Statement by

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We welcome this discussion of implementation of the Monterrey Consensus as it comes at a time when we need to assess if the right conditions are in place for achieving the Millennium Development Goals (MDGs). This is particularly important now, with the decline in the flow of overall resources to developing countries.

**Monterrey Consensus Implementation**

Progress has been made in preparing for effective implementation of the Monterrey Consensus, through activities arranged or planned by the Bank and Fund in collaboration with other multilateral institutions, including the UN. More attention is being given to strengthening developing country policy performance and institutional capacity, additional pledges for increased official assistance have been made, and work is continuing on the ongoing initiatives and programs, including debt relief, access to markets and global public goods.

All of this is welcome, though there is a need for enhancing developments partners’ coordination and contributions, and for addressing remaining impediments for achieving the Monterrey objectives. Pledges for new official assistance have to be viewed in the light of the Bank’s estimates of required new resources; and improved market access has to be seen in the context of setbacks in removing agricultural subsidies. We also have to assess how the slowdown in the world economy and financial crises in some major developing countries have affected the prospects of achieving MDGs.

In looking ahead, there needs to be a thorough continued assessment of Monterrey Consensus implementation. As I mentioned at our last meeting, regular follow-up by this Committee and other institutions will be invaluable. I recommend that this Committee receives an annual review of progress towards the MDGs, in the context of a broad, long-term implementation plan: this process should provide us with the data for well-structured discussions of issues that arise and actions that are needed.

Today we address two issues that have an important bearing on improving developmental prospects and poverty reduction: development effectiveness and development results.

**Development Effectiveness and Scaling Up**

This issue has been considered in the light of three case studies. The experience and concrete achievements in these cases, taken together, give rise to optimism regarding the potential for increased development impact. The paper also points out that financial aid flows to developing countries have not matched improvements in country policies and performance, and that additional aid resources could be used effectively to reduce poverty.

Two of the specific issues identified are particularly worth pursuing. One is donor financing of recurrent costs. There is indeed a case for flexibility on the part of donors, including the Bank, and we look forward to the Bank’s review on this matter. Secondly, there is the need to ensure long-term donor commitments that help clients to plan better for longer-term operations and avoid compression of spending in case of a sudden decline in aid. A mechanism for long-term commitment is consistent with the Monterrey objectives. The case studies have shown that
addressing these and the other donor-related issues could make a real difference to poverty reduction.

**Development Results**

It is encouraging that there is increased attention in the development community on results. In our region and elsewhere, there have been concerns that many actions taken by countries in promoting reforms and stabilizing their economies have not led to tangible results on the ground. The Bank Group has, during the past decade, made efforts to shift its emphasis on the volume of lending to the quality of operations. Results-based management, as now suggested, can make a significant difference in combating poverty and will reorient how the Bank and other development institutions conduct business.

Of course, further work is needed on the conceptual framework for this endeavor, how it is implemented across the stages of the development cycle, the capacity required in client countries, the behavioral changes in donor and country institutions, and the risks involved.

We also underscore two points. The first is that achieving results also depends on financial inputs, particularly relevant now when financial flows to many client countries have witnessed sharp declines. The second is that achieving results is a long-term process, and care should be taken over how to make donor allocations results-based, as now contemplated, without impeding the flow of donor resources.

As to the Bank’s approach to measuring and monitoring development results, the documentation rightly acknowledges that improving country outcomes is highly complex and dependent on the right policies, institutions, internal conditions, the external environment for trade and capital flows, and adequate financing. What is clear is that much work is needed to lay the grounds for credible results-based management. We look forward to what the planned pilots show.

Meanwhile, concerted efforts should be focused on improving client country capacity for measuring and monitoring progress and results. In this respect we also need to improve statistical systems in client countries, which may call for a major new initiative to enhance capacity - critical for effective measuring, monitoring and managing of development results.

**HIPC Progress Report**

We welcome the progress that has been achieved in relieving the debt burden on poorer countries under the HIPC initiative, and commend the contributions of donor countries and development institutions. Those in our region continue to participate within their limited means and to the extent that would not impair their financial integrity or impede their ability to continue extending assistance to other poor client countries.

Despite progress, the challenges for achieving more effective debt relief remain substantial. Fewer countries than expected have reached their completion points and many countries with debt problems have not been considered. The financing requirement to support
current and potential HIPC countries remains large, with a financing gap of $750 - 800 million needing to be filled before the end of this year. Prospects for achieving the key objective of debt sustainability have deteriorated with the slowdown of the global economy and the decline in many primary commodities prices.

In view of the remaining problems it is imperative that the HIPC initiative be extended to the end of 2004, as now suggested. We also emphasize that, to achieve a lasting improvement in the ability of the indebted poor countries to cope with debt and achieve poverty reduction depends not only on debt relief, but also on the overall flow of resources and on improving access to markets.

**Progress Report on Poverty Reduction Strategies (PRSPs)**

The Report conveys the welcome conclusion that the PRSPs continue to be on track, with Interim PRSPs totaling forty-five and full PRSPs doubling since early this year. I also note the achievements highlighted in the Bank/Fund staff review several months ago, including the growing sense of country ownership of the strategies, more participation and dialogue with civil society, the more prominent place poverty reduction is assuming in policy debates, and the improved data gathering and monitoring of outcomes.

The experience with implementation of the strategies has revealed important challenges facing clients, including the need for building capacity to improve policy design and implementation, further extending the scope for dialogue and participation; better coordination with donor partners, and integrating the poverty strategy into the budgetary process. I endorse the Report's conclusion that, in view of these challenges, continuing progress will be slower and that expectations should be tempered with patience. As also acknowledged, development partners have a substantial role to play in providing analytical and technical support, and can improve their own understanding of what is required for sustainable, pro-poor growth and poverty reduction.

**Anti-Money Laundering and Combating Terrorist Financing (AML/CTF)**

The Report does show considerable progress in implementing action plans on, AML/CTF with active roles being played by the Bank and Fund. I note the progress made so far towards a single comprehensive assessment methodology and endorse the principles that the Bank and Fund Boards have set for staff involvement in the AML/CTF assessment. Particularly important in this respect is that procedures should be transparent and consistent with the mandates and core expertise of the two institutions.

It is most important that, as the Report indicates, adequate attention should be given to the technical assistance and capacity building requirements of clients.
Progress Report on Harmonization

I am pleased to note that multilateral development banks, including those in our region, have moved towards collaboration on in-country harmonization through pilot work.

Harmonization efforts, however, are still not producing tangible results in many countries. More coordination among donors could lead to significant improvements in the transaction costs for aid recipients.

The planned High Level Forum early next year for enhancing collaboration across the development community will, it is hoped, lead to further improvements in harmonization, in order to eliminate the wastage of vital aid resources through unnecessary duplication, and the drain on recipients' institutional capacities.