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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

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DEVELOPMENT COMMITTEE COMMUNIQUÉ

1. We met today to discuss progress in implementing the development agenda for achieving the Millennium Development Goals (MDGs). We reviewed the World Bank's proposed governance and anticorruption strategy, and the priorities for its evolving engagement with middle-income countries. We also celebrated the 50th anniversary of the International Finance Corporation, which has contributed to fostering sustainable private sector development and promoting market development in developing countries.

2. Building on five consecutive years of strong growth, policymakers in developing countries now need to prepare for a more challenging global environment. This will entail maintaining macroeconomic stability, further strengthening public sector financial management, and continuing to improve domestic resource mobilization. More also needs to be done to improve the business climate and governance.

3. The pledges made last year to substantially increase the volume of official development assistance (ODA), including a doubling of aid to Africa by 2010, must be delivered in a predictable manner. We urged those donors that 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. We look forward to a successful IDA 15 replenishment next year and urged donors to ensure that their commitments to make the multilateral debt relief initiative (MDRI) and the Heavily Indebted Poor Countries (HIPC) Initiative additional to other aid flows be met. We noted the substantial progress made on Advance Market Commitments for vaccines and the work in progress in order to launch a pilot project by the end of 2006. We also welcomed the launch of the International Financing Facility for Immunization and of the International Drug Purchase Facility. We asked the Bank, within its overall strategy, to develop a framework for its role in the provision of global and regional public goods including criteria for its involvement and financing modalities.

4. The international commitments to improve aid effectiveness embodied in the principles of the Paris Declaration must now be consistently translated into action at the country level. We called on the Bank to deliver on its commitments to scaling up and aid effectiveness, including the implementation of the best practice principles identified in the Bank's conditionality review. We noted the country-based "results and resources meetings" approach to facilitate scaling up aid now being piloted in several African countries with the help of the Bank and the Development Assistance Committee, and urged developing countries to prepare well-defined and costed programs for using scaled up aid to step up the poverty reduction effort. Noting the Bank's role in helping to ensure that additional assistance is effectively coordinated and aligned with country priorities, we asked for a progress report on the Bank's Africa Action Plan at our next meeting. We welcomed the Bank's Gender Action Plan to expand women's economic opportunities in developing countries. We also looked forward to hearing about progress towards achieving the gender MDGs in the next Global Monitoring Report.

5. We welcomed the progress report on Education for All-Fast Track Initiative (EFA-FTI), and the contribution it is making to increasing primary school completion rates. The initiative offers a promising approach to donor harmonization and scaling up at the sectoral level. We recognized the importance of country ownership and the quality of education, and the need to expand the initiative to larger countries and fragile states. We called for predictable and long-term funding for this initiative, including domestic funding. We also urged the Bank to strengthen its work on measurement of learning outcomes in order to ensure continuous attention to the quality of education. In this regard, we look forward to a further update on progress to the Board.

6. September 2006 marks the tenth anniversary of the HIPC Initiative. We welcomed the substantial reduction of debt stocks and noted the increase of poverty-reducing expenditures of the 29 HIPCs that have reached the decision point. We also welcomed the decision to allow the sunset clause to take effect at end-2006 and to grandfather the countries that are assessed to have met the HIPC criteria based on end-2004 data. We welcomed the implementation of the MDRI by the IMF, IDA and the African Development Fund. Debt relief has provided many low-income countries with additional resources that can be used to make progress towards the MDGs. We cautioned against excessive borrowing after the relief which may lead to re-emergence of debt distress. We therefore underscored the importance of the Joint Debt Sustainability Framework of the Fund and the Bank for low-income countries in helping ensure that new borrowing in post-MDRI countries does not undermine their long-term debt sustainability, and look forward to the review of the framework. We asked all the multilateral development banks, bilateral donors, export credit agencies and commercial creditors to adhere to this framework. We stressed the importance of implementing the Bank's approach to deal with the issue of free riding and the need to address the issues of official creditors' coordination. We also stressed the importance of Bank and IMF support for strengthening public financial management including, debt management.

7. The de facto suspension of the Doha negotiations represents a setback in our effort to make more rapid progress towards achieving the MDGs. We re-emphasized the importance of the multilateral trading system and called upon all WTO members to avoid backsliding and

provide trade ministers with the necessary flexibility to resume the negotiations by the end of the year. We also called on the Bank and the Fund to continue their global advocacy role on trade and development, and to foster the integration of trade into country programs. While recognizing that aid for trade is not a substitute for trade liberalization, we reiterated our commitment to expanding the funding and strengthening the mechanisms for Aid for Trade. We welcomed the recommendations of the WTO Task Forces on Aid for Trade and the Integrated Framework (IF), both of which explicitly recognize the need to adhere to the Paris Declaration on aid effectiveness. We took note of the new governance mechanisms proposed for the enhanced IF, and reiterated the importance of working through established channels with proven development expertise. We noted the interest in extending a similar process to other poor countries that are not Least Developed Countries. We urged the Bank to work with these countries to incorporate trade needs into their national development strategies. We also agreed on the need to improve existing instruments to address cross-country and regional projects and strengthen the monitoring of regional initiatives and funding.

8. 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. The principal objective of the Bank's governance work should be to help develop capable and accountable states to deliver services to the poor, promote, private sector led growth and tackle corruption effectively. We supported the Bank's engagement in governance and anticorruption work. Country ownership and leadership are key to successful implementation. 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 Country Performance and Institutional Assessment and Performance Based Allocation system. We recognized that the strategy will evolve with implementation and in the light of experience, but the paper sets out a framework for continued Bank engagement in this work and the further consultation which is planned with partner countries, with the Fund and with other donors and multilaterals, with civil society, and with the private sector. Given the importance of this issue, we stressed the importance of Board oversight of the strategy as it is further developed and then implemented, and we look forward to a report from the Board at our next meeting.

9. Middle income and emerging market countries (MICs), partner countries of the IBRD, are home to 70% of the world's poor. They constitute an extremely diverse group of countries. While many of them have made dramatic improvements in economic management and governance over the past two decades, as a group they still face major challenges of poverty reduction and development and in their contribution to provision of important regional and global public goods. We strongly endorsed the statement of the Bank's corporate role and mission to eradicate poverty in its partnership with MICs. We reviewed the Bank's proposals to strengthen the IBRD's value-added and engagement in response to the evolving and diverse needs of middle-income countries. We recognized that as MICs develop they will eventually

graduate from IBRD lending. We also noted that in parallel, in implementing its medium-term strategy, the IMF is making efforts to adapt, better focus, and enhance its engagement with emerging market countries. We welcomed the Bank's proposals to deliver better and more flexible country partnership strategies reflecting diverse country circumstances; to reduce the cost of doing business with the Bank by streamlining internal Bank procedures; to simplify loan pricing and make its products more competitive; to develop new ways to help countries facing external shocks; to increase provision of fee based expert services, unbundled from lending; to continue to work towards scaling up Bank Group lending to sub-national entities within frameworks agreed with national governments; and to better exploit synergies between the different arms of the Bank Group within their respective mandates. Increasing the use of country systems where mutually agreed and verifiable standards are in place to ensure effective execution is an important part of this agenda for scaling up development impact. We encouraged the Bank to give greater emphasis to issues of regional and global concern in areas where it has a comparative advantage. We also called for deeper cooperation between the Bank, regional development banks and other development partners in their engagement with MICs, and encouraged the Bank to develop a menu of options to respond to country demand-driven initiatives for targeted blending of concessional donor support with multilateral development bank loans in cases of market failure or where there are affordability issues.

10. We welcomed the progress made in developing a Clean Energy Investment Framework, including the review of the adequacy of existing financial instruments. 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 local and global environment. We agreed that this challenge requires sound country energy policies and regulatory frameworks. 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, and support continued work on each of them. In particular, we recognized lack of access to energy as an acute problem in many low income countries, especially in Sub Saharan Africa, supported the Action Plan for improved energy access and urged donors to provide additional funding and other assistance required. We encouraged activities that cost-effectively and sustainably promote the transition to a low-carbon economy, respecting circumstances of individual economies, without hindering the growth of developing countries and mitigating the incremental costs to them. We asked the Bank to work with the regional development banks, United Nations agencies, the Global Environment Facility (GEF), private sectors and other interested parties to maximize the use of existing instruments. We support further examination of the future Bank role in the transition to a lower-carbon economy, taking into account all issues raised in the progress report and recognizing the primary institutional responsibility of the UN Framework Convention 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 welcomed the Bank's proposal to consider new means and mechanisms to make pricing of existing instruments more transparent and competitive to provide incentives and resources to countries to pursue clean energy alternatives. We also stressed the need to develop strategies, tools and financing to help meet the challenge of adaptation to increased climate variability, which can adversely affect the livelihoods of people, especially the poor, and undermines the achievement of the MDGs. We noted the value of protecting future investments from climate volatility.

11. We look forward to considering the findings of the External Review Committee to review various aspects of Bank-Fund collaboration. We asked the Bank and the Fund to ensure that their institutional responsibilities continue to cover all the critical issues relating to reaching the MDGs within their mandates.

12. 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.

13. We wish to thank the authorities and people of Singapore for their excellent hospitality and facilities.

14. The Committee's next meeting is scheduled for April 15, 2007 in Washington, D.C.