

**Report to the Boards of Governors of the Bank and the Fund
by the Honorable Trevor A. Manuel, Chairman of the
Development Committee of the World Bank at the Joint
Annual Discussion
29 September 2002**

Mr. Chairman, Mr. Kohler, Mr. Wolfensohn, Governors, Ladies and Gentlemen,

As Chairman of the Development Committee, I am pleased to report to you on the Committee's work during the two meetings held this year.

During the Committee meeting in April we welcomed the important progress achieved in the Monterrey Consensus, which sets out a new partnership compact between developed and developing countries based on mutual responsibility and accountability, to achieve measurable improvements in sustainable growth and poverty reduction.

This new partnership was reaffirmed in Johannesburg earlier this month, and a series of important commitments were made in the areas of water and sanitation, energy, health, agriculture, biodiversity and ecosystem management. These commitments were accompanied by the launch of implementation initiatives.

Under the new partnership developing countries have committed themselves to pursue sound policies and good governance. Developed countries made a commitment to ensure sufficient

financing for development. The primary mechanisms for achieving this aim are to increase the level Official Development Assistance (ODA) provided to developing countries and to implement the HIPC initiative. At Monterrey, Heads of State further agreed to consider alternative sources of finance for development.

The Development Committee recognizes that the challenge before us is to make good on our commitments and move forward on implementation. The Bank has embraced the challenge of translating those commitments into tangible results that will lead to an improvement in the living standards of people living at the grassroots level. The Development Committee recognizes the need to increase its focus on performance by ensuring that development results are reviewed through clear and measurable indicators. Progress in this area, as set out in a paper entitled “Better measuring, monitoring and managing for development results,” was reviewed by the Committee.

We reaffirmed our strong support for the current work program to harmonize operational policies and procedures of bilateral and multilateral agencies so as to enhance aid effectiveness and efficiency. We committed to further action in streamlining such procedures and requirements.

In April, we emphasised that more attention should be given to the building of institutions and capacities as well as the timing and sequencing of the reform process. We underlined the importance of an enhanced focus on results that can be used by countries in designing and implementing their strategies, and by donors and

development agencies in scaling up and allocating their support. In April we endorsed the Education for All (EFA) Fast Track Initiative. We reviewed progress on this initiative yesterday and, in addition, considered the challenges of scaling up activities in two additional areas namely, HIV AIDS/Communicable Diseases, water and sanitation. We have urged the Bank to pursue work in these areas.

We reviewed and welcomed the steady progress that has been made on the HIPC Initiative, and remain committed to its vigorous implementation. The Development Committee fully supports the objective of finding an enduring exit from unsustainable debt for our poorest members. Success of the HIPC Initiative will require full participation and delivery of relief by all affected creditors and adequate and sufficient concessional financing by international financial institutions and the donor community.

The financing component of HIPC is critical to its success. We welcome the indication of support to meet the anticipated financing shortfalls in the HIPC Trust Fund estimated to be about \$1 billion, and call upon donor countries to make firm pledges as a matter of urgency. It is especially important that the cost of debt relief to IDA is not permitted to compromise IDA's resources, and donors should not count commitments as part of their overall aid budgets. Moreover, it is critical to the financial sustainability of recipient countries that bilateral debt relief does not reduce the debt relief provided under HIPC through recalculation of assistance.

In April the Committee noted that the Comprehensive Development Framework/Poverty Reduction Strategy Paper (CDF/PRSP) approach is increasingly providing a common

foundation for implementing the new partnership at the country level. While recognizing that scope for improvement exists, we shared the positive assessment of implementation to date, particularly in enhancing ownership. At our meeting yesterday we reviewed further experience with PRSPs, which confirmed the broad findings of the review earlier this year. The Committee is encouraged by the increased momentum in efforts made by countries to develop and implement their PRSPs.

The Committee welcomes the role performed by the Bank and the Fund in assisting countries to achieve the Millennium Development Goals (MDGs). A central role in that effort is played by the Poverty Reduction Strategy Papers (PRSPs), and other country-owned development programs, and the financial support associated with them, including the Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Support Credit (PRSC). We have called on donors and the Bank and the Fund to more fully align the PRGF and the PRSC with countries' PRSPs. It was indicated by the Committee that further collaborative efforts are needed to strengthen the analyses of sources of growth, to help countries improve their public expenditure management systems, and to promote financial sector development. Poverty and social impact analyses should provide a systematic basis for helping countries to assess the impact of their policies.

During our meeting yesterday, we recognized the special challenges faced by Africa in meeting the MDGs. We therefore urged the Bank and the Fund to scale up assistance to African countries and to build on the New Partnership for Africa's

Development initiative as a unique opportunity to make significant and quick progress.

The Committee further agreed that improving the coherence of policies, coordination and cooperation between multilateral organizations would provide an important support to the overall effort to improve the effectiveness of aid and reduce poverty. To that end, the Committee agreed that it would review a background document on broadening and strengthening the participation of developing countries in international decision-making and norm-setting, to be prepared by the Bank and the Fund at its next meeting.

We reviewed a progress report on anti-money laundering and combating terrorist financing. We endorsed the conditional addition of the FATF 40+8 recommendations to the list of standards and codes useful to the operational work of the Bank and the Fund.

Lastly, as Chairman of the Development Committee I would like to congratulate the Bank and the International Development Association (IDA) Deputies for reaching an agreement on the 13th replenishment of IDA resources.

Thank you.