



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)



SIXTY-THIRD MEETING
WASHINGTON, D.C. – APRIL 30, 2001

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Distinguished Colleagues, as is the custom at these meetings I will now summarize the main points in your prepared statements.

Bank Group Strategy on Middle-Income Countries

There was broad support for continued Bank assistance to middle-income countries, where the majority of the world's poor live. Ministers stressed the Bank's role as a catalyst for progress in poverty reduction. The Bank should help in maintaining the pace of reform, building the climate for increased domestic and foreign private investment, ensuring well-focused public expenditure programs, particularly in social sectors, and preventing financial crises. Ministers also noted that middle-income countries are a very diverse group and that flexibility is needed designing programs to support them.

Many ministers supported the Bank's intention to rely increasingly on nationally owned development strategies, and noted that this was essential to achieving sustainable reform. Many ministers welcomed a strengthened CAS process, including a clear division of labor with regional development banks and other partners. The Development Policy Review, if introduced, should focus on social and structural issues related to poverty reduction and government programs. Support for a requirement for the Letter of Development Strategy, however, was mixed. A number of ministers noted that, where countries already have clearly expressed policy frameworks and objectives, the requirement could become redundant and bureaucratic. In this regard, many of you suggested that analytical and fiduciary work should take into account countries' level of institutional development and policy focus.

Modalities of financial support were addressed by many ministers. In general, ministers supported the move toward programmatic lending that is more attuned to national budget and planning cycles, and would help to limit the cost of doing business with the Bank. However, some ministers were cautious about an overly rapid expansion of programmatic lending, particularly where institutional and public expenditure management systems could not ensure adequate safeguards and fiduciary controls. Many ministers also expressed support for continued development of the deferred drawdown option, given its potential to help reduce the risk of financial instability. However, a number of ministers raised concerns regarding its relationship to existing Bank instruments such as structural adjustment lending possible overlap with IMF financial instruments. Some ministers also suggested that the eventual pricing of these instruments should be reviewed.

Harmonization of Operational Policies and Procedures

Many ministers again emphasized the need to harmonize operational policies and procedures across bilateral and multilateral donors in order to reduce the burden on low-income countries and lead to more efficient use of aid resources. A number of ministers noted that while progress on the donor side would help, strengthening country capacity to manage public expenditures efficiently, with adequate reporting and financial controls, would greatly enhance achievement of simplified resource transfers. Donors could harmonize around borrowers' resource planning and

budgetary cycles when financial management standards and procurement systems are more effective. With respect to progress by donors toward harmonization of their procedures, a number of ministers noted the productive discussions taking place in the DAC/OECD Task Force. Some recommended more active engagement by the Bank to bring its experience to bear to help move the process forward in a practical way. Several ministers suggested that the Bank review its own policies and procedures to help support convergence with other donors. Some ministers cautioned that harmonization should take full regard of borrowers' views throughout the process, because there is some risk that harmonization might raise costs for borrowers.

Leveraging Trade for Development: The Bank's Role

Many ministers stressed that the potential gains from greater access by developing countries to developed country markets far outweigh those of any other form of resource transfer. In this regard, they underlined the importance of the Bank's role in advancing trade issues of developing countries. Many welcomed the Bank Group's initiatives to help clients expand market access, put in place appropriate trade policies, improve trade-related infrastructure and services, and take full advantage of the opportunities presented by globalization. They supported stronger Bank involvement in integrating trade issues into the PRSP process and its attention to "behind-the-border" structural issues as well as in encouraging industrialized countries to lift barriers.

Many ministers encouraged the Bank to provide analytical support to those countries seeking WTO accession and to help low-income countries strengthen their trade negotiating capacity. Some ministers cautioned that the Bank should avoid direct engagement in negotiations of WTO accession. Several urged the Bank to mainstream trade issues into its lending and advisory operations. Research on the links between trade barriers and poverty, support to regional integration processes, and capacity building to implement trade policies would be important contributions that the Bank could make in this area. A number of ministers particularly welcomed the Bank's increased focus on regional integration and trade arrangements. The need for close coordination with the activities of the WTO, IMF, UNCTAD and other international organizations was also stressed.

Global Public Goods.

With respect to global public goods, many ministers appreciated the progress made in all areas defined as priorities in Prague—communicable diseases, the environment, financial stability, trade integration and market access, and the knowledge revolution. They urged the to be collaborative in its approach, working in close partnership with other organizations, and prudent in its deployment of resources. Effective actions on global public goods could best be achieved by anchoring approaches in the Bank's core business and its country programs. Some ministers cautioned that there are also risks in taking up global public goods, since they might result in spreading resources too thinly with relatively little impact.

Several ministers noted that a key challenge for the global public goods agenda would be adequate funding. Exploring the use of IDA and Development Grant Facility resources was

raised. They also called on the Bank to continue to seek alternative financing from the private sector, philanthropists and bilateral donors. Some said that a more precise definition of global public goods was required.

HIV/AIDS Action Program

Ministers again expressed their serious concern that the HIV/AIDS pandemic was having a devastating human total and constitutes a serious threat to poverty reduction, especially in Africa. Many commended the Bank for its response to the challenge of the pandemic to date, including the Multi-Country AIDS Program in Africa. Many also urged the Bank to continue to call attention to the need for a better financed and coordinated international response, mainstreaming HIV/AIDS programming into all sectors, and building the necessary health care and delivery systems. While welcoming recent progress, continued efforts to increase the affordability of appropriate drugs was urged. Ministers urged the Bank to strengthen its partnerships with UNAIDS, GAVI and WHO. Many endorsed the idea of the Global Health Fund, with multiple windows, while others suggested further consideration.

International Financial Architecture

Ministers expressed support for a focused, selective role for the Bank and the Fund in international efforts to combat money laundering and other financial abuses, specifically by promoting awareness, building capacity, fostering better legal systems, and providing policy advice. Some ministers said that the Bank and the Fund, through their ongoing work on strengthening the structural, financial and institutional underpinnings of their members, combined with their joint work on the Financial Action Task Force (FATF) and ROSC, were already making an important contribution to efforts to combat financial abuse. Some commented that the primary responsibility for preventing money laundering rested with the countries themselves, and called for continued vigilance on the part of developing countries to increase the effectiveness of their own protective legislation.

Many ministers welcomed recognition of the FATF's 40 Recommendations as the appropriate international standard against money laundering, (excluding those associated with law enforcement), although some others said that it was premature to recognize them as binding international standards since they had been drafted without the participation of the majority of low-income countries.

Ministers welcomed the guidelines for public debt management, which they called a useful and timely contribution for all member countries regardless of their stage of development. Several of them pointed out that technical and management capacity in public debt management would require a long-term commitment on the part of developing countries and MDBs alike and called for a flexible and graduated approach, supported with adequate capacity building. Some said that the guidelines should be voluntary and should not become part of conditionality.

Ministers also welcomed progress on the principles and guidelines for effective insolvency and creditor rights systems and called for further consultations and work to refine them. Close coordination with UNCITRAL activities in this area was suggested. Some of them stressed that

the guidelines should take account of varying country circumstances and should focus not only on the interests of creditors and debtors but also on those of workers. Others suggested that the Bank and Fund should help countries enhance their internal mechanisms to enable full compliance with their domestic legislation on these matters.

Other Issues

HIPC and Debt Sustainability

Ministers welcomed the progress made in carrying through the HIPC program. Some ministers stressed the importance of continued debt sustainability through sustainable economic growth and poverty reduction. Some ministers suggested the international community must address the factors that contributed to debt buildup in the past.

Post-conflict Countries

Many ministers encouraged early engagement in post-conflict situations in order to help consolidate peace. Many ministers noted the need to balance early debt relief with an established track record and capability to monitor the use of freed-up resources.

Education

One minister suggested that the Bank, working closely with other agencies, provide the Development Committee with a report on progress in implementation of the Dakar Framework at its Fall 2001 meeting.