



# **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. Following the important commitments made last year to increase the quantity, quality and effective use of resources for development, we reviewed progress towards the Millennium Development Goals (MDGs) based on an assessment in the third annual Global Monitoring Report. We reaffirmed the principle of mutual accountability of developing countries, developed countries, and the international financial institutions for making progress on this agenda, focusing on aid, trade and governance. We also discussed clean energy and development, an issue that requires as a priority the attention of global policy makers.
2. We welcomed recent progress made in reducing income poverty, reflecting both a favorable global economic environment and improved economic management in many countries. We are encouraged that growth in Sub-Saharan Africa exceeded 5% for the third consecutive year. We recognized that progress is uneven and insufficient, particularly in Sub-Saharan Africa and in some regions of middle income countries (MICs). There are also signs of better progress towards the human development MDGs. Yet, on current trends many developing countries will fail to meet the MDGs, in particular those related to human development. Achieving rapid, sustained, and shared growth will require further actions to improve the business climate, access to infrastructure, enhanced market access and trade opportunities as well as measures to address issues of equity, including gender equity.
3. We welcomed the rising trend in the volume of official development assistance (ODA), not only from the OECD Development Assistance Committee members, but also from non-DAC countries. We called on all donors to fully implement the commitments they have made for substantial increases in aid volumes. We urged those donors that have not done so to make concrete efforts towards the target of 0.7 percent of GNI as ODA in accordance with their commitments. We noted progress made on the International Finance Facility for immunization and on Advance Market Commitments for vaccines, increased support for an

airline ticket solidarity levy and its implementation by several countries, and continuing work on the scope for greater use of blending arrangements. We noted the key role of the World Bank and the IMF in helping countries ensure that increases in aid volumes can be absorbed effectively, consistent with macro-economic stability and growth objectives. We welcomed creation of the Exogenous Shocks Facility and Policy Support Instrument at the Fund, both of which help improve its flexibility in engaging with low-income countries. We also noted the rising trend of net private flows to developing countries, including remittances.

4. We called for rapid progress in implementing the framework agreed in the Paris Declaration for enhancing aid effectiveness through improved modalities and a stronger focus on results. Developing countries need to strengthen their management of financial resources, and improve their domestic resource mobilization as well as governance and delivery of basic services. Donors and other partners need to improve the quality of aid, modalities of aid delivery to reduce volatility, achieve greater predictability, and provide stronger alignment with national poverty reduction strategies. To this end, we encouraged donors where possible to move towards multiyear plans and commitments, and to be ready to finance recurrent costs where sector policies are sound and fiduciary conditions are adequate. We asked the World Bank and other partners to intensify their coordination at the country level, particularly in strengthening health systems and improving access to good quality education, to reduce transaction costs and to help increase absorptive capacity. We emphasized the importance of universal access to primary education and sustained support for good quality education plans, and the key role the Education for All - Fast Track Initiative could play in all qualifying low income countries. We called on donors to fill the current financing gap. We asked for a progress report on Education for All by our next meeting. We encouraged the Bank to implement the proposal to hold annual Results and Resources Consultative Groups in its Africa Action Plan. We also emphasized the need for the multilateral development banks (MDBs) to strengthen their results orientation, so as to contribute better to improved country outcomes. We look forward to the first World Bank report on results monitoring and systems to strengthen both country and institutional incentives and assure learning from results. In this context, we urged all MDBs and all donors to step up support for strengthening statistical and related institutional capacity in partner countries.
5. We noted the importance of continued development progress in MICs and emerging market countries, and asked the Bank to refine and enhance its engagement strategy with these countries by our next meeting, taking into account their contributions to poverty reduction and global public goods, access to market financing, and remaining development challenges.
6. Promoting good governance, including fighting corruption, and mutual accountability are essential to efforts to achieve the MDGs. We agreed on the need for efforts to improve governance in all countries, to help build effective states with strong national systems and to work together on implementing global initiatives to improve governance, increase transparency and build demand for good governance at the country level in a way that strengthens ownership. The Bank and Fund should play a full supporting role. We asked the Bank to further develop disaggregated and actionable indicators in areas such as quality of public financial management, and procurement practices. We noted the diagnosis in the

Global Monitoring Report that a significant level of corruption is a symptom of poor governance. Building on work over the last decade, we called on the Bank to lay out a broad strategy, to be discussed at our next meeting, for helping member countries strengthen governance and deepen the fight against corruption, working closely with the Fund, other multilateral development banks and the membership, to ensure a coherent, fair and effective approach. This strategy should lead to clear guidelines for operations.

7. We welcomed the progress made in implementing the Multilateral Debt Relief Initiative (MDRI) in the Fund, the International Development Association (IDA), and the African Development Fund, and, in particular, cancellation by the IMF of the MDRI debt of the first 19 countries, and, in the Bank, the approval of the required Resolution by the IDA Governors leading to final agreement on the Initiative. We urged donor countries to secure their financing commitments to achieve full compensation of IDA's foregone reflows and to ensure that this initiative is truly additional to existing commitments. We called on the Bank and the Fund in consultation with the membership to bring forward proposals to further refine the debt sustainability framework for low-income countries to support growth and avoid accumulation of unsustainable debt, and, in this context, to further elaborate and implement an effective approach to deal with the issue of "free-riding" where non-concessional lenders may indirectly obtain financial gain from IDA's grants and debt forgiveness. We called for participation of all export credit agencies, IFIs, and other official creditors, in such an approach and encouraged them to use the debt sustainability framework in their lending decisions. We also noted the final list of potentially eligible countries for the HIPC initiative and the initial cost estimate of debt relief for these countries.
8. Implementation of the Doha Development Agenda is a critical complement to other efforts to increase growth and reduce global poverty. After modest progress at the Hong Kong ministerial meeting in December 2005, we urged all WTO members to step up their efforts to reach a successful conclusion to the Doha Round by the end of this year. We welcomed a significant increase in donor commitments for aid for trade, and creation of a task force in the WTO to make recommendations on how to operationalize aid for trade, recognizing that this is a complement not a substitute for a successful Doha Round. We asked the Bank and the Fund to further examine cross-country and regional aid for trade needs by our next meeting and deepen their work to integrate trade-related needs into their support for country programs. We also asked the Bank and the Fund to continue their global advocacy on trade and development.
9. The global community faces a major challenge in securing affordable and cost-effective energy supplies to underpin economic growth and poverty reduction while preserving the environment. These need not be conflicting goals. We recognized lack of access to energy as an acute problem in many low income countries. We agreed to explore ways to help developing countries enhance their access to affordable, sustainable and reliable modern energy services over the long term, while paying attention to local and global environmental considerations. We also urged them to do so through policy reform to attract domestic and international investment in clean and efficient energy services. We also noted that adaptation to climate change for poor countries is a critical development issue. We reaffirmed our commitment to the goals of the United Nations Framework Convention on Climate Change.

We found broad support for the Bank's approach in addressing 1) developing country energy needs and access to energy services, 2) efforts to control greenhouse gas emissions, and 3) helping developing countries adapt to climate risks, and the two track work program. We asked the Bank to review, in close coordination with other partners, existing financial instruments, taking into account the role of the private sector; and to explore the potential value of new financial instruments to accelerate investment in clean, sustainable, cost effective and efficient energy; so as to report on progress towards an investment framework by our next meeting. We urged member countries of the Global Environment Facility to conclude the fourth replenishment negotiation as soon as possible.

10. Avian Influenza poses a major risk for all countries but more particularly for developing countries. We called for continued coordination and planning by countries and agencies at the international and regional levels and, within countries, continued coordination across relevant ministries. We also welcomed the Bank's rapid operational response under the Global Program for Avian Influenza.
11. We welcomed the interim report on how fiscal policy can best support long term growth, and its emphasis on specific country experiences. We look forward to the final report in early 2007.
12. We noted the creation of the External Review Committee to review various aspects of Bank-Fund collaboration, and look forward to considering its findings and recommendations. We ask the Bank and Fund to ensure that their institutional responsibilities continue to cover all the critical issues relating to reaching the MDGs within their mandates.
13. We welcomed the discussion of quota and voice issues in the Fund, and confirmed our intention to continue our discussions with a view to building the necessary political consensus on the voice issue in the Bank.
14. We welcomed the new Chairman Alberto Carrasquilla. We thanked Zia Qureshi for his services as Interim Executive Secretary to the Committee and welcomed the appointment of Kiyoshi Kodera as new Executive Secretary.
15. The Committee's next meeting is scheduled for September 18, 2006 in Singapore.