Statement by

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I. Introduction

The uncertainty clouding the global economic outlook—compounded by the conflict in Iraq, the slowdown of trade in commodities and services including tourism, and a deterioration of commodity prices—is likely to affect particularly the poorer countries. While focusing on immediate concerns, we should not lose sight of broader, longer-term goals. I believe that a critical task for us at this meeting is to maintain a clear focus on the shared goals embodied in the Millennium Declaration.

The Summits of Doha, Monterrey, Johannesburg and Rome underscored the mutual responsibilities of developing and developed countries and articulated concrete steps to achieve the Millennium Development Goals (MDGs). I am pleased that this Committee is provided with a framework that will allow it to assess progress. The donor countries of my constituency are committed to increase Official Development Assistance (ODA). Together with the other development partners, and with the developing countries in the lead, we share the responsibility to make development aid more effective through improved policies, governance and overall coordination of our efforts.

II. Progress in Implementing the Monterrey Agenda

A. A framework for monitoring and evaluating policies and actions towards the achievement of the MDGs

We broadly support the proposed methodology for monitoring actions and policies to achieve the MDGs and appreciate the effort to clarify the respective competencies of the Bank and the UN. Regular reporting to the Development Committee can enable us to play an effective role in assessing and hopefully catalyzing further progress towards the MDGs. This exercise should not be seen as an attempt at “global planning.” An evaluation of policies to achieve the MDGs should be based on the commitments of borrowers and donors. A fine balance must be struck between the top-down dimension of MDG monitoring and the bottom-up approach of country-based programs.

While the overall methodology is appropriate, further effort should be made to identify key issues and indicators. For developed countries, the Development Committee should mainly monitor trade and aid. As for developing countries, the MDGs monitoring exercise should give priority to the quality of public governance, overall economic climate, and access to social services. We would like to stress the need for countries to develop better indicators of the quality of policies and to improve the collection of statistics on human development and public
expenditures. We encourage the Bank to develop a concrete statistical capacity-building action plan and to link this with the ongoing work on results at the country level and on the IDA results-measurement system.

Aid coherence and coordination are critical to achieve the MDGs. At the fall meeting of the Committee, we expect to see a document that will identify key issues and provide a framework for monitoring collaboration of the Bank and the Fund with other partners and further clarifying division of labor. This framework for monitoring coherence and coordination could encompass previous exercises such as those on monitoring progress in harmonization or MDB collaboration. Coherence between global initiatives, such as those related to infectious diseases, education, and post-conflict, and the policies and actions of multilateral organizations, will require increasing attention. The Development Committee can play an important role in assessing progress in these areas and discussing the main issues that may emerge. It would be useful to involve in our discussions OECD/DAC and agencies such as UNDP that play an important role as partners of the Bretton Woods Institutions in achieving the MDGs.

B. Results so far and next steps

The MDG target of halving poverty by 2015 will not be reached by all countries: it may be reached at the global level, thanks primarily to the strong growth performance of China and India, but the poorest countries are likely to be left behind. We are especially concerned that Africa, based on current growth trends, will not achieve the poverty target by 2015. Many of the poorest countries, including the African countries, are likely to miss the MDG targets relating to education, health and gender. It is urgent to devise strategies and measures to correct these trends so as to bring the MDGs within the reach of all.

For developing countries, it is encouraging that significant progress is being made in macroeconomic and trade policy reforms. Among the countries in our constituency, Albania has been implementing sound macroeconomic policies and continuing on a path of structural reforms. However, much remains to be done in addressing structural bottlenecks and improving governance in developing countries, and strengthening social sector--including service delivery--and environmental policies. These are areas where rapid and sustained progress should materialize in the future. At the same time, we recognize that it may be difficult to define objective indicators of the quality of governance and institutional and social policies. Achievements will have to be measured vis-à-vis benchmarks that are adopted by the countries themselves.

Some World Bank initiatives, such as the Global Development Learning Network and the Gateway Foundation, can play a crucial role in improving governance, sharing knowledge, building local institutions and promoting the use of Information and Communication Technologies for poverty reduction and sustainable development. Italy strongly supports both initiatives, which are aimed at creating a unique partnership of public, private, and non-governmental organizations and represent a multi-channel network with a clear mandate to serve the developing world better.
With respect to the **developed countries**, it is important to underscore the commitment to the Doha’s development round even as we recognize that progress in removing barriers to trade in some critical sectors has been uncertain. Some bilateral efforts at market-opening by individual developed countries, including the EU’s “Everything but Arms” initiative, are having an impact but they need to be complemented by wider progress at the multilateral level.

Provision of adequate aid resources is crucial to the achievement of the MDGs. However, IFIs and donors should fund a country’s recurrent expenditures only when countries are committed to mobilize domestic financing and to scale up their programs in priority sectors.

The development assistance required to achieve the MDGs is estimated at an additional 50 billion dollar per year, which amounts to double the current levels. Many commitments have followed Monterrey. By 2006, Italy and Portugal and Greece, aim at reaching ODA equivalent to 0.33 percent of GDP: the Italian contribution should more than double compared with the 2001 ODA levels. As we are committed to increase the quantity of aid, we should also remain mindful of the **quality of development assistance**. A reduction in transaction costs, both for developing countries and donors, could partially offset the need for additional ODA. I encourage the Bank and the Fund, together with DAC and other multilateral and bilateral partners, to set a clear timetable for the implementation of the agenda that was set in the Rome High Level Forum on Harmonization.

Scaling up of development assistance is meaningful only if good policies exist at the country level. In IDA countries, this may be provided by the **Poverty Reduction Strategy Paper** (PRSP), which could become the basis for increased IDA flexibility. However, we should be mindful of absorptive capacity bottlenecks that may emerge as aid levels increase rapidly. Further, the special needs of Low Income Countries Under Stress and Middle Income Countries (MIC) should be taken into consideration. With respect to MIC, in particular, where the majority of the poor live, policies and approaches for scaling up need to be further defined. The Bretton Woods Institutions should develop clearer strategies for engagement in the MIC and explore alternative financing models that may better respond to these countries’ needs, if the MDG ought to be achieved.

The credibility of the whole MDGs agenda is at stake if specific initiatives are not adequately supported. Let me take this opportunity to reiterate Italy’s support for the Education for All Fast Track Initiative. We are aware that there is a plurality of mechanisms to support education, but the risk is that some countries may still be left out by these initiatives. We could consider supporting the creation of a Trust Fund to fill any possible gaps, subject to the emergence of sufficient agreement among donors on such a measure.

As a complementary effort, the HIPC initiative deserves continued support. Increased spending in the social sectors, particularly health and education has generally followed debt relief, reinforcing the drive towards the MDGs. We welcome the progress on the Initiative so far, but we note that full creditor participation is still a major problem. The HIPC countries continue to be vulnerable to exogenous shocks, such as a drop in commodity prices. The Initiative should respond flexibly, within the existing framework, by providing additional debt relief at the completion point in exceptional cases. However, the current methodology used to calculate the
topping up requirements can possibly be improved to ensure that additional bilateral relief, which is voluntary, go to the benefit of the HIPC countries only and not of other creditors.

C. Enhancing voice and participation of developing countries

Our request to the Bank and the Fund last Fall to identify ways to enhance the voice and participation of developing countries in their decision-making reflected our belief that effective participation of the developing countries in the decision-making of international organizations is critical to reinforce the legitimacy of these institutions as well as their effectiveness in pursuing the MDGs. We are aware that several ideas have been set forth following our request and the debate has not ended yet. Moreover, we appreciate the effort of the Bank and the Fund to present the various proposals to us in the Voices paper.

In considering the proposals on the table, we are guided by four principles. First, the basic principle that shares, quotas and votes must reflect the relative position of member countries in the global economy remains valid. The Bank and the Fund are financial institutions whose members must bear specific financial responsibilities, and voting strength should be commensurate to these financial responsibilities. However, this principle needs to be applied consistently both over time and across members. Second, constituency-based representation has served the institutions well and has ensured a reasonable balance between voice and participation, on the one hand, and efficiency and effectiveness, on the other hand. Third, the criteria of efficiency and effectiveness, both at constituency and institution level, must be applied in the selection of proposals for implementation. It is critical that proposals improve the efficiency and effectiveness of the BWIs. Finally, an adequate minimum level of representation should be preserved for the largest constituencies.

With respect to the more fundamental issues relating to voting strength, we feel—in light of the above principles—that progress on these must be based on a full and comprehensive analysis of under-representation issues. In principle, we are ready to explore further the option of increasing basic votes or selective capital increases for the poorest countries aimed at achieving the same result without requiring a change in the Articles of Agreement. We are skeptical of the usefulness of special majorities.

Among the other proposals, we particularly favor actions to support within-constituency and in-country capacity. We appreciate the first steps taken by the Bank and the Fund to strengthen the offices representing Sub-Saharan African countries on their respective Boards. In this respect, however, it is the quality of representation that matters the most. Efforts should be directed to ensure that constituency structures work effectively as mechanisms for representation. Strengthening selection mechanisms for Board Officers and Staff, as well as allowing sufficient time in office to maximize experience, would go a long way towards increasing effectiveness and strengthening voice. We support that Bretton Woods Institutions explore other options as well, including capacity building at the country level for fuller developing countries’ participation in and ownership of key processes such as PRSPs and CASs, and critical programs.
In line with efforts to strengthen the voice of developing countries, the Development Committee could consider a more extensive involvement and active role for observers, particularly from developing countries and transition economies.

III. Conclusion

As on past occasions, I would like to reiterate my belief that regular monitoring by the Committee of the policies and actions to achieve the MDGs will provide an important impetus for further policy analysis, and for accelerating the implementation of an integrated approach towards meeting the MDGs. It will help us maintain focus and concentrate energies on the difficult task of achieving the Goals. As we start seeing some results, we should not get complacent. Without a major effort by all parties concerned, the MDGs will not translate into reality, but just remain an aspiration. We must all step up our involvement and commitment to bring the 2015 vision closer. Our constituency is ready to do its part.