



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)



SEVENTY-THIRD MEETING
WASHINGTON, DC – April 23, 2006

DC/S/2006-0021

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Statement by

Agnes van Ardenne
Minister for Development Cooperation
The Netherlands

Representing the constituency consisting of Armenia,
Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel,
the Republic of Macedonia, Moldova, The Netherlands, Romania and Ukraine

1. This Development Committee is not about “business as usual”. This meeting is one of the first opportunities for Ministers to deliberate on the implementation of last year’s major decisions: the Paris agenda on harmonisation and alignment, the initiatives on multilateral debt relief and climate change and clean energy, the outcome document of the New York Summit and the creation of a Peace Building Commission in which the World Bank will participate.

2. As to the Bank’s implementation of the MDRI, my constituency is satisfied that these discussions should draw to a close. It allows debt cancellation to begin on 1 July 2006, and we urge all donors to come up with the additional financing they promised at the 2005 Annual Meeting to compensate IDA. We also welcome the transparent monitor system to track the fulfilment of the donor payments to safeguard IDA’s financial viability.

Strategic focus of the World Bank

3. In his speech at the 2005 Annual Meetings, Mr Wolfowitz gave an outline of his priorities for the World Bank and stated his intention to focus on six areas. My constituency supports his observation that the World Bank should be a more focused institution and would like to highlight three issues that merit further consideration: division of labour with other institutions and especially further clarification of the role the WB can play in middle income countries, implementation of the MDGs and especially MDG3 and the Bank’s role regarding the global public goods agenda.

4. The Paris agenda implies a clear division of labour with other multilateral institutions and bilateral donors at country level and we look forward to organisational changes that would enhance such a division of labour. Harmonisation and alignment implies that the World Bank does not necessarily have to be lead donor in every country and in every sector. Nor does it imply that its rules and regulations are to be followed under all circumstances. My constituency encourages the use of country systems in those countries where they are of sufficient quality. Ideally, in low income countries, the Bretton Woods Institutions, regional development banks, the UN and donors should work together under leadership of the developing country on a single national development strategy and agree on a clear division of labour, based on relative strengths and weaknesses.

5. My constituency welcomes the Bank’s recent attention to the implementation of the third Millennium Development Goal of gender equality and we would like to encourage the Bank to continue to mainstream gender in its lending practice at country level. We would also like to invite the Bank to take gender equality on board when discussing scaling-up of aid.

6. When considering global public goods (or “bads” as in the case HIV/AIDS) the G8 – and in its wake the world community – automatically turns to the World Bank for leadership. My constituency is very grateful to the World Bank for providing such leadership in the case of avian flu earlier this year and the investment framework for climate change right now. The Bank’s willingness should not, however, detract from the international community’s obligation to think about how to deal adequately with global public goods and to critically consider which agency is best mandated to perform specific roles. In 1944 the World Bank was not designed or mandated to deal with such issues.

7. The current ad hoc approach, combined with an overall lack of global leadership and fragmentation of the multilateral response, has led to a variety of special-purpose initiatives, especially in the health sector. This, in its turn, has led to an increasingly unsatisfactory situation where development funding through vertical initiatives has increased, whereas horizontal spending along the lines of one single national development strategy has not kept pace and synergies between the two approaches have been insufficiently explored. We should take this into account before deciding on the institutional set-up of, for example, the investment framework for climate change. With regard to the management of global public goods, Ministers should eventually define the Bank's role and that of a reformed United Nations system in a way that benefits the Bank itself, its clients and the international community. We hope that the recommendations of the International Task Force on Public Global Goods, that are due to be published in June, turn out to be helpful in this respect.

Global monitoring report 2006

8. My constituency welcomes the increased attention to results management, in which outcomes rather than inputs are managed. In this context we welcome this year's *Global Monitoring Report*, which gives a thorough analysis of where we stand with respect to the achievement of the Millennium Development Goals. It should however have been drafted in cooperation with the UN, and not just the IFIs. In this respect we also believe that in cooperation with the UNDP disaggregated data at country level should have been included to identify specific bottlenecks in achieving the MDGs.

9. We applaud the new chapter on IFI performance and welcome the development of the common performance assessment system, COMPAS. This system not only makes it possible to inform the Multilateral Development Banks about their respective activities, but may also be used to improve the current division of labour amongst them.

10. We welcome the choice of governance as this year's theme and especially the notion that good governance is everybody's responsibility. Further analysis in this area should take into account the importance of political institutions and political will for reform. We also welcome the Bank's reinforced focus on combating corruption, alongside other, broader governance issues. Fighting corruption requires a systematic approach with regard to capacity building coupled with specific measures by donors to avoid misuse of their development funds. Whereas capacity-building measures are part of good governance policies in partner countries, the introduction of safeguards against misuse of development funds is part of the internal financial and accountability policies of donors themselves. We expect the Bank to support the national anti-corruption strategies of the countries concerned, but we also favour a more active approach with regard to the internal measures the Bank can take to avoid misuse of its funding. We call on its management to present a coherent and transparent anti-corruption strategy to avoid ad hoc actions and inconsistencies in decision-making regarding the combating of corrupt practices.

Clean energy and development

11. My constituency welcomes the report *Clean Energy and Development: Towards an Investment Framework*. We welcome the two-step approach, but would also like to emphasize that before further elaborating on the proposed financial facilities, the World Bank should first analyze existing facilities. This analysis should determine whether new facilities are really necessary.

12. Developing countries need to gain access to energy in order to reduce poverty and increase productivity. At the same time, they should acquire tools to mitigate their impact on climate change and to adapt themselves to climate change's impact. We feel that the currently proposed framework is mainly directed at larger middle-income countries, where there is a potential market for the use of clean energy. From the perspective of climate change, this is logical: greenhouse gas emissions from low-income countries are much smaller (less than 1% of total emissions). As a consequence, the proposals do not sufficiently address issues of sustainable access to energy for the poor in less developed countries. We therefore propose to include an Energy for Development Window as part of the investment framework for the provision of access to modern energy services to the poor, especially in Sub-Saharan Africa. This window should clearly indicate how many poor will be provided with modern energy services by rationalising existing instruments on infrastructure development and assisting developing countries with policy and market development, project development and financing. The increased ODA funding in the coming years could support such an initiative. The Netherlands is currently working with the World Bank to provide 10 million people in the least developed countries with sustainable access to energy by 2015. Similar initiatives to provide 0.5 billion people in Africa with sustainable access to modern energy services would be welcomed.

Fiscal space

13. My constituency supports the use of the concepts of fiscal and macroeconomic space and welcomes the forthcoming work on the relationship between spending and outcomes, in particular the pilot country case studies. We are much interested in the Bank's recommendations on very practical issues such as the circumstances under which a topping-up of salaries of health and education staff is a solution for strengthening these sectors.

14. My constituency agrees with the notion that fiscal space – and in particular the amount of domestic revenues generated – benefits from complementary measures in the area of improving the business climate. Preconditions for the creation of fiscal space are the presence of good governance, good quality budget institutions and public sector management. It is therefore crucial that the international donor community and national governments focus on improving governance and accountability.

15. Grant aid presents many challenges, including volatility, unpredictability and undermining of country ownership and accountability. These challenges stress the importance of domestic resource mobilisation by recipient countries, and improving the predictability and reducing the volatility of aid flows by donors. The World Bank and IMF can assist in the effective use of aid flows by developing scaling-up scenarios. New borrowing might also create

fiscal space and should be allowed within the bounds of current and future debt sustainability. Further refinement and implementation of the Debt Sustainability Framework are crucial in this respect to prevent accumulation of unsustainable debt and deter free riding problems.

Progress report on the Doha Development Round and Aid for Trade

16. We welcome the progress report on the Doha Development Round and Aid for Trade, which points to the double challenge that countries face: to conclude the Doha negotiations with ambitious outcomes and to elaborate adequate mechanisms under the Aid for Trade agenda before the end of 2006. Doha has to translate into concrete results: effective market opening and increased capacity of developing countries to benefit from more open markets under an Aid for Trade package. We would like to call on Ministers to show an active commitment to such an ambitious outcome.

17. The growing attention for Aid for Trade is positive, and we support the work in the Task Force on Aid for Trade that was agreed in Hong Kong. My constituency sees three ensuing issues. (1) Integration of Aid for Trade into a developing country's development strategy is key; (2) Developing countries themselves should decide how to come up and implement National Aid for Trade plans. It is important that these plans are discussed with, and where possible implemented by the private sector, as the private sector is an important instrument in increasing trade on the ground. (3) Donors and the Bank should integrate trade into their policies and programming.

HIPC

18. My constituency supports closing the list of potential HIPC eligible countries, as the HIPC Initiative has always been envisaged as a one-off initiative rather than a permanent one. Although the World Bank and IMF propose to close the list, we agree with the possibility of including other countries in the future on a restricted case-by-case basis. In this respect, we want to underscore that restrictive accession is only applicable for those countries whose data has to be verified to meet the end 2004 debt threshold like Afghanistan. Some countries on the potentially eligible HIPC list may have difficulty meeting the requirements of the HIPC initiative before the end of 2006, the sunset date, and may therefore not benefit from HIPC debt relief, despite being on the list of ring-fenced countries. We look forward to Staff's examination of the potential options (including their financial implications) to deal with this. When the Multilateral Debt Relief Initiative is implemented, debt ratios in the Low Income Countries will become much more sustainable. With the Debt Sustainability Framework already partially implemented, we have put a powerful control mechanism in place to prevent a renewed build-up of unsustainable debt.

19. I will elaborate on my constituency's views on the Global Monitoring Report 2006 and the Bank's report *Clean Energy and Development: Towards an Investment Framework* during the Development Committee's session on Sunday.