why the high expectations of the Board on Poverty and Social Impact Analysis (PSIA) have not been met.

**Governance and Anti-Corruption**

16. My constituency commends the Bank on its consultation of stakeholders and welcomes wholeheartedly its governance and anti-corruption strategy. We feel that the conditions needed for the strategy’s successful implementation are in place: (1) the recognition of the importance of continued Bank involvement in countries with a weak governance situation; (2) the importance of an ongoing dialogue not only with borrowing governments but also with the private sector, civil society and the media; (3) the strengthening of country systems; (4) transparency in the Bank’s decisions on governance and anti-corruption; (5) monitoring of progress through objective indicators and (6) intensive cooperation with other development agents.

17. The Bank should use transparent, objective and actionable indicators when deciding on the modalities and volume of its support to client countries. They are not only important for the monitoring of progress, but also guarantee equal treatment of countries in similar situations. In my constituency’s view, it is important for the Board of Executive Directors to be consulted and to give its support to such decisions.

**Clean Energy and Development**

18. In 2006, at the behest of the G8, the Bank presented its outline for an Investment Framework for Clean Energy and Development. My constituency urges the Bank to consult with donors and other international financial institutions on the deployment of current instruments for climate mitigation and, where necessary, new instruments for promoting clean energy that have more added value than existing ones. The Bank should not only focus on large investment schemes for the promotion of clean energy but also on small-scale interventions that target the poor such as the introduction of improved cooking and lighting for poor households, small-scale hydro-generation and biomass production.