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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On behalf of the countries I represent, I wish first of all to congratulate Mr. Horst Kohler on his nomination as the new Managing Director of the International Monetary Fund and to wish him every success. I would also like to take this opportunity to express my respect and appreciation to his predecessor, Mr. Michel Camdessus, who strove admirably throughout his 13-year tenure at the helm of the Fund to enrich the deliberations of our Committee and facilitate the implementation of its initiatives.

Our Committee is holding its 61st meeting at a time when the world economy is experiencing strong growth and renewed stability, in the wake of uncertainties that prevailed barely six months ago.

This growth and stability may clearly be attributed to the efforts of the countries directly affected by the financial crises of 1997-1999 to put their economies on a sound footing. Credit also is due to the mobilization efforts of the international community, particularly the multilateral financial institutions, which contributed significantly to limiting the impact of the crises and facilitating the turnaround in the affected countries.

We earnestly welcome this international solidarity and wish to underscore the need to remain vigilant so that we are in a position to respond to events that destabilize markets and undermine global growth as a whole.

Although the international community has successfully met this challenge, there are additional equally important challenges that must be confronted with equal determination.

The first of these challenges is to ensure that the multilateral trading system functions as an instrument for integrating the developing countries into the world economy and as a mainstay for promoting the development of our countries. The stability and sustainability of global growth are at stake here.

The events at the Third Ministerial Conference of the World Trade Organization in Seattle should prompt our institutions to develop a more equitable multilateral trading system which takes the development dimension duly into account. Urgent measures include eliminating tariff barriers to exports from the poorest countries and launching new negotiations to liberalize trade in those sectors in which the developing countries enjoy a comparative advantage. Such measures will enable these countries to pursue their policy of openness and integration at the regional and international levels and attain their growth and poverty reduction objectives.

The World Bank and the International Monetary Fund have an important role to play in this regard, particularly with respect to strengthening the ability of the developing countries to analyze information and conduct negotiations.

The second challenge is to adopt a sustainable solution to the debt problem. In addition to feeling relegated to a marginal role in the multilateral trading system, the developing countries labor under a heavy debt burden which undermines the development efforts of both the least developed countries and some middle-income countries.

In this connection, we welcome the Enhanced Heavily-Indebted Poor Countries Initiative and its new focus on poverty reduction. We believe, however, that the Initiative should be applied with greater flexibility so as to better meet the needs of the least developed countries, which are hoping for a rapid and substantial reduction of their debt burden.

The international community has been most generous in this regard, a fact that is particularly welcome inasmuch as certain heavily-indebted developing countries have themselves joined the effort and made significant contributions to this spirit of solidarity.

The entire international community has been called upon to participate in this effort and to acknowledge the urgent necessity of alleviating the debt burden of the countries in question. However, I wish to emphasize that the cost of the Initiative must be shared equitably and should not place an undue burden on developing country creditors which are assisting heavily-indebted poor countries. Similarly, the Initiative should not undermine the viability of institutions such as the African Development Bank (AfDB) or the International Development Association (IDA).

If AfDB helps finance the HIPC Initiative without considerable outside support, this may risk compromising its future operations on behalf of Africa's least developed countries.

In order to deal with the financial difficulties IDA will confront after 2005, consideration should be given at this stage to consolidating its resources and, possibly, to making additional concessional resources available to meet a portion of the contribution it has been called upon to make.

Although small States do not comprise a homogeneous category, and although the size of a country's population definitely does not predetermine its economic situation, most of these countries display certain vulnerabilities which should taken into account.

The least developed small States are single-commodity exporters or their economies are not very diversified, and their institutional and human resource capacities are limited.

Accordingly, it behooves the international community to devote particular attention to these countries and to countries facing similar constraints by supporting their integration at the regional and international levels and promoting capacity building.

The international community as a whole must confront these challenges in a spirit of solidarity not purely as a matter of necessity, but as a moral obligation, for if it does not do so, many countries risk sliding into marginality and poverty.

Before I conclude my statement I wish to emphasize that in the light of these challenges, it is more important than ever for our multilateral institutions to be sound and viable.

With regard to IBRD in particular, we welcome the fact that its financial condition remains sound. However, the Bank continues to face potential risks because its portfolio is heavily concentrated on a number of heavy borrowers. It may therefore prove necessary to strengthen the financial capacity of the Bank.

The following steps should be taken in tandem with such strengthening:

- The Bank’s mission should be redefined to focus more on economic development and poverty reduction;

- The burden should be shared equitably by borrowingcountries and other member countries; and

- Bank management should be streamlined and the institution’s interventions should be maximized.