Statement by

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and

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United Kingdom
This is a world of immense wealth and potential, yet for billions of people it’s a world denied. It is a world where the poorest nations share just half a per cent of world exports. And it is a world where livelihoods and health depend on knowledge, yet nearly 80 million children will not go to school this year.

A majority of those children will be girls – a fact that helps to ensure that two thirds of the world’s 800 million adults who cannot read and write are women. Often girls cannot go to school because their families lack access to safe water, so they must spend their time fetching and carrying water over large distances. These girls are likely to pay a very high personal price for their exclusion: girls who have not been to primary school will grow up to earn less, have less healthy children, and, in Sub-Saharan Africa, will be more likely to be HIV positive. In fact, in some countries, young women are almost three times more likely to be HIV-positive than men of the same age, due to lack of financial security, a lack of education and lack of status and rights.

Climate change, which most affects those least responsible for it, is likely to make many development problems worse. Already a third of the world’s people live in countries without enough water, and by 2025 it may be two thirds.

Nowhere are these complex and intertwined challenges posing as great a threat to achievement of the Millennium Development Goals (MDGs) as in Africa. It is in Sub-Saharan Africa—where, on current trends, most countries will miss all or most of the MDGs—that our resolve to eradicate poverty will is being severely tested. It is in Sub-Saharan Africa—home to the majority of fragile states—where too many governments lack the capacity to deliver services and security, and where the poor are most vulnerable. It is here where the unpredictable actions of development agencies and donors have their greatest impact, and where the international community’s support is insufficient given the vast needs.

Tackling these challenges requires a significant and rapid increase in aid. The world recognised this in 2005 when we pledged to provide an extra $50 billion a year by 2010. Some progress has been made on delivering this extra aid, but not enough. We must all live up to our promises and deliver what we said we would deliver. We believe that innovative financing mechanisms will be a vital part of this. The International Financing Facility for Immunisation has begun to deliver the $4 billion that will prevent 5 million childhood deaths. And we welcome the recent launch of the pilot project for the Advance Market Commitment for vaccines.
The international development system has become increasingly complex – if we are to deliver aid effectively and without imposing great administrative burdens on partner countries, we have a responsibility to better coordinate our efforts and work in a more collaborative way, complementing rather than counteracting each other. We must discuss with developing countries their priorities through Results and Resources Processes. And we must deliver aid in long-term, predictable ways, enabling partner countries to effectively design and implement their development plans. But partner governments have a responsibility too – their plans must prioritise the poor and vulnerable and they must spend their money effectively, transparently and accountably. The World Bank and the IMF have leading roles to play in making the international development system more effective. They must become more representative of their members and more responsive to their needs if we are to accelerate progress towards achieving the MDGs. We cannot afford to fail as too many people’s futures rest on all of us—developed and developing countries and international agencies—making good on our promises.

Global Monitoring Report 2007: Confronting the Challenges of Gender and Fragile States

The Global Monitoring Report (GMR) is a comprehensive overview of recent progress towards the MDGs and of the many development challenges that the world still faces. Despite progress, nearly one billion people remain in extreme poverty. All regions are off-track to meet the target for reducing child mortality; one-third of all children in developing countries are underweight or stunted; and half the people in developing countries lack access to improved sanitation. We are also still far from achieving the MDG on gender equality. Without progress in this area we are unlikely to achieve most of the other development goals, including MDG 1 – eradicating extreme poverty and hunger. Therefore we welcome the central messages on gender equality and greater empowerment for women and the need for more assistance for the poor in fragile states. And it is timely for the Bank and other donors to review how aid is mobilised and delivered both at the global level and in-country, and how we can most effectively work together to achieve the MDGs.

Gender Equality
The stark fact is that most of the world’s poor are women and part of what keeps them poor is the gender discrimination that they face. Achieving gender equality is vital for reducing poverty, by empowering women to fully contribute to, and fully benefit from, economic growth and development.

Concerted and sustained action by the international community is needed to strengthen work on gender equality in every sphere. Not just in health and education, where there
has been some real success, but also in economic growth, climate change and governance - areas where gender equality has sometimes been overlooked and where the Bank has a major role to play. The UK has made a commitment to give greater priority to work in support of gender equality and women’s empowerment, and we have set out in detail, in our recent Gender Equality Action Plan, how we will do this over the next three years across every area of our business.

We welcome the Bank’s launch of its Gender Action Plan, ‘Gender Equality as Smart Economics’ (2007-2010), in recognition of the need to strengthen the focus and impact on gender equality and women's empowerment in its work. We support the plan's aim to promote women's economic empowerment which is still too often seen as a secondary objective rather than a core part of development practice. There is now ample evidence that women’s empowerment increases overall growth and economic development by improving labour markets, developing new businesses and enterprise, and raising agricultural productivity. The importance of increased efforts to promote women’s economic empowerment was underlined by the High Level Conference on Women’s Economic Empowerment which took place in Berlin in February.

We agree that the economic focus of the Plan is consistent with the Bank’s comparative advantage, but at the same time, it is important that the Plan leads to greater engagement on gender equality and better outcomes for women across the full range of Bank operations. The objectives of the Plan need to be reflected across Bank programmes and lending – they must lead to an increase in funding in support of gender equality objectives and to strengthened dialogue on these issues with partner countries. We also encourage the Bank to ensure that its internal incentives, systems, processes and staff capacity support and promote a strengthened emphasis on gender equality and women’s rights.

We will work with the Bank on gender equality, including through joint working on Gender and Growth Assessments with the IFC, particularly to improve the evidence base that links women’s empowerment and equality to overall development goals, and on training and guidance for staff.

Fragile States
Fragile states have 9% of the population of developing countries, but account for 27% of the extreme poor, nearly one-third of child deaths, and nearly a third of children who do not complete primary school. They pose an enormous challenge both in terms of the human development needs and the consequences of inaction. But despite this depth of poverty, some fragile states receive relatively little assistance and the aid that is delivered to fragile states is not always delivered effectively.
The recently agreed OECD-DAC Principles for Good International Engagement in Fragile States and Situations (DAC Principles) are vital to getting the collective response right. The Bank must remain engaged in fragile states and must work in collaboration with other development partners on how the DAC Principles can best be implemented. It should lead discussions in country to assess current practice against the Principles and identify areas for improvement.

In line with Principle 10 to ‘avoid pockets of exclusion’ the Bank should work with other donors to ensure that aid is more systematically allocated to those countries in greatest need. As part of this, the Bank will need to review the system for allocating resources to fragile states. The Bank should also provide information on forward commitments of aid flows and use the DAC’s work on monitoring resource flows to fragile states to inform discussion at consultative group meetings.

It is important that the Bank improves its own operational effectiveness in fragile states, by, among other things: working more effectively with other agencies, particularly the UN; implementing its new operational and human resource policies and reviewing how it could be better organised to respond to the challenges faced by fragile states.

A proven way to increase effectiveness is to devolve more staff and decision-making to the field. We note the recent targets the Bank has set itself, but it could be more ambitious in increasing more quickly the number of staff posted to the field and the timeframe over which they will be posted. Incentives to work in fragile states need to be strengthened immediately so that work by staff in such situations is better recognised.

We support the Bank’s view that state-building must be the central objective in fragile states – to build institutions, develop and sustain capacity and improve governance. The Bank should work with the UN Peace Building Commission to identify state-building and peace-building performance indicators in fragile states.

**International Aid Architecture**

With the emergence of large vertical funds, stronger Regional Development Banks and private foundations, the past decade has seen a proliferation of aid providers and increased fragmentation of the international aid effort. Recipient countries now have a greater choice of providers and types of assistance, but they also face an increased burden of managing aid from multiple sources, and aid that is increasingly earmarked for particular purposes, some of which is not always consistent with a country’s own development priorities. The Bank and the other International Financial Institutions (IFIs) must consider the implications of these changes for maximising the value of their work for partner countries. This will include looking closely at where they have comparative advantages and where they should allow other agencies to take the lead.
Scaling Up

UK Official Development Assistance (ODA) increased last year by £928 million (15.7%). Our bilateral ODA to Sub-Saharan Africa rose from £2.07 billion to £2.91 billion, an increase of 40.6 per cent. We are on track to meet our commitment to spend 0.7% of GNI on ODA by 2013. But, as the GMR clearly describes, overall increases in ODA have been slow and we are concerned that the international community has made little progress on planning or coordinating the scaling up of aid.

We agree with the Bank that their proposed Results and Resources Process (RRP), now developed by the Netherlands/Sweden initiative, should be the key mechanism for scaling up aid, including in under-aided countries and fragile states. The benefits of the RRP in countries like Ghana have included greater country leadership, more resources, fewer projects and programmes, and better aid harmonisation and alignment around partner government priorities. We encourage the Bank to build on this success by setting out a more ambitious programme of RRPs across all of its partner countries. These should be led by the partner countries, who must lead their own development without externally imposed policy conditions.

Donors must also make aid more long-term and predictable, giving our partner countries long-term aid flow projections as a basis for planning. The UK is moving towards 10-year agreements with our partner countries. The Bank should continue to better align the priorities of its Country Assistance Strategies and Joint Assistance Strategies with a country’s own development plans, based on a clear division of labour at the country level. The Bank should also look to harmonise the timeframes of its own strategies with those of national development plans and make more use of its own long-term instruments, especially for recurrent costs in social sectors. Such an approach will strengthen national systems and make Bank financial assistance more predictable and effective.

Conditionality

Conditionality is essential to ensure accountability. But we must learn from experience and past mistakes, and ensure that we apply the right kind of conditionality. The UK bases its decisions on shared commitments to poverty reduction, respect for human rights and international obligations, and strengthening accountability, including fighting corruption. We urge others to consider the approaches they use. The Bank’s Good Practice Principles (GPPs) on conditionality reaffirm and strengthen the Bank’s commitment to ensuring government ownership of the programmes financed by the Bank, and reflect a commitment to address other concerns such as the number of conditions used and their transparency. We place great importance on Bank management ensuring that the GPPs are consistently followed and we are encouraged by the Bank’s full report on their implementation. However, further efforts are still needed. The UK’s contribution to IDA 15 will depend, in part, on the Bank’s continued progress on
improving its performance on conditionality. The Bank must consult developing countries and their views must be a central part of the next implementation report, due in the autumn.

Debt
There has been continued progress on debt cancellation since last autumn. Sierra Leone and Sao Tome and Principe have now completed HIPC, bringing to 22 the number of countries receiving 100% debt cancellation under the MDRI (24 including the two non-HIPCs receiving relief from the IMF). Eight other countries are receiving interim relief. We remain committed to the full implementation and financing of HIPC and the MDRI, and we look forward to seeing those countries who wish to seek debt relief making progress through HIPC.

Liberia has made impressive progress over the past year in building peace and stability. It should receive debt relief, and we need to clear the outstanding IFI arrears as soon as possible, using existing resources where appropriate and supported by donor contributions on an equitable basis. The UK is ready to play its full part in this and to pay our fair share of the necessary donor costs. In addition to support for Liberia, the Bank should continue to work to develop a comprehensive framework for arrears clearance that would allow other countries with protracted arrears to receive assistance when appropriate.

All creditors must participate fully in the HIPC Initiative. Without full participation on the assumed terms, many countries will not get the resources they expect to finance their poverty reduction goals. We urge the Bank and Fund to compile a “scorecard” of creditor participation in the HIPC initiative. The scorecard should also track progress in donor commitments to finance the costs of HIPC and MDRI, and should be published every six months.

Recent years have seen legal action against HIPCs by so-called vulture funds – these actions divert scarce resources away from poverty reduction and threaten to undermine the efforts of the international community to provide debt relief. All governments and countries have a social responsibility to help avoid the risk of litigation against HIPCs. The IDA Debt Reduction Facility is an important part of this, allowing countries to buy back their commercial debts at a significant discount. We welcome its extension to 2012 and call on commercial creditors to participate in its operations.

The full value of debt relief is realised only if the savings are spent well. We urge countries that have received debt relief to use these resources so that they benefit the poor, and to make public how debt relief savings have been spent.
Additional financing is clearly required if we are to reach the MDGs and support faster economic growth and development. For most low income countries, concessional borrowing will be a relevant form of donor support, but it is important that countries do not reaccumulate unsustainable levels of debt. Robust debt management is needed and all new borrowing should be on appropriate terms, and the funds used for productive purposes. The primary responsibility for borrowing lies with countries themselves and we welcome the Bank’s proposal to increase its support for governments to manage their debt effectively. At the same time it is essential that creditors lend responsibly and they should use the Debt Sustainability Framework (DSF) to guide their decisions. OECD and other creditors are working to strengthen guidelines on new lending to HIPC’s. The Bank and the Fund must also support stronger creditor coordination, and must continue their work to disseminate the DSF to all official creditors, including export credit agencies.

The UK believes that all of the poorest countries that can use the savings from debt relief for poverty reduction should be eligible for 100% debt relief. The UK will continue to pay its share of the debt service owed to the World Bank and African Development Bank by low-income countries that meet the criteria. We urge others to join us in this effort.

**Education**

Education is one of the most cost-effective ways that a country can support long-term development, enhancing economic growth and improving health outcomes. Progress has been made towards the education MDGs, but the pace remains too slow to achieve universal primary education by 2015. Global enrolment in primary education has increased from 596 million in 1991 to 682 million in 2004 – more than 86 million extra children – but there are still 77 million primary aged children worldwide not enrolled in school, of whom 44 million (57%) are girls. And at secondary level, the gender gap widens further. The highlighting in the Report of girls being doubly disadvantaged and the focus on needs in fragile states are pertinent. The Bank must also acknowledge more strongly the importance of addressing disabled children’s access to education.

We welcome the Bank’s work, together with the European Commission and the UK, to organise the high level education conference, to be held in Brussels on 2nd May. At the conference, the Bank must help galvanise further attention on achieving more, better and faster aid for education by outlining its plans for scaling up in education.

We appreciate the Bank’s continuing support to the Education For All Fast Track Initiative. Its internationally agreed framework is helping countries to secure additional funding for credible long-term education sector plans. We welcome the Expansion of the Catalytic Fund so that more countries will benefit.
With more than 30 million children out of school in fragile states, the UK has launched a new Education Beyond Borders initiative to help ensure that education needs are met in humanitarian emergencies, working together with UNICEF and Save the Children. The UK’s support includes a £20m grant to UNICEF to deliver education in emergency, conflict and post-crisis countries, and to support the UN cluster for education.

Health
We welcome the Bank’s new health, nutrition and population strategy, and its intention to assess how it can work more effectively with global health partnerships to deliver it. We also welcome the Bank’s renewed commitment on population policy and sexual and reproductive health in high-fertility countries. The Bank and its partners must strengthen the visibility of family planning and the International Conference on Population and Development agenda. The Bank must also provide more detailed plans on how it will implement the strategy, including how it will hold itself accountable for delivery, particularly on harmonisation with other agencies. The strategy must also be properly resourced to deliver long-term, predictable support for improving health systems. We expect this information to be provided ahead of the Board’s consideration of the strategy. The importance of sexual and reproductive health to tackling AIDS must be appropriately reflected in the Bank’s forthcoming AIDS strategy.

Environment and Climate Change
The environment and natural resource use create both huge opportunities and challenges for development. Climate change presents serious threats to ecosystems, economies and ultimately people’s lives. The impact is already being felt in some of the world’s poorest countries. The Bank must become a leading advocate of action to flight climate change – challenging richer countries to act, and supporting developing countries to play their part in designing an international agreement that helps them grow and tackle climate change.

The UK strongly supports the World Bank's continued work with the Regional Development Banks and the private sector on an Investment Framework for Clean Energy and Development. We welcome the World Bank Group Action Plan on taking forward the Investment Framework. This is a strong platform from which the Bank can make the necessary step change in its activities to help address the challenges of climate change. We look forward to considering a paper at our October meeting, which sets out clearly a higher level of ambition for funds flowing through the Clean Energy Investment Framework for energy access, transition to a low carbon economy and adaptation to climate change. The Bank should set a range of new investment and outcome targets that reflect the scale of the challenge, including a higher target for renewables. The Bank and the Multilateral Development Banks must also develop an effective joint approach to bring together their clean energy investment framework initiatives.
The UK has created an Environmental Transformation Fund (ETF) to enable developing countries to achieve and sustain poverty reduction through better environmental management and help them address environmental challenges, above all climate change mitigation and adaptation. The ETF will provide £800 million over three years from 2008 to support both bilateral and multilateral instruments and programmes – such as the international financial institutions' Clean Energy Investment Framework. An initial £50 million from the ETF will be allocated to support proposals by ten Congo Basin countries to help them manage the regions’ forests for developmental and environmental benefits.

**Accelerating Development Outcomes in Africa – Progress and Change in the Africa Action Plan**

Progress towards the MDGs is lagging in most Sub-Saharan African countries, despite recent improvements in economic growth in many parts of the region. The Bank must give a strong lead across Africa, to help deliver the MDGs, promote growth and strengthen health and education systems. It is vital that no country is left behind and that the Bank provides support to all African countries so that they can make progress in delivering their poverty reduction goals.

The challenges posed by populous, poor countries and fragile and post-conflict states in Africa means that they warrant special attention by the Bank. The Bank’s role is unique in these settings: it has global knowledge which allows it to provide an overview of the challenges and the spectrum of possible solutions, and has the ability to lead a coordinated donor response to them. That is why it must focus its resources where there is greatest need and measure its success by the number of people lifted out of poverty—that is, after all, how we have agreed to measure our collective effort. Effective implementation of the Africa Action Plan will require further and increased devolution of staff and decision-making to the field.

It is vital that the Bank responds to and supports country's own development priorities through a country-based approach. Country Assistance Strategies must be the Bank's business plan for helping countries implement their poverty reduction strategies and the Bank must support greater use of country systems. The Bank must also adapt its instruments to meet developing country needs, including in Middle Income Countries where there are huge funding gaps.

We welcome the priority given to the health-related MDGs in the Bank’s Africa Action Plan report. Strengthening health systems is one of the greatest challenges facing African countries today. The Bank should prioritise strengthening these systems rather than focussing on disease-specific multi-country projects, which risk undermining the long term effectiveness and sustainability of national health systems.
Progress has been made on increasing access to primary education but millions of primary aged schoolchildren in Africa still do not go to school. Strengthening secondary and tertiary education is important, but access to effective primary education for all African children must remain the Bank’s education priority.

The Bank must play a strong role in tackling climate change in Africa. Bank projects must be made ‘climate proof’ and it should do more to help countries mitigate and adapt to the impacts of climate change. In particular, the Bank could do more to mobilise public and private financing for renewable energy programmes and strategies.

**Strengthening Bank Group Engagement on Governance and Anticorruption**

Capable, accountable and responsive states that deliver services to the poor, promote economic growth, and tackle corruption effectively are vital for achieving the MDGs. We welcome the Bank’s revised strategy on governance and anticorruption and the statement of Guiding Principles. It has clearly benefited from the extensive consultation that has taken place since Singapore and is undoubtedly a stronger document for it.

The strategy implies a change in the way the World Bank Group does business. It is therefore important that the Bank now provides a strong and credible plan for implementation of the strategy, including how it will deliver the required culture, budgets and incentives. The Bank must allocate resources to carry out the work on governance and will need to provide managers and staff with clear guidance and the incentives and motivation to tackle governance issues. The plan should address staffing levels and location, and the skills and training needed to operate effectively in challenging governance environments. Implementation will also require greater support for and use of country monitoring and evaluation systems. The Executive Board will need to continue to oversee the strategy’s implementation.

**Options Paper on Voice and Representation**

Developing countries are under-represented at the Bank, and should have more say in the policies and programmes that affect them. The first phase of the IMF’s voice and governance reforms were completed in September and a second phase is now underway in line with the IMF Governor’s resolution.

It is vital for the credibility and effectiveness of the Bank that it reforms too. We must agree changes that give the poorest countries a stronger say in how the Bank is run. The Options Paper on Voice and Representation is a helpful first step in this regard. We agree that all the elements of the proposed first stage reform package should be implemented quickly, including that the President should be selected in a transparent and meritocratic process. We strongly support the proposal that the technical work which
will necessarily inform the contents of the second stage should begin in earnest. We look forward to considering a further paper, with a more substantive package of reforms and a timetable for their implementation, at our next meeting in October 2007.

**Fiscal Policy for Growth and Development**

We support a stronger focus on ensuring that fiscal policy plays its role in supporting growth and poverty reduction in the implementation of national development priorities. This should be a cornerstone of the Bank’s work. Effective and extensive collaboration between the Bank and Fund is essential to deliver sustained growth backed by macroeconomic stability. This requires a joint framework which will provide practical, timely and coordinated assistance to developing countries. Revenue mobilisation and a better understanding of tax systems is another area where collaboration with the Fund is required to provide spending and revenue options that deliver stability, better services and stronger growth. Work needs to inform governments on policy options and their effects on the tax base, on sustained improvements to key public services, and on the private sector, which is a vital engine for growth. More informed analysis will strengthen governance and accountability as developing countries balance fiscal policy choices to meet their needs.

**Report of the External Review Committee on Bank - Fund Collaboration**

Better collaboration and clearer organisational responsibilities will improve the effectiveness of both the Bank and the Fund, particularly at country level. Both organisations should view the Malan report as a prompt for practical measures to implement a more cooperative culture and improve collaboration in areas where institutional responsibilities overlap. The establishment of a strong collaborative culture in both institutions should also include more consistent and effective coordination with developing countries, donors, and other organisations. This demands a strong and sustained commitment from the management of the Fund and Bank to the importance of better cooperation.

Low and middle income countries need access to finance, advice and technical assistance from both institutions. As well as providing appropriate advisory resources for low-income countries, the IMF should continue to ensure that long-term finance is available for low income members that seek assistance.
Water and Sanitation
Over 1.1 billion people do not have access to safe drinking water and 2.6 billion people lack access to basic sanitation, yet safe and affordable water and sanitation are vital for improving people’s lives and achieving the MDGs. We need coordinated global action, and global accountability if we are to meet their needs. We need to create an international system that works more effectively. We must invest more money in clean water and sanitation, ensure the money is spent fairly and effectively and targeted on those currently without access to safe water or basic sanitation, and make sure the right structures are in place to achieve our goal of sustained access. Internationally, there should be one annual report to monitor progress towards achieving the water and sanitation MDG. And one high-level global annual meeting to monitor progress and decide future actions. Within each country, there must be one national water and sanitation plan, one water and sanitation coordinating group including government, civil society and donors, and there must be one UN body that leads the activities of the UN system for water and sanitation at national level. There is no alternative but to make this work, and we must agree on the next steps needed to accelerate progress towards our common goal.

Conclusion
Much remains to be done if we are to achieve the MDGs, particularly in Africa, and more resources are desperately needed. Debt relief has freed developing countries’ scarce resources for poverty reduction, but delivery on the 2005 commitments to scale up aid has been disappointing. If we are to achieve a world free of poverty, donors must provide more and better aid to the world’s poorest and most vulnerable, especially in fragile states. Developing countries must spend their budgets transparently and accountably, and prioritise the poor in promoting growth and improving access to basic services such as education, health and water and sanitation. The international community as a whole must take urgent action to tackle the challenge of climate change. And we must all increase our efforts to empower women and achieve gender equality.