



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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Statement by

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Minister for Development Co-operation of The Netherlands
Representing the constituency consisting of Armenia, Bosnia
and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel,
Republic of Macedonia, Moldova, The Netherlands,
Romania, and Ukraine

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Linkage of ODA to peace & security

I am pleased that the volume and modalities of aid are high on the DC's agenda, as part of the general discussion on our progress towards the MDGs. That agenda could inspire us to address any number of development issues, but right now there are a few topics I would like to focus on, including post Cancun perspectives and other coherence issues.

One important issue, which is on the top of my agenda and should be part of the debate on ODA, is the relationship between peace, security and development. Security is a necessary precondition for sustainable development and should therefore be an integral part of the development agenda. Afghanistan, Iraq, Liberia, the Democratic Republic of Congo, and many other countries have no chance of catching up with global economic development until sufficient stability has been restored. Post-conflict countries are especially prone to revert to instability and violent conflict. The experiences of the international community in such places as Macedonia and Bosnia-Herzegovina show that one crucial part of any sustainable reconstruction process is restoring public order – by disarming, demobilising and reintegrating former combatants, ensuring the presence of a functioning police force and, if necessary, deploying a peacekeeping force.

Role of the World Bank in peace and stability

I welcome the considerable effort the World Bank has made in recent years – within the bounds of its mandate – to learn more about the relationship between conflict and development, and to put its conclusions to practical use in its operations (such as arrears clearance and using grants for post-conflict countries). The Bank's support for demobilisation and reintegration programs is an excellent example of how joint efforts by development agencies can promote security. As the Bank advocates, donors should coordinate their efforts through multi-donor trust funds to avoid unnecessary transaction costs, proliferation of stand-alone projects and fragmentation of financial resources. I also commend the Bank for its important research and analysis of violence and conflict in developing countries, which has led to new insights into the gender dimensions of conflict, the links between education and conflict, and the role of conflict in the spread of HIV/AIDS.

Agenda for further work on security & stability and development

Still, there are some ways in which the World Bank needs to strengthen its performance on conflict and post-conflict issues. First of all, the Bank and other actors should strengthen the regional approach in conflict prevention and resolution. Furthermore, the Bank needs to work more closely with other key actors, given the complex political, social, economic and international dimensions of conflict. Although much progress has been made in recent years – take the partnership program in support of DDR in the Great Lakes, for example – there is still a need for better coordination and collaboration based on openness, trust and a clear division of labour. While conflict resolution is the mandate of the United Nations, the Bank should focus on formulating and implementing effective development strategies. The Bank should aim for complementary roles and synergy with UN institutions like UNDP and

UNHCR. By assuming a complementary role, the Bank can make sure that it stays within its non-political mandate.

Another area for more active engagement by the Bank is targeted, (situation-specific) advice on development in conflict-prone settings for PRSP countries. PRSPs are meant to be comprehensive strategies, so they need to address issues of insecurity and instability which impact on poverty, especially in post-conflict countries. On the other hand, countries *in* conflict should not be asked to draft PRSPs, because the main prerequisite for development (peace and reconciliation) is not in place. The Bank should also do a better job of integrating the lessons learned about security, stability and development into its regular operations. If the Bank does not pay enough attention to issues of conflict, Bank operations could have adverse effects on reconciliation processes. I would also like to encourage the Bank to review its administrative procedures. Sometimes, they are not well suited to complex conflict situations: a case-by-case approach and flexibility are required to react swiftly to windows of opportunity and to deal with a multitude of stakeholders. Finally, the Bank should incorporate military expenditure into its work on public finance management, to improve financial governance.

Monitoring policy actions to achieve the MDGs

We have discussed at length what kind of monitoring needs to take place in order to achieve the MDGs. The time is now ripe to adopt concrete monitoring measures and yardsticks to ensure that our development partners deliver on their promises. Twenty eight countries have already finalised their MDG reports, including Ukraine, Armenia and Bosnia-Herzegovina; Besides these MDG reports, many developing countries have shown progress in PRSP implementation in a transparent manner. We should take these PRSP countries as examples; they are now held accountable for achieving MDG's, by investing in pro poor economic growth, good governance and private sector development. These efforts need to be matched by developed countries, in the spirit of shared responsibility and mutual accountability as we work towards the MDGs. I propose that all developed countries draw up annual national MDG-8 reports dealing with their progress in the area of policy coherence for development. It should highlight progress and new initiatives in three areas: first, aid volume and aid effectiveness; second, debt sustainability; and third, market access for developing countries, especially the least developed countries.

Cancun

I deeply regret that we failed to reach agreement in Cancún. It is a setback for the world economic recovery and a blow for the multilateral trade system. But also a missed opportunity to lift millions of people out of poverty. Liberalising measures that are vital for development and poverty reduction, especially in agriculture, will now have to be postponed. African cotton-producing countries will for instance have to wait for a concrete solution to the crisis they are in. We have to make a careful analysis of why Cancun failed. I think we did not fully appreciate the position and the concerns of developing countries. I observe that developing countries managed to articulate and defend their interests with new strength. Greater influence for developing countries in the multilateral trading system will give it a more truly global character.

The multilateral system can and should emerge stronger from this setback, but only if countries continue to search for a way forward. I call upon all countries to make concerted efforts towards a pro-poor deal. I urge all developed countries to eliminate export subsidies for the products of particular importance to developing countries. And to follow the EU

initiative, Everything but Arms (aimed at giving access to products from the least developed countries).

Post Cancun, we face real stumbling blocks but we should work together to facilitate viable and well-documented proposals. We might need to reconsider the procedures guiding the negotiations in WTO and the need to differentiate between developing countries. After all one cannot compare Brazil with Ghana and India with Ethiopia. WTO member states especially the large regional blocks like the EU have the responsibility to come up with initiatives and proposals to take us out of this deadlock. This is crucial to restore the confidence of the developing countries. I would like to thank the Bank for its constructive role in the run up to the Cancun negotiations, through its research and advocacy work in this area. I also salute the initiative of Bank and Fund to address the adjustment costs of a more liberal trade environment for developing countries, such as erosion of preferences, loss of tariff revenues and possible negative impact on the poor. After all, despite the overall economic benefits of liberalisation, developing countries may face adverse effects in the short term.

Enforcing coherence: the roles of countries, OECD/DAC and the DC

As for the ODA agenda, I call upon donor countries to abide by the Monterrey Consensus, which is a crucial step towards the agreed UN target of setting aside 0.7 per cent of GNP for ODA. Donors and agencies like the World Bank and UN should also start implementing the action plans on harmonisation that they pledged to formulate at the High Level Forum in Rome last February.

We are committed to improving the performance of the Netherlands on the Centre for Global Development's 'commitment to development' index. Civil-society initiatives of this kind help to place or keep coherence issues on the political agenda of developed countries. It is equally important to place pressure on developed countries, especially those that are 'poor performers' in terms of coherence. There are already very useful intergovernmental mechanisms for this purpose, in particular peer reviews in the OECD framework. MDG-8 reports can make OECD peer reviews much more effective. I will take the initiative to work out a format for MDG-8 reporting covering these issues, together with other interested donors. I intend to distribute an annotated outline by early next year. MDG-8 reports should also be used as self-assessment tools to inform the OECD country examinations. In addition, I am in favour of joint assessments (of donors) at the level of recipient countries; that will allow the views of recipients to be incorporated into the assessment of donor countries. I believe that the required changes in donor conduct are more likely to be enforced at country level, where actors can hold each other responsible directly, rather than through international fora. Although OECD-DAC should have primary responsibility for monitoring the conduct of developed countries, I believe the Development Committee has an important role to play: the DC should build on the work done by DAC, analyse trends and help to set the agenda for further action.

Enhancing the Voice and Participation of Developing and Transition Countries

Enhancing the voice and effective participation of developing and transition countries was one of the items discussed at the last Spring Meeting as a step towards fulfilling our Monterrey commitments. I am pleased to see that real progress has been made in strengthening the capacity of the African constituencies. Furthermore, a Task Force has proposed measures that have been endorsed and there is a proposal to create a Trust Fund for independent research and policy advice. The Netherlands, together with other donors, has

followed up on this appeal and I am pleased to announce that I am prepared to contribute two hundred and fifty thousand euros to this important initiative. I call on other countries to join us in this effort. In my opinion, these first tangible deliverables will enhance the voice and participation of developing and transition countries in the Bretton Woods Institutions.

I do believe, however, that there is still a need to strengthen the capacity of the relevant ministries in recipient countries. That, together with a well trained staff in the ED offices, can enhance the leverage of these countries in the decision-making of these two institutions. Of equal importance is the need to recruit staff with more diverse national backgrounds, and to intensify the interaction between staff and recipient authorities at the country level. We view intensified interaction as one of the means to promote country own responsibility for development.

Apart from whatever new measures we adopt, I would like to point out the advantages of mixed-country constituencies consisting of both debtor and creditor countries. The process of consultation and sharing experience within these constituencies in itself gives the smaller shareholders a greater voice in the Board. Mixed-country constituencies can also enhance consensus building in the Executive Board by combining the donors' and borrowers' views in their position. The (recipient) countries in the mixed constituencies should be able to benefit from capacity building measures. For this purpose the Netherlands has a program for TA aimed at the constituency countries which need support in building institutions.

I hope that at this annual meeting we can finally agree on how to strengthen the voice of the Least Developed Countries and countries in transition in the International Financial Institutions, for that is part of the global responsibility we all bear to eliminate poverty in our lifetime.