

2006 Special High-Level Meeting of ECOSOC with the Bretton Woods Institutions
Remarks by Mr. Alberto Carrasquilla
Chairman, Development Committee

Mr. President, Mr. Secretary-General and delegates to this ECOSOC-BWI dialogue:

It is a great pleasure for me to be able to address you as the Chair of the Development Committee. I feel privileged in assuming that position at a time of great opportunity for our collective efforts on development.

This is the first meeting between ECOSOC and the Bretton Woods Institutions after what has been aptly labeled as the year of development. 2005 indeed was a milestone year for development with several important landmarks including the G8 Summit in Gleneagles, the Paris Forum on Aid Harmonization, the WTO Ministerial in Hong Kong, and most centrally, the World Summit last September.

The commitments made in 2005 have given new impetus to the development agenda and to accelerating progress to meet the millennium development goals. The challenge is to translate those commitments into a concrete program of action. That indeed was the theme of the discussions at this year's Spring Meeting of the Development Committee. And the themes that you have chosen for this ECOSOC-BWI dialogue will allow us to focus on some important aspects of the implementation agenda.

In many ways the environment for scaling up ambition on the development agenda has never been better. Developing country growth is at historically high levels. It is striking that all developing regions have grown more rapidly than high-income countries over the last several years. Encouragingly this is true for sub-Saharan Africa as well which is growing at its fastest pace in the last 30 years, and surpassing growth of developing countries excluding India and China. In Africa, as in other developing regions, there is little doubt that a concerted shift towards better policies played a major role in the improved outcomes even in the face of adverse external shocks.

Yet as the *Global Monitoring Report* that formed the basis for the discussions at the Spring Meetings highlights, poverty reduction gains remain uneven. East Asia has already reached the target, and South Asia will soon reach this milestone as well. However, Latin America is slightly off the target trajectory and very few African countries will reach the poverty MDG goal despite the acceleration in per capita growth. Progress on the human development goals is less favorable. Although there are also signs of better progress towards the human development MDGs, on current trends many developing countries will fail to meet the MDGs related to human development.

At the meeting of the Development Committee Ministers agreed with the assessment of the Global Monitoring Report that it is feasible, and indeed that it is imperative, to do better. This will require concerted efforts by developed countries, developing countries and international agencies on a broad agenda focused on trade, aid and governance based on the principles of mutual accountability.

Governance has emerged as an essential element of the mutual accountability framework that supports efforts to reach the MDGs. The GMR this year includes—at the request of the Development Committee—a section devoted to the issue of monitoring governance. Unlike what is often thought, it shows that progress in this area can be both rapid and substantial. Ministers 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. Building on work over the last decade, we called on the Bank to lay out a broad strategy, for helping member countries strengthen governance and deepen the fight against corruption, working with all partners to ensure a coherent, fair and effective approach.

As you know there were major new commitments to expand aid flows and deepen debt relief to the poorest countries in 2005. Pledges were made at the Gleneagles G8 summit to increase aid to Africa by \$25 billion a year by 2010—more than doubling the current assistance to the region—and to all developing countries by about \$50 billion, and extend and deepen debt relief to the poorest countries through cancellation of HIPC country debt to the Bank, Fund, and African Development Bank. Ministers welcomed the progress made since on both aid outcomes and debt relief.

Ministers 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, and called on all donors to fully implement the commitments they have made for substantial increases in aid volumes. They 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. Ministers also noted the rising trend of net private flows to developing countries, including remittances.

Ministers 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. Aid is often fragmented, unpredictable, and poorly aligned with country strategies. Aid must be provided in ways that can both help to build core infrastructure, and finance recurrent costs that are so vital to expanding social services: salaries of health care providers and teachers, operations, and maintenance requirements. The Paris Declaration -- signed in March last year by over 90 countries -- must be followed by concrete actions to improve aid quality and strengthen delivery mechanisms. Developing countries need to strengthen their management of financial resources, and donors and other partners need to improve the quality of aid, to achieve greater predictability, and to ensure better 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.

Ministers 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. Ministers stressed the importance of full compensation of IDA's foregone reflows to ensure that this initiative is truly additional to existing commitments. Ministers called on the Bank and the Fund to bring forward proposals to further refine the debt sustainability framework for low-income countries to support growth and avoid accumulation of unsustainable debt. In this context, our discussions highlighted the need for 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. I also think it critical for HIPC countries to improve debt management and ensure effective use of the saving from debt relief for poverty reduction.

Implementation of the Doha Development Agenda is a critical complement to other efforts to increase growth and reduce global poverty, and I am glad that it is one of the topics of the roundtables today. Following the modest progress at the Hong Kong ministerial meeting in December 2005, Ministers 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.

I am glad that you will also be discussing how to better support the development efforts of middle income countries. Indeed I strongly believe that middle income countries are key to the achievement of the global poverty reduction goals and essential in the provision of global public goods. IBRD borrowers remain home to nearly seventy percent of the world's poor, people who earn less than \$2 per day. These countries have a large unfinished social agenda that includes meeting and surpassing the Millennium Development Goals. Middle-income countries are also increasingly important in terms providing global public goods, such as fighting communicable diseases, trade integration, international financial stability, clean energy, and environmental protection. But most of these countries face constraints in mobilizing the funds needed to invest in infrastructure, health, education, and the reform of policies and institutions essential to improve the investment climate. I am pleased therefore that Ministers agreed that we would take up the middle income country agenda at our next meeting.

In closing, let me touch on another topic that we discussed that is not directly linked to the agenda here today, but does have important implications for development and financing, and that is the issue of securing affordable and cost-effective energy supplies to underpin economic growth and poverty reduction while preserving the environment. Two-thirds of the increase in world primary energy demand over the next

25 years will come from developing countries where 1.6 billion people, mostly living in Africa and South Asia, still have no access to electricity. Meeting the energy demand in developing and transition countries during this period will require investments of around \$300 billion dollars a year. It is important that these investments be directed toward more efficient and lower carbon sources of energy. Ministers therefore 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 noted that adaptation to climate change for poor countries is a critical development issue. With respect to this broad agenda, Ministers reaffirmed their commitment to the goals of the United Nations Framework Convention on Climate Change.

Although the issue of the voice and participation of the developing and transition economies was not a formal agenda of the spring DC meeting, Ministers 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.

Mr. President: The Monterrey Consensus outlined a new partnership between the developing and developed world. Last year at the World Summit, leaders reaffirmed their commitment to the shared development goals and to accelerate efforts to achieve measurable results.

Achieving measurable results requires continued cooperation and engagement of the international community, and in particular strong partnership between the UN and the Bretton Woods institutions. In this context, we recognize the importance of recent efforts to revitalize ECOSOC's role as one of the main UN bodies responsible for issues of economic and social development. We see today's dialogue as central to international development cooperation, and as such we welcome the opportunity to engage on the themes selected for today's discussion.

Thank you.