



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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Washington, DC, April 17, 2005

DEVELOPMENT COMMITTEE COMMUNIQUÉ

1. As we approach the fifth anniversary of the U.N. Millennium Declaration, we met to review progress towards the MDGs¹, based on an assessment in the second annual Global Monitoring Report. We reaffirmed our strong support for the strategies and decisions agreed in Doha, Monterrey and Johannesburg which set out a framework for fighting poverty and achieving the internationally agreed goals. We welcome the continued active involvement of the Bank and the Fund in the preparations for and the proceedings at the UNGA Special Session on Financing for Development, as well as the UN High-Level Millennium Review in New York in September.
2. We welcomed the progress achieved, on actions both by developing and developed countries. These actions have contributed to the strongest global economic growth in over three decades. However, overall progress has been uneven and slower than envisaged. Without tangible action to accelerate efforts, the vision of the Millennium Declaration will not be realized. At stake are prospects not only for hundreds of millions of people to escape poverty, disease, illiteracy, and gender inequality but also for long-term global security and peace, which are intimately linked to development.
3. All regions face significant challenges, but we welcomed the Report's focus on sub-Saharan Africa as the region farthest from achieving the MDGs. We also welcomed the recent Report of the Commission for Africa. We are encouraged that real growth in sub-Saharan Africa increased in 2004 to an eight-year high of 5 percent and inflation has fallen to an historical low. The challenge is to accelerate and sustain growth and development through sound policy frameworks. We welcomed the IFC's Strategic Initiative for Africa, including the recently approved Private Enterprise Partnership

¹ As endorsed by Heads of State and Government in the U.N. General Assembly on September 8, 2000.

Facility. We call upon the Bank to undertake further analytical and institutional work, together with partners, to develop an ambitious action plan for Africa for consideration by our next meeting.

4. Many developing countries are taking actions to strengthen policies and institutions which not only provide benefits but also valuable experience for others. We endorsed the emphasis on country-led and owned development strategies and urged that MDGs be operationalized in poverty reduction strategies, linked to medium term budgetary frameworks. Macroeconomic stability remains critical, as is the need to strengthen public sector financial management, promote good governance including combating corruption and promoting the rule of law, improve business climate and regulation and develop local financial markets, so as to enable private sector led economic growth. Environmental sustainability remains critical and should also be addressed in domestic policies and programs, as well as through international action. We recognize the importance of all countries integrating climate concerns into their policy planning.
5. A major scaling up of education (in particular through the Education For All Fast Track Initiative), health and basic infrastructure services, including water and sanitation, is fundamental to meeting key development goals. We noted with concern the failure to meet the target date for achieving gender parity in primary and secondary education. We called upon bilateral donors and multilateral agencies to provide timely, predictable and sustained financing to support these efforts. We reconfirmed the importance of efforts to help developing countries build capacity and address absorptive capacity constraints.
6. We have in the past highlighted the critical importance of scaling up infrastructure investment in developing countries as a means of promoting economic growth and achieving the MDGs, and have endorsed the Infrastructure Action Plan of the World Bank. With a view to removing such impediments as may exist in enabling the Bank to scale up the infrastructure work, we look forward to reviewing implementation of the Action Plan at our next meeting, including the results of the ongoing work of the IMF and Bank on how to increase fiscal space for growth.
7. To complement these actions, developed countries must meet their commitments to help accelerate progress. We underlined the vital importance of an ambitious outcome for the Doha Development Agenda and the successful completion of the negotiations in 2006. Improving trade opportunities and market access for agriculture, industrial products and services will be critical. We stressed the need for “aid for trade” and we call on the Bank and Fund to work with others to develop proposals to help developing countries adjust to and take advantage of the round, for consideration by our next meeting. We also recognized the benefits to developing countries from reducing developing country trade barriers and of strengthening South-South trade.
8. Financing the development agenda remains a significant challenge, requiring sustained action on domestic resource mobilization, private investment and trade. We welcomed the Bank’s work program to improve analysis and statistics on remittances, labor mobility and migration, and to address impediments to remittance flows. We emphasized

that a significant increase in aid will also be needed for accelerated progress towards the MDGs. We welcomed the successful conclusion of the IDA 14 replenishment as an important step in mobilizing additional resources and called on donors to finalize their commitments. We noted the further work on the impact of exogenous shocks on low-income countries and small vulnerable states and we look forward to further proposals in the context of the IDA14 mid-term review on what options are available to operationalize these proposals.

9. We also welcomed the agreement by the Bank and Fund on a joint forward-looking framework for assessing debt sustainability in low-income countries. We welcomed recent proposals for additional debt and debt service relief. We agreed that further debt relief beyond HIPC is needed in specific cases to secure long term debt sustainability and support progress towards the MDGs. We ask the Bank and Fund to examine these proposals for the Annual Meetings.
10. We confirmed our commitment to deliver on the pledges made at and after Monterrey to raise levels of ODA. We urged those donors that have not done so to make concrete efforts towards the target of 0.7 percent of GNI as ODA.
11. We welcomed further work on innovative sources of development financing. We noted that negotiations among interested parties on the proposed pilot IFF for Immunization are well advanced; and the analysis of technical feasibility of the IFF has created the conditions for the necessary political decisions on participation. We encourage interested donors to proceed with these proposals. Potential participants believe that global tax mechanisms to finance development may be feasible and desirable, while other members do not. We noted the analysis of the economic rationale, technical feasibility, and moderate coalition size needed for some of the global tax proposals. Building upon the existing political momentum in some countries, we invite the Bank and the Fund to deepen their analysis of the most promising nationally applied and internationally coordinated taxes for development for the Annual Meetings, as an input into the consideration of a pilot case for interested countries.
12. We also underlined the importance of further action by multilateral development partners, including support for the PRS process in low-income countries, aligning assistance better with medium-term country strategies, streamlining conditionality, building institutional capacity and strengthening the focus on development results. We called for further exploration of blending arrangements, for further action to enhance effectiveness and for continued progress in providing innovative and flexible financial products and high quality technical assistance and advisory services better matched to the evolving and diverse needs of middle-income countries; and to strengthen the Bank's role in these countries, not least with regard to global public goods.
13. We welcomed the Paris Declaration on Aid Effectiveness which responded to our earlier call to make firm commitments on the quality of aid. We note the agreement on quantitative indicators. We urged the establishment of targets, as agreed, for each of the indicators for 2010. Concerted collective actions will be required now to translate these

into concrete actions at the country level and we called on the Bank to show leadership by example, in implementing the Paris framework. We welcomed the increasing use of country systems, where appropriate, as a means to enhance harmonization and reduce the cost of doing business.

14. Enhancing voice and participation of developing and transition countries in the Bank and the Fund remains a continuing concern. Progress can only be made through broad consensus at the political level. We noted the further efforts by the Boards in this regard and will return to this issue at our next meeting in the light of progress.
15. We appreciate the efforts of the global community to counter the effects of the deadly tsunamis that wreaked havoc in the Indian Ocean region. The tragedy reminded us that the poorest people tend to be the most vulnerable to natural disasters. We called for a continued focus on the challenge of accelerating the reconstruction and recovery process in the region, restoring livelihoods and on designing projects for disaster preparedness and risk mitigation.
16. A strong and effective multilateral system is essential in the fight against global poverty. We expressed our deep appreciation for the talented leadership of Jim Wolfensohn as he approaches the end of his term at the Bank and wish him success in his new role as Special Envoy for Gaza Disengagement. We also congratulate Paul Wolfowitz on his selection as President and look forward to working with him.
17. The next meeting of the Committee will be held in Washington D.C. on September 24, 2005.