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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NOTE FROM THE PRESIDENT OF THE WORLD BANK

Attached for information of the Members of the Development Committee is a Note from the President of the World Bank, James D. Wolfensohn, for the Committee's sixty-sixth meeting to be held in Washington D.C. on Saturday, September 28, 2002.

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PRESIDENT'S NOTE TO THE DEVELOPMENT COMMITTEE

I. INTRODUCTION

We are meeting just a year after the tragic events of September 11, 2001, at a time of continuing economic uncertainty but increasing international resolve. While the immediate prospects for global economic growth are not as good as they seemed following the recovery in the first quarter of this year, the medium to long term outlook can be brighter and the risks less threatening provided that all countries take the needed actions and implement policies that enable markets to function better. The International Financial Institutions (IFIs) have demonstrated again the important function they play in supporting developing countries cope with a more difficult external environment.

At our meeting in April, we discussed the outcome of the Monterrey conference and reached broad agreement on an approach to implementing the Monterrey consensus including the roles of the Bank and the Fund. We will have the opportunity at our meeting on September 29th to review progress on that agenda. In brief, while much has been done, there are major challenges ahead – for donors and development agencies, as well as for developing countries. You have a set of papers discussing progress and challenges, so I will comment only briefly on this agenda and on progress in achieving debt sustainability for heavily indebted poor countries by implementing the HIPC initiative. I also report below on some of the ways in which we are seeking to work in closer partnership with others as we help take forward this agenda, including progress in implementing the Education For All Initiative, and on some of the specific changes we are implementing in the World Bank Group to strengthen our ability to meet these challenges.

II. IMPLEMENTING THE MONTERREY CONSENSUS

We will be focusing our discussions on progress and challenges in implementing the agenda agreed at Monterrey and reaffirmed and added to in Johannesburg. Papers have been prepared for the Committee on three aspects of implementing Monterrey: an overview progress report; a report on how to strengthen the measurement, monitoring and achievement of results in development; and a report using three case studies to illustrate some of the challenges ahead in turning the aspirations from Monterrey into reality on the ground. We are moving forward on all the seven aspects I identified before the April meeting. I simply want to emphasize here four crucial issues I see as we move forward.

Centrality of the CDF/PRSP Approach

First, we must build on our agreement on the **centrality of the CDF/PRSP approach**. While there is always scope for improvement, I believe there is agreement that this approach is the practical and effective way to put the Monterrey partnership into effect at the country level. It was clear from our April discussion that there is also consensus on the elements of policies and institutions needed for successful poverty reduction: sound economic policies; an effective legal and judicial system; clear tax and regulatory frameworks implemented by a professional and non-corrupt bureaucracy; a strong and well-regulated financial system; creating the conditions for entrepreneurship, productivity and jobs;

and empowering and investing in poor people so that they can participate in their country's development.

Donor Coherence and Scaling Up

Second, this approach will require a major effort and some important changes by donors and development agencies as well as by developing countries. We must remain committed to the goal of the doubling of aid needed to meet the MDGs, but we must also demonstrate the effectiveness of both existing and new aid resources with results on the ground. We have to ensure that there is better alignment of donor support behind country driven strategies with good performance and policies that produce results, better coordination and harmonization among donors , and better aid absorption, delivery and management capacity in the developing countries. The three case studies illustrate well the immense improvements in effectiveness to be had from donors working in better coordination with each other and with recipient countries. There will be an opportunity to follow up on our discussions on these issues and on enhancing our focus on results, and to review progress, at the Development Partnership Forum being organized by OECD/DAC in December. The issue of harmonizing donor practices and operational policies, discussed below, will be the subject of a High Level Forum in Rome on February 24-25 next year to be organized jointly with OECD DAC and Multilateral Development Bank partners . Through better aid allocation and alignment, through less fragmentation and improved harmonization, and through less tying of aid, I believe we can have an impact equivalent to a significant increase in annual aid flows.

Results Focus

Third, central to achieving our shared goals are current efforts to **enhance the results orientation of development programs.** The paper prepared for the Committee draws heavily on the international Roundtable on Better Measuring, Monitoring, and Managing for Development Results that the Bank cosponsored in June with other MDBs, in cooperation with the OECD DAC. It brings together three stands of the development dialogue of recent years: country-led development and partnership, along the lines discussed above, results-based management, and development effectiveness, including the pioneering work done within the World Bank by the independent Operations Evaluation Department (celebrating its 30th anniversary this year) and the Quality Assurance Group launched in 1996 as part of the Bank's renewal. It builds on the simple but powerful idea that development results can be improved by enhanced management focus on them—a thesis amply demonstrated by the major strides we in the Bank have made in the past few years in improving our effectiveness through systematic attention to QAG's real-time quality assessments and OED's ex-post evaluations. Focusing on country outcomes on sustainable growth and poverty reduction as the bottom line measure of development effectiveness has important implications for developing countries and the support that donors provide them with respect to the knowledge, measurement systems, and capacity they need to manage for results. It also has implications for the architecture of accountability and evaluation systems, especially the need for joint evaluations of donor programs in supporting countries' poverty reduction strategies to complement assessments of individual agencies' performance, including as development partners.

Trade and Market Access

Fourth, we must follow through on the global commitments made at Monterrey. In addition to following through on the commitments to increase resources for development assistance, as we agreed at our last meeting, **action on trade and market access** is critical if we are to achieve our development objectives. We need not wait for the WTO agreements to provide duty-free and quota-free access to the poorest. We need to help developing countries participate effectively in the **Doha Round.** Developing countries also need to do their part to address impediments to trade in their domestic environments, and we need a stepped up program of capacity building to help countries' in their efforts.

III. IMPLEMENTING THE HIPC INITIATIVE

We have been making steady progress in implementing the HIPC initiative, albeit more slowly than many had hoped. Debt relief has been substantial and in most countries has been accompanied by increased spending on health and education. But the global downturn is threatening the outlook for debt sustainability in countries receiving debt relief. For the present, flexibility within the current framework – through the provision for topping up and the use of IDA grants – will be broadly adequate to meet this new challenge. But to make certain that full debt relief is delivered, the international community must ensure the HIPC Trust Fund is financed adequately and all donors and creditors participate in the programs agreed with individual HIPCs. Given the difficulties in raising sufficient finance for the current framework, I believe it will be all the more essential that any proposals to broaden or deepen the HIPC framework further be based on sound principles and accompanied with firm financing commitments from the donor and creditor community.

- **Progress in implementing the HIPC Initiative has been steady but slow**. Of the forty-two countries under the enhanced HIPC Initiative, six have reached completion point and received irrevocable debt reduction. Twenty are between decision and completion points and are receiving interim debt service relief but are taking longer than anticipated to reach their completion points due to delays in preparing PRSPs and implementing reform programs. And a dozen countries have yet to reach decision point. They pose the most difficult challenge of all, as most are affected by conflict and many have substantial arrears.

- **HIPC relief alone will cut total debt stock in NPV terms by 40 percent.** When traditional relief is included, this results in a debt stock reduction of nearly *two-thirds.* The debt-GDP ratio will be lowered from 56 to 29 percent, six percentage points below the developing country average in 2000. In 2001-2005, the decline in debt service for the 26 countries (compared to pre-HIPC) will average about US$1.3 billion annually, lowering the debt service-to-exports ratio from 15 percent in 1999 to 9 percent in 2005, well under half the developing country average. This relief in part will permit an increase in social expenditures from 6 percent of GDP in 1999 to about 9 percent in 2002, almost four times the expenditure on debt service.

- **The HIPC Initiative has the flexibility to respond to the recent deterioration in the debt situation of HIPCs.** The global economic downturn and falling commodity prices contributed to deterioration in the outlook for many HIPCs. The Initiative can respond flexibly by providing additional debt relief (topping up) at the completion point. With grants and other highly concessional financing, this can strengthen the foundation for sustainable debt levels in the future.

- **However, financing for the Initiative remains short of needs, including the potential costs of "topping-up"**. IDA's large unfunded HIPC liabilities must remain a major topic for forward thinking. In the immediate future, the HIPC Trust Fund will need very soon an estimated $750-$800 million to meet the costs, including "topping up", of regional multilateral creditors for 34

HIPCs that have either already reached their decision point or are expected to qualify for HIPC debt relief in the future. Recent indications of donor support of up to US$1 billion therefore need to be converted as soon as possible into firm commitments. A note will be prepared for the Executive Board later this year comparing the current estimates of topping up (after accounting for additional bilateral debt forgiveness) with estimates before such additional bilateral debt forgiveness is taken into account.

- **It is critical that full debt relief is not just promised, but delivered by all creditors.** Overall, creditor participation in the initiative has been strong. But there are some creditors who have chosen not to participate. And some predatory creditors are litigating against HIPCs to force repayment through the courts. All creditors will have to participate fully if debt stocks of HIPCs are to be reduced to sustainable levels. The Bank and Fund are stepping up their efforts to encourage all creditors to participate within the HIPC framework

- **Suggested modifications to the Initiative providing extra relief would require additional donor financing.** Some shareholders and observers believe that the level of relief provided under the HIPC framework should be enhanced and have proposed modifications to extend the existing framework. It is important to note that such proposals tend to imply significantly higher costs, and it may not be realistic to assume that these would be met at a time when the existing framework is not financed adequately.

- **Debt sustainability can be assured only if sound economic policies, improved governance and institutions, and prudent debt management accompany debt relief**. PRSPs are providing a strong anchor to this process but they must be based on realistic and prudent projections, and supported by the international community through adequate financing on highly concessional terms. In particular, more grants will help ensure that external financing is consistent with the repayment capacity in these poor countries. The recent inclusion of grants in the IDA-13 replenishment will help.

IV ENHANCED GLOBAL PARTNERSHIPS

In all our work, we are seeking in the Bank to work more and more closely in partnership with others, using the CDF/PRSP approach as a focus for such cooperation at the country level, and working through mechanisms for cooperation on global issues as needed. I have already noted how we are working in increasingly close partnership with other institutions and donors in strengthening the focus on development results. Such partnership is at the center of the Monterrey approach. We are taking the same approach in all our country and sectoral work, for example in the financial sector and in education. Analyses, including those from the case studies prepared for this meeting, demonstrate the immense potential gains from more effective cooperation among donors, development agencies and countries, with better alignment of donor support behind the priorities set out in sound country programs. I am determined that the Bank set an example as a good partner, working with others in a businesslike way and in every case open to whatever division of labor makes sense and matches comparative advantage, both in our support for country programs and in our involvement in promoting global public goods.

Harmonization of Operational Policies, Procedures and Practices

Encouraged by the Development Committee, we have been participating in an intensive international effort to reduce the burden on developing countries from multiple and divergent donor operational policies and practices. The Committee has a separate Information Note reporting progress on the subject. The work has involved a practical and fruitful partnership with the OECD-DAC, the other MDBs, and developing countries. The Monterrey consensus, with its emphasis on aid effectiveness, has added further impetus to this work. Since April 2002, the technical groups have continued developing good practice standards or principles in the priority areas of the international harmonization agenda: (i) financial management; (ii) procurement; (iii) environmental assessments; (iv) pre-implementation stages of the project cycle; (v) non-financial country analytic work; and (vi) monitoring and reporting. Consolidating and scaling up progress will be the subject of a High Level Forum early next year. The Forum will provide a unique opportunity to build on the large body of work on good practice principles and standards for harmonization that has been undertaken under an action plan endorsed by the Development Committee at its meeting in April 2001. Emerging consensus from this work is already being tested out in a number of pilot countries as part of the preparation for the implementation phase of work to be launched at the Forum. Indeed, the Forum will challenge us--donors and recipients alike--as partners in development to firmly shift the content and direction of the harmonization agenda from a dialogue on aid cooperation to concrete implementation at the country level.

The Development Gateway - A Tool for Improved Coordination of Aid

The Development Gateway portal is one of four programs of the Development Gateway Foundation, an independent organization recently established with the assistance of the World Bank. The Gateway is aimed at building a platform for information and knowledge sharing amongst the development community. It offers information on key development topics and development projects (AiDA), contains an online tender market place (dgMarket) and supports a growing network of country gateways. In particular, AiDA can provide an information platform and communication tool for strengthening coordination and management of donor projects and programs. In collaboration with DAC/OECD, AiDA has already built up a database of more than 400,000 development activities--historical and current projects categorized by country, sector and funding organization.

Progress on the Education For All (EFA) Fast Track Initiative (FTI)

I am pleased to report that following the approval by the Development Committee of the EFA Fast Track Initiative (FTI) in the Spring implementation is now well underway. With the FTI we have began to operationalize the strategy that was endorsed by the Development Committee. The take off point for the FTI is that even for countries currently lagging furthest behind, accelerated progress and achievement of EFA is possible *if* the right policies are put in place at the country level and *if* donor support is linked to results in a predictable and coordinated manner.

The 18[1] countries that have been invited to participate in the FTI have a sound sectoral program as well as a PRSP that would provide a basis for reforms and scaling up. These countries, however, are home to only 17 million out-of-school children. Another 50 million out-of-school children live in

[1] Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Nicaragua, Níger, Tanzania, Uganda, Zambia, Albania, Gambia, Ghana, Guyana, Vietnam, Guinea, Ethiopia, Yemen.

five[2] of the high population countries none of which has the basic framework for scaling up. These five countries, were therefore, selected to constitute a parallel track that would provide analytical and capacity building support to help them build a firmer foundation on which to base progress.

FTI has generated broad based international support as a strategy to scale up progress on MDGs. The differences that are emerging are on the pace at which the pilot should be scaled up and the size of the pilot, with some donors feeling that a pilot of twenty-three countries is too large.

The attached annex gives a detailed progress report on the first five months' experience in implementing the initiative.

We have now reached a critical stage in the FTI, a stage with implications for the prospects of achieving the MDGs. Client countries have responded positively and purposively to the initiatives. Country commitment will be hard to sustain unless additional effort and well-defined needs for external support are quickly financed. So far donors have not come forward with the necessary long-term funding needed and have yet to develop the level of flexibility in funding that is required to truly accelerate EFA. Many are cautious about providing recurrent financing which is a critical bottleneck to scaling up, others are unable to provide budget support, and most need to modify practices for better harmonization. We are reaching a point where several countries will have fulfilled their side of the development compact anticipating additional financing. The challenge now for donors is to find solutions for coordinating their efforts to maximize the EFA efforts and move forward on their side of the compact.

Bank-Fund Collaboration

We remain committed to strengthening and deepening the very special relationship between the two Bretton Woods institutions. In August 2001, the Boards of Bank and Fund discussed and endorsed a new strengthened approach for Bank-Fund cooperation set out in the joint paper *Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality.* Together with our IMF colleagues, we have now begun implementing this approach, which will facilitate more coherent and effective support to countries by both institutions. Both boards have reviewed progress made. In April of this year, Fund and Bank management issued joint staff guidelines to operationalize the strengthened collaboration framework in a systematic way. Under the new, enhanced framework, Bank and Fund staff engage upstream at the regional/country team level to develop a shared perspective on the country-led reform program, on reform priorities, and on the division of responsibilities–with a "lead agency" designated for each policy area. The enhanced collaboration also includes transparent reporting in the Board documents of both institutions on reform priorities, program conditionality, and progress in implementation of the agreed programs. We have begun rolling out the enhanced framework for Board communications with the first country programs documents coming to the Boards.

MDB Collaboration

We have also been maintaining our program of closer collaboration between the multilateral development banks as described in my note for the Committee's April meeting. In addition to the joint work noted above on the results and harmonization agendas, we are beginning to make progress in coordinating and synchronizing production of country assistance strategies/business plans; we will

[2] India, Pakistan, Bangladesh, Democratic Republic of Congo and Nigeria

be reviewing and revising MOUs drawn up on cooperation between the Bank and the regional banks; we worked together for the third year running in producing this summer's Global Poverty Report, indicative of a growing trend towards joint analytic work; and I will be continuing with the schedule of more frequent meetings and video conferences with other MDB Presidents over the months ahead.

Financial sector work and standards and codes

The framework of crisis prevention has been significantly strengthened by the focus on standards and codes. Cooperation between the Bank and the Fund in Financial Sector Assessment Programs (FSAP) and Reports on Observance of Standards and Codes (ROSCs) over the last years has been close and constructive. Based on these programs countries are in a better position to identify vulnerabilities and to take action to strengthen their financial sector and corporate governance, based on sound accounting and auditing systems, and insolvency regimes. As of end-August 2002, close to 300 modules have been completed, covering 83 industrial and developing countries. About half of these modules have been prepared in the context of the FSAP. The most pressing challenge continues to be to help countries to tackle the weaknesses identified by mobilizing the technical and financial resources to strengthen capacities. To respond to this demand and to put in place a systematic mechanism for follow-up, the Bank has been working together with the IMF, Canada, Switzerland, the United Kingdom, the Netherlands and other donors to establish a Financial Sector Reform and Strengthening Initiative (FIRST). I would like to thank donors, which have pledged some US$ 51 million over the initial four-year term and invite others to join. FIRST will provide grants for technical assistance and capacity building to low and middle income countries aimed at addressing financial system weaknesses and enhancing developing opportunities in these countries.

Combating money laundering and the financing of terrorism is a global concern and an important priority for the World Bank. These criminal activities undermine the integrity and functioning of financial systems, posing risks to good governance, financial stability and development for our client countries. Together with the IMF, we have stepped up collaboration with the Financial Action Task Force on assessments of countries' compliance with the FATF 40+8 Recommendations. These recommendations will be added to the list of standards and codes for which the Bank and Fund would prepare ROSCs in a framework of close collaboration with the FATF, conditional on certain actions by the FATF at its October 2002 plenary. We have an ambitious schedule of AML/CFT assessments as part of FSAPs in the year ahead. The Bank is expanding the provision of technical assistance and training to our client countries to help strengthen their regimes to fight money laundering and the financing of terrorism. We are incorporating AML/CFT issues into Country Assistance Strategies and technical assistance programs where relevant, with particular focus on countries where weaknesses in the integrity of the AML/CFT regime poses a significant governance and development risk.

V. STRENGTHENING THE WORLD BANK GROUP'S CONTRIBUTION

As background to our discussions of these global challenges, I want to report on steps we are taking to strengthen the World Bank Group's contribution toward meeting them. The strategic framework that we put in place almost two years ago has proved to be both robust and responsive and has allowed us to pursue our objectives while adapting to a changing environment and evolving client needs. Our day to day emphasis will continue to be on implementation of that framework, with special attention during the coming months on the following key areas: monitoring and managing for development results; strengthening management and oversight of global programs and partnerships;

enhancing and exploiting the potential offered by the Development Gateway; assisting client countries to improve their trade and investment climate; and - more broadly - continuing to work towards achieving the Millennium Development Goals, strengthened by our discussions and commitments at Monterrey and Johannesburg.

In the year ahead, we will press on with implementation including translating strategic directions into monitorable actions that will enable us to deliver on our commitments. We will have an opportunity to review our progress on key actions at the 2003 Spring meetings. Let me now review our specific plans in a few broad areas.

Support for low-income countries

I strongly welcome the landmark agreement reached by donors this summer on **IDA's thirteenth replenishment**. Under IDA13, roughly $23 billion, representing an increase of 18 percent over IDA12, will be channeled to the world's poorest countries over the coming three years. This will underpin and help us scale up our efforts in the Bank to support these countries over the years ahead. And in addition to the increased volume, IDA13 includes two valuable improvements in the quality of IDA assistance.

- Grants: By expanding the use of grants for countries and programs, IDA will increase the overall concessionality of it's financing. Grants are expected to comprise about 18-21% of IDA13 resources, and will be focused predominantly in the poorest as well as giving special support to post-conflict and debt vulnerable countries.
- Focus on Results: IDA13 will establish results based performance measurement to help ensure that we use IDA resources to make the greatest possible impact on poverty reduction.

We are working with member countries and the IMF **to implement the PRSP approach** that is based on CDF principles in all low-income countries that are ready to do so. This is key to putting Monterrey principles into practice at the country level. The joint IMF-World Bank progress report for the Development Committee reaffirms many of the strengths and challenges identified in the March 2002 Review of the PRSP. As the focus shifts from preparing PRSPs to implementing the strategies they set out a number of challenges are emerging, many of them identified at the last meeting of the Development Committee when Ministers looked forward to "continued progress in extending the participatory processes for the elaboration and monitoring of PRSPs, implementing pro-poor growth policies, enhancing collaboration to strengthen public expenditure management and to improve poverty and social impact analysis; and, amongst multilateral and bilateral development agencies, in better aligning their programs with country strategies". Other areas requiring increased attention include better prioritization of spending, more focus on intermediate indicators, and more parliamentary involvement. The annual country budget process is key to converting the strategies in PRSPs into practical results and we will therefore be working closely with others to provide coherent support for stronger country public expenditure management processes.

Too many low-income countries have not yet put in place the policies that are needed for aid to be effectively used, challenging the Bank and the rest of the development community to find approaches that work in such environments. Unable to benefit from aid, the misery of their people deepens, sometimes with regional and even global repercussions. I therefore welcome the Board's support for the recommendations of the **World Bank Group Task Force on Low-Income Countries Under Stress.** Management will push forward in the directions suggested by the Task Force: (i) extensive and more frequent economic and sector work to support policy change and capacity building, both within and outside the government; (ii) more regular updating of country assistance strategies, and Senior Management and Board reviews; (iii) strengthening the incentives to managers and staff for work on high-risk, low-reward programs; and (iv) working more closely with partners that have comparative advantage in these precarious environments. For example, we have agreed a collaborative framework for piloting joint work with UNDP in four countries. And, we are preparing a workshop with OECD/DAC, UNDP, EU, donors and civil society, in October, to discuss approaches to poor-performing countries. These activities are intended to create a network of policymakers concerned with improving development prospects in countries with exceptionally weak policies, institutions, and governance.

Recognizing the concentration of the world's poorest countries and persistence of poverty in Africa, the Bank has also been providing **support to the New Partnership for Africa's Development (NEPAD)** which aims to promote growth and sustainable development, eradicate poverty, and halt the marginalization of Africa in the globalization process. The Partnership recognizes that peace, democracy and good governance are preconditions for investment, growth and poverty reduction, and that Africa must eliminate the obstacles to sustained growth in order to achieve the MDGs.

Support for middle-income countries

At the April 2001 meeting of the Development Committee, Ministers agreed with the conclusion of the **Task Force on the World Bank Group and the Middle-Income Countries** that the Bank Group should stay systematically engaged with all IBRD-eligible countries, and should enhance its analytical and financial assistance to meet the needs of this diverse group of countries. Key country challenges for achieving higher growth and poverty reduction include the strengthening of social, structural, and sectoral policies, the improvement of countries' investment climates, the development of complex infrastructure, and the attainment of broad and stable access to capital markets. In all of these areas, the Bank Group is able to provide a combination of analytical and financial assistance that is of unique value to clients, and that leverages finance from elsewhere. The Bank is also responding to increasingly strong demand from middle-income countries for the knowledge that will enable them to build the policies and implementation capacity that help ensure that finance is well used. For example, MENA and ECA have regional knowledge strategies, including work with WBI on knowledge economy issues. The Development Gateway and GDLN provide strategic delivery systems for knowledge sharing among middle-income countries. Regions are also working to ensure that knowledge instruments and services are packaged together with lending.

We are strengthening the Bank Group's engagement in middle-income countries on several fronts: (i) preparing and updating country assistance strategies in more countries that are temporarily not borrowing from IBRD; (ii) underpinning CASs with integrative diagnostic analyses (including a Fiduciary Assessment of country systems for public expenditures, procurement, and financial management, and a Development Policy Review to assess country priorities on the basis of a cross-cutting review of the social, structural, and sectoral agenda); (iii) continuing to explore and consider new lending products that match the needs of middle-income countries—such as the recently introduced Deferred Drawdown Option for use with IBRD adjustment loans; and (iv) enhanced collaboration and division of labor with the IMF, other multilateral development banks, and other development partners.

Private Sector Development and the Roles of IFC and MIGA

The economic growth and opportunities flowing from private sector initiative and investment are crucial for progress in poverty reduction This, and the role of the private sector in achieving environmental objectives were major themes of the Johannesburg Summit. The Bank Group is committed to helping our members' efforts in this area. In this context, the roles of the IFC and MIGA have become more important in recent years, yet the two institutions face increasing challenges, as private sector flows to developing countries declined sharply, and as strategic investors have withdrawn from many of these markets. The IFC's role has become particularly important in helping members deal with the volatile environment for private flows, and with the increasingly important issues of ensuring that economic growth contributes to positive environmental outcomes, and that its benefits reach out more broadly. IFC is also giving special emphasis, in collaboration with the World Bank, to SMEs given their dominant role in employment creation in the developing world. Last financial year IFC approved nearly $500 million in SME investments. It is also directly supporting and catalyzing a broad based effort to help improve business environments, strengthen capacity of both financial and non-financial domestic intermediaries, and build capacity in SMEs through training and technical assistance.

MIGA's General Capital Increase Subscription period was extended until March 2003. The successful completion of the GCI will further increase the Agency's ability to play a proactive and counter-cyclical role at a difficult time for global foreign direct investment flows. I urge all members who have not completed their subscriptions to do so. This is particularly important in order to achieve the voting parity, stipulated in MIGA's Convention, between Category One and Category Two countries.

Institutional Governance

We have given much attention in recent years to improving the governance and accountability of the Bank and have implemented reforms ranging from support towards improved effectiveness of the Development Committee itself to wide improvements in transparency and disclosure including in the budget process. I am also aware of the widespread desire to strengthen the voice of developing countries, which have so large a stake in our success or failure. In the IDA-13 process, selected developing countries were asked to participate in key discussions for the first time. To ensure better and broader participation in the preparations and discussions on the Development Committee deliberations for this Fall, including on the Monterrey agenda, a roundtable was held on September 11. In addition to representatives of Development Committee members, representatives of key agencies including the UN, the DAC/OECD, the EU and the Commonwealth Secretariat participated. I understand that those attending that meeting suggested that developing country voice at the Bank and Fund is an issue the Committee might address at a future meeting. While it is a matter for our shareholders, I hope members of the Fund and Bank will agree that it would be useful to examine options for strengthening developing country representation to better reflect the stake they have in the our institutions.

VI. CONCLUSION.

In the past year, Doha, Monterrey and Johannesburg have all contributed to solidifying a global consensus on partnership for development that holds a great promise. Our task now is to convert these broad commitments into concrete and monitorable actions. With our strategy established, our focus will continue to be on implementation and scaling up of our efforts. In particular, we will work with our partners to find better and more effective ways to help clients build their policies and institutions.

In the Bank, our focus would be to work with all our partners as we implement these agreements and scale up our efforts to meet the challenge set by the Millennium Development Goals. We must act on our promises now with a sense of urgency and with a sense that this is our responsibility and our destiny. The time for action is now. The opportunity is here.

ANNEX A

Progress on the Education For All (EFA) Fast Track Initiative (FTI)

The five months of FTI implementation have yielded concrete results but also several important lessons.

At **the country level**. FTI has helped catalyze national EFA efforts around EFA, with the direct involvement in several of the countries of the head of state. The indicative framework, in particular, has proved to be a useful instrument to guide policy dialogue on existing national education plans by helping focus the discussion on critical bottlenecks and by providing a framework to sharpen the costing of existing plans. Working in close consultation with partners, all the FTI countries are currently engaged in a process of reviewing their national education programs in the context of the FTI outcome[3] based parameters, identifying key constraints and assessing what it would take to accelerate progress. Twelve of the 18 will have plans revised and costed by end of October. We are encouraged by the boldness of vision emerging from these discussions, the search for strategies to reach difficult to reach pupils and the overall attempt to deal with intractable delivery problems and to "get it right". The Africa and LAC regions have established regional FTI forums for sharing lessons and harmonizing core practices.

At the **technical level,** the FTI has pushed us to sharpen our analysis of what works and to re-evaluate our monitoring and evaluation mechanisms. We have begun to put in place measures for gauging progress within relatively short time periods and are in the process of establishing a baseline on financing, delivery, enrolments and outcomes

The experience of collaboration between **donors** supporting the initiative has been mixed. The FTI has unbundled the EFA concept into a set of practical and specific actions around which donors could deliver on their Dakar commitments and constructively debate the development agenda. FTI has promoted intensified collaboration between all the key partners in education and generated a global momentum for education buoyed by support from NGO and civil society groups. Most of the key donors in education are active FTI partners[4]. Several donor consultation meetings have been held (April, May and July) and a major Consultative meeting is planned for end of November. The lively discourse and disagreements that have characterized these consultations, in particular on issues such as the selection of FTI countries and on modalities for evaluating progress, have helped the FTI partners confront and address many development issues that are too often glossed over. Four of the partners (Canada, Germany, UK and UNESCO) have agreed to fund positions in the FTI Secretariat, which is currently housed at the World Bank.

Adequate funding from donors for the FTI has still to be secured. So far only two of the active partners have made specific commitments to provide incremental funding for FTI –Netherlands which has already provided Euro135 million and Germany which committed during the last Development Committee to fund three of the fast track countries. The G-8 Summit endorsed the report of the G8 Education Task Force which in turn highlighted the need for strengthened country

[3] The parameters (indicative framework) include adequate levels of domestic financing for education, optimal levels of education quality and efficiency, and increased levels of learning achievement and school participation especially for girls.
[4] FTI Partners include UNESCO, UNICEF, Canada, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, the UK, the US and the European Union

commitment, a stronger and better coordinated response from donors, and the establishment of an effective monitoring and evaluation program. The report, however, did not address the issue of modalities and levels of increased donor support. While several donors pledged increased support to education in Kananaskis (Canada, UK, Japan, US) none have yet specified how that support would be provided.