Statement by

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We welcome the broadly positive performance of developing country economies in the past year on growth and poverty reduction. Along with good policies this has been facilitated by a conducive global environment particularly in continued growth of the world economy, trade expansion, and larger commitments on development assistance and debt relief. Looking ahead, the prospects for progress in achieving the development goals remain promising, though substantial risks still remain. These include persistence of large global imbalances, uncertainties of future commodity prices, and the repercussions of highly uneven performance on growth and poverty reduction across regions. The many challenges that have to be faced provide a full agenda for policymakers and call for even more intensive cooperation and coordination.

Our agenda for this meeting includes an important set of some longstanding issues and also new topics. This year’s Global Monitoring Report provides the good analysis we have been accustomed to on progress that has been achieved in the past year on the Monterrey agenda and the tasks that lie ahead, as well as an elaborate and timely discussion of governance and corruption. This should provide a good basis for identifying our priorities for action in the period ahead. We also have the substantive issue of clean energy and development that requires guidance on how our institutions can go forward in meeting the complex challenges that have to be faced. We have the following remarks on the main topics on our table:

We are glad that this year’s GMR seeks to reaffirm and strengthen the principle of **mutual accountability**, which is the subtitle of the Report. This is a key element of the Monterrey Consensus and was intended as a basis for assessing the actions and policies of the three main development partners: developed and developing countries as well as the international financial institutions and how far they contribute to the achievement of the MDGs. We look forward to a consistent application of this principle to all the main tasks on the MDG agenda and identifying a clearer set of concrete actions that can be delivered in the foreseeable future, as well as providing a basis for closer monitoring and mutual accountability.

On the overarching goal of **reducing poverty**, we welcome the acceleration of progress in this area and the good prospects of further progress, enhanced by higher growth rates and improved policies in both low and middle income developing countries, as well as the favorable external environment. Future uncertainties and downside risks, however, still persist, especially on the performance of Sub-Saharan Africa which is expected to remain off-track on poverty reduction and social targets, although some countries have been performing well. We support continued donor focus on this region, as well as on the large number of fragile and post conflict states. We also support the enhanced attention the GMR suggests on improving the investment climate and the provision of infrastructure services as indispensable prerequisites for domestic growth and human development. We also welcome the attention that a background paper gives to the issue of fiscal space that can make possible more investment in infrastructure and other services.

The performance on meeting the seven **human development goals**, especially on health and education, remains far from adequate with all regions off-track on some goals and Sub-Saharan
Africa and South Asia off-track on all of them. Despite some encouraging progress, helped by better policies and better program design as well as substantial increase in external support, the performance gap remains large and requires concerted action by both donors and recipients. Specifically, we endorse efforts to provide more flexible and predictable aid, and addressing the increasing transactions costs, as well as, on the part of recipient countries, reducing resource leakage and ensuring stronger accountability and better management of service delivery.

**On meeting commitments on aid, debt relief, and trade** progress has been uneven in developed country performance. Large and welcome aid commitments were made last year by the donor countries as well as specific monitorable actions to improve aid quality set by the Paris Declaration. Non-DAC countries also increased aid, including Arab aid of high per-capita level. The priority should now be on ensuring that aid commitments actually materialize and that an adequate monitoring process is put in place. Debt relief witnessed launching of the MDRI which has recently been finalized and we look forward to an implementation that would ensure additionality of donor commitments and full protection of IFIs’ financial capacity. Regrettably no commensurate progress has been achieved on the protracted Doha Development Agenda negotiations and much now depends on how far the problematic issues still pending, especially on agriculture, will be handled in 2006. The one aspect that holds promise for tangible results is on aid for trade that would enhance developing country capacity to improve trading potential, though this should not be a substitute for achieving the ambitious outcome that has been the main objective of the Doha Development Agenda.

The GMR analysis of the **International Financial Institutions**, the third major development partner, is quite substantive, candid and identifying the right issues. One is the new area of focus towards management for development results which requires substantial reorientation of both IFIs and client countries towards achieving monitorable developmental results. We share the view that this is a long-term process and requires substantial assistance to developing country national capacity to plan and deliver on results, including their statistical capacity to monitor. The second issue is the decline last year of IFIs’ lending to low income countries and the continued decline for middle income countries that turned into negative flow in real terms. This raises a host of issues that still need to be addressed and we endorse doing more on the long-standing need to reduce the cost of doing business with these institutions and more reliance on countries’ own systems for aid delivery and management. We also note the increasing attention to the prevention of corruption in these institutions’ financed projects and promoting good governance on country programs and we urge that more systematic approaches and clear strategies be developed to address these challenges.

This brings us to the special theme of the Report on **governance** which we find quite timely in view of the increasing global attention and the weight of governance assessment is having on donor aid allocation policies. We share the view that, notwithstanding the need to improve governance and that it should be an essential part of the global accountability framework, it remains, however, a complex area with controversies on its linkage to development and lack of consensus on how to measure governance and how to deal with its shortcomings. Much of the Report’s discussion of the issue is devoted to existing and possible methodologies for measuring governance and it reveals cases of heavy reliance on subjective assessment, miscalculation and considerable margins of error in the broad approaches now being used, thus requiring special
caution to avoid over-reliance on these measures as determinants of aid to recipients. We endorse efforts to devise better and more reliable approaches, though we urge that the main focus should be on how to help countries improve their governance, recognizing the diversity of conditions on the ground. We also note the distinction between governance and corruption which are often seen as synonymous. According to the analysis of the Report, corruption is attributed to failures in governance such as political, bureaucratic or checks and balances failures. The clear implication of this is that dealing with corruption should therefore focus on the root failures and on helping countries strengthen their institutional capabilities and checks and balances’ systems.

Finally, the analysis and suggestions for an investment framework for clean energy that has been prepared in response to our request covers a wide scope of environmental, technological and financial aspects related to energy needs and climate change and should provide a first step to clarify the issues and options and the appropriate role that our developments institutions can take within their mandates and competencies. The first challenge is to meet the enormous energy demand of developing countries through access to adequate, affordable and clean energy where options include policy reforms and incentives, more intensive use of technologies and viable investments. There is a great deal that can be done, though difficult decisions have to be made on such issues as subsidies and hydro power. Also, estimates of financial requirements to meet these needs, an average of $300 billion a year, are well beyond developing country availability barring exceptional efforts. The second challenge of mitigating climate change through reduction of emissions of greenhouse gases can equally be addressed by appropriate policies and technologies on a global scale. We strongly endorse the contention that since industrialized countries are responsible for most of the greenhouse gases developing countries are not expected to bear the additional costs of low-carbon economy. There is, however, an urgent need to assist developing countries efforts in adapting to the inevitable consequences of climate change and variability that has been affecting hundreds of millions, especially in poorer countries.

Looking forward, we note the proposed two track approach for next steps, especially the planned analytical work in the coming months on a number of financial mechanisms to help address some of these challenges, the Clean Energy Financing Vehicle, the power rehabilitation facility and the other funds. We stress the need to focus on realistic options, thoroughly assess the potential of existing mechanisms and pay adequate attention to a clear delineation of the Bank’s appropriate role on these financial facilities as well as for any further activities proposed for the coming two years. We also welcome the intention to conduct wider consultation and look forward to have a comprehensive discussion of all issues during our forthcoming Annual Meetings.