



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**

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DEVELOPMENT COMMITTEE COMMUNIQUÉ

1. We met against the background of a series of major meetings in this “Year of Development,” in particular the United Nations 2005 World Summit held in New York on September 14-16. These meetings, including the G8 Summit held in Gleneagles in July, have resulted in significant progress in building and deepening consensus on key elements of the development agenda. In our discussions we focused on implementation and priorities for action.

2. We reiterated our support for the realization of the internationally agreed development goals, including the Millennium Development Goals (MDGs), and recognized that this calls for a stronger international development partnership. We are encouraged by commitments to reinvigorate the aid partnership, with stronger policies in many developing countries matched by commitments by developed countries and other donors for significant additional aid and debt relief and steps to improve development effectiveness. We reaffirmed the importance of sound policies, including promoting a strong private sector and improving governance, in developing countries to the achievement of the development goals. In this connection, we emphasized the importance of expanding opportunities for those who have the least voice and the fewest resources and capabilities. We welcomed the increased resources that will become available as a result of the recent establishment of timetables by many donors to achieve the target of 0.7 percent of GNP for ODA. We commended donors who have already reached or exceeded this target. As called for by world leaders at the recent UN Summit, we urged those developed countries that have not yet done so to make concrete efforts in this regard in accordance with their commitments. We noted the launch of the International Finance Facility for immunization and the upcoming implementation of an airline ticket solidarity tax by a group of countries. We called on the Bank to assist with implementation issues, as appropriate, to ensure that these initiatives are coherent with the overall performance- and country-based aid architecture. We also noted ongoing work on blending arrangements and advance market commitments for vaccines.

3. As important as mobilizing more aid is action to improve the quality of aid. We welcomed progress toward establishing tangible indicators and targets for commitments made in the Paris Declaration on Aid Effectiveness. We asked the Bank to work closely with the OECD Development Assistance Committee and other partners to support the delivery and improve the quality of increased assistance, through systematic monitoring and follow-up on aid commitments, and through vigorous implementation of the agreed agenda on managing for results, harmonization, and alignment.

4. We welcomed the World Bank Group's ambitious Africa Action Plan, which will support African countries in their efforts to increase growth, tackle poverty, and achieve the MDGs. We called for timely and vigorous implementation of the Plan and urged that the Bank work closely with the African Union, New Partnership for Africa's Development, African Development Bank, African Partnership Forum and other partners. We commended the Plan's results-oriented approach and the concrete actions it proposes to ensure that increased aid will be used effectively. The Action Plan correctly focuses on building state capacity and improving governance; strengthening the drivers of growth; and promoting broad participation in growth and sharing its benefits. We commended its comprehensive approach toward developing an African private sector, creating jobs, enhancing exports, expanding infrastructure, raising agricultural productivity, strengthening human development, building capacity (including in conflict-affected and fragile states), and increasing regional integration. Related areas we emphasized include strengthening the implementation of Education for All Fast Track Initiative, including closing of the financing gap; stepping up the fight against major diseases including HIV/AIDS and malaria; promoting women's role in development; and improving the environment for small and medium enterprises, including access to microfinance. We called for further analysis and elaboration of proposed new mechanisms to scale up and strategically target aid to countries and programs with potentially high development impact, which are complementary to and consistent with IDA framework. We also welcomed the Plan's emphasis on partnerships, monitoring and evaluation, and consultative mechanisms, including reporting back to the Committee on progress on a regular basis in the context of the Global Monitoring Report, starting in 2007.

5. We welcomed the G8 proposal for 100 percent cancellation of debt owed by eligible heavily indebted poor countries (HIPCs) to the International Development Association (IDA), the African Development Fund (AfDF), and the International Monetary Fund, as providing a valuable opportunity to reduce debt and increase resources for achieving the MDGs. In order to expedite the implementation of the proposal, we agreed on the need for an interdependent package consisting especially of dollar for dollar compensation for IDA that is truly additional to existing commitments and that maintains the financial integrity and capacity of IDA to assist poor countries in the future. We are agreed on the need for additionality of donor resources for debt relief to provide tangible benefits to HIPCs. We are confident that the package, including financing, the main technical features of the proposal and burden sharing on a voluntary basis will provide these benefits. We emphasized the importance of maintaining sound economic performance and good governance by eligible countries. We urged donor countries to ensure financing to fully compensate IDA for forgone reflows resulting from debt relief in order to reach a final agreement on the proposal. We welcomed the delivery commitments by the G8 in their letter to the World Bank President. We asked the Bank to prepare a compensation schedule

and monitoring system of all donor contributions urgently. On this basis we expressed our support for the aforementioned package and urged the Bank to proceed with the steps to ensure all necessary arrangements for implementation.

6. We also reviewed the implementation of the HIPC Initiative, welcomed continued progress in providing debt relief to HIPCs, noted the need to fill the current funding gap, and urged full creditor participation. We continue to underline the importance of the existing agreement that contributions under the HIPC Initiative be additional to other contributions to IDA. Eighteen countries have reached the completion point and another ten are between decision and completion points. We look forward to a final list of eligible countries in early 2006.

7. Stronger country policies and more and more effective aid must be complemented with ambitious moves to increase openness and market access and to ensure that trade benefits the poor. Without a timely and ambitious outcome for the Doha Development Agenda, developing countries will not achieve the economic growth needed to meet the MDGs. As we approach the crucial Hong Kong Ministerial meeting, which will be an important milestone toward concluding the Doha Round in 2006, now is the time for action by all WTO members to move the negotiations forward, and we called upon developed countries to show leadership. We cannot overemphasize the importance for the global economy and for meeting the MDGs of achieving an outcome that includes: (i) a major reform of agricultural trade policies to expand market access and eliminate trade-distorting subsidies; (ii) action to open markets in manufactures and services; and (iii) increased aid for trade to address supply-side constraints and enhance the capacity of developing countries to take advantage of expanded trade opportunities. We endorsed the proposal for an enhanced Integrated Framework for Trade-related Technical Assistance, including expanding its resources and scope and making it more effective. We asked the Bank and the Fund to examine further the adequacy of existing mechanisms to address regional or cross-country aid for trade needs and explore new mechanisms as appropriate. We supported a strengthened framework for assessing adjustment needs so that IFI and donor assistance mechanisms can be better utilized. We urged the Bank and the Fund to better integrate trade-related needs into their support for country programs. We also asked the Bank and the Fund to continue their global advocacy role on trade and development.

8. Scaling up investment in infrastructure, alongside strong programs for education and health, is key to faster growth and progress in reducing poverty. We welcomed the progress made by the Bank Group in implementing the Infrastructure Action Plan and strengthening public-private partnerships to leverage investment and maximize impact, including in the framework of the newly established Africa Infrastructure Consortium. We called for continued deepening and scaling up of support for infrastructure service delivery, and removal of impediments in this regard, in order to respond to needs in both low- and middle-income countries. As part of this effort, we look forward to a progress report at our next meeting by the Bank on the impact of fiscal space on growth and achievement of the MDGs, in continued cooperation with the Fund on the macroeconomic aspects of this issue.

9. We welcomed the review of World Bank conditionality and endorsed the good practice principles the Bank has put forward to streamline conditionality and strengthen country ownership and leadership. We called for regular monitoring to ensure their consistent

implementation at the country level and for a report on progress next year. We also welcomed the work on enhancing IMF instruments in support of its low-income members, and called for further strengthening Bank-Fund collaboration in this area.

10. We welcomed the joint Bank-Fund review of the poverty reduction strategy approach and noted the contribution the PRS approach is making to enhancing country leadership of the development agenda, promoting the articulation of clear and coherent country policies and priorities for spurring growth and reducing poverty, improving budget and monitoring systems, and sharpening the focus on development results. We noted that country ownership based on broad participation is now central to the PRS approach. We also noted the value of country-led diagnostics including poverty and social impact analysis in supporting the PRS approach. Good progress notwithstanding, continued efforts are needed to strengthen poverty reduction strategies and their implementation in many countries. This includes efforts by countries to improve policies, domestic resource mobilization, governance, and accountability and by donors to provide support in a predictable, aligned, and harmonized manner.

11. We support the World Bank's efforts, including through the Global Environment Facility, to assist member countries in measures to mitigate and adapt to the impact of climate change and improve energy efficiency and access to renewable and cost-effective energy; and welcomed efforts to follow up on the Gleneagles plan of action with early consultations to identify pragmatic investment and financing policy actions that can help further the goals of the United Nations Framework Convention on Climate Change. We look forward to a report for our next meeting on progress made in developing dialogue with partner countries and institutions and a future investment framework.

12. The Committee considers the issue of enhancing the voice of developing and transition countries in our institutions to be of vital importance. We will continue our discussions with a view to building the necessary political consensus on this matter, taking into account progress in the context of the IMF quota review.

13. The Committee expressed its appreciation to Mr. Trevor Manuel, Minister of Finance of South Africa, for his valuable leadership and guidance as Chairman of the Committee during the past four years, and welcomed his successor, Mr. Alberto Carrasquilla, Minister of Finance and Public Credit of Colombia. We expressed our gratitude to James Wolfensohn for his outstanding leadership of the World Bank Group during the last 10 years, and welcomed the new President of the World Bank, Paul Wolfowitz, who attended his first meeting of the Development Committee, and wished him a successful tenure. The Ministers also expressed their warm thanks to Mr. Thomas Bernes upon conclusion of his tenure as the Committee's Executive Secretary.

14. The Committee's next meeting is scheduled for April 23, 2006, in Washington, D.C.