



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**

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DEVELOPMENT COMMITTEE COMMUNIQUÉ

1. We met today to review progress on actions, resources and policies needed to accelerate progress towards the Millennium Development Goals (MDGs), drawing on data and analysis in the fourth annual Global Monitoring Report (GMR). We also reviewed the World Bank Group's Africa Action Plan, and a report on the evolving Aid Architecture.
2. We welcomed the progress being made in reducing income poverty, reflecting both the continued strong growth of the global economy and the impact of improved country policies and institutions. However, progress towards the MDGs has been uneven across countries and sectors. A lot of challenges remain and much more needs to be done.
3. We noted that total Official Development Assistance (ODA) flows have grown in real term over the past decade. A significant part of this increase reflects debt relief, which is making important contributions to country-level financial resources and progress. However, there is a concern that total ODA actually declined in real terms in 2006. The pledges made in 2005 to double aid for Africa by 2010 have not yet been translated into increased total donor resources for programs on the ground. We reiterated our call to those donors who have not done so to make concrete efforts towards the target of 0.7 percent of Gross National Income as ODA in accordance with their commitments. Consistent with the Monterrey Consensus and donor commitments, we called for renewed efforts at scaling-up financing to support sound country-owned programs for the achievement of the MDGs. In this context, we look forward to a successful 15th replenishment of the International Development Association (IDA), including dollar for dollar replenishment of lost credit flows due to the Multilateral Debt Relief Initiative (MDRI) and the HIPC Initiative. As financial flows increase, it will be important to maintain debt sustainability. We encouraged the Bank and the Fund to report regularly on the extent of full creditor participation in HIPC and delivery of donor commitments to financing the full cost of debt relief. We urged debtors and creditors to use the Bank-Fund debt sustainability framework to guide their decisions. We also urged the Bank and the Fund to intensify their

efforts to enhance creditor coordination around the debt sustainability framework, and to support borrowers in building debt management capacity and in devising and implementing sound external finance strategies.

4. We welcomed new and emerging public and private sources of aid that bring more resources to help poor countries reach their MDGs. At the same time, we noted the increasing risks of aid fragmentation and earmarking of aid leading to higher transaction costs for recipients and reduced aid effectiveness. We therefore emphasized the importance of the country-owned approach to development, which provides an essential platform for aligning multiple sources of development finance, including global programs, with national priorities and country systems. We reiterated the importance of reinforcing donor coordination, including between traditional and emerging donors, as well as enhancing efforts to ensure aid effectiveness, and progress in implementing the Paris Declaration. We look forward to follow-up work on the Bank's role in the international aid architecture, focusing on how best the Bank Group can add value by playing a strategic or supportive role, including through partnerships, at country, regional and global levels. In this context, we welcomed the Bank management's decision to launch a review of the Bank Group's long term strategy to assure it is best positioned to effectively meet the needs of the world's poor. We also look forward to receiving a report on the Bank's progress in developing a framework for its role in delivery of global and regional public goods including criteria for its involvement and financing modalities.

5. There are encouraging signs in current efforts to meet the human development MDGs, including major increases in primary school completion and vaccination coverage. In this respect, we welcomed the recent launch of the Advance Market Commitments initiative. Yet only a few countries are on track to meet the MDG for reducing child mortality, and in all regions some countries are off track on reducing childhood malnutrition and maternal mortality. We called for further reinforcement of country, donor and MDB efforts targeting the MDGs' quantitative goals in health and education, including for the prevention and treatment of HIV/AIDS, malaria and tuberculosis. We also stressed the need for heightened attention to universal access to reproductive health services and to improving and monitoring the quality of education and health services. We appreciated the Bank's continuing support to the Education for All – Fast Track Initiative, but recognized that more support is needed to finance national education plans. We encouraged the Bank and other donors to play their part.

6. Gender equality and the empowerment of women are important not only for achieving gender-specific aspects of the MDGs (such as progress on gender equality in school enrollments and literacy, and the share of women in non-agricultural employment and national parliaments), but also for the attainment of the MDGs as a whole. We welcomed the progress many countries have made on girls' school enrollment, while noting that there is still much to be done in many countries. We noted that progress in the social sectors has not, in general, been matched by comparable advances in the productive sectors. We called for full and rapid implementation of the Bank's Gender Action Plan, focusing on areas where it has comparative advantage, including scaling up support for economic empowerment of women. We emphasized the need for further gender mainstreaming in Bank operations using a country based approach, and for the integration of gender aspects into the Bank's results framework. We also called for improvements in the statistical basis for monitoring progress, working closely with the UN and other agencies.

7. Fragile states, defined by the weakness of their institutions and governance, and frequently associated with recent conflicts, account for 9 percent of the population of developing countries but about 27 percent of the extreme poor. They are the countries least likely to achieve the MDGs. Yet several countries have shown that it is possible to transition from weak institutions and the legacy of conflict to sustained gains in growth and poverty reduction. We encouraged the International Financial Institutions (IFIs), working in partnership with the UN and other donors, to review their policies, procedures and incentives, including the development of a comprehensive framework for the settlement of protracted arrears cases. Collective efforts are also needed to formulate, in a coherent and harmonized manner, tailored strategies that pay attention to timely, well-sequenced interventions that build capable, accountable and responsive states, reflecting each actor's comparative advantage. In this context, we called for effective and expeditious implementation of the measures recently approved by the Bank's Board to strengthen the Bank's rapid response and long-term engagement in fragile states.

8. We reviewed the implementation of the Africa Action Plan (AAP) and the proposed revisions to the Plan. While welcoming indications that the overall implementation of the Plan has been progressing relatively satisfactorily, we broadly supported the proposed modifications to the AAP, which promise to increase selectivity and sharpen the focus on results. At the same time, we emphasized the continued relevance we attach to the original strategic goals of the AAP, including support for African countries' efforts to accelerate pro-poor growth and maximize achievement of the MDGs. We stressed that the Bank's support should continue to be determined by countries' own plans and that implementation of the AAP should not leave any countries behind or undermine agreed resource allocation systems. We also called for the Bank to make greater use of outcome indicators to measure progress and results. We strongly endorsed the AAP's strategy for mobilizing additional development partner resources, including from non-OECD/DAC and private donors, in a coordinated way, consistent with the Paris Declaration.

9. We noted the importance of trade as a driver of growth and poverty reduction and expressed our continued hope for a breakthrough in the Doha Development Round negotiations. We agreed that there is much at stake for all member countries and we recognized that failure to seize the current opportunity could come at considerable cost to the global economy and in particular, to developing countries. We called upon all parties to demonstrate the flexibility needed to achieve a successful outcome. To complement trade reforms and assist developing countries in fully exploiting existing and new trade opportunities, we look to the Fund and, particularly, the Bank for leadership in further strengthening the mechanisms for Aid for Trade and accelerating its implementation.

10. We welcomed the report of the Executive Directors of the World Bank and the accompanying paper entitled "Strengthening Bank Group Engagement on Governance and Anticorruption (GAC)." We expressed our appreciation for the Bank's response to our guidance, including the extensive consultations that contributed to the revised strategy. We endorsed the strategy's principles of transparency, predictability, consistency and equity of treatment across member countries. Effective implementation, including further development of actionable and disaggregated indicators, will now be critical to achieving the GAC strategy's

desired results. In this context, we welcomed the agreed Board engagement and oversight during implementation.

11. We noted the progress made in implementing the World Bank Group's Strategy for Engagement with IBRD Partner Countries. We look forward to receiving a full report on implementation of all the elements of the strategy at our next meeting.

12. We noted the progress made with the Clean Energy for Development Investment Framework. Lack of access to energy is an acute problem in many low income countries. We welcomed the World Bank Group's Action Plan and generally endorsed the activities contained there. We look forward to receiving a progress report by our next meeting. In particular, we look forward to seeing progress on: (i) additional financing and implementation of the energy access agenda in Sub-Saharan Africa; (ii) application and further development of existing financial instruments to promote the transition to a low carbon economy, including increased support for cost effective, affordable, efficient and renewable energy; (iii) mainstreaming considerations of climate variability and change into development projects; (iv) consultation and collaboration with the private sector; and (v) an action plan for strengthened collaboration with the Regional Development Banks.

13. We took note of the Bank's analysis of "Fiscal Policy for Growth and Development" and encouraged the Bank to develop and operationalize growth-oriented, country-specific approaches to fiscal policy design. We endorsed the need for effective Bank-Fund collaboration to ensure consistent policy advice to member countries. We concurred with the conclusion that countries will need assistance to strengthen fiscal institutions, which are key to effective policy.

14. We welcomed the "Options Paper on Voice and Representation," setting out a comprehensive range of options for enhancing the voice of developing and transition countries in the Bank's decision-making framework, which we note is key to strengthening the credibility and legitimacy of the institution. We recognized that further consultations are necessary to reach a political consensus and expect the Bank to continue carrying out technical work to assist such consultations. We look forward to a report from the Bank by our next meeting.

15. We thanked the External Review Committee for its report on Bank-Fund collaboration. We look forward to hearing from the two institutions about concrete proposals to foster a culture of collaboration.

16. We have to ensure that the Bank can effectively carry out its mandate and maintain its credibility and reputation as well as the motivation of its staff. The current situation is of great concern to all of us. We endorse the Board's actions in looking into this matter and we asked it to complete its work. We expect the Bank to adhere to a high standard of internal governance.

17. We welcomed Minister Agustín Carstens as the new Chairman of the Committee. We expressed appreciation for the service of the former Chairman, Alberto Carrasquilla.

18. The Committee's next meeting is scheduled for October 21, 2007 in Washington, DC.