



**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)



**SIXTY-SIXTH MEETING**  
**WASHINGTON D.C. – SEPTEMBER 28, 2002**

DC/S/2002-0052

September 28, 2002

Statement by

H. E. Ibrahim Al-Assaf  
Minister of Finance and National Economy  
Saudi Arabia

The partnership agreement reached in Monterrey commits developing countries to reform and good policies, and the donor community to intensify its support through increasing aid and reducing trade protection. In Monterrey, a consensus was reached that the Millennium Development Goals (MDGs) for attacking poverty more directly provide a framework for many of the desired development outcomes. This partnership agreement became the basis for the debate in Johannesburg on how to go about achieving the MDGs or broader sustainable development, and how to measure results. The two papers by the World Bank *Better Measuring, Monitoring, and Managing for Development Results* and *Development Effectiveness and Scaling up: Lessons and Challenges from Case Studies*, provide an important contribution to that debate.

The enhanced focus on measuring results could enable countries to improve the design of their development strategies and their implementation to achieve the desired outcomes. At the same time, it could enable donors and development agencies to scale up the transfer of their resources and maximize their developmental impact. Donor resources matter. But, the quest for better development results should begin with the developing countries themselves.

The Poverty Reduction Strategy Paper (PRSP) process provides low-income countries with a common platform for setting out their objectives, strategies, and results, as a basis for starting a dialogue with donors on their willingness and commitment to support these strategies. The progress made to date in developing PRSPs is commendable. But, implementation remains a serious challenge. An important challenge that is identified in the joint Bank/Fund *Poverty Reduction Strategy Papers -- Progress in Implementation* is how to use the PRSP to provide a clear linkage between country-specific outcomes and the MDGs, and how to set realistic and measurable indicators to better measure results and development effectiveness.

There is no common framework such as the PRSP for the middle-income countries. These countries are more on track for meeting the MDGs, and focus their efforts on specific areas of their broader development strategies that also contribute to economic growth and poverty reduction including the financial, the private and the rural sectors. **It would be important to keep in mind that while the intense focus on the MDGs is desirable and noble, it could detract attention from the broader development agenda of many such countries.**

Measuring and managing for development results require better statistics and data collection, knowledge sharing and the capacity to monitor and evaluate implementation of strategies and their outcomes. Information and a good dialogue between the donor community and the country could also help the country identify problems that at the time do not seem serious but which over time could become formidable challenges. Such is the case in infectious diseases – HIV/AIDS and malaria, for example -- and resource degradation as in water mismanagement. Being able to identify such problems would be a major step towards taking actions to deal with them. In finding solutions, it would be important to take into account local practices and preferences and to work with and

strengthen existing institutions rather than to try to convince governments to adopt 'imported' models that might not be suitable locally, or to try alternative approaches that bypass governments.

Unfortunately, such capacities are badly lagging, especially in the poorer countries. Indeed, as the paper on *Development Effectiveness and Scaling up* emphasizes, there is a need for capacity and institutional building at all levels - central and local governments, private sector and NGOs - in many of the low-income countries. A major lesson that can be derived from the case studies is that government commitment in the absence of adequate capacity and financial resources might not be sufficient to deliver the intended results. It is equally true, however, that unless the government is committed, capacity and resources might not be deployed for the intended purposes. Commitment, capacity and resources form a virtuous circle. The Bank and the Fund have a great responsibility to help such countries build up the needed capacities. This is particularly important for the IDA-eligible countries in view of the agreement reached during the IDA-13 replenishment that made the provision of additional donor contributions conditional on the achievements of certain targets.

By harmonizing their rules and reporting requirements, donors avoid diverting scarce country capacity from important implementation issues. I have noted from the progress report on *Harmonization of Operational Policies, Procedures, and Practices* that efforts have shifted from discussions to implementation. I am also pleased to note that the Islamic Development Bank, which has been undertaking harmonization efforts jointly with the Arab Coordination Group over the last decade, plans to participate in the MDBs' financial management diagnostic work in individual countries. The Islamic Development Bank can bring to this group its vast experience in this field. In addition, the proposed High-Level Forum in February 2003 will be important in creating a common action-oriented agenda and an agreement on measurable targets and mechanisms for monitoring and measuring results. Of course, the participation of developing countries, as is in fact envisaged, will be crucial.

It is true that it is not possible or desirable to *attribute* country outcomes to an individual donor agency, and that country outcomes need to be evaluated as a group product, which includes the country in question. It is also true, however, that the performance of an individual donor agency can, and needs, to be assessed. In this context, I have noted that within the World Bank, monitoring and evaluation methodologies to track progress on results for investment lending are well developed. But, unfortunately not so for the Country Assistance Strategies, adjustment lending and non-lending services. I am pleased to note, however, that the Bank is proceeding with initiatives to address these gaps, such as the pilots for "results-based CAS" and "CAS Completion Reports", which would provide inputs for assessing quality at entry as well as for evaluations by the Operations Evaluation Department.

The paper on *Development Effectiveness and Scaling up* argues, "Financing recurrent costs is a logical consequence of an outcomes focus". While there could indeed be some

merit in donors examining such mechanisms to ensure longer-term support, especially in health and education, donors also need to examine whether such mechanisms lead to increased aid dependency and weaken ownership and commitment to a particular program. In any case, such mechanisms may be tried on a case-by-case basis and for the poorest countries. They need to be accompanied with an exit strategy. An important principle underlying scaling up is that it will accelerate progress in key areas while, at the same time, enabling the country to increasingly rely on its own resources.

In Monterrey, large donors committed to aid and **trade**. While the focus of this meeting is on aid, it would be unfortunate if the need for greater access to industrial countries' markets is sidestepped or played down. Indeed, it is surprising that the recent joint World Bank/IMF paper *Market Access for Developing Country Exports -- Selected Issues* was not included on the agenda for this meeting. The paper provides a stark reminder, supported by analysis and data, that the welfare gains from eliminating trade barriers confronting developing country exports, and farm subsidies in OECD countries, far outweigh the gains from current levels of direct aid or the planned increases in such aid. By way of a small set of examples, the paper notes that OECD agriculture received support amounting to US\$311 billion in 2001. This is more than six times the current level of aid going to developing countries. In addition the static income gains from eliminating barriers to merchandise trade range from US\$250 billion to US\$620 billion annually, of which about 30 percent to 50 percent would accrue to developing countries. The full liberalization of world trade in textiles and clothing would boost cotton exports by 9 percent in sub-Saharan Africa - countries in greatest need for better export performance. Finally on numbers, the paper estimates that more rapid growth accompanied by a reduction in protection could reduce poverty by 13 percent in 2015, and make a significant contribution towards achieving the MDGs.

Having said this, I want to commend the World Bank for increasing its focus on trade issues, and for organizing itself with the aim of providing greater technical support and advice to developing countries, especially to those seeking to access the WTO. I am also pleased to see that the World Bank is taking up an advocacy role on trade issues on behalf of developing countries. I would encourage it to continue this effort and to build on it.

Turning now to the issue of anti-money laundering and combating financing for terrorism (AML/CFT), I welcome the progress made in developing the comprehensive framework methodology and look forward to its endorsement by FATF in October. I also welcome the integration of this effort into the Financial Sector Assessment Program (FSAP), reports on standards and codes (ROSCs), and offshore financial centers (OFC). As I mentioned in my statement to the IMFC, however, it would be critical for the Bank and the Fund to provide the required technical assistance to strengthen countries' capacity to address vulnerabilities revealed through FSAPs and OFC assessments. The Bank and Fund need to be vigilant and avoid drifting into law-enforcement areas that lie outside their respective mandates.

In conclusion, I am pleased to announce that Saudi Arabia has recently donated \$10 million to the international efforts to fight infectious diseases such as HIV/AIDS, tuberculosis and malaria.