Statement by

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Development Committee
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Development Committee 

1. The Development Committee meets at a difficult and critical time for development with an uncertain and hesitant global recovery underway, peace in the Middle East looking increasingly tenuous and a potentially huge gap between the financing needs and actual commitments to the reconstruction and stability in Afghanistan and Iraq. The Millennium Development Goals look increasingly unachievable without a large increase in development financing.

Supporting Country Policies with Adequate and Appropriate Financing 

2. The sobering inference that the international community can draw from recent work done by the World Bank and other agencies is that there would be considerable shortfall in meeting the MDGs, and not just in the low-income countries with economies under stress. Even many better performing developing countries are in danger of slipping up on many of the MDGs if the present trends continue. It is clear that these, and other, countries have huge unmet needs relative to MDG targets and the strategies that we have adopted so far, including the provision of concessional financing, need substantial modification. The Bank, through its policy dialogue, analytical work, and through direct financing has been helping the developing countries in their reform efforts, improving institutions of governance and delivery systems to make them further conducive to growth and to poverty reduction. While these efforts of the Bank and of other development agencies should continue, we also need to recognize the courageous and bold efforts being made by many developing countries in improving their policies and investment priorities. Many countries have demonstrated their capacity for effective use of their domestic savings and external aid. It is unfortunate that these efforts have not been matched by enhanced concessional finance. On the contrary, we are today witnessing the disquieting trend of negative flows from the World Bank. The issue of adequate concessional financing thus needs to be addressed squarely and up-front, if the commitment of international community to MDGs is to inspire confidence.

3. The Bank paper for the Development Committee makes a very strong case for substantially stepping up the quantum, and for improving the quality of development assistance for different regions. Its analytical framework is robust, even though conservative, and gives an insight into the amounts of incremental assistance required. The international community needs to introspect on where do we go from here and take measures to fulfill the commitment made at Monterrey.

4. Apart from stepping up the volume of concessional finance, there are other major issues which need to be addressed:

   (i) The foremost is the need to develop objective poverty-related criteria for allocation of development assistance. Rational incentive structures lead to better performance at the country
and regional level. We need to direct resources where they can have maximum impact and where countries have demonstrated the capacity for effective utilization of aid.

(ii) Development assistance should also be much more predictable. Improving the policy environment, institutions of governance and the service-delivery mechanisms are medium- to long-term measures, with considerable incremental and recurrent funding requirements. In addition to the need for fresh investments, our experience is that there are often considerable adjustment and transition costs involved. Developing countries have been taking courageous steps and our development partners must appreciate that reform efforts get strengthened and pay dividends if reforming governments have some assurance that they could depend on timely and adequate development assistance flows. Success requires long-term and reliable commitments on all sides.

(iii) Bulk of incremental resource flows should be channelised through the multilateral agencies who have a proven track record of effective use of concessional resources. This has major advantages for the international community. One, by using multi-year frameworks like Country Assistance Strategies (CAS), the predictability of development assistance is far more certain, even as it allows for a sustained dialogue on policy reform with developing countries. The chances of setting the reform agenda on a sustainable track are that much more. Two, and equally important, enough literature exists which has demonstrated the relative efficacy of the multilateral agencies in the development process. Lastly, even as we see IDA country caps as being sub-optimal, resource allocation by the multilaterals are based on far more reasoned criteria than any other form of development assistance.

5. A substantial increase in aid along with domestic efforts to improve policies, programmes, and service delivery mechanism would be essential for any meaningful attempt to achieve MDGs. With little over a decade left for achieving the MDGs, an action plan should be drawn up containing specific commitments from the developed countries for adequate sustained funds flow, the interventions needed by the developing countries for improving efficiency and effectiveness of their public expenditure on MDGs, and the facilitation and harmonization efforts of the international financial institutions.

6. The increased public expenditure, suitably supported by the external aid, has to address the country specific development imperatives, concerns and constraints. There cannot be a “one size fits all” approach to MDGs. While the incremental external assistance has to come from several donors, the country specific programmes should not be fragmented on the basis of funding sources. The funding of such programmes may be through co-financing arrangements with all donors and the recipient country agreeing on common procedures, leading to aid harmonization and effectiveness improvement. The multilateral agencies, by their wide acceptability and experience, should take the lead. The creation of goal or donor specific agencies may not be the optimal approach.

7. The sustainability of the development process in achieving MDGs should be the benchmark for any public intervention. Such sustainability should be seen from a wider perspective of socio-economic imperatives, natural resources, and administrative efforts. The
sustainability of the funding of the recurring costs, needed even much beyond year 2015, would also need to be considered.

**Implementation Report on Monitoring Policies, Actions and Outcomes Needed to Achieve the MDGs**

8. We welcome the considerable progress achieved in developing a comprehensive Reporting Framework over the last year. The Monterrey Consensus was explicit on what it expected the three players – developed countries, developing countries and the international financial institutions – to do and since we are clearly in danger of substantially failing to meet the MDGs, the monitoring mechanism will play a critical role in improving outcomes. However there is a tendency in the international development community to see the reporting mechanism from the point of view of donors and development agencies alone. In fact, developing countries share the largest stake, make the largest effort and commit the largest resources to the global effort for sustained growth and poverty reduction. We want our efforts to bear the most fruit and look to our partners to help support these efforts at better reporting, monitoring and analyzing in order to realize efficiency gains. The multilaterals and bilateral agencies should also be made more accountable in the larger interest of achieving the MDGs by 2015.

9. Even as we are in broad agreement with the work done so far, we would like to flag a few issues of concern, where we feel more work may need to be done. To take the developed countries first, we note the good work that OECD - DAC has done in terms of building up peer pressure to improve the efficacy of development assistance as well in doing the numbers, i.e. arriving at the total quantum of aid. But we need more than peer pressure. We see that a number of civil society groups and academic institutions are getting into the act, which is welcome. We would also urge the multilaterals to do more in facilitating enhanced development assistance. Developing countries see themselves as part and parcel of the multilateral agencies, even as we articulate the need for a more representative voice in these institutions. The participation of the bilaterals would have far greater legitimacy and would help push the momentum towards a more country-driven process if there were inputs from the various multilateral institutions. A review of actions taken post the Rome forum on harmonization bears this out.

10. We are also not very comfortable with the calculation of the quantum of development assistance presently made available. We should be looking at efforts that have a direct bearing on achieving MDGs. Both aid given for strategic reasons, and the sub-critical aid with high transactions costs involved in running small, stand alone projects should be discounted from the total to arrive at a more realistic number.

11. Again, while we agree that considerable progress has been made in refining the Country Policy and Institutional Assessment methodology, we are still not convinced that it is a robust enough framework to judge performance across countries. Benchmarking is problematic across countries and across regions and this would really make comparisons unreliable. It should be more geared towards assessing an individual country across time, and not in absolute terms. While a certain degree of standardization is necessary in order to compare relative performances, to allocate equal weight to each criterion for every country does not seem appropriate. There
seems excessive weight given to the ratings of the Bank’s portfolio in any country. The success of a single project or programme is dependent on various factors like project design, local conditions, capacities in that sector or sub-region, exogenous circumstances etc, and the excessive weightage given to portfolio performance in arriving at CPIA ratings needs modification based on criteria like the relative importance of the portfolio in that country’s development efforts, or even in a specific sector or sub-national level. While implementing Bank’s projects and programs satisfactorily is important, there is much more to development and to poverty reduction than that. It is not uncommon for the Bank’s country portfolio to be rated quite low in an otherwise satisfactory situation from the country’s point of view, and vice versa.

12. We have to guard against overloading on the monitoring process. This process is only a means to help the global community to assess from time to time, the actions needed from all the development partners for achieving the MDGs. It can not be a substitute for adequate increase in the assistance levels from the developed countries to support the up scaling of the development efforts coupled with sound policies and programmes of the developing countries.

Enhancing Voice and Participation of Developing and Transition Countries

13. We recognize the need for a consensus to achieve progress in enhancing the voice and participation of developing and transition countries. This would also require a concerted effort on the part of the international community. It is clear from the documentation for this meeting that there are no quick fix solutions, and simultaneous progress on many different and parallel tracks would be required. The Monterrey Consensus, which brought to the forefront the global debate on ‘voice’, has been enriched by the many suggestions that have come up during discussions on this issue in the IFIs, in other multilateral fora, internally within countries, and not least, among civil society organizations. We are encouraged by the desire to have all options for enhancing voice on the table and would like to urge all member countries, particularly, the developed countries, to approach the question with an open mind. We need to guard against the temptation to side-step substantive issues of voice, by focusing on narrow, peripheral issues. Clearly, more work is needed to address the substantive issues.

14. We are specifically concerned over the evolution of IDA’s governance. The role of IDA as an institution working with low-income countries in their development efforts is crucial. IDA Deputies, over successive IDA Replenishments, have taken over the responsibility of laying down IDA’s policies, which, under the Articles of IDA, fall within the province of the Board of IDA, where developing countries have a well defined voice and role. The forum of IDA Deputies is an informal forum of donors and having developing country representation as observers does not meet the requirement. The Monterrey Consensus, which brought to the forefront the global debate on ‘voice’, has been enriched by the many suggestions that have come up during discussions on this issue in the IFIs, in other multilateral fora, internally within countries, and not least, among civil society organizations. We are encouraged by the desire to have all options for enhancing voice on the table and would like to urge all member countries, particularly, the developed countries, to approach the question with an open mind. We need to guard against the temptation to side-step substantive issues of voice, by focusing on narrow, peripheral issues. Clearly, more work is needed to address the substantive issues.

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Progress in implementation of Poverty Reduction Strategy Papers (PRSP)

15. We welcome the progress made in integrating the PRSP with the policy framework of the recipient countries. It would be better for the multilateral agencies to identify and adopt country driven programmes with improved institutional systems and accountability standards. External assistance should contribute to expansion of existing programmes and to their better implementation. The PRSP exercise should help in capacity building and strengthening the existing processes and institutions rather than replicating or bypassing them. The scope for innovation would certainly be there. However, such innovation should be anchored in the socio economic conditions of the country. We would like to highlight the need to maintain PRSP as country-owned strategies in letter and spirit. The PRSP should guide the flow of external assistance; and the Bank should take the lead in ensuring its primacy and not be constrained by standard formulae or prescriptions, which tend to give precedence to stability over development.

Progress in Trade

16. The Doha Agenda of WTO has the right ingredients to have a catalytic effect on growth and, “good” agreements could produce income gains to both the developed and the developing countries, resulting in reduction of Global Poverty. Improved Market Access for all products of all is perhaps the key. Specifically, for achieving the MDGs, the need is to strengthen the capacity of developing countries to expand their production and trading activities, and this is possible if the agreement aims to reduce barriers and provide greater Market Access to the Goods and Services of the developing world. Pro-poor policies are the only way forward. For this, the developed countries must show greater flexibility on issues of vital importance and essential for development of the poor countries. There is, accordingly, a need for an appropriate response from the developing countries as well for a multilateral fair and free trade regime.

Infrastructure Action Plan

17. We welcome the Bank’s renewed commitment to scale up its financing of infrastructure. The empirical evidence linking investments in infrastructure, poverty reduction and growth is well documented. The Millennium Development Goals will not be reached without an order of magnitude increase in the investment in infrastructure. Given the huge unmet demands for basic services, this increased investment will have to come from a variety of sources, public and private, domestic and international, concessional and commercial. The task before the World Bank is to increase its investment in this sector using a broad and flexible array of instruments to catalyze the reform of domestic policy environments for more efficient and sustainable public investment and to crowd in more private investment in infrastructure. The Bank’s analytical and advisory activities could also fill vital gaps in data, research and wide dissemination of good practice.

18. It can be no one’s case that the Bank’s safeguard standards need to be diluted. However, the uneven and inconsistent application of the Bank’s safeguard policies across regions, sectors and even projects in the same sector is proving to be a significant cost disadvantage and will be a hindrance to scaling up the bank’s infrastructure business. The application of safeguards needs to
be done in a collaborative manner to ensure consistency and cost-effectiveness. Safeguards should be treated as a means towards sustainable development and not an end in themselves.

19. We commend the Bank’s attention to following-up on the Camdessus Panel report on “Financing Water for All”. The Panel’s recommendations offer a good opportunity to meet the water and sanitation (WSS) related MDGs and also the health related MDGs, which are directly affected by WSS issues. The Panel has emphasized the critical role of multilateral financial institutions in financing water infrastructure, including storage schemes. Unfortunately, the paper before us does not indicate how the Bank proposes to fulfill this task. We would like the Bank to address more squarely the disincentives and risks faced by staff working on WSS projects. Developing countries need substantial investments in water storage, flood control and major irrigation and drainage projects and MFIs can play an important and critical role in meeting these needs and also countering ill-informed criticism of such investment in certain quarters.

20. We meet at a time when the actions of the global development community are under increasing scrutiny. Given the scale of the development challenge facing us, the Bank, as an institution, needs, much more than ever before, to focus on where it can actually make a difference and add value, become increasingly results-oriented and cost-effective, and to convincingly make out the case for enhanced aid as a moral and economic imperative.