



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)



DC2005-0022
September 21, 2005

NOTE FROM THE PRESIDENT OF THE WORLD BANK

Attached for the September 25, 2005, Development Committee Meeting is a Note from the President of the World Bank to the Development Committee.

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PRESIDENT'S NOTE TO THE DEVELOPMENT COMMITTEE

I. Introduction

1. I am looking forward to our discussion at this, my first, meeting of the Development Committee and to continuing to work closely with the Committee in the years ahead. In its discussions and conclusions the Development Committee plays a key role, both in setting and driving the global development agenda and in providing guidance for our work at the World Bank. We all face immense challenges as we seek to put into practice the agenda for growth and poverty reduction and for achieving the internationally agreed Millennium Development Goals (MDGs). I will greatly value the Committee's wisdom and guidance on these issues.

2. I would like to focus this note first on my own early thoughts about the strategic direction of the Bank and second on a few specific current issues, including those that we will discuss at our meeting.

II. Context

3. This has been called the "Year of Development," with a series of key meetings and decisions about the global agenda. Since the Committee last met there has been the G8 Summit in Gleneagles in July, which reached important decisions on debt relief, aid effectiveness and volumes and in particular aid to Africa, and clean energy and sustainable development. Last week world leaders met in New York at the United Nations Millennium Review Summit and reaffirmed their commitment to a global partnership for development in support of the achievement of the internationally agreed development goals. Looking ahead, the WTO Ministerial meeting in Hong Kong in December will be crucial for progress on the Doha Development Agenda. Trade liberalization is as important as increased assistance and debt relief to accelerating development.

4. With the exception of the Doha Development Agenda, where key decisions have yet to be made, our focus now must be on implementation. As I see it, we have a broad consensus on the main elements of the development agenda: growth and poverty reduction need sound policies and governance in developing countries, which must be matched by actions by developed countries to substantially increase aid volumes, including a doubling of aid to Africa, and expand access to their markets. I am particularly gratified by the commitments made to increase the effectiveness of aid, direct increased aid and debt relief to where it can be used effectively, harmonize donor practices, and focus on results. The task now is to translate these agreements into concrete action plans and implementable steps.

III. Role of the Bank

5. The major meetings on development this year have confirmed the leading role of the Bank in carrying the development agenda forward. These meetings have focused increased international attention on issues that are central to the Bank's mission: the agenda for growth and poverty reduction, mobilization of more and more effective resources in support of development, expansion of trade opportunities, promotion of sustainable development, and a special focus on the development challenges in Africa. At the Gleneagles Summit, G8 leaders asked the Bank to play a leadership role on these issues, working with partners. Our work priorities at the Bank are aligned to effectively support this agenda, and we are sharpening and focusing them even more.

6. We are scaling up our support for poverty reduction and other MDGs in low-income countries, especially in Africa, with an enhanced focus on results. I see two themes as being central to our support: the need to create the conditions for robust, private sector-led economic growth as the core element of the agenda to achieve the development goals; and the need for good governance, including capable and accountable national leadership, effective and transparent public financial management, a determined attack on corruption, and promotion of the rule of law. In our support to low-income countries, I see education, health, infrastructure, and agriculture as featuring especially prominently, given their centrality to the development agenda in these countries. I also have a strong sense that the Bank should remain actively engaged in middle-income countries. At the global level, I see the Bank playing an enhanced role on issues relating to global partnership for aid delivery and effectiveness, trade, and the environment. I will be developing some of these themes further in my Annual Meetings speech, which we will have the opportunity to discuss at the Development Committee lunch.

IV. Priorities for Action

7. The agenda for the Development Committee meeting focuses on some key issues that I touched on above. There are two main items for discussion: *Following up on Recent Initiatives on Development Agenda*; and *Doha Development Agenda and Aid for Trade*. You have papers setting out the issues, and here I will only add a few comments by way of emphasis. There are also a few other specific areas where progress is needed and I would like to report to the Committee on actions we are taking in the Bank.

Following up on Recent Initiatives on Development Agenda

8. As our first item we will be discussing ways to further strengthen the development partnership and financing for achieving the MDGs and, in that context, the urgency and priority of Africa's development challenge and the Bank Group's Africa Action Plan; and debt relief. There are separate papers on these issues. There is also a set of related background papers and progress reports: a paper on aid financing and aid effectiveness; a progress report on scaling up World Bank support for infrastructure; a review of implementation of the HIPC Initiative; and reviews of World Bank

conditionality and of the poverty reduction strategy (PRS) approach, both of which emphasize the importance of country leadership and the need for the Bank and other development partners to align their support behind effective country-led strategies.

9. I hope the Committee will endorse the stronger role the Bank intends to play—both at the country level and globally—in seeking to ensure effective delivery and utilization of the prospective increases in aid flows. In that context, I would like to underline our strengthened focus on results, increased attention to aligning our assistance with country-led programs and coordinating with other development partners, and our continued efforts to promote harmonization of donor practices and procedures.

10. I hope the Committee will also endorse the Bank Group's Africa Action Plan as a very practical response to calls from the global community for increased and more effective assistance to Africa. It is right to focus our attention on Africa, not only because of the prevalence of poverty and human deprivation in the region but also because I see a real opportunity to make a difference. A dozen countries in Sub-Saharan Africa have achieved average GDP growth of more than 5.5 percent a year since the mid-1990s. We have the opportunity to build on success; and each national success story helps to demonstrate to other countries what can be achieved, and has spill-over benefits for neighboring countries. The plan has three core elements: a sharper focus on results; stronger attention to building capable states and improving governance; and emphasis on strengthening the drivers of growth. The plan envisages strengthened partnerships with others in implementing this agenda. I would like to emphasize that this is a plan for the entire Bank Group, not only for IDA; IFC and MIGA have critical roles to play in the key area of building a vibrant private sector.

11. Finally, we will have the opportunity to discuss, and I hope reach agreement on, implementation of the G8 debt relief proposal. I know there have been intensive discussions of this proposal in recent weeks among shareholders and IDA donors. It is a landmark proposal that can have a major impact in achieving the MDGs and has the potential to transform the conditions faced by many of our poorest partners. It is imperative that it be implemented in a way that sustains IDA's financial capacity to continue to assist IDA recipients in the future, with firm additional donor commitments to cover the cost of implementing the proposal.

Doha Development Agenda and Aid for Trade

12. Given the critical role that international trade plays in fostering growth, it is hard to overstate the importance of a timely and successful outcome to the Doha Development Agenda. Although not in most cases directly responsible for overall trade negotiations, Finance and Development Ministers have a clear interest in their successful conclusion. Decisions are now urgent if the critical Hong Kong meeting is to succeed. I hope that, as in the past, our discussion at this meeting of the Development Committee can help build momentum for such an outcome, and send a strong and forthright message about the urgency and importance of making progress.

13. At the same time we all recognize that many developing countries will need assistance to take full advantage of new trade opportunities. At its last meeting the Committee asked the Bank and Fund to work with others to develop proposals to provide such “aid for trade”, which are set out in a paper for the Committee. In summary we are proposing: an enhanced Integrated Framework for Trade-related Technical Assistance, with predictable multiyear financing; further study of the desirability and feasibility of a multilateral fund to address regional or cross-country aid for trade needs; and a strengthened framework for assessing adjustment needs so that IFI and donor assistance mechanisms can be better utilized. I believe we have developed a set of proposals that are practical and that, combined with more intensive use of existing mechanisms, will make a real difference.

Supporting Development in Middle-Income Countries

14. While much of the discussion at this meeting will be about challenges facing low-income countries, I would like to underscore the importance I also attach to the support the Bank gives to our middle-income country (MIC) clients, and to finding ways to make our support more effective. I hope the Committee will return to this subject at a future meeting. MICs remain home to most of the world’s poor; nearly all MICs face difficult development challenges for the future; some of these countries play a key role as regional anchor economies; and as a group, their performance is important to delivery of many global public goods, ranging from global environmental sustainability to global financial stability.

15. In the Bank we will continue to implement the Management Action Plan for Enhancing Bank Support to MICs launched in 2004. Implementation of the 2003 Infrastructure Action Plan (on which the Committee has a separate progress report) to revitalize the Bank Group’s infrastructure business is also highly relevant to this group of countries, as are our continuing efforts to reduce the “costs of doing business” with the Bank. We are also engaged in a series of discussions with donors, other MDBs and MICs to identify ways to enhance cooperation, including greater use of techniques that combine the instruments and aid modalities offered by different parties, blending concessional and non-concessional forms of finance.

Climate Change and Environmentally Sustainable Energy Sources

16. The Bank has been working on climate change for a number of years, initially through helping to establish the Global Environment Facility and increasingly through integrating these issues in its policy dialogue and lending. At the Gleneagles Summit, G8 leaders adopted an action plan that recognized the linkage between clean energy and sustainable development and asked the Bank to take a leadership role to develop an investment framework. We have provided a note to the Committee setting out actions we have been taking to create a framework for clean energy and sustainable development and identify pragmatic investment and financing policy actions. Again, this is a topic that I hope the Committee will return to at a future meeting.

Voice and Participation of Developing and Transition Countries

17. Finally, the Committee also has a progress report on the subject of voice and participation of developing and transition countries. While I recognize that this is an issue for shareholders and not management, I would like to stress the importance I see of adapting our governance structure to reflect changing realities in the global economy and ensure that all members have an adequate voice in our institution. I hope it will be possible to make progress soon on this difficult issue.

V. Conclusion

18. I would like to conclude by underscoring the importance of our forthcoming deliberations. At their meetings this year world leaders have reiterated their commitment to a strong global compact for development. They have entrusted us with a leadership role in implementing the agenda. Our meeting will focus on some key elements of this implementation agenda. I look forward to a productive discussion that will move us forward.