Statement by

The Honorable Antonio Fazio
Governor of the Bank of Italy
Constituency of Albania, Greece, Italy, Malta, Portugal
San Marino and Timor-Leste
Statement by the Honorable Antonio Fazio, Governor of the Bank of Italy
Constituency of
Albania, Greece, Italy, Malta, Portugal, San Marino and Timor Leste,
Development Committee, Washington, D.C., April 17, 2005

General Remarks

At the outset, on behalf of the authorities of this Constituency, I would like to salute Jim Wolfensohn as he approaches the end of his duty at the Bank. To him I wish to convey our deepest sentiment of gratitude for the significant advancement he has made possible in the fight against global poverty and in supporting economic and social progress in the developing world. I would also like to take this opportunity to welcome President-elect Paul Wolfowitz and to wish him best success as he prepares to lead the World Bank Group and to advance its mission. We appreciate his public commitment that this institution will remain focused on poverty reduction and achievement of the Millennium Development Goals (MDGs) as the strategic priority.

Known as the “year of development”, 2005 will hopefully mark a key moment in the world’s endeavor to fight mass poverty. The series of important public events, taking place throughout the year and culminating with the UN Millennium Summit in September, will not only enable world citizens to gain a clear sense of how their governments are progressing relative to their commitments to achieve the MDGs; they may also be instrumental in helping the global community to move from the consensus on the MDGs, reached at Monterrey in 2002, to the momentum now needed for transforming the agreement into tangible action and visible results.

Today, for the first time, the world can count on a set of well-established factors that raise the concrete hope that poverty can be dramatically reduced in a reasonable period of time. Among them are: a much sounder knowledge than in the past of what is necessary to attain sustainable and equitable economic development; the awareness that countries need tailor-made approaches to growth and development in place of standardized, one-size-fits-all grand reform packages; the recognition of the importance of country ownership of development strategies and programs; the understanding that increased financial aid is vital, but also that recipient governments need to adopt some minimum criteria of good governance for aid to be effective; and the appreciation that fighting mass poverty requires a global compact binding nations to undertake coordinated actions.

Yet, in spite of these reasons for nurturing hope, the MDG monitoring exercises consistently reveal that the world is largely off track with respect to the goals, with some regions even moving farther away from the desired paths. The much less than satisfactory performance on several MDG raises fears that some of them might be grossly missed unless major trajectory corrections are soon undertaken.

Important progress has been achieved since last year’s Global Monitoring Report, the most relevant ones being the successful conclusion of the IDA 14 negotiations (with its
Global Monitoring Report 2005

We share the Report’s analysis and conclusions, and support its recommended five-point agenda. In particular, we support the emphasis given to better investment climate, broader and more effective service delivery and stronger institution capacity as the key ingredients for higher and sustainable pro-poor growth, and share the Report’s main message that the international community should now undertake major efforts to accelerate progress toward the MDG. We also endorse the importance attributed to trade openness as a source of growth for poor countries. We agree with the Report in underscoring the need to assist poor countries in building the capacity to exploit the opportunities made available by greater external market access: without such capacity, most of the potential benefits from open trade could simply not be reaped.

More generally on aid, we endorse the recommendation that developed countries should scale up their efforts to increase aid. However, scaling up is not the only solution: the focus on the “quality” of aid is at least as critical. In this regard, the lack of aid harmonization is still responsible for much of the huge costs that ineffective aid imposes on recipient countries. While we welcome the positive steps agreed by the international community in this area, a lot remains to be done by developed countries on the implementation side. There is no question, however, that a significant responsibility for making aid more effective rests with recipient country governments and their willingness to improve governance of resource management and service delivery.

Regarding the international financial institutions (IFIs) covered by the Report, we believe that there is still large scope for them to align their strategies and instruments more closely with the MDG and the needs of recipient countries related to these goals. All IFIs should complete the transition to managing for results, and should achieve a higher degree of cooperation among themselves, and with the bilateral donors. Future reports should do better in terms of assessing the IFI performance vis-à-vis progress toward the MDGs. In this regard, involving the IFI internal evaluation departments in the monitoring exercise might prove helpful in order to carry out more impartial and deeper assessments of performance and to produce valuable recommendations for action.

Financing the Millennium Development Goals

Achieving the MDGs does not only demand better use of resources; it also requires provision for additional financial resources. For these reasons several ideas to identify new financing modalities are being discussed.
Among the options considered, the International Financing Facility (IFF) has been the most extensively studied, and we support it in principle, although some important issues remain to be settled before the proposal can become feasible. We look with interest at the implementation of the International Financing Facility for Immunization (IFFIm), which represents an important test of the feasibility of the IFF on a smaller scale and will allow to draw useful lessons. The link with the Vaccine Fund is certainly the most appropriate, in that the expansion of vaccination programmes requires a stable flow of resources that could be achieved with the frontloading and predictability of aid, the two fundamental principles underpinning the IFF.

A lot of technical work has been done on the IFFIm so far, but several issues remain still open, such as: the important questions related to the national accounts treatment of donors’ contribution to the IFFIm, as well as of the borrowing to be issued by the Facility. Pending the full completion of the project, Italy supports the IFFIm in consideration of the remarkable contribution it can make towards the achievement of one of the most important Millennium Development Goals (MDG number 4): the reduction of infant mortality by one third by 2015. Other financing options have also been explored, such as the introduction of international taxes. Among these, an international tax on air transport (fuel or passenger tickets), proposed by France and Germany, deserves further in-depth technical analysis.

Consideration should also be given to voluntary contribution schemes as additional sources of development funding. Indeed, the timely and massive response by the international community to the tsunami disaster has shown the potential of these schemes. However, it should also be noted that these mechanisms are not able to raise stable and predictable resources.

We also appreciate the evaluation of blending arrangements that would make possible to improve the concessionality of multilateral development bank lending with bilateral donor contributions.

**Voice and Participation**

The legitimacy of the World Bank as an institution resides in the adequate representation of the interests of all its members. However, aiming at finding solutions acceptable to all members on each of the options proposed is extremely difficult and we believe that we should focus on what is achievable in terms of consensus.

Some progress has been attained in the recent past. A number of measures have already been taken to increase developing country ownership of their development efforts and the capacity of their Executive Director offices. We strongly support all these actions since we believe that the enhanced ability of these member countries to influence World Bank programs is a reflection of their stronger voice. We also support the use of communication as a strategic option to be implemented in all stages of development projects and programs, as a way to broaden stakeholder participation, ownership and voice at the operational level. With respect to the broader, structural measures, we believe
that the objective of the Voice exercise should be to uphold the basic principles of representation reflected in the Articles of Agreement (representation based on the relative economic status of members). Therefore, progress on some of these options, in our view, can only be achieved after the IMF takes action on the quota issue.

From Consensus to Momentum: the Critical Role of Communication

Promoting better communication is also necessary to raise the profile of the global mission to fight poverty within national public opinions and to generate stronger political momentum. Any of the financing modalities currently proposed to increase aid would stand a higher chance of success if the national public opinions were aptly motivated to support these initiatives. There is an important role that communication can play in this regard, by persuading rich-world taxpayers to be more forthcoming in fighting global poverty. In developed countries the core message should be that, in a globalised world, the gap between rich and poor countries creates growing negative externalities detrimental to all. Combating poverty would ultimately contribute to strengthening prosperity and security for the whole world.