Statement by

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We appreciate that the focus of the Development Committee this time is on aid and aid effectiveness, improving the investment climate and infrastructure for growth and poverty reduction, increasing the voice of developing and transition countries in the Bank’s on-going efforts to help the poor and ensuring debt sustainability to enable low income countries not to be overburdened by debt in meeting the Millennium Development Goals (MDGs).

Aid Effectiveness and Financing Modalities.

We are pleased to note that more aid is being allocated to poorer countries. Recent work on the absorptive capacity quoted in the Development Committee (DC) paper shows that there is considerable scope for increasing aid volumes without reaching the limits of absorptive capacity constraints. However, we are disheartened to note that although the level of Official Development Assistance (ODA) has increased in recent years, yet it has fallen far short of the agreed target of 0.7 percent of Gross National Income (GNI). In 2003, donor countries delivered US$68.4 billion ODA, which is only 0.23 percent of their GNI. This percentage is expected to increase to only 0.32 percent in 2010, even if all DAC/OECD countries were to meet their expressed commitments.

In view of the big shortfall in aid to developing countries, we support the move to explore possible new and innovative sources of funding not only to increase the much needed volume of aid but, more importantly, to ensure the predictability of its delivery to the needy recipient countries.

The proposed International Finance Facility (IFF) is one such innovative instrument that has great potential. The frontloading aspect of the IFF will assist donors to meet the immediate need to increase the volume of aid. It also allows commitments made by donors to be fulfilled immediately and therefore assists recipient countries to plan and implement their development programs to meet the needs of the poor in accordance with the receipt of the aid flows. This will considerably enhance the effectiveness of aid utilization as the availability of the funds can then be matched with the readiness of the country to implement its plans.

We also wish to support the proposal for global taxation as a means to improve the efficiency in allocating national and global resources. Resources of the world are being tapped often to the point of depletion, and developed countries are spending their money to benefit from and obtain
returns from these resources. We feel it is highly appropriate if these expenditures are taxed to enable the revenue raised to be directed to the poor people of the world. We have to accept the fact that we cannot stop or prevent such expenditures from being made but, at the very least, the poor will also get to benefit from these spending if there is a tax imposed that will channel the revenue collected to increase the volume of aid to meet the targets of the MDGs.

**Elements of the Growth Agenda**

*Investment Climate and Infrastructure*

We are pleased to note that there is widespread recognition of the link between investment climate and infrastructure, economic growth and poverty reduction. A sound investment climate is crucial for the development of the private sector to be an engine of growth for the economy. The main challenge now is to assist member countries in getting the necessary infrastructure in place sooner. The Bank’s strategy should be flexible enough to respond to the varied nature and specific needs of its clients. In this regard, we support the plan to reexamine instruments and policies of the Bank to identify the specific responses and strategies that are critical for the improvement of investment climate and infrastructure development in client countries.

*World Bank’s Infrastructure Action Plan*

We note with appreciation the report on the implementation of the Infrastructure Action Plan. We welcome the Bank’s re-engagement and focus on infrastructure and the Bank Group’s efforts to get the private sector to invest in this sector. Infrastructure has an important role to play in poverty reduction and ultimately the achievement of the MDGs. We fully agree that it is very important for the public and private sectors to work in partnership and ensure that there is adequate funding available to meet the huge needs for infrastructure development in developing countries. In this regard, we are pleased to note the Bank’s willingness to engage along the entire public-private sector spectrum for both infrastructure financing and service provision. We also strongly support the Bank’s continued work in addressing the issue of fiscal space for infrastructure investments and improve its product mix to stimulate infrastructure investment. Additionally, we also urge the Bank to continue to increase its focus on expanding support at the regional and cross-country levels to bring greater benefits to more people.

The Bank should also continue its work on financing at sub-sovereign level in the Middle Income Countries as there are more infrastructure investments to be made at state or municipal levels. Investments at these levels would have a direct impact on local economic growth and development. However, this should be done with central government support and approval. This is to ensure coordinated economic development in a country, both for physical as well as financial considerations.

We also wish to extend our support for the Bank’s work to develop a core set of infrastructure indicators for each initiative in order to ensure better results in measurement and management. However, we would like to underscore the fact that poor results should not be used as the basis for denying a country further resource allocation and assistance. On the other hand, it should be
treated as guidance on how to better utilize the available resources to support the country and improve its conditions.

Voice and Participation of Developing and Transition Countries

Progress has been made on the Voice Agenda with regard to enhancing country ownership and perspectives in the Bank-supported programs and greater support for the Executive Director’s office of large multi-country constituencies, including our constituency which has 11 member countries. Nevertheless, we are disappointed with the slow progress made in moving this Agenda forward, in particular with regard to the voting and quota structure as well as Board representation.

While the Bank’s work program has evolved with the changing needs of member countries since the historic meeting in Bretton Woods 60 years ago, its structure still remains the same. The economic status of member countries have changed drastically, particularly in Asia where many countries are now playing a greater role in the global economy. In light of this, developing and transition countries must be given due recognition and greater ownership and voice in the operations and policies of the Bank. To remain relevant, the structure, policies and operations of the Bank must evolve with time.

We support the proposal for the Bank to design a framework for future consideration of the Voice Agenda. The framework would provide a proper and structured plan with a time frame to move the agenda forward. We acknowledge that this process requires close coordination between the Bank and the Fund which share common shareholders and be complementary in their objectives.

Debt and Debt Sustainability

We welcome the work done by the Bank to develop further the proposed debt sustainability framework and address its operational issues. The framework is for determining the right mix of loans and grants and more importantly for ensuring that the appropriate level of debt is extended to a country. We support the view that determining debt sustainability of a country is not a straightforward arithmetic process of calculating the right threshold. This is because the capacity of a country to sustain its debt payments is also affected by factors beyond its control such as natural calamities and regional unrest that cannot be quantified and reflected in the threshold indicators. In this regard, the indicative debt-burden thresholds should be used as a guide rather than as a rigid ceiling. The Bank must also take into consideration specific country circumstances in deciding the appropriate mix of loans and grants.

We fully agree that sound policies are critical in enhancing aid effectiveness and the Country Policy and Institutional Assessment (CPIA) could be used in assessing the quality of policies and institutions. Nevertheless, we would like the Bank to proceed cautiously on the use of the CPIA as some elements of subjectivity in the CPIA may result in less than accurate assessment of the policy and institutional reforms in a country. In this regard we welcome the proposal to use debt sustainability analysis framework as a basis for operational changes in IDA operations. We also
welcome the modalities for collaboration with the IMF on the debt sustainability issue and encourage the extension of such collaboration to other multilateral development Banks (MDBs).

We are hopeful that the issues discussed at this meeting relating to aid and aid effectiveness, growth, debt sustainability and increasing the voice of developing and transition countries will be seriously addressed by all parties concerned going forward, and we hope the Development Committee will get positive reports with concrete and significant commitments made to address these issues when we meet again in Spring 2005.