



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 COMMUNIQUE

1. At our last meeting, we strongly reaffirmed our commitment to achieve the Millennium Development Goals (MDGs) set out in the U.N. Millennium Declaration, endorsed by Heads of State and Governments in the U.N. General Assembly on September 8, 2000 and in particular our commitment to the global effort needed to reduce poverty. Today we renewed that commitment and continued our work on implementing the strategies, partnerships and actions agreed in Doha, Monterrey and Johannesburg.
2. We welcomed the paper on Supporting Sound Policies with Adequate and Appropriate Financing and its country-based approach. We agreed that there was an urgent need to scale up efforts if the MDGs are to be met and that this would require enhanced concerted actions on the parts of both developing and developed countries and the international institutions. Developing countries will have to sustain their efforts to strengthen policies and governance so as to ensure that domestic resources, private inflows and aid can be used effectively in spurring growth, improving service delivery and reducing poverty. Developed countries will need to move vigorously in supporting these efforts with more and better aid, debt relief and improved market access.
3. To implement this partnership to meet the MDGs, systematic efforts will be needed to achieve greater synergies between poverty reduction strategies and longer-term MDG targets, to specify and implement the actions needed to accelerate progress on the MDGs, and to identify the volumes and forms of financing needed to implement agreed strategies. We agreed that ensuring adequate, timely and more predictable financing and enhancing aid absorptive capacity through policy and institutional reforms would both be critical to the virtuous cycle of actions needed to meet the MDGs. We urge that countries, without delay, take specific steps to meet their commitments to provide additional aid resources by 2006. Furthermore, we call upon the Bank, working with the Fund, to examine the merits of various policy options, such as an international financing facility, to mobilize the substantial additional resources that are needed over the medium term and

can be effectively used to achieve development results and in scaling up progress towards the MDGs. Developing and emerging market countries should also be consulted closely. We asked the Bank to report to us at our Spring 2004 meeting.

4. Changes are also needed in the way that aid is provided as highlighted in the Declaration of the Rome High Level Forum on Harmonization. In addition to streamlining procedures and lowering transaction costs, assistance will have to be better aligned to country need, to country priorities and processes, to countries that demonstrate the ability to achieve measurable development results; and to support the development of countries' capacity. Commitments should also be predictable and long-term; provided in a form that can meet cash requirements to achieve the MDGs; and in appropriate country circumstances, especially in view of long-term debt sustainability, more of it should be provided in grants and, where conditions warrant, in ways that can finance recurrent costs.
5. We continue to believe that a successful conclusion to the Doha Development Agenda is vital to growth, poverty reduction and progress in attaining the MDGs. We therefore regret the temporary setback to multilateral trade negotiations at WTO's Fifth Ministerial and urge all participants to capitalize on progress to date and put the process back on track as soon as possible. We welcome the Bank and Fund's recent pledge to support countries to benefit fully from a more liberalized trading system. We also urge continued efforts to tailor Bank lending activities to support country-owned trade initiatives, translating analysis and diagnostics into meaningful operations.
6. As called for at Monterrey, we have continued our consideration of innovative and pragmatic ways to enhance the voice and effective participation of developing and transition countries in the work and decision making of the Bank and the Fund. There is no single approach to accomplish this, but rather action is required over time across a range of issues. The development of the Poverty Reduction Strategy approach represents a step towards ensuring responsiveness by the Bretton Woods Institutions to country-owned strategies and priorities. In this context, we also welcome on-going efforts to promote greater openness and transparency, decentralization and staff diversity in all its dimensions. We urge the Bank and the Fund to step up these efforts.
7. We welcomed the further progress by Directors on measures to enhance capacity in developing and transition country Executive Directors' offices and in capitals. We also welcomed the proposed Analytical Trust Fund for use by Executive Directors representing sub-Saharan African developing countries in undertaking independent research and analysis on development issues. We called for further work on additional capacity-enhancing measures, including secondments. We look forward to concrete action by our Spring meeting.
8. The IDA-13 Mid Term Review and IDA-14 negotiations provide a timely opportunity to enhance borrower participation in the IDA replenishment process and its Board's decision-making. We noted that by taking up their full IDA subscriptions, developing countries could significantly increase their aggregate voting share and we encouraged

these countries to take the necessary actions in this regard. We urged further consideration and progress on all these issues.

9. We note that the complexities involved in changing the voting structure and composition of the Boards will require time and effort to arrive at the necessary political consensus. However, we recognize the need to continue our efforts on these issues. We asked the Boards of Executive Directors to report back to us on all aspects of the voice issue at the 2004 Annual Meeting. A roadmap on procedures and next steps will be considered at our Spring meeting.
10. We reviewed the status of the HIPC Initiative and reconfirmed our commitment to its objectives, full financing, and implementation. We also recalled that within existing guidelines, additional relief can be provided at the completion point, on a case-by-case basis, and noted on-going discussions about the topping-up methodology and requested further work on this issue. Some HIPCs face a continued challenge to reach the decision point and we encouraged ongoing efforts by staff in this area, including application of the approach contained in the World Bank Task Force Report on Low-Income Countries under Stress. We recalled the importance of full creditor participation and again urged all official and commercial creditors that have not yet done so to participate in the HIPC initiative and welcomed the recent decisions by some non-Paris Club creditors (India and Libya). We look forward to a report being prepared by the staff of the Bank and Fund on a forward-looking framework for debt sustainability in low-income countries and to reviewing the report at our next meeting. We also encouraged further work by the Bank and the Fund on ways to help reduce the vulnerability of these countries to exogenous shocks, including commodity market and weather-related shocks.
11. We are encouraged by the continuing progress under the PRSP approach. We welcome the increasing openness of policy dialogue with all stakeholders, improved focus on sources of growth and the investment climate, and on policies needed to reduce poverty and achieve the MDGs, greater realism and better prioritization, increased pro-poor public spending, and efforts to strengthen public expenditure management and better integrate expenditure proposals into national budgets. At the same time, we recognized that PRSPs are charged with multiple and sometimes competing objectives and the challenge now is to achieve successful implementation, including through much more effective donor alignment and harmonization around national strategies. We also asked the Bank and the Fund to respond to requests for assistance from countries undertaking Poverty and Social Impact Analyses (PSIA) and developing alternative scenarios to meet the MDGs, where appropriate.
12. We stressed the need for accelerating progress and results on service delivery MDGs, including through the Education for All Fast Track Initiative (FTI). We asked the Bank to report on progress on funding and lessons from the implementation of the FTI at our next meeting.
13. We supported the Bank Group's renewed focus on infrastructure, in light of the important contribution infrastructure makes to sustainable economic growth and reaching the

MDGs by improving the investment climate and supporting the development requirements of low and middle-income countries. We welcomed the report on the infrastructure action plan, as well as the follow-up to the recommendations of the World Panel on Financing Water Infrastructure, and asked the Bank Group to work with member countries to secure its early implementation within their development strategies. In particular, we noted the importance of scaling-up investments within a comprehensive development approach, and the catalytic role international financial institutions can play in this regard. We stressed that the right policy environment, institutional and maintenance capacity are crucial for ensuring sustainable infrastructure investments. We are pleased the Bank Group has intensified efforts to build on its international comparative advantage, expertise, and established policies, by investing in infrastructure projects, supported by country diagnostic work. We also urged the Bank Group to engage in cross-border investments, especially in light of the linkages to the trade agenda. We encouraged the Bank, IFC and MIGA to continue to work together on initiatives that facilitate and promote the use of joint instruments, and through work at the sub-sovereign level and via guarantees. Finally we noted that an implementation progress update would be provided to Bank Executive Directors before our next meeting, and we will return to this issue at a future meeting.

14. Progress in all areas we discussed and others is critical to achieving the MDGs and related development outcomes. We, therefore, welcomed the implementation report for the global monitoring of policies and actions for achieving the MDGs, which will allow the Committee to maintain a strategic overview on progress on key issues and priorities in the policy agenda and to reinforce accountabilities. We look forward to the first full report at our next meeting.
15. Finally, we noted the current difficulties in the region in which we met. We welcomed the active role of the World Bank in helping meet the urgent economic and social needs of the Palestinian people of the West Bank and Gaza. We also welcomed its role in promoting economic and infrastructure cooperation in the region. We noted the constructive role played by the Bretton Woods institutions, in cooperation with other international organizations, in positioning themselves to work closely with the people of Iraq in the task of reconstruction and development towards a future that will enable them to achieve their economic potential under their own leadership. We look forward to the forthcoming donors' conference on Iraq, which will play a critical role in mobilizing resources adequate to placing Iraq on the path of economic recovery. Success in both the West Bank and Gaza and in Iraq, while challenging, is nonetheless essential to stability and development in the region and beyond.
16. We wish to thank the authorities and people of the United Arab Emirates for their excellent hospitality and facilities.
17. We welcome confirmation of Mr. Trevor Manuel, Minister of Finance of South Africa, for an additional term as Chairman.
18. The next meeting of the Committee will be held in Washington, D.C. on April 25, 2004.