Statement by Hamad Al-Sayari
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I will begin by conveying a few words on recent economic developments. World economic growth continues to outpace expectations, and the prospects for the next two years are very promising. World inflation remains contained and is well below the average for the last twenty years. This encouraging performance is a result of improved economic policies, strong recovery of world trade, and a firming up of non-agricultural commodity prices, including oil.

Nonetheless, instability of primary commodity prices is a major concern to developing countries and a source of vulnerability, especially for the economies of exporting countries. Low agricultural prices adversely affect some of the world’s poorest countries. Many of these countries suffer from prohibitive trade barriers in the industrial countries. Removing such barriers would contribute to growth and poverty reduction. Indeed, the annual benefit to developing countries from free access to industrial countries’ markets is estimated to substantially exceed the total benefit from the enhanced HIPC initiative.

As I explained in my statement to the International Monetary and Financial Committee, the price of oil today in real terms is less than half its level in 1980, despite its recent rebound from the very low level reached in 1998. Indeed, between 1986 and 1998 oil markets were in a low price environment, which impeded investment in infrastructural capacity. This, together with problems with inventory management, explains the recent price increases. To moderate price increases, OPEC and non-OPEC countries increased their output by close to 4 million barrels per day since last April. For its part, Saudi Arabia has invested heavily at substantial costs to secure the necessary production capacity, and has continued to spearhead the effort to stabilize oil prices.

It is imperative now that the major oil consuming countries, especially those with excessive taxes on petroleum products, play their part in ensuring stable market conditions. They can do so by reducing the tax burden on consumers, who pay up to 300 percent in taxes on petroleum products, and by improving the dialogue with oil producers on how to avoid sharp swings in oil prices. To this end, Saudi Arabia is hosting the Seventh International Energy Forum next November.

Turning now to today’s agenda for the Development Committee, it is indeed timely to take stock of the progress made in implementing the Comprehensive Development Framework and the initiative to support the highly indebted poor countries. It is also timely that we review today the Bank’s role in supporting global public goods, including its support of the international financial architecture. To be more effective, the Bank needs to align its instruments and processes, and adapt its way of working with other key multilateral, regional and bilateral partners.

It is encouraging to note from the report on country experience that the pilot countries have made good progress in implementing the principles espoused by the CDF, since March of last year. As expected, however, progress has not been even and some countries have progressed farther than other countries. Of course, cross-country comparisons are not appropriate given the very nature of countries’ starting points as characterized by their institutions, history, cultural norms and socio-economic structures.
Notwithstanding the progress made, there remain a number of difficult challenges. Foremost among these challenges are weak implementation capacities in developing countries; enabling developing countries to have true ownership of their development programs and strategies; defining the rules of engagement between the government, donors, and civil society; and developing better coordination and partnerships that will support more effectively the development efforts of borrowing countries. Here, the gap between intentions and reality remains large. Although development agencies are in principle committed to partnerships, old attitudes and ways of doing business persist. Individual donor countries’ pre-occupation with visibility and their insistence on financing particular activities, often pre-empt better partnership with other donors and undermine government leadership of the reform agenda. Under normal circumstances, donors’ insistence in financing particular activities need not raise too many concerns. However, unfortunate experiences caused by external pressure on donor institutions and politicization of the development process, could lead to concentration of donor efforts in a few sectors and leave important sectors unfunded. This could undermine development, and therefore needs to be monitored regularly.

While there has been good progress in the pilot countries in implementing the CDF principles, it is not clear how these principles have contributed to GDP growth and poverty reduction. It is therefore difficult to draw conclusions as to whether to broaden the application of the CDF far beyond the pilot countries. Of course the period of the pilot stage is too short to enable an informed judgement and needs to be extended by a year or two. More time is needed to overcome some of the challenges that I mentioned above and to win a broader support from the major donors, in practice as well as in principle. This would also provide a better basis for the planned three-year evaluation of the CDF by the Bank’s Operations Evaluation Department and Development Economics Department. This evaluation will be critical in determining how to proceed with the implementation of the CDF.

Having noted this, it is interesting to observe that more countries have made more progress in preparing Poverty Reduction Strategy Papers (PRSPs) than in preparing CDF, although the PRSP is based on similar principles and faces similar challenges. It would be important, therefore, as the Bank and the IMF move to mainstream the PRSP process to low-income countries, to look into the reasons for the relative success of the PRSP. In this regard, I can support the proposal by the Bank to provide support to low-income countries’ poverty reduction strategies through the proposed Poverty Reduction Support Credit (PRSC). The PRSC would be a programmatic vehicle that complements the IMF’s Poverty Reduction and Growth Facility. This stated, it would be important that the PRSC be underpinned by strong economic and sector work and that a fiduciary framework for the use of Bank resources be in place before accelerating the expansion of programmatic lending.

The introduction of the interim PRSP is in recognition that preparation of a full PRSP can be time consuming and would delay the benefits that HIPC-eligible countries can receive under the initiative. We, therefore support the proposal that will enable countries to receive debt service reduction in the period between decision point and completion point by allowing them to present interim PRSPs and yearly progress reports if a full PRSP has not been completed.

Indeed the progress made in implementing the enhanced HIPC initiative is encouraging. As the progress report on the HIPC initiative notes, more countries are benefiting from deeper
and faster debt relief packages. In this context, the progress made in securing confirmation of participation by multilateral creditors is welcome. Regional development institutions, in which Saudi Arabia is a major shareholder, such as the OPEC Fund, have been the first to participate in the original HIPC, and are now participating in the enhanced framework. Regarding the non-Paris Club bilateral creditors, the Bank and the Fund should continue discussing with them the modalities of their participation, while at the same time encouraging borrowing countries to negotiate directly debt relief with such donors.

While reviewing the HIPC initiative, I have noted that the two Executive Boards of the Bank and the Fund have agreed to extend the sunset clause. This is welcome. The two institutions should encourage the countries that are affected by this clause to make every effort to fulfil the so-called entry requirements so that they could benefit quickly from debt relief under the enhanced HIPC.

In a world economy that is becoming increasingly integrated, national efforts need to be complemented by global actions and investments in global public goods. Indeed, the Bank is already participating or leading efforts to strengthen the links between country and global programs. The Bank, for example, in collaboration with the IMF has made important headway in three initiatives: the Financial Sector Assessment Program, the Reports on Observance of Standards and Codes, and debt management. Needless to say that in the work on codes and standards, the Bank should bring the perspective of developing countries to the discussions.

Other examples where the Bank is participating in, or leading, global programs include the Consultative Group on International Agricultural Research, the Global Environment Facility, UNAIDS, the Roll Back Malaria Program, the Riverblindness Program in West Africa, the Global Water Partnership and the Global Alliance for Vaccines and Immunizations. Although by no means exhaustive, this list is impressive, and demands on the Bank continue to increase. The challenge for the Bank is to become more selective, to confine its involvement to areas within its mandate, to lead in areas in which it has comparative advantage, and to follow, if need be, others in areas in which they have the primary responsibility.

The Bank can serve its member countries better by scaling up its efforts in areas that have the greatest direct benefits to its client countries. In this regard, trade integration, communicable diseases, and research and knowledge dissemination offer good opportunities for an enhanced Bank role. On global governance, it is necessary to make a distinction between corporate governance and political governance. The Bank does have a role in corporate governance, but it should avoid getting entangled in issues related to political governance, which is outside its mandate. It should, however, in all these areas be mindful of the concerns of developing countries and bring these to the discussions.

Financing global collective action and public goods poses special challenges, especially for the Bank. In this regard, the Bank needs to carefully balance its support for local national programs with support for global initiatives. In doing so, it will be important not to divert resources away from country initiatives deeply involved with poverty reduction to promising but less directly poverty-related global initiatives. The Development Grant Facility may provide a good vehicle for financing global initiatives. But, it would be important to develop clear and
transparent criteria for including new initiatives, graduating old ones, and for establishing partnerships.

It would also be important for the Bank to study the implications of its increased involvement in global public initiatives for its administrative budget; for its lending program, which has been showing a declining trend; and for the cost of doing business with the Bank. These are issues of major concern, especially to the Bank’s client countries. I am pleased to note that the Executive Board and Management will take up these issues during the upcoming discussions on the Bank Group’s Strategic Framework and Action Plan. I look forward to receiving a progress report for our next meeting in April 2001.

I want to conclude by thanking Minister Tarrin for having served this Committee well during difficult times, and to wish him success in his future endeavors. I also want to thank Minister Sinha for accepting to chair this Committee at a very short notice. I am confident that we will see continued progress during his tenureship in each of the areas I discussed above.