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Minutes of Executive Board Meeting 04/30-4

3:45 p.m., March 26, 2004

4. Global Monitoring Report 2004—Policies and Actions for Achieving MDGs and Related Outcomes

Documents: Global Monitoring Report 2004—Policies and Actions for Achieving the MDGs and Related Outcomes (SM/04/91, 3/12/04)

Staff: Boughton and Fallon, PDR

Length: 1 hour, 10 minutes

Executive Board Attendance

A. Krueger, Acting Chair

Executive Directors	Alternate Executive Directors
S. Al-Turki (SA)	A. Alazzaz (SA) C. Gust (CO), Temporary G. Meissner (GR)
M. Callaghan (AU)	S. Boitreaud (FF)
S. Indrawati (ST)	D. Farelus (NO), Temporary M. Lundsager (UA) A. Dupont (BE), Temporary H. Torres (AG) M. Daïri (MD) Y. Lissovolik (RU), Temporary
D. Ondo Mañe (AF)	R. Simán (CE), Temporary D. Lombardi (IT), Temporary C. De Silva (BR), Temporary
B. Misra (IN)	R. Jayatissa (IN) M. Brooke (UK) S. Bakhache (MI), Temporary P. Ngumbullu (AE) H. Ge (CC) M. Roovers (NE), Temporary S. Naka (JA), Temporary
F. Zurbrügg (SZ)	P. Inderbinen (SZ), Temporary

B. Esdar, Acting Secretary

S. Soromenho-Ramos, Assistant

T. Davidson, Assistant

Also Present

IBRD: Z. Qureshi, Senoir Advisor. African Department: N. Kirmani. Asia and Pacific Department: O. Unterberdoerster. European Department: T. Krueger, N. Mates. External Relations Department: M. Bell, G. Bhatt, S. Nardin. Fiscal Affairs Department: S. Tareq. Independent Evaluation Office: D. Goldsbrough, Deputy Director; M. y Lago. Middle East and Central Asian Department: R. Christiansen. Policy Development and Review Department: J. Boughton, P. Fallon, A. Gilmour, M. Hadjimichael, E. Harris, R. Kincaid, J. Rahman, C. Sdravovich. Secretary's Department: J. Stotsky. Statistics Department: L. Fernandez. Western Hemisphere Department: T. Isoun. Senior Advisors to Executive Directors: S. Bah (AF), C. Duriyaprapan (ST), D. Vogel (AG). Advisors to Executive Directors: G. Francis (AU), R. Gesami (AE), R. Gregory (UK), M. Jamaluddin (ST), J. John (UA), S. Kivinen (NO), J. Kwakye (MD), D. Prasad (IN), B. Reichenstein (GR), E. Rolland-Pieque (FF).

4. GLOBAL MONITORING REPORT 2004—POLICIES AND ACTIONS FOR ACHIEVING MDGS AND RELATED OUTCOMES

Mr. Meissner and Ms. Reichenstein submitted the following statement:

The report is a good basis for discussing upcoming challenges on the way to meeting the MDGs and we welcome the proposed further procedure with regard to the discussion at the upcoming Development Committee. A short summary survey of the report should be the basis for the discussion by Ministers, from which clear political messages can be derived on the basis of current experiences and findings.

While the report presents in detail all development policy aspects that are of relevance for achieving the MDGs, in many aspects it remains vague when it comes to specifying concrete constraints and priorities for action. Here, a detailed summary of steps taken and outcomes recorded during the reporting year as well as a discussion of the policy implications arising from the lessons learned, both positive and negative, would be helpful.

Regarding priorities for developing countries, we welcome the analysis concerning the climate for growth. Here, strengthening property rights and adherence to the rule of law are key. In view of the fundamental importance of public sector governance and its interdependencies for other MDG sectors, we think that increased efforts are also needed in this area, in particular with regard to institution building. The increase in the transfer of resources envisaged in the Millennium Declaration can yield the expected results only if the respective absorptive capacity exists. Finally, it should not be forgotten that the main responsibility for a successful realization of the MDGs rests with the governments of the developing countries.

With respect to developed countries, we generally agree with the report's list of current tasks, especially with the call for a coherent development approach. A timely resumption of negotiations under the Doha Round is crucial for achieving the MDGs. Furthermore, it is important that the provision of extra funding is in line with the countries' institutional capacities.

Judging institutional performance, the IMF is fulfilling its mandate of fostering macroeconomic stability through a variety of instruments. First of all, with the PRGF it has a facility at its disposal that is especially tailored to the needs of low income countries. In addition, by conducting surveillance, participating in the HIPC initiative, spearheading the implementation of financial sector standards and stepping up its technical assistance, valuable contributions to achieving the MDGs are made. Of late, the IMF also has a stronger presence in Africa following the establishment of the two AFRITACs and the plans to establish METAC.

Mr. Bennett submitted the following statement:

The Overview of the Global Monitoring Report states that the report attempts to answer the following questions: What progress has been made (towards reaching the MDGs)? What constraints are blocking implementation? How are all parties doing in delivering on their commitments? We believe the report succeeds, for the most part, in answering these questions, and in doing so, provides a useful Overview and interesting information on many policy aspects pertaining to the MDGs.

Future reports, however, should attempt to answer an additional question: What are the most important, short-term, concrete actions to be taken (in aggregate and at the country level)?

The report should provide these recommendations (as well as the overall findings) in a concise Executive Summary. The report could then evoke a much more interesting and focused discussion, and help establish more meaningful deliverables by developed and developing countries towards reaching the MDGs.

Take, for example, the issue of progress being made towards the MDGs, and the need for additional aid. This year's report dutifully reports on the overall progress towards reaching the MDGs and concludes that more ODA is needed (while expressing concern about absorption capacity of developing countries). However, important information is lost by looking at these issues in aggregate—individual countries are facing very different challenges.

Next year, if the paper were to focus on short-term actions at both the aggregate and country level, it could come up with much more focused and practicable recommendations. For example, the recommendations that the DC could adopt might be along the lines of agreeing to the following: Identify a list of countries ready to absorb substantial aid (based on CPIA etc). Determine the policies the country is willing to adopt (as generally outlined in PRSPs). Set intermediate (3-year), country-specific, MDG goals (as generally outlined in PRSPs). Calculate how much aid, and the type of aid, these countries could effectively use to meet these goals. The DC could then agree to work together on the concrete goals of finding donors to provide the necessary aid.

The advantage of this approach is that we could put aside many of the debates such as, does ODA need to be ramped up by US\$30 annually or US\$50 billion, or, are we providing too much TA in aggregate. Instead, we could focus on pragmatic issues at hand—finding sufficient and appropriate aid for individual countries that are ready to make progress on reaching the MDGs.

I would like to provide one more example. This year's report repeats the now well-accepted position that good governance is essential for development (which we strongly welcome) and urges donors to be more selective in delivering

aid. However, if we were to focus on short-term, concrete action next year, the recommendations could be much more practicable along the lines of:

In order to get donors to be more selective, they need to be able to rely more fully on governance measures.

The DC recommends that, over the next 12-months, the World Bank make the CPIA a more reliable and accepted measure of good governance by enhancing the transparency of the CPIA.

The DC recommends that, over the next 18-months, the IMF should (a) undertake research on governance indicators, and (b) identify ways to use governance indicators to make its assistance more selective in order to catalyze more selectivity in other donors.

These were, of course, both hypothetical examples, but I hope they have illustrated how asking the proposed additional question could help lead to immediate action to speed up the process of reaching the MDGs.

Mr. Lushin and Mr. Lissovolik submitted the following statement:

We thank the staffs for a lucid and comprehensive report on monitoring the MDGs. We found both the structure of the report and the emphasis placed on such issues as trade to be very much on target.

The overall picture emerging from the staffs' report is that of significant unevenness in attaining the MDG goals across regions. The progress reached by the East Asian economies as well as by Europe and Central Asia stands in stark contrast to the performance of Sub-Saharan Africa. It thus appears that the relative performance in reaching the MDG goals is predominantly driven by the growth performance of the respective regions, with the gap between the fast growing regions and the rest of the developing world rising significantly. Indeed, if one were to adopt the Rawlsian criterion of measuring progress on the basis of changes in the welfare of the poorest, the picture is not all that benign. In this respect the implementation of MDGs should serve to single out the key areas of underperformance in combating poverty and to prioritize the efforts of the international community in addressing these issues. One of the first and crucial steps in this respect is the creation of a comprehensive framework for monitoring the progress of reaching the MDGs across countries and regions.

One of the problems with monitoring the MDGs is that of aggregation. Indeed, the implementation of MDGs takes place at several levels—global, regional, national and sub-national. Accordingly, the attainment of the MDGs at the global level does not preclude slippages at the regional level and the same applies to the possibilities of underperformance at the national level in regions that on aggregate have attained the MDGs. Furthermore, in case the overall

progress at the national level in reaching the MDGs is attained largely through major advancements in one region, with most of the others falling behind, this may lead to unbalanced economic development that is likely to be difficult to sustain. As a result, behind the veneer of the attainment of the MDGs at a certain level of aggregation, the underlying imbalances could pose risks to the sustainability of the progress. Therefore, it is imperative that apart from improving data collection and looking at the various levels of aggregation in monitoring the implementation of MDGs, significant attention is paid to such issues as the dispersion of MDG indicators across regions and (mostly larger) countries.

Given the varying starting points of countries as well as the fact that the MDGs are intrinsically a set of long-term goals, the degree of their ambitiousness and realism will need to be continuously monitored. In cases where the attainment of the MDGs is assured, there may be a need to raise the ambitiousness of the targets and in this respect we welcome some of the steps in this direction in the context of the MDG-plus approach undertaken by a number of developing countries. In Russia proper, the authorities have also opted for accelerating the reduction in poverty levels, which after significant reductions in the past several years is now set to be halved in the next 3 years.

One of the most important elements in the strategy of reaching the MDGs is trade liberalization both in the developed and developing countries. The benefits accruing to developing countries from the reduction in trade barriers are likely to impact not one, but a host of MDG targets, with this positive effect being particularly strong in case trade liberalization is conducted on a non-discriminatory basis. This in turn raises the need to press ahead with the resuscitation of multilateral trade liberalization in the context of the WTO's Doha round. We welcome the existing initiatives put forward by members of the WTO to breathe new life into multilateralism in trade liberalization, given that the alternatives embodied in the combination of regional and bi-lateral preferences are not likely to contribute as significantly to the goals of growth and poverty reduction.

Rationalizing aid to developing countries is yet another key priority in fostering a favorable global environment for the attainment of MDGs. While the increase in aid selectivity is likely to provide additional incentives for developing countries to make extra efforts to improve the business climate within the country, donor fragmentation and the continuing lack of harmonization and coordination between donors as well as between donors and aid recipients continue to hamper further progress in this area. As regards investment flows, improving financial market infrastructure as well as reinforcing the credibility of the monetary and exchange rate regimes in developing countries would go a long way to raising the capacity to attract and absorb growing financial flows.

Finally, the third main element in advancing the MDGs is the movement of persons across borders. The liberalization of labor flows in the developed world is estimated to harbor benefits that are significantly greater than those pertaining to the liberalization of trade flows in goods (see D. Rodrick, “Mobilizing the World’s Labor Assets”, FT, December 17, 2001). Already, as mentioned in the staffs’ report, large developing countries are starting to receive more remittances than foreign direct investment. This trend is also observed in the CIS countries, whose inflows of remittances provide a crucial source of sustaining growth and reducing poverty. Judging from the staff’s estimates prepared for the relevant Article IV discussions for the CIS countries the level of remittances is likely to be significantly larger than what has been estimated thus far. The priority in this area for the IFIs relates to improving the monitoring of these developments through improved data collection and greater coordination with the countries acting as donors and recipients of remittances. Greater technical assistance to developing countries in using the flows of remittances to boost economic growth and fight poverty would be welcome given the significant returns that could be potentially reaped through superior policies.

Mr. Callaghan and Mr. Francis submitted the following statement:

Key Points

The GMR provides a great deal of information, but its key messages need to be better targeted.

It contains a reasonable balance for monitoring MDG-related policies of developed and developing countries. The role of developed countries beyond ODA is often overlooked. However, the report should contain a more critical treatment of the role of the IFIs.

While Asia as a whole has made substantial progress, continued efforts are needed in assisting the relatively poor performers.

The frustrating element is the lack of guidance as how to start a virtuous cycle of development.

We have major concerns with the Overall Trade Restrictions Index (OTRI) model. It is producing strange outcomes for a number of countries, results that are inconsistent with the OECD’s PSE data, and appears to incorporate inaccurate information.

The OTRI model needs further refinement and may not be ready for inclusion in this year’s report.

Identifying the report's key messages

The GMR represents a comprehensive and sound source of advice on progress to date and the actions that need to be undertaken by all countries in order to achieve the MDGs. This is a significant report and represents a major effort by staff. The report should be an important tool for advocacy with developed and developing country members, beyond its intended role in the Development Committee. However, we wonder who is the intended audience for a detailed report of this nature. As noted, it provides a great deal of information for the advocate and the researcher, but it is a dense document. To be effective in reaching as wide an audience as possible, the report's main messages have to be clearly identified and well articulated. In this context, we think that the Executive Summary needs to be extensively reworked for it fails to capture in an interesting and accessible way, the substance of the report.

The development puzzle is not "what" to do, but "why" it has not been done

The GMR provides a comprehensive analysis of the actions required in order to meet the MDGs. In many respects, they are well known. As such, perhaps the real puzzle is why all parties have fallen far short of implementing the required actions necessary for as many countries as possible to meet the MDGs. As such, the most challenging issue is not "what" to do to ensure sustained development, but rather "why" such action has not been implemented. Towards addressing this issue, we think that some of the most effective material in the report were the specific country examples. In many respects, the report should serve as a precursor to the forthcoming conference in Shanghai on addressing why some countries and regimes have succeeded in reducing poverty, while others have lagged. Ultimately, we have to identify practical policy advice.

We particularly welcome the fact that the report has attempted to provide a framework for monitoring the MDG-related policies of developed and developing countries, as well as the IFIs. The weighting on the potential policy actions seems broadly reasonable, especially the balance between developed and developing countries. Too often development material overlooks the role of the developed countries in obtaining a sustained expansion of the global economy.

The emphasis given to growth and the importance of improving the climate for growth—the results from the 'Doing Business' work on the links between an enabling business environment and productivity/growth—are effectively presented and this is very welcome.

A lively debate on aid effectiveness

Another positive aspect of the report is the recognition of the large unmet needs of a number of countries in East Asia in meeting the MDGs. While the region as a whole has made substantial progress, continued efforts are needed,

through the LICUS initiative, in assisting these relatively poor performers and this acknowledgement is important.

The debates about aid effectiveness in relation to LICUS countries and "difficult partnerships" are ongoing and remain lively. However, the report's discussion of the role of aid and measures of aid effectiveness in these contexts, is rather limited and this is an aspect which needs further attention.

We suggest that there is also a need for further analysis of how best to support LICUS countries and what constitutes effective aid in these countries. As Economic Counselor Rajan has noted, one of the most frustrating things is the complete lack of guidance as to how to start a virtuous cycle of development in the poorest parts of the world. The report notes that there is a general acceptance that policies and institutions matter for aid effectiveness, but the causation has not been conclusively established. Implicitly, improving aid effectiveness may mean reallocating aid to countries that can use it best, but this would also mean that some countries will be left behind. Perhaps there is a need for a fresh approach in relation to those countries.

The most recent IMF Survey interviews Arvind Subramanian and Xavier Sala-i-Martin about the "natural resource curse". They argue the "curse" works by destroying domestic and political institutions. Rentseeking behavior is encouraged, along with corruption, which adversely affect the climate for investment and growth. The authors state that, "But the deeper sense in which natural resources impede the development of institutions is that they minimize the two-way interaction between the state and its citizens. ... governments that have recourse to oil rents do not need to promote wealth creation that they can subsequently tax; in turn, citizens have less incentive to hold governments accountable. Historical experience suggests that institutional development is impeded because of this disconnect between governments and their people."

A question that can be asked is whether this effect also applies, at least in some cases, to the rents inherent in aid flows. Is aid in countries that do not have the right policies also reducing the two-way interaction between a government and its people? Perhaps in a few years, when we have more experience with the outcomes of the PRSPs, we will know whether there is a need for a fresh approach.

Major concerns with the Overall Trade Restrictiveness Index

We have major concerns with the outcomes of the OTRI model quoted in the report and we have passed on detailed comments on a bilateral basis. The report produces strange results for a number of countries. For example, it clearly overstates Australia and New Zealand's barriers to trade in comparison to other countries, particularly in the area of agriculture—citing both as having much higher restrictions on trade than either Japan or the United States.

The OTRI does not seem to correlate with other measures of trade restrictiveness, or estimates of the welfare losses from trade distortions, which remain the key point of concern about trade restrictions. Nor does it indicate where the largest gains from trade liberalization are to be made. Unfortunately this has the potential to overshadow many of the positives that could have otherwise been taken from the report.

Australia and New Zealand have some of the lowest tariff barriers in the world and very few non-tariff barriers, as well as a very low Producer Support Estimate (PSE) rating, for agriculture. The counter-intuitive results appear to be the result of shortcomings in the methodology and a number of flawed assumptions in the model particularly relating to the method used to calculate the impact of non-tariff barriers.

We would also note that Table 8 in Chapter 4 shows the South Asia region as having by far the highest average OTRI of any region (with India figuring heavily in this finding). Given the importance of trade to the relative success of the region, this could send an unwelcome message to developing countries on the role of lowering trade barriers in combating poverty.

We would question the sense of including a new model, which produces results which contrast starkly with intuition and the results of all other models, while providing little explanation as to why this is the case. Therefore we consider the data should be removed from the report until these issues can be resolved, otherwise it detracts from the messages on the importance of trade liberalization. The model needs considerable further work and is not ready for inclusion in this year's report. It would, in fact, be desirable to have an informal seminar on the OTRI before its results are included in any Bank/Fund document.

Links between PRSP and MDGs

On the links between PRSPs and the MDGs, we may run the risk of appearing to have a paternalistic approach in criticising countries for placing a greater emphasis on particular MDGs rather than others. It also runs the risk of the international community being seen to impose its priorities into what is meant to be a country sourced and owned document.

A more critical assessment of IFIs is needed

Finally, we hope in future reports the sections on the IFIs will be strengthened and will look more critically at how the IFI operations are supporting the policies and actions needed to meet the MDGs. It is not enough to list the roles of the IFIs and functions they are undertaking. A more critical examination of successes and areas for improvement is warranted.

Mr. Torres and Mr. Vogel submitted the following statement:

At the outset, we welcome the opportunity to discuss the progress on policies and actions needed to achieve the Millennium Development Goals. As the staff report clearly underscores, the results have been mixed. The benefits of stronger economic growth, if evenly distributed, would allow meeting the first goal of halving income poverty between 1990 and 2015. Beyond this, some regions still face serious poverty conditions.

Once again, evidence demonstrates that stronger growth is a necessary condition for reducing poverty, but that it is not sufficient. Some countries have shown robust growth rates, but they are still not able to spread the benefits from growth to a large segment of their population. In this regard, we fully agree that human development goals depend significantly on the scale and effectiveness of development programs directed specifically toward them. We have seen important successes in those areas, with such cases as Mali and Mauritania in education, or Uganda in health, where HIV/AIDS infection rates were significantly reduced. As the staff report notes, these achievements demonstrate that rapid progress is possible, provided the implementation of good policies and the support of partners. Unfortunately, several countries have had shortfalls, exhibiting, for example, significant gender gaps in education and increasing incidence rates of HIV/AIDS, while other major diseases (malaria, tuberculosis, etc.) appear to be spreading.

Macroeconomic stability has significantly improved in low-income countries, and this is mirrored by a decreasing inflation rate and by the fiscal balance, as table 1 from Chapter 4 clearly shows. However, progress on structural and governance reforms has been much slower. Therefore, we attach the utmost importance on the process of institution-building reforms since they are critical not only to accelerate growth but also to better distribute it. In that vein, accountable and transparent institutions have a critical role to minimize some economic and social behaviors such as corruption and rent seeking activities with, among others things, their consequent implications for the allocation of human capital, all of which places under suspicion wealthy individuals and the market mechanism in general. Even though we have seen positive steps to improve governance and to encourage a more active involvement of civil society, which could serve to improve political accountability, it is clear that much remains to be done in this area.

Protecting property rights while ensuring competition and promoting good governance practices are critical to the fulfillment of MDGs. It is not only crucial to encourage foreign investment but also to foster the creation and the development of small and medium enterprises, as well as to allocate investment in rural areas, where poverty mostly prevails. For example, in many countries people still face limitations in acquiring land-use rights since a good portion of the area used for agricultural activities is not subject to formal tenure arrangement. The

latter reduces the availability of obtaining and using land as collateral for access to bank credit, bringing about what Hernando de Soto called “dead capital”.

Obviously, promoting macroeconomic stability and achieving better institutions not only depend on domestic reforms within developing countries. Accordingly, developed countries bear a responsibility that was clearly recognized and affirmed at Monterrey. As the staff report notes, priorities for developed countries are related to trade and aid policies. Regarding trade issues, the staff report underscores, though, some impressive and well-known facts and consequences. For example, average protection from both tariff and non-tariff barriers in agriculture, in high-income OECD countries, reached 26 percent in 2001, compared to 3.4 percent in manufacturing. Meanwhile, table 3 in Chapter 10 shows that, between 1986-88 and 2000-02, total agricultural support estimates have increased in the OECD countries. Even more eloquently are the estimates underscoring the stronger growth that could result from a pro-development outcome of the Doha Round. Real income in developing countries could increase by US\$350 billion by 2015, and lift an additional 140 million people out of poverty by that year. The bulk—as much as 70 percent—of these potential income gains arise from liberalization in agriculture. In this respect, let us briefly recall the lessons that we must draw from the Asian crisis. That episode surfaced one of the most perverse social and economic consequences of the agricultural support. When commodity prices tumbled down, export and price-related domestic subsidies kicked in, dumping onto the international markets tons of surpluses resulting from the domestic support policies implemented in some wealthy countries. Glutted markets further depressed international prices and gave new impulse to capital fleeing from developing countries. Subsequently southern country governments had to squeeze public budgets and add pressure on fiscal policies while rich governments rushed to provide new funds to keep the crisis under control. The policy contradiction is quite clear. Taxpayers in developed countries had to pay for both: agricultural subsidies that made the crisis worse and new loans that prevented the crisis from spreading into their markets.

As we and other Directors noted on other occasions, continued lack of progress on trade, particularly on agriculture liberalization, may not only slow down reforms, but also could undermine the role of the Fund as an objective policy advisor. In this sense, we consider that the Fund should continue to be involved in policies toward free trade and open markets in all member countries, particularly in member countries whose domestic and trade policies are most relevant to the fulfillment of MDGs. This could contribute to achieve more progress on the country ownership and leadership of the development strategy.

Finally, we agree with the staff on the importance to continue refining the Fund’s role in assisting low-income countries in different ways noted in the staff report, as well as to further improve the collaboration and coordination with other institutions, particularly the World Bank, in producing strategies to reduce and alleviate poverty.

Ms. Indrawati and Mr. Jamaluddin submitted the following statement:

We welcome the discussion for the first time, on the Global Monitoring Report, prepared jointly by the Fund and Bank staff. The staff are to be commended for their efforts on this joint report, that provides a very useful assessment of progress on policies and actions needed to achieve the Millennium Development Goals (MDGs). It is encouraging to learn that the Global Monitoring Report will be discussed on an annual basis, hence, will provide continuity to the Development Committee's strategic oversight of progress on the development policy agenda.

Based on the report, the progress on efforts to achieve the MDGs thus far is far behind and on current trends, the MDGs will not be met by most countries by the end of 2015. This justifies the need for a holistic approach to address the shortfalls and the urgent need to scale up actions on the part of all parties. One important aspect in achieving the goals is the partnership and mutual responsibilities between developing and developed countries. We share staff's view that achievement of the MDGs requires rising above current efforts and accelerating the pace of development swiftly, hence, we agree with the three essential elements in scaling up actions as outlined in the report.

On priorities for the developing countries, infrastructure enhancement and human resource developments, including health and education, are the major concerns that need serious attention. Meanwhile, assessments on whether the efforts in promoting economic growth outlined in the report have conflicting objectives is also crucial. The right balance in the policy design is needed in some areas, for example, between efforts to improve the enabling climate for private sector activity or trade related infrastructure and fiscal consolidation. At the same time, efforts to diversify the economy and greater attention to new sources of growth should also be given attention. In addition, given the uncertainties in the global economy, it is important for the developing countries to stand ready with alternative policies to mitigate the adverse impacts on their economy.

While we see that the economic growth is a crucial and necessary element, it is still not sufficient in making progress toward the MDGs. The capacity of the countries to formulate and implement policies is the central element and experiences show that more time will be needed to overcome the long-standing capacity institutional constraints. Although this issue is well acknowledged by all parties and efforts have been made, the result is far from satisfactory, in particular, countries under our constituency. In this regard, continued higher priority should be given in this area and, at the same time, these constraints should be taken into account when introducing new requirements or standard and codes for the countries to comply with, in any of the Fund/Bank initiatives.

We note with regret that the developed countries have fallen well short of the Monterrey vision and progress seriously lags commitment in most areas. As

highlighted by staff, the priorities for developed countries relate to trade and aid policies. The progress in the area of trade would have been one step ahead had the Doha Round reached agreement last year. In this regard, efforts to ensure a world trade system that facilitate market access for the developing countries have to be given more attention. We agree with the staff that high-income countries must lead by example and should aim for reform targets that are sufficiently ambitious. One point that we would like to stress is that the non trade issues which are not under the jurisdiction of the WTO should not be included in the current WTO agenda of trade liberalization.

There is no doubt that a substantial increase in aid is needed to achieve the MDGs. While improved aid volumes is important, the effectiveness of the aid is another critical area. We see that it will be more effective if aid be aligned with the country's priorities in implementing MDGs-related measures and be given greater flexibility to use resources efficiently and effectively. Aid should continue to be channeled to middle income countries that have the instituted policy reforms and a good track record of policy performance in eradicating poverty. Given that efforts to achieve the MDGs require considerable additional resources, finding ways to increase the available resources is also another area to be given attention.

We share the staff's view that sustaining stable growth in the global economy will require the major countries to address some outstanding issues and imbalances. Notwithstanding the current improved prospects for the global economy, large global current account imbalances exist. If these imbalances remain unchecked over the medium term, it would threaten economic and financial stability in the emerging countries. Having said this, caution is necessary to ensure that policies to address these imbalances do not undermine stability in the global economy. Policy coordination across the major countries is important.

There have been many discussions on the priorities for the international financial institutions. We agree to the key areas for action to deepen and build on the progress made, as highlighted in the report. Equal emphasis should also be given to the technical assistance issue as this is one of the factors that can assist countries to achieve the MDGs. Demand for technical assistance is increasing and this may create a situation where international financial institutions are unable to meet all requests. Coordination among the international financial institutions is important and, at the same time, the private sector could also contribute in this area.

Strengthening the monitoring exercise, is appropriate to be given priority. The international financial institutions have been proactive in their efforts in strengthening the monitoring exercise. We agree with the areas that need to be given focus. In addition, the monitoring on the effectiveness of the technical assistance is also important. Given that most of the technical assistance to the developing countries are aimed at longer term objectives, regular monitoring would ensure the effectiveness of the technical assistance.

Mr. Marti and Mr. Siman submitted the following statement:

We would like to commend the staffs of the Fund and World Bank for their work in producing the first version of the Global Monitoring Report.

It provides a comprehensive Overview of the progress on policies and actions needed to achieve the MDGs. Moreover, it captures well the thrust behind the Monterrey Consensus that emphasizes the mutual responsibilities and accountabilities between developing and developed countries, in partnership with the IFIs. It also identifies correctly the priority areas for discussion by the Ministers at the Development Committee (DC) meeting next month.

We endorse the document as a background paper for the DC discussion next month, and agree that a concise version of this paper should be prepared for this discussion. We also support the proposal to publish the paper after the DC discussion.

A more selective and in-depth analysis going forward

As the first time this exercise has been prepared, it seems appropriate to include all the areas covered in the report, as requested by the Ministers in previous meetings. Specially, we welcome the inclusion of the relationship among developing and developed countries and the section on the role of the IFIs.

Going forward, while evaluating how all players are doing in the delivering of their commitments, the report should be more selective and should focus on fewer topics in more depth. In many aspects, there should not be significant changes during a reporting year, and resources could be better used in a more in-depth analysis of fewer topics. Furthermore, some of the discussions could be presented as attachments, summarizing the work from those partner agencies that have collaborated in this report, i.e. other MDBs, the UN, and the WTO.

On the prospects for meeting the MDGs

We share the view that, despite progress in many regions, on current trends, many of the goals and targets from the Millennium Declaration will not be achieved. We agree that, against this background, it is urgent to periodically review which concrete actions are needed to achieve the MDGs.

The report evaluates which goals and which regions are required to accelerate progress towards these goals. Despite the fact that, at global level, the world might achieve some of the targets related to the goal of eradicating poverty and hunger, there are regions that remain highly vulnerable. In this regard, we believe that emphasis should be placed on the discussions of ‘drivers of growth’

as we believe that accelerating reforms to achieve much higher growth rates is a key priority, which influences many of the other no-income poverty goals.

Priorities for developing and developed countries

Regarding the priorities for developing countries, we concur with the emphasis given in the report to the principles of improving governance with a strong country focus and ownership. We see these areas covered in the Overview and in the background paper but not covered enough in the executive summary. In addition, we believe more emphasis should be given to the importance of trade issues for developing countries. Trade issues are usually not covered at a country level and when they are covered, they are analyzed in general terms, without clearly specifying timetables or the need for complementary actions.

As rightly pointed out by staff, the developed countries' actions to date have fallen well short of the Monterrey vision. Going forward, priorities for these countries relate to trade and aid policies. Specifically, we welcome Chapter 9 that emphasizes the impact that the global economic conditions have on trade, growth and poverty reduction in developing countries. In addition, the executive summary could benefit by including a stronger reference to the advantages of trade. It is trade more than aid what developing countries need, since in time gains from open markets and free trade exceed by far any debt relief scheme.

Priorities for the IFIs

We appreciate the inclusion of the section related to priorities for the IFIs, especially when discussing country programs. Collaboration between IFIs is indispensable to help countries achieve the MDGs and related outcomes. As discussed recently at the Board, despite progress in collaboration on country programs and conditionality, there is still room for further improvements. We believe this message should be more forceful both in the executive summary and in the Overview

On the priorities for strengthening the monitoring exercise

We agree with the role that this report has on monitoring the progress of the development policy agenda. Nevertheless, we are aware that statistics, which are critical for effective monitoring, are limited. The report encourages IFIs to continue working together, in consultation with the countries, on action plans to strengthen and building their statistical capabilities. We welcome the fact that this issue is mentioned in the Overview, and suggest including there that these plans should be time-bound and budgeted in order to be realistic (including associated costs at a country level).

Mr. Portugal and Mr. de Silva submitted the following statement:

We thank the joint staffs for the report, which presents a timely reminder of how much remains to be done if the global community is going to have a reasonable chance of reaching the Millennium Development Goals, underlining among other things the drastic shortfalls in required funding. In this sense, this comprehensive report must itself count as a major contribution in the effort to achieve the MDGs and at the outset we would like to endorse its value and to support the case for strengthening the monitoring exercise along the lines indicated in the report, including through the stepping up of research to enhance its analytic foundations.

While there has undoubtedly been good progress in important areas, this has been very uneven, and considerable disparities continue to exist in terms of the degree of achievement of different goals and also in terms of the distribution by region and by country of the gains achieved so far. The results to date should provide useful guidance as to the areas in which attention needs to be more strongly focused in the time left for fully achieving the MDGs, though it is clear that what is needed is a massive escalation of effort in general terms, as stated in the report. The report is an urgent call to heightened action on the part of world leaders who in 2002 signed on to the grave responsibilities and obligations under the Monterrey Consensus.

The global community has invested much hope in the MDGs and it is encouraging that at least at the aggregate level the ambitious goal of halving income poverty is now projected to be largely met by the 2015 target date. Nevertheless, achieving this milestone at the aggregate level or in average terms is likely to be of little comfort to individual countries left behind, and it is important that the prospect of success in these terms does not diminish the effort to ensure that poverty reduction gains are shared by all. Regrettably, the outlook for achieving within deadline other fundamental human development goals in the areas of health and education, and in related areas such as child mortality and gender equality, is considerably less optimistic than in the case of the poverty reduction target.

It is easy to agree that the promotion of stronger growth must be at the center of the strategy to achieve the MDGs. Precisely what is required to lift low-income countries onto a higher growth trajectory is another matter entirely. While much of the answer lies in the need to accelerate policy and governance reforms to improve the enabling climate for growth, the joint staffs have also pointed to a number of critical priorities for action on the path of the developed countries. We share the sense of urgency regarding the need to expedite the orderly resolution of global imbalances and to restart the Doha round in order to accelerate the process of dismantling trade barriers and, notwithstanding the encouraging signs of reversal of the declining trend in aid volumes, current levels of ODA remain far short of development needs and developing countries' absorptive capacity.

The looming possibility of failure to reach the MDGs is bound to focus attention on the role of the international financial institutions and in particular the IMF and the World Bank. We agree with the joint staffs on the complexity of monitoring and assessing the effectiveness of the contribution of the IFIs given their somewhat indirect involvement, and the challenge of measuring their influence or direct impact on results achieved. The Fund for its part has sought to carefully delineate its role in the process, which it sees as consisting of the promotion and maintenance of macroeconomic stability, given its importance for growth and poverty reduction, and promoting a stable and open global economic and financial environment.

In the case of low-income countries, the constituency for which the MDGs obviously have the most relevance, the Fund has evolved a more closely growth-supportive, longer-term role in the form of the PRGF arrangement. In light of the real danger of falling short of the MDGs, monitoring of the Fund's effectiveness needs to focus closely on the alignment of the PRGF/PRSP processes with the agenda for achieving the MDGs. Monitoring should also go beyond reviews of areas such as surveillance and technical assistance and extend to the impact of the Fund's advocacy or catalytic role in increasing the flow of financing to achieve the MDGs and in increasing market access for developing countries' exports.

We look forward to receiving the final version of the monitoring report and to the issues paper which should be forthcoming in the approach to the meeting of the Development Committee.

Mr. Usman and Mr. Ondo Mañe submitted the following statement:

Key Points

Health: A need for the international community to pool resources to fight the HIV/AIDS pandemic as well as support research aimed at eradicating Malaria.

Education For All by 2015: There is a need to come up with new education programmes in order to meet the projections for the MDG targets.

African Economic Integration: Exploiting the economies of scale in an integrated setting will strengthen our individual economies and resilience to exogenous shocks, reduce the prevalence of conflicts, enhance their voice in international fora, improve the terms of trade with other regions, and help accelerate the integration of Africa into the global trading and economic system.

Infrastructure Development: Efforts should be geared towards developing efficient domestic and regional financial systems with a view to mobilizing domestic and regional resources in support of infrastructure development. The promotion of partnerships with the private sector in developing infrastructure is also supported.

Economic Diversification and Private Sector Development: African economies need both to expand and diversify their productive and export base. Small- and Medium-Scale Enterprises (SMEs) represent a major engine of growth and employment in African countries and can contribute to accelerated progress towards the MDGs.

The Financial Sector: Strengthen the efficiency of financial intermediation and the payments system in general in order to lower borrowing costs, increase incentives to save, and ensure efficient allocation of financial resources.

Trade: Priority is to ensure a successful pro-development, and timely outcome to the Doha Round. High-income countries, given their weight in the system must lead by example.

Resource Mobilization: There is urgent need to enhance market access and to increase the level and effectiveness of donor resources for low-income countries.

We thank the staff for a very comprehensive and analytical set of papers. The Global Monitoring Report, provides an integrated assessment on progress on policies and actions needed to achieve the Millennium Development Goals (MDGs) and related outcomes. It has identified priority areas with the objective of providing an assessment of how the various parties i.e. the developed countries, the developing countries and the IFIs have played their specific parts under the development partnership agreed at Monterrey. We note that the development committee has reinforced the messages on continuities and thus has become the first annual monitoring report to provide continuity to the committee's strategic oversight of progress on the development policy agenda. As such, we agree with the staff that it constitutes the main conclusions about the priorities for action and related accountabilities and propose issues for discussion by the Ministers.

The report sets out clear issues that could inform a better appreciation of the process and challenges of achieving the MDGs. Achievement of MDGs requires raising above current trends and substantially accelerating processes towards the goal. There is therefore, an urgent need to scale up action, on the part of all parties.

Resource Mobilization

There is urgent need to enhance market access and to increase the level and effectiveness of donor resources for low-income countries. In order to help achieve the MDGs, we call upon the IMF to cooperate with the World Bank in working on aid effectiveness, absorptive capacity, and results-based measurement mechanisms, and in examining the merits of various policy options and financing mechanisms, such as an international financing facility, to mobilize the substantial

additional resources that are needed over the medium term. Developing and emerging market countries should also be closely involved.

In Monterrey, the international community expressed support for mobilization of financial resources needed to achieve the MDGs. Since then, a number of commendable initiatives and undertakings have been announced by the donor community to raise additional financing and to increase ODA. In our view, the establishment of the International Finance Facility (IFF), proposed by the UK and strongly supported by the LICs, could contribute to bridge the gap in external resources mobilization. Africa has supported these commitments and initiatives. However, the effort to mobilize financing will be more effective if these efforts and initiatives are better coordinated and if access is made easier for eligible countries.

Increased aid and other actions should be integrated in a coherent overall approach to supporting development. In many cases, there are contradictions in policies with support provided in one area undercut by afflictions in another. Putting in place processes that enable an integrated assessment of the coherence of policies that affect development—such as trade, aid, foreign investment and other capital flows, migration, knowledge and technology transfer, and the environment—would help avoid such outcomes.

Africa's challenges in meeting the Millennium Development Goals

Although many countries on the continent have achieved macroeconomic stability and undertaken key structural reforms, economic growth rates remain low. Africa is the only region with a very low level of MDGs indicators. According to the WEO, fiscal deficits for Africa have been reduced to a projected 1.7 percent for 2004 and annual average inflation is leaning towards the single digits. Notable progress has also been made in reducing current account deficits and in liberalizing trade and exchange systems. Notwithstanding these achievements, economic growth rates remain low. Africa is expected to grow by only 4.8 percent in 2004, slightly higher than the trend observed since 1995, but way below the minimum rate of 7 percent needed to halve extreme poverty by 2015.

While specific actions need to be undertaken in order to strengthen ongoing efforts, for example through PRSPs, in many countries, we believe that more attention should be paid to infrastructure development and trade promotion. We welcome the monitoring approach proposed in the report.

Health

Health services can work for the poor people. But those who need most still get the least Health outcomes improved in the second part of the 20th century. At the current pace, most of our countries will not reach the MDGs for

health by 2015. We recognize that important steps have been taken to help combat the HIV/AIDS pandemic. However, these efforts are currently limited to a few countries and additional efforts towards fighting the HIV/AIDS pandemic as well as supporting research aimed at eradicating Malaria. There is need for the international community to pool resources to fight the HIV/AIDS pandemic as well as support research aimed at eradicating Malaria, as needed.

Education for all by 2015.

The commitment to give the Education For All (EFA) Initiative every support necessary to make it successful by increasing budgetary support, transparency and efficiency, and strengthening monitoring of outcomes in the education sector has been strong. At the same time, development partners should allocate larger and more predictable assistance to Africa's education programs. In this regard there is a need to come up with new education programmes in order to meet the projections for the MDG targets.

African Economic Integration

Promotion of regional trade and economic integration initiatives are gaining currency worldwide and the political leaders have committed themselves to this goal. Africa's economic integration will allow the individual economies to a bigger market, attract FDI, diversify the productive and export base, and achieve the high and broad based growth rates needed to achieve the MDGs. Exploiting the economies of scale in an integrated setting will strengthen our individual economies and resilience to exogenous shocks, reduce the prevalence of conflicts, enhance their voice in international fora, improve the terms of trade with other regions, and help accelerate the integration of Africa into the global trading and economic system.

Infrastructure Development

A major constraint to economic growth and regional integration in Africa is the lack of modern infrastructure. Moreover, lack of access of the rural population to roads, telecommunications, railways, ports, water and electricity deprives the poor of essential services for their economic and social development. We are concerned that World Bank lending to the infrastructure sector has been declining sharply. To address this key challenge, our efforts should be geared towards developing efficient domestic and regional financial systems with a view to mobilizing domestic and regional resources in support of infrastructure development. The promotion of partnerships with the private sector in developing infrastructure is also supported.

Other reforms which require quick and systematic implementation include: better integration of infrastructure into our PRSPs and World Bank

CASS; improving and expanding regional infrastructure diagnostic work; and developing regional infrastructure projects.

Economic Diversification and Private Sector Development

Promoting private sector initiative is critical to enhancing Africa's growth potential. While some African countries have experienced high growth rates, these were mainly driven by large FDI projects mostly in the oil and mining sectors and/or single commodities such as tobacco, cotton, coffee and cocoa. Moreover, investment in and exports from these sectors have been highly volatile in tandem with price developments. Consequently, this growth has not been instrumental in reducing the high rates of unemployment, while broad-based private sector participation remains constrained. We note that the promotion of Small- and Medium-Scale Enterprises (SMEs) represent a major engine of growth and employment in African countries and can contribute to accelerated progress towards the MDGs.

The Financial Sector

While significant progress has been made in reforming Africa's financial systems, many challenges remain. We believe that actions towards strengthening the efficiency of financial intermediation and the payments system in general in order to lower borrowing costs, increase incentives to save, and ensure efficient allocation of financial resources are necessary. Further, widening the variety of financial instruments, and strengthening the capacity of the central banks and other institutions in supervision and regulation are a necessary step. In addition, to support the private sector, there is a need to further promote microfinance, especially for women entrepreneurs and for the rural area population.

Trade

In trade, the key priority is to ensure a successful pro-development and timely outcome to the Doha Round. What is needed is the free entry of all the exports of LICs into the market of advanced economies, without undue constraints and further progress in the multilateral trade negotiations, regarding the elimination of subsidies in OECD countries. Moreover, trade agreements, such as AGOA and EBA should be enhanced, to attain their objectives of promoting the private sector development. We view the expansion of trade as critical for Africa to attain diversification and external sustainability towards achieving the MDGs.

Way forward—Action to be Taken by Developing Countries

Improve the enabling climate for private sector activity, by solidifying progress on macroeconomic stability, further reduce barriers to trade, and shift emphasis from regulating business operations to strengthening market institutions. In macroeconomic policy, the main area of improvement is fiscal management.

Strengthening property rights and the rule of law are the key areas of attention with respect to the institutional environment. An improved enabling economic climate is essential both for mobilizing domestic investment and attracting more foreign investment.

Strengthen capacity in the public sector and improve the quality of governance particularly in transparency and accountability.

Scale up investment in infrastructure and ensure its effectiveness. Other reforms which require quick and systematic implementation include: better integration of infrastructure into PRSPs and World Bank CASs; improving and expanding regional infrastructure diagnostic work; and developing regional infrastructure projects. Priority to infrastructure services closely linked to the human development goals – health, education, water and sanitation, and transport.

Enhance the effectiveness of service delivery in human development, by better targeting education, health, and social assistance services toward poor people. Address governance related impediments to service quality and effectiveness by increasing community participation and scaling up on the basis of successful programs. Swifter action is needed on the part of both donors in providing funds and recipients in addressing implementation constraints.

Way forward—Priorities for Developed countries

Overall, developed country actions to date have fallen well short of the Monterrey vision. Progress seriously lacks commitment in most areas. We urge the international community to further efforts to achieving the development goals. In this regard, the vision of Monterrey needs to be translated rapidly into concrete actions.

Also, important are the broad conduct of macroeconomic and financial policies conducive to robust growth in the world economy and increased attention to key global public goods, including environmental sustainability.

With regard to debt policy issues, rapid progress is being made in the use of collective action clauses, but substantial work remains to improve in sovereign debt restructuring. The Fund should help convince creditors to write off external debt so that countries would start afresh; the Fund should also design policies to help countries wipe out domestic debt. The Fund should also help design policies to face such shocks as weather-related agricultural failures, and advise LICs about managing sudden inflows of resources arising, for example, from sudden discoveries of petroleum resources. To ensure debt sustainability in heavily indebted poor countries that are pursuing good policies, a larger proportion of additional aid should be provided in form of grants. Timely and adequate assistance in the event of adverse exogenous shocks is especially important to these countries.

Going ahead, additional aid will need to be provided in forms that can flexibly meet the incremental cost of achieving the capital MDGs, including providing a higher proportion directly to countries in form of cash, supporting good policy performance with predictable and longer-term aid commitments, and allowing for the financing of recurrent costs where country circumstances warrant.

There is also substantial scope for improving the effectiveness of aid through a more strict focus on selectivity in aid allocation (allocating more to poorer countries with better policies), closer alignment of aid with national development strategy and priorities (as expressed through PRSPs in the case of low income countries), and harmonization of donor policies and practices around the recipient countries own systems.

Way Forward—Priorities for International Financial Institutions

Review of how the international financial institutions are playing their role in contributing to the achievement of the MDGs, and related outcomes shows that they have made progress in enhancing their development effectiveness. This is reflected in the enhancement of country focus and ownership, results orientation of operations, transparency and accountability, and partnership. However, there is more to do, to deepen and build on the progress made to date.

Continued refinement by the IMF, World Bank, and other MDBs of their role in low-income countries, including the deepening of the PRSP process and harmonization of operational programs and practices around national strategies and systems, including the establishment of region technical assistance centers, while also continuing to adapt approaches and instruments to the evolving needs of middle-income countries.

Further progress by the World Bank, and other MDBs on the results agenda, including implementation of the action plan endorsed at the Marrakech Roundtable on Managing for Development Results held in February 2004.

Increased selectivity of agency programs in line with comparative advantage and mandate and improved coordination to achieve greater systematic coherence and effectiveness.

Strengthening the underlying development of statistics, including timely implementation of the action plan presented and endorsed at the Marrakech Roundtable.

Conducting research on the determinants of the MDGs, on critical issues such as effectiveness of aid, and on development of more robust metrics for key policy areas such as governance and for the impact on developing countries of rich country policies.

Deepening collaboration with partner agencies in this work, building on respective agency comparative advantage and ensuring that the approach to monitoring and evaluation is coherent across agencies.

Conclusions and Challenges Ahead

The issues raised in the report regarding priorities for developing countries are important. We note that policies in developing countries have improved and enhanced their capacity to make effective use of resources for development both domestic and external as such, we agree that performance has varied widely and that reforms need to be accelerated and deepened in Sub-Saharan Africa.

We strongly encourage that the work on global monitoring places its attention to the genesis and purpose of the initiative, which is to provide a basis for the Development Committee to regularly assess progress on key implementation issues and in turn to reinforce accountabilities. In this connection, several issues warrant careful management going forward.

Equally important is the management of the CPIA process, especially in light of the proposals to increase its transparency and disclosure for IDA-eligible countries, and the requisite investment in analytical work to ensure the robustness and consistency of its application.

In addition, attention will need to be paid to the partnership dimension of the global monitoring work, both in those areas where the lead mandate lies with other agencies, for example, on the macroeconomic and trade policies of developed countries, and in those areas involving joint work with others, such as the performance assessment framework and its conclusions, and for ensuring its cost effectiveness and efficiency.

There is need for the international community to pool resources to fight the HIV/AIDS pandemic as well as support research aimed at eradicating Malaria, and to come up with new education programmes in order to meet the projections for the MDG targets

There is need to strengthen economic integration by exploiting the economies of scale in an integrated setting. This would strengthen our individual economies and resilience to exogenous shocks, improve the terms of trade with other regions, and help accelerate the integration of Africa into the global trading and economic system. In this connection priority would be to ensure a successful pro-development, and timely outcome to the Doha Round. High-income countries, given their weight in the system must lead by example. African economies need both to expand and diversify their productive and export base. Small- and Medium-Scale Enterprises (SMEs) represent a major engine of growth and employment in African countries and can contribute to accelerated progress towards the MDGs.

There is need for efforts to be geared towards developing efficient domestic and regional financial systems with a view to mobilizing domestic and regional resources in support of infrastructure development. The promotion of partnerships with the private sector in developing infrastructure is also supported. Strengthen the efficiency of financial intermediation and the payments system in general in order to lower borrowing costs, increase incentives to save, and ensure efficient allocation of financial resources.

Finally, strategic prioritization will be critical for keeping the monitoring focused, practical, and action-oriented, and for preventing the pursuit of perfection in measuring and monitoring from delaying the drawing of seasoned judgments about priorities for action in implementing the agenda for achieving the MDGs and related development outcomes.

Mr. Al-Turki submitted the following statement:

I join other Directors in welcoming the staff's first report on the progress and priorities for achieving the Millennium Development Goals. The report is richly detailed. To take the issues further, it will be helpful if a concise summary is presented with focus on the actionable items.

The report's most striking conclusion is also the most disturbing. The shortfall from the set goals is indeed sizable with the deficiency most notable in Africa. While growth is essential for poverty reduction, the key here is in the country variations in economic performance between and within regions. It will be helpful to have a better understanding of the reasons behind these variations.

The report provides a useful recounting of the priorities for the partners in the MDG strategy, which include the developing and developed countries and the IFIs.

For the developing countries, the focus should be indeed on maintaining an institutional and policy environment conducive to market-led growth, providing an effective public administration, and ensuring a well-targeted provision of basic physical and human infrastructure.

For the developed countries, priorities include better trading access for developing country exports, continued development aid, and coherence of policies affecting development.

The report rightly stresses the need to further improve the PRSP process and improving coordination among the IFIs. That said, I agree with Mr. Callaghan and Mr. Francis that a more critical evaluation of the progress and the areas for improvement is also necessary.

Regarding the Fund's role, I agree with Mr. Meissner and Ms. Reichenstein on the extensive contributions already being made in line with the institution's mandate and traditional expertise. Indeed, the Fund's role has increased, especially in the area of providing technical assistance. Here, I note particularly the regional centers in Africa and the plan to establish a center in the Middle East.

For growth and poverty reduction, a key clearly is to extend greater export access to the exports from the developing world. In that regard, the priority of resuming the truncated Doha Agenda for multilateral trade liberalization clearly cannot be overstated.

Mr. Duquesne submitted the following statement:

Key Points

Aggregation of results should be dealt with carefully and thoroughly. Ministers and high officials who read the report should come home with messages that are of direct relevance to their countries.

Some sections could also have been devoted to the prevention and resolution of conflict, as the occurrence of war is a major impediment to the achievement of the MDGs.

We agree with the focus on the quality of aid and we would concur that better selectivity, alignment and harmonization are warranted. We have however some problems with the section devoted to the quality of aid.

We welcome the section devoted to global public goods as well as the various references to the Global Fund against AIDS, Malaria and Tuberculosis.

The report should contain a more critical treatment of the role of the IFIs if we want to avoid the risk of being too lenient, if not complacent, thereby fueling the disconnection between the way our institution perceives itself and the way it is perceived by the outside world.

We very much welcome this first annual report, and commend the staff for the work that went into it. The report, when published after the Development Committee meeting, has the potential of becoming one of the IFI's flagship publications and of making an impact on the public debate. Of course, it is a long read, and one cannot expect our Ministers to go into every detail. But it summarizes and makes accessible an impressive body of research, as evidenced in the bibliography, while at the same time keeping a policy focus that makes it very relevant as a background document for the Development Committee discussions.

Developing Countries Policies

The report recognizes that policies are improving but that there is much further to go, especially in terms of transparency, accountability and control of corruption. Maybe the report should have been more specific in identifying strengths and weaknesses in individual countries, instead of presenting regional averages, as mentioned by Messrs. Lushin and Lissovolik. Ministers and high officials who read the report should come home with messages that are of direct relevance to their countries. Making the CPIA fully public would certainly help in bringing the message closer to home. Individual figures can be very illustrative, like the one in chapter 7 showing how much public spending on health and education goes for the rich and how much goes for the poor. Case studies also have a high educational potential, like the case of the missing money in Ugandan schools, or the stipends for school girls in Bangladesh. Cases should not only be illustrative of success stories but should also pinpoint difficulties and failures.

While focusing on the MDGs, the report introduces cross-cutting issues that have a broader impact on development than simply reflected in the MDG directly associated with them. One such issue is gender, which is not limited to girls' education and maternal health. Another is infrastructure where, besides water and sanitation, other sectors like transports, energy or telecommunications have both direct and indirect impacts on various MDGs.

We think that some sections could also have been devoted to the prevention and resolution of conflict, as the occurrence of war is a major impediment to the achievement of the MDGs. Recent analytical work, particularly in the World Bank, has provided useful information on the issue of civil wars that should be reflected here. We would also favor the inclusion of peace and security as one of the core global public goods.

A more balanced presentation could have been included in the Overview as regards the trade agenda for development. As recalled in several reports and analyses, the expected gains from trade liberalization are for a significant part of them depending on progress made among developing countries in the South-South trade; this reality should also be reflected in the Overview.

Developed Countries Policies

We agree with the focus on the quality of aid and we would concur that better selectivity, alignment and harmonization are warranted. These efforts do not only maximize the impacts of aid on poverty reduction; they also contribute to increasing developing countries' absorptive capacity, thereby generating a virtuous circle where more aid can lead to better results.

However, we have two problems with the section devoted to the quality of aid. The first relates to the breaking down of bilateral aid into its various

components, with only 30 percent being available for financing the incremental costs of achieving the MDGs. While we agree with the recommendation that aid should be provided in more flexible forms, we do not want to give the impression that only additional cash-flows constitute “real” money and that other, special-purpose grants do not contribute to progress toward the MDGs. First, the HIPC initiative was designed precisely to free additional resources for poverty reduction, and debt service cancellations can be considered as the equivalent of new money for the budget. Second, technical assistance, when properly managed, can really make a big difference in recipient countries and help build capacity. The ongoing DAC peer review of French ODA particularly underscores this point.

The second problem that we have is with the selectivity index. Here we certainly need to have a better understanding of the methodology that has been used and we will discuss that with staff, but we see some results to be striking, as they do not seem in line with the evolutions and reforms that have taken place in recent years. If anything, the report’s analysis can only strengthen our commitment to increase the focus of our aid programs on the poorest countries and to give a high priority to the African continent.

On aid volumes, we would like to see a clear reference, both in the Overview and in the text of the report, to the 0.7 percent objective. Our reading of the Monterrey consensus should not be selective. Paragraph 42 reads as follows: “we urge developed countries that have not done so to make concrete efforts towards the target of 0.7 percent of gross national product as ODA to developing countries”. France has renewed its commitment to reach this target within 10 years and has adopted a concrete action plan to meet this objective.

Last, we welcome the section devoted to global public goods. This section could be beefed up in future issues of the report, incorporating the conclusions of the international task force on GPG that was created last year. Likewise, we welcome the various references to the Global Fund against AIDS, Malaria and Tuberculosis.

Monitoring the IFIs Contribution.

As mentioned by Messrs. Callaghan and Francis, the report should contain a more critical treatment of the role of the IFIs. The tone is too technocratic, and lacks the sense of urgency that the report rightly puts forward in addressing the inadequacy of donors’ support or the shortcomings in developing countries’ policies. The report draws heavily from internal reports, referring to only very few outside sources. Gathering external evaluation is left for future issues of the report. In doing so, we run the risk of being too lenient, if not complacent, thereby fueling the disconnection between the way our institution perceives itself and the way it is perceived by the outside world, as shown in recent surveys.

If we look at our recent experience, a few issues stand out that could have been better reflected in the report: (i) Difficulties in finding a solution so far to the issue of “topping up” within the framework of the HIPC initiative. This protraction has hampered countries like Niger and others, that badly need our assistance and that fully deserve it. (ii) Operational rigidities, leading to high cost of doing business and lengthy project preparation lags. (iii) Very little progress on the issue of Voice and developing countries’ participation. As a reminder, this issue of IFIs governance was an important topic for discussion during the process leading to the conference on financing for development, and it features in the Monterrey consensus.

Although the report envisages the whole landscape of development efforts, UN agencies are mostly left outside the scope of the monitoring report. There is very little mention of our collaboration with the UN system. We would therefore suggest that staff complete the companion paper on global development efforts and the activities of other multilateral agencies that is mentioned in para. 73, and integrate its findings into the thrust of the report.

Ms. Lundsager and Mr. John submitted the following statement:

Key Points

We appreciate the generally balanced and informative report on development progress.

As donors and development institutions consider their assistance levels, grants should be stressed to avoid undermining debt sustainability.

The MDGs should not be viewed as organizing principles for the Fund since most relate to areas where the World Bank or others have expertise. The Fund should play a limited but important role in supporting countries committed to good policies.

The refreshingly simple conclusion that “better policies pay off” makes clear the primary importance of country ownership and action—an emphasis that should be retained in the report—and argues for greater selectivity in Fund lending.

New vehicles for the staff advice and assistance should be considered. Non-borrowing programs could offer a better way to engage and convey signals on country policies.

Future reports should be shorter and more focused.

We appreciate the work that went into this report and welcome the emphasis on grants. It brings together a compendium of good information,

particularly in terms of developing country policies and lessons learned. While the report gives balanced treatment to many of the factors affecting achievement of the internationally agreed development goals, including those mentioned in the Millennium Declaration, in some areas the report seems designed to capture headlines rather than accurately reflecting the substantive analysis. These problems should be fixed, especially before an adapted version of the Overview is provided to Governors as background for the Development Committee discussion or published.

Role of the IMF

While the report is informative for the IMF Board, the bulk of the MDGs relate to areas in which the World Bank or others have greater expertise, and we would caution against giving the impression that the MDGs are or should be organizing principles for the Fund. The emphasis on comparative advantage to avoid overlap by different institutions is welcome, and argues for a limited but important role for the Fund in supporting countries committed to strengthening their macroeconomic policy environment through surveillance, advice, technical assistance, and, if appropriate, short-term balance of payments financing. By fulfilling its existing mandate, with attention to development goals in select areas such as better aligning PRGFs with PRSPs and encouraging realistic projections, the Fund can help countries seeking to raise growth and reduce poverty. Although much work remains to be done, it is noteworthy that macroeconomic management stands out as one of the areas where the most progress has been made. A few points are worth stressing now, before the fuller discussion of the Fund's role in low-income countries next week.

We would have liked to have seen greater emphasis in the Overview of the points included in chapter 13, i.e. that the Fund's role in relation to the achievement of the MDGs by countries is often indirect, and that advice provided by the Fund, not just financing, is particularly important. The refreshingly simple conclusion in the Overview, "better policies pay off," should provide incentives for countries to undertake needed reforms, especially structural measures that have lagged but that are critical to growth. Keeping in mind the research findings, the Fund should be more selective in its lending in order to focus on countries committed to sound economic policies and strong governance. We appreciate the research presented in chapter 4, which reinforces our call for selectivity.

As donors and development institutions consider their assistance levels, it is reasonable to expect that there will be pressures for more "seal of approval" programs from the Fund. We urge the Fund to resist such pressure since balance of payments need (not development need) and the quality of the economic program embraced by the country should guide Fund actions, rather than the comfort of development partners. In this light, we encourage the Fund to consider how to expand the range of modalities for offering the staff advice and assistance. We will be taking up such alternative modes of Fund engagement in the

upcoming low-income discussion. Non-borrowing programs in particular could offer a better way to engage and provide a signal on the macroeconomic situation and policy stance. The improved policy on assessment letters also provides a valuable route for signaling from the Fund and in chapter 13, paragraph 17 the report should note that such letters also could be used for countries without a Fund-supported program.

The emphasis on country-specific strategies in the Executive Summary is welcome, but seems at odds with chapter 13, paragraph 14. Last year, Directors disagreed with the described typology of episodic financing for “early stabilizers” and continuous financing for “mature stabilizers” and accordingly ask that this wording be altered.

We note the executive summary’s comment that “substantial work remains to improve practices in sovereign debt restructuring,” and ask that this language be toned down to make it consistent with the last IMFC statement, which “welcomes the progress in strengthening the framework for crisis resolution.”

Developing Countries’ Policies

We very much agree on priorities identified for developing countries. The report indicates that the world is on target to meet the first goal of halving poverty, thanks to stronger economic growth spurred by improvements in policies. It points out that poor policy environments, not lack of funds, are the primary obstacles to meeting that goal in a number of countries, particularly in sub-Saharan Africa. The report also reiterates that the bulk of the financing needed to achieve the MDGs will have to come from improving the efficiency of existing spending and raising economic growth; increased ODA comes third on this list.

Increasing private-sector-led growth is the most important factor for achieving the development goals, and to do that countries must significantly improve the investment climate by removing constraints that slow down the creation and expansion of businesses and jobs, particularly in the SME sector.

Taking steps to improve governance is also vital. This is a continuing theme throughout the paper and appropriately so. In fact, the information in this paper shows why the MDGs in their current form are deficient—good governance is essential, as stressed by Mr. Bennett. It is particularly important to recognize that increased transparency costs little in financial terms but has enormous payoffs. The information on Uganda in Box 2 is illustrative and powerful.

Despite progress on some aspects of macroeconomic management, fiscal policy and debt sustainability remain serious concerns in many countries. In addition to better tax collection and prioritization of spending to favor pro-poor

outcomes, greater emphasis should be given to grant financing to curtail the buildup of debt in developing countries. Donors and the multilateral development banks should not contribute to debt sustainability concerns.

While increases in infrastructure investment could help support growth in many countries, fiscal constraints and debt sustainability must be kept in mind—again, arguing for grant assistance in many cases.

Developed Countries' Policies

Although the attainment of the MDGs will depend primarily on developing country actions, developed countries also have a role to play. The United States is taking important steps to support development, notably through the Millennium Challenge Corporation, which has selectivity linked to good policies as its centerpiece, and increased assistance to combat HIV/AIDS.

With respect to trade, we strongly support the priority the report gives to an early and ambitious outcome from the Doha Development Agenda, and we are actively working toward that end. However, we believe that prescribing particular target outcomes as done in the report is not helpful, as that is the proper work of WTO negotiators.

It is also important that the paper maintain balance in its criticism of trade practices. Developed countries can lead the liberalization process, as we believe the United States has done with its efforts to restart WTO negotiations and through additional free trade agreements. Part II of the paper quite rightly points out that for developing countries to realize the benefits of trade, though, they too need to reduce their own trade barriers substantially, and much work is needed to support improved behind-the-border conditions. But we are concerned that in the Overview's trade section, U.S. cotton subsidies are singled out while no mention is made of some other developed countries' agricultural trade protection, which, as Part III Chapter 10 notes, is much higher than that of the United States.

Unwarranted prominence is given to U.S. fiscal and current account deficits as a key downside risk – a topic given more than adequate coverage in numerous World Economic Outlooks, Global Financial Stability Reports, and Article IV discussions. U.S. current account deficits predominantly reflect sustained divergences in the relative growth rates of the United States and its major trading partners, with the United States making the major contribution to the global recovery. The financial flows corresponding to the U.S. current account deficit have been provided willingly and primarily by private sources. And, contrary to the report language, show no signs of slacking off. The focus should be on assuring that all of the developed countries are achieving strong domestic demand-led growth and thereby serving as engines of growth for developing countries.

We were also disappointed to see reference to a need for an additional US\$30 billion a year in assistance. In fact, the paper that is cited to justify this statement contained a considerable number of caveats. Even for the US\$30 billion number, it indicated that policies would have to improve considerably in order for this money to be used effectively. This judgment—that substantial increases in development assistance would be wasted in the current policy environment—is clearly demonstrated in the parts of the paper on developing countries' policies. Also, on a small but important point, the reference to an international consensus on 0.7 percent of GNP as a target for ODA should be deleted. The United States has not signed onto this. Perhaps the report could instead use language consistent with the Monterrey Consensus that urges efforts toward achieving a level of 0.7 percent.

On the International Financing Facility (IFF), as we have said before, it is not cost-effective for the United States and our budget system would prohibit our participation. The report mentions that the IFF is technically feasible, but should better reflect the limited support for this proposal. We continue to believe that the most appropriate means for increasing development assistance is through direct legislative approval, as we have done with our Millennium Challenge Account and funds to combat HIV/AIDS.

Future Global Monitoring Reports

We agree that future reports should be shorter and provide a more focused look at one or two areas important for achieving the development goals. We suggest that the next report focus on the policies and institutional reforms important for supporting private-sector-led growth. Such a study would benefit from the coming World Development Report's look at investment climates. We would also welcome a more focused look at what is needed to improve governance, most notably public sector expenditure management.

Extending her remarks, Ms. Lundsager appreciated the discussion in the GMR on remittances, in particular on the importance of those flows both from the national point of view and the local point of view. Finally, during the World Bank discussion the day before, it was mentioned that a redraft of the Executive Summary or the paper that goes to the Development Committee would be recirculated to Directors, and she wanted to ensure that this was the case.

Mr. Brooke and Mr. Droop submitted the following statement:

Like other Directors, we very much welcome this first annual report. It makes a valuable contribution to our understanding of the progress made towards achieving the MDGs and the outstanding constraints that need to be addressed. Clearly this exercise has triggered a lot of new and useful analysis, not least with regard to developed countries' policy frameworks. We hope that these tools can continue to be refined and strengthened for future reports.

We welcome the opportunity to give our views on how to maximize the value-added that this report can bring. It has an important role to play in facilitating the Development Committee's strategic oversight of, and decision-making around, the development policy agenda. It will also help promote understanding of, and political commitment towards, the MDGs in all of our countries. But perhaps most important is its role in reinforcing accountability against the commitments made at Monterrey. To maximize the chance of achieving these objectives, we agree with Mr. Duquesne and Mr. Bennett that the report should develop a more structured set of priority actions—which can allow for key strategic issues to be discussed by Ministers and enable them to commit themselves to specific actions over the course of the following year.

We think this first GMR contains sufficient material for just such a list of priority actions to be brought out in the Issues for Discussion section of the Executive Summary. Instead of simply seeking guidance on the future role of the GMR in facilitating strategic discussion, the questions should actually seek to prompt such discussion by referring to, and seeking views on, the key themes and priorities for action. In this context, we also feel that there should be a fourth bullet point added under 'Priorities for Strengthening the Monitoring Exercise', focusing on the need to establish a more structured framework for reporting key priorities in order to facilitate strategic discussion and to reinforce accountabilities.

We broadly agree with the priorities for action set out in the paper. We would only add that, with regards to developing countries, we need to give due weight to the importance of sound financial systems and the implications of HIV/AIDS. On the developed country side, we strongly endorse the messages on trade liberalization and greater flows of more effective assistance. The section on Global Public Goods could be more robust, however.

We agree with others who have noted that the IFI section could be strengthened. A deepening of the IFI assessment will be a key priority for the future work program together with greater inclusion of work on the voice agenda. There is also an issue of objectivity and independence around the IFI section. Are the Bank and Fund best placed to lead the analysis of priorities for the IFIs? We need to think about this issue for future iterations.

More specifically on the role of the Fund, we feel there needs to be a stronger linkage made between the findings on priority actions in the developing countries section and the question of Fund program design as well the linkages to the MDGs in PRSPs. For example, in light of the report's findings, are Fund programs focusing enough on improvements to governance, public expenditure management, property rights, investment climate and financial systems? And, are PRGF growth assumptions sufficiently prudent? We agree with the report that more research is needed on the links between policies and outcomes. PSIA can

provide an important tool to achieve this and should be given more weight in the text.

The report clearly highlights the immense challenge that exists in strengthening data and statistics. But we also need to make full use of the information we already have. In particular, the analysis of developing countries would have benefited if the disclosure of CPIA ratings was not restricted. We hope that this issue will be resolved in the future. The report could also have made more use of the wealth of analysis that exists in individual country PRSPs.

We have a number of other more specific points on the substance of the report which we will pass to the staff bilaterally.

We thank the staff for all the work that has gone into this exercise and are pleased by the collaborative way in which the process has been handled. We look forward to seeing the next draft of the Summary and Overview sections, incorporating the suggestions from Directors.

The staff representative from the Policy Development and Review Department (Mr. Boughton), in response to questions and comments by Executive Directors, made the following statement:

I will comment on Directors' statements, but would like first to give a quick overview of the discussion held yesterday afternoon at the World Bank with Directors meeting as the Committee of the Whole. It is fair to say that the overall reaction of the Bank Board was to welcome the report and generally to welcome the content of the report. The staff were particularly grateful for Mr. Duquesne's recognition that the Global Monitoring Report has the potential to become a flagship publication for the Bank and the Fund. We hope that it will play that role and will stand alongside the World Economic Outlook, the World Development Report, the Human Development Report at the UNDP, and other publications, as a vehicle for getting messages out not just to our own Ministers but to the public at large.

On that list, it should be pointed out that the GMR is unique in being a joint report of multiple institutions with the Bank and the Fund in the lead, but with quite substantial collaboration having taken place at every stage in the preparation of the report. This poses particular challenges, and I would like to pay particular tribute to Mr. Zia Qureshi from the World Bank, who almost single-handedly pulled together all of our inputs and turned this into a readable report. In this regard, Mr. Callaghan raised an important question in asking who the audience would be for a detailed report of this nature. The report has two forms and two quite different audiences. There is a short form for the Development Committee Ministers that will need to be refined over the next few weeks, and a longer form for which the audience is the whole development community. It is similar in nature to the audience for the World Economic Outlook. We would expect

development agencies, parliaments, NGOs, and analysts in general to be interested in the report.

At the Bank Board meeting, Directors made a number of specific suggestions for strengthening the report. Many of those were similar to points made in the preliminary statements for this meeting. I will mention three points that are of particular relevance to the work of the Fund. First, several Directors have suggested that there should be sharper treatment of the IFIs in general and of the Fund in particular. The staff tried in preparing this report to be as open and as self-critical as could be done. We tried to draw heavily on the work of the IEO and of the Bank's OED to elicit independent views.

Second, at the Bank meeting there was quite a bit of discussion on the concept of creating "fiscal space," i.e. budgetary room for low-income countries to spend what is necessary to achieve the MDGs, which falls within the mandate of the Fund. We have to base our own policy advice and our financial support on sound macroeconomic policies, and in particular, on fiscal responsibility. The question remains how an appropriate degree of flexibility can be introduced to support development plans without sacrificing the principle of sound management of an economy. To some extent, it is a question of introducing the right policy reform mix. To another extent, it is a question of promoting better and more grant financing by donors. The message received is that the staff needs to delve more deeply into these issues in the coming months.

Third, many Directors pointed out the need to improve the quality of data, particularly when dealing with low-income countries. We are at an early stage of trying to develop comprehensive data on many of the variables related to the MDGs. Some of the models and the indexes that are used to analyze these data are also at an early stage of development. In this report, we are using two new indexes that were developed at the Bank in the past year: the Overall Trade Restrictiveness Index (OTRI); and an Aid Selectivity Index, also developed at the Bank by David Dollar and Victoria Levin.

Initial reaction to these innovations has been mixed. Some people have found these to be quite useful innovations that have moved us a long way toward being able to analyze data in a more comprehensive manner than before. Others have questioned some of the results. Whether reactions are positive or negative, the point was made yesterday at the Bank that there seems to be a fairly high correlation between the indexes and how well a country fares. That is not to suggest that the staff are completely satisfied with the indexes as they now stand. They need a lot more work, and we recognize that.

Mr. Callaghan and his colleagues at the Bank raised specific questions about the quality of the data on tariffs and nontariff barriers that were used for Australia and New Zealand. The staff is still looking into those issues. Bilateral discussions are taking place, and there seem to be some data errors. There also

may be data errors for other countries. If there are, the staff will try to correct those before finalizing the paper.

Mr. Duquesne asked about the methodology underlying the Aid Selectivity Index. All that can be said at this time is that the authors of the index have scheduled a seminar at the Bank to take place next Tuesday, which should clear up some of these questions.

There were other points raised by IMF Directors in their statements. Mostly, these points could be taken on board and revised in the paper over the next few weeks. In particular, we need to tighten up the treatment of the key priorities in the Executive Summary and in the messages we give to Ministers.

Mr. Callaghan also asked whether development aid might have the same kind of deleterious effects on behavior and incentives that have been associated with national resource windfalls, such as Dutch Disease. The short answer to that question is yes, it can. The staff in both the Fund and the Bank have been very concerned about the possibility of negative incentive effects from increased aid flows, and there has been a lot of discussion recently about the results-based agenda on which the Bank has been focusing heavily. It is also part of the reason that we push in this paper for donors to be selective in allocating aid to countries with strong policies and institutions. It is also a reason why the Fund needs to focus its own conditionality on institutional policy reforms where those issues are of critical importance to achieving program goals.

Mr. Brooke asked whether Fund-supported programs take adequate account of some of the key issues that are raised in the GMR about governance and institutional reforms. There is a balance that has to be struck in this regard. The Fund has new conditionality guidelines and is attempting to better focus conditionality and policy advice on issues that are of critical importance. Where issues are of critical importance and yet fall outside of the Fund's areas of expertise, the Fund needs to collaborate effectively with the Bank. There will be a review of the conditionality guidelines later in 2004 that will take up this issue.

Mr. Brooke also asked whether PRGF growth assumptions are sufficiently prudent. Again, it is a difficult issue, but the staff is concerned about it and will be examining the issue in the work program over the coming months.

Mr. Callaghan stated that the Overall Trade Restrictiveness Index was presenting very different results from other measures of trade restrictiveness. At the least there seem to have been classification errors in the treatment of general excise taxes that apply to domestic and imported goods. Those errors raised the question as to whether there were other errors. Looking at the significant differences in the treatment of many countries in comparison to Australia and New Zealand on trade restrictiveness as indicated by other indices called OTRI into question. There should not be fundamental flaws in what the staff were attempting to present as a flagship publication.

Mr. Misra made the following statement:

I would like to thank the staff for a well-presented report on achieving the MDGs and related outcomes. While I agree with many of the conclusions drawn, I wish to comment on some issues brought out in the report.

As an analytical document, the report provides deep insight into the challenges we face in achieving the MDGs. Monetarily, countries committed themselves to 0.7 percent increase in aid by 2006. This will increase the ODA to US\$77 billion from a 2002 level of US\$58 billion. We note that thus far countries have fallen short of commitments, and that debt forgiveness or aiding the war on terror are crowding out development aid.

Regarding bilateral assistance available for project or program assistance, as opposed to 60 percent in the early 1980s, official flows for developing countries have declined sharply. There is no clear picture emerging that donors are moving towards targeting more for countries that have better policies and institutions. The report indicates improvement in governance and institution building in South Asia, but it received the lowest per capita aid. The donor fragmenting index remains high, imposing a high index cost on recipients.

On liberalization of trade the report states that high income countries must live by example, and be accountable for the trade protection that they impose. Developing countries are affected five times more by trade protection than developed countries. The IFIs and foreign investors have allowed standards to be defined by the demands of labor flexibility defined by few longer-term benefits to meet short-term demands. This should not be what the world community means by labor market reforms. At the same time, recent calls for limits on offshoring of labor could have a limited effect on trade, and goes against the logic of liberalizing trade and services, and increasing overall productivity. Enhanced freedom for temporary movement of service providers could have been given greater emphasis in the report.

The responsibility of the development agenda largely falls on the developing countries themselves. Improvement in fiscal management, enhanced revenue collection, accelerating structural form and public sector management, and improving public expenditure management are key areas which need to be addressed by the developing countries. The ultimate analysis of sustainability of development also largely depends on the developing countries themselves.

In conclusion, the Global Monitoring Report on achieving the MDGs is an excellent document, considering that it is the first report. I would like to place on the record my appreciation of the work done by the staff of the Fund and the World Bank.

Mr. Roovers made the following statement:

First of all, let me thank the staff for this comprehensive report, despite its overall disappointing message on the lack of progress towards the MDGs. Indeed, the report is so comprehensive that it is somewhat difficult to get a grasp on the specific outcomes and policy messages. I agree with Mr Callaghan, Mr Bennett and others that, in order to attract a broader audience, the Executive Summary deserves more bite and focus as reiterated by Mr. Boughton. In particular, it seems that the role and priorities of the multilateral institutions, including the Bank and the Fund, could also be spelled out more clearly. Generally, I support the main thrust of the analysis and related priorities for action.

For the developing countries, these priorities lie in accelerating the reform effort and integrating the MDGs into national policy strategies. In case of low income countries, the nationally owned PRSP offers a unique way to tailor the MDGs to country specific needs. Generally, improving governance and enhancing institution building appear central to the MDGs success. In this respect, I much welcome regional initiatives, such as NEPAD, that aim to strengthen institutions. Clearly, improvements in this area would be mirrored by an increasing willingness to provide, and capacity to absorb, donor support.

For the developed countries, priority action lies in the area of trade liberalization and donor support. In mobilizing the necessary resources, as stressed by Mr Duquesne, the first priority is to adhere to the UN target of 0.7 percent of GNP for ODA. In this respect, the apparent drive towards more concessional lending by the IFIs would in my opinion only be second best. Moreover, more can be done to adhere to the Rome declaration on harmonizing development aid.

For the IFIs, their role is less clear cut, and perhaps would have deserved more specific attention in the report, particularly given the fact that it has been prepared by the World Bank and the Fund. It would have helped if the respective roles and priorities of the institutions had been more clearly defined, where it is striking that the role of the UN is not spelled out at all. After all, the UN has been the main driver behind the MDGs in the first place.

Perhaps it would be fruitful to make this global monitoring exercise more of a joint venture between the relevant institutions in order to enhance the 'global' character of the report. This would imply that the UN, WTO, MDBs and OECD would co-share the responsibility for global monitoring. As it stands now, it still is a Bank-Fund report. In the same vein, I support the notion that selectivity of agency programs should be increased in line with comparative advantages and mandates. Enhanced co-operation would in this respect not only create greater systemic coherence, but also a better and more efficient division of labor.

Specifically on the role of the Fund, this is more or less indirectly related to the MDGs by fostering an environment of macro-economic stability conducive to growth, private initiative, and poverty reduction. The Fund is involved with a mix of instruments, in terms of surveillance, technical assistance and program relationships, but this by no means implies a long-term financial relation. Indeed, such a relationship would add to problems of debt sustainability. The role of the Fund in low income countries is clearly evolving. I will not repeat here the previous deliberations on debt sustainability analysis and Bank-Fund collaboration, nor pre-empt the Board discussion planned for next Wednesday.

Nevertheless, the report could perhaps have been more visionary on the role and priorities of the Fund in the context of the MDGs. For example, an assessment could be made of the success of PRGFs, not only in terms of better expenditure targeting, but also in the actual outcome of poverty reduction. Another question that would perhaps deserve more attention is how the Fund could catalyze more donor resources in its signaling through programs and surveillance and in the PRSP-process, while being restrictive in its own lending.

Mr. Lombardi made the following statement:

First, I want to express our appreciation to the staff for writing this report. I want to also thank Mr. Boughton for providing us with his latest comments. These reports provide a comprehensive, integrated, and well-substantiated picture of progress made towards the MDGs, and we broadly agree with the general identification of priorities for action.

We agree with the need for all partners to scale up action at various levels. However, given limited resources and capacities, it is not possible to scale up on all fronts at the same time and with the same intensity. The analysis in the report constitutes a good basis to determine broad directions for future action, but the report should also have been more realistic—selectivity and sequencing will be required as partners renew their focus on the MDG targets. The report should have pointed out how this can be achieved in ways that will support the MDGs. As Mr. Bennett has pointed out, the report could in general highlight the most important short-term concrete actions to be taken in aggregate and at a country level. The following comments are offered with this general premise in mind.

First, as stated in the Overview the policy agenda for achieving the MDGs is broad. One of the key contributions of the report could be in helping to better focus the agenda. In order to do so, the report should point out more clearly the degree of priority of the various areas of intervention it highlights. This is critical to the effectiveness of aid. Paradoxically, this also the area where improvements have been markedly low with most countries lagging behind. The high priority that should be attached to reforms in this area and sense of urgency could be conveyed more strongly in the Executive Summary.

Second, the depth and relevance of conclusions are fairly general across various parts of the report. The analysis is more substantive on developing countries than developed countries, and there could be improvement in this area. With respect to developed countries, several of the identified priorities relate to trade that are extremely important for development and the MDGs but far beyond the competencies of euro area members. It is therefore arguable whether reform targets in these areas as stated in Executive Summary would be more useful in the context of a general discussion in line with that of developing country reforms.

On the role of IFIs, there is a need for future GMRs to be more focused on their relational impact in terms of outcomes. In reference to the Fund, it could be underscored that the surveillance framework could be further refined by tailoring it to the specifics of low-income countries and their policy priorities. Article IV reports should discuss, for instance, how a country's policies relate to the broader context of the MDGs and what corrective actions should be taken. More emphasis should be placed on the sources of growth and how they may translate into poverty reduction. The social impact of relevant macro policies should also be explored. In reference to program design, we support the suggestion that an evaluation needs to be made on how much the PRGF has been successful not only in terms of spurring growth but in terms of reducing poverty.

As a concluding remark, focus on cooperation between donors and developing partners on achieving the MDGs needs to be strengthened in the report. This is necessary for the report to be able to provide persuasive arguments for greater focus and clearer sense of prioritization across policies and actions to achieve the MDGs. Looking ahead, we share Mr. Bennett's suggestion to identify lists of countries ready to absorb substantial aid. Countries on this list could catalyze their efforts in finding donors to provide the necessary aid.

Mr. Farelius made the following statement:

I would like to start by welcoming the opportunity to discuss this important issue. The report, which is balanced and informative, provides a good basis for discussing the future challenges in meeting the Millennium Development Goals during the upcoming Development Committee meeting. As others have noted, the report would have been even better if its key messages had been better targeted. One way would be to merge the Executive Summary and the ensuing Overview into one chapter. As it now stands, there is some overlapping.

On the policy recommendations and conclusions, the report rightly states that aid flows need to rise well above current commitments in order for us to become closer to meeting the MDGs. We also have to make sure that countries can adequately use these new resources and that the absorptive capacity is improved.

I note the emphasis the report correctly puts on the need to accelerate economic growth. In this regard, fostering better institutions and market friendly environments is key. As also stated in the report, economic growth itself is not enough. Moreover, as noted by our former councilor in an article last summer, accelerating growth is a much more complex process than simply accumulating physical capital. Today, “soft facts”, such as institutions and governance matter just as much, and probably more.

Going forward, the responsibility of meeting the MDGs is shared between the advanced and developing countries, in the spirit of Monterrey. In this respect, trade is an important factor for growth, and here it is clear that much more needs and can be done by all parties involved.

On the IFIs, like Mr. Callaghan and Mr. Francis, I think that the report could in general be more critical. As it now stands, the report only lists the functions of the respective multilateral institutions. A more in-depth analysis of areas which are in need for improvement would be welcome. We will, of course, gain more experience on this issue as we discuss the Fund’s role in low-income countries.

To conclude, this chair welcomes the opportunity to discuss the first report on this issue. In essence, meeting the MDG’s should not be viewed as the final goal for low-income countries. As noted by Mr. Rogoff in the article just referred to, growth and macroeconomic strategies need to help people move beyond just achieving the MDGs. The “M” should in this respect stand for “minimum” rather than “millennium.”

Mr. Zurbrugg made the following statement:

I thank the staffs of the Fund and World Bank for this comprehensive first report. It contains a host of valuable information on how international and interagency collaboration is evolving in our common work towards the Millennium Development Goals. However, we agree with other Directors that the paper intended for submission to the Development Committee should seek to bring out the main messages of the report more succinctly. This is important, since these annual reports should provide the primary instrument of the DC’s oversight of progress towards the MDGs. Such improvement would also be important for the report to become what other Directors have termed a ‘flagship publication’.

The report is clear on the urgency for all parties to step up efforts. However, as Mr. Callaghan and Mr. Francis state, the primary question is not what is needed to advance more evenly towards the MDGs, but why these actions are in many instances not taken. We agree that the country examples in the report are more instructive in this regard than the assessment of prospects to meet the

MDGs at the global or regional level. It is at the country level that attainment of the development goals need to be assessed.

An increased focus in forthcoming monitoring reports on the country level would enable more concrete recommendations for action, and a more focussed discussion. I agree with Mr. Bennett that this would be strongly desirable. Increased focus should of course be applied to developing and developed countries alike. Future reports should expand the assessment of policies in donor countries, and allow for more comparisons, including on overall policies towards lower-income countries. Work might also be undertaken to understand what lies behind the increasing level of 'donor fragmentation', and what causes certain countries to be more selective than others in providing aid. Collaboration between the Bank and Fund staffs with the OECD's DAC would be instrumental in this regard. I would appreciate staff's comments on how this cooperation has evolved so far.

I also agree with Messrs. Callaghan and Francis that future reports would also benefit from a more in-depth analysis of how the IFIs are contributing towards the MDGs. Future reports should elaborate in more detail on how the IFIs and other multilateral agencies can best use their respective strengths and advantages, and how they can best cooperate. As regards the Fund role, while we agree with Mr. Meissner and Ms. Reichenstein that it is fulfilling its mandate in the low- and middle-income countries, I believe that the Fund's policies and instruments can be further refined. The Fund's primary contribution should be through surveillance and technical assistance, in coordination with the donor community. Financial assistance on concessional terms is an important complement, but transition to surveillance-based relationships with low-income countries should become the norm.

On some more specific points, we believe that filling the gaps in countries' statistics systems to monitor development outcomes is indeed important. There is thus much merit in the Marrakech action plan described in Box 2 of Part I. At the same time, we would caution that assessing statistical capacity will be costly, both in terms of low-income countries' resources, and of ODA that could be allocated to alternative ends. Efforts should therefore concentrate in areas where tangible benefits are likely. Further, we welcome the treatment of environmental sustainability in the report. Future reports should expand on this work, also from a developed country perspective.

Mr. Dairi made the following statement:

The staff paper provides a candid and balanced assessment of progress so far under the Millennium Development Goals, and the close collaboration between the staffs of the Bank, the Fund, and other agencies. Preparation of the report is particularly praiseworthy. We support the broad priorities for action.

Almost four years after they were adopted it is sad that the MDGs will not be met in most countries. Hunger has risen significantly across countries within Sub-Saharan Africa and progress lags far behind the achievement called for across all regions. The most important message of the paper is that the MDGs will not be achieved given current trends, and that there is a need to scale up actions significantly and swiftly with full commitment and stronger implementation from all parties involved.

However, many developing countries followed adjustment and reform policies that have improved economic performance as well as capacity resources. Sub-Saharan Africa has the most difficult task in view of the region's poor initial conditions compounded by heavy exposure to shocks, primarily commodity export prices, HIV/AIDS and other pandemics. We agree that Sub-Saharan Africa needs a doubling of its growth performance to make a significant dent in poverty.

In accelerating the pace of growth in developing countries, we agree with the staff and other Directors on the importance of sound macroeconomic policies and institutional reforms, and good governance in fostering private investment. The role of infrastructure is rightly emphasized and resources should be mobilized for its financing. Also important is the engagement of human capital in developing countries, calling for empowerment of an investment in the poor and fuller participation of women in economic activities by addressing existing barriers. We agree that better empowerment of the poor requires an increased voice in the decisions that affect them.

In addition to improved access to basic services, many low-income countries need an appropriate social safety net to absorb exogenous shocks, including the social fallout of reforms. Furthermore, as rightly underscored by Mr. Roovers, growth per se is not sufficient in reducing poverty. Improving distributional equity is crucial.

The complementary role of developing and developed countries is critical for the achievement of the MDGs. Severe shortcomings in this regard as noted in the paper are therefore a matter of great concern. In particular progress seriously lacks commitment in most areas, contrary to the multilateral vision which emphasized partnership in achieving the MDGs. We agree with the staff and many other Directors that advancement on market access should be a key priority for developed countries to make maximum impact on the MDGs. Trade liberalization remains one of the key points in prescriptions for developing countries. Many of these countries have made significant progress in this area on a much larger regional basis, while many developed countries maintain tariffs and other restrictions that hinder developing countries' exports. Huge agricultural subsidies to farmers in developed countries continue to hurt production in exports in agricultural dependent developing countries and undermine productivity gains. We join the staff and many other Directors in asking developed countries to eliminate tariffs on manufacturing and agricultural

products and to phase out agricultural subsidies as well as discriminatory particulars including nontariff barriers which remain high in OECD countries.

We also call on developed countries to improving access of developing countries to the export of services and temporary migrants. It is important that progress on this front is well-sequenced and well-tailored to countries circumstances with due consideration to the need for special and differentiated treatment, and that significant financial and technical assistance is provided to help developing countries reap the full benefit of liberalization.

Like Mr. Callaghan, we have reservations on the OTRI and will address the issue with the staff bilaterally. The critical need for aid flows above current levels is rightly underscored in the paper. Increasing ODA to an agreed level of GDP will go a long way in raising growth in developing countries. It is essential to increase the share of grants to enhance the prospects for debt sustainability in developing countries. Improved selectivity of aid based on country needs assessed by poverty surveillance instead of policy factors would be essential. Provision of aid based solely on the strength of policies and institutions may reorient all of aid toward countries who need less. These countries are in a position to mobilize equilibrium resources and attract private capital. Aid should be used as an incentive to countries to strengthen their policies and institutions. The approach proposed by the staff would make the situation of the poor more dire in countries where sufficient consensus or sufficient capacity for sound policies is not available. There is a very delicate balance between providing the right incentive to countries and while also contributing to the alleviation of hardship on the poorest.

The staff paper rightly underscores the link between sustainable development and environmental sustainability and calls on developing countries to honor the international responsibilities in this regard. However, it fails to assess the extent by which developed countries cause most of environmental damage and pollution, and the extent to which they have made progress in honoring their own responsibilities. Indeed, while Figure 1 in Chapter 8 indicates positive progress in developing countries for 2000-2003, the environmental policy indicators for developed countries—where availability of data and the capacity for monitoring processes is not an issue—does not go beyond 2000.

While recognizing progress made by IFIs in promoting the MDGs by enhancing development effectiveness, we agree they need to do more. As the paper notes, the IFIs need to continue to define instruments and further progress is needed in the area of results monitoring and evaluation, as well as in better assignment of ROSCs, enhanced coordination of interventions, and greater accountability. Moreover, efforts are required to improve country ownership. In this connection, the IFIs must increase the voice and participation of developing countries in their decision-making processes to enhance consensus building and country ownership of policy. Staff comments on this issue would be welcome. We

encourage the IFIs to reinforce their role in mobilizing ODA resources and promoting FDI flows to developing countries, and support the call for country assistance for the costs associated with implementation of trade liberalization policies by developing countries.

The IMF also needs to strengthen its role in international policy coordination through its bilateral and multilateral surveillance, so that all member countries honor the responsibilities under the Articles of Agreement. The IMF must act more forcefully so that all countries contribute their share to address global imbalances with due attention given to development and poverty reduction needs. The importance of effective monitoring of progress on the MDGs is rightly underscored in this paper. For this purpose, we agree on the need for accurate and timely development statistics and deeper research into determinants of growth. To be effective, monitoring would need to be based on more monitorable targets and indicators. Further, it should be a collaborative and coordinated effort involving in all parties. Staff comments on the role of stakeholders in the monitoring process would be welcome.

Finally, there may be a need to formalize the global monitoring exercise proposed in the paper. In this respect, a monitoring body comprised of all parties and under U.N. oversight might be considered. In order to eliminate any perception of conflict of interest arising from the heavy weight of advanced economy negligence of the decision-making process in the IFIs and in ODA, it would be helpful to involve the U.N. and stakeholders more in the drafting of the report as suggested by Mr. Roovers. The report should always be published ahead of the Development Committee meeting in order to provide all stakeholders with the opportunity to comment in a timely manner.

Mr. Bakhache made the following statement:

We welcome the first annual Global Monitoring Report that is comprehensive, well-written, and serves a good purpose. The report clearly documents the wide gap that exists between the current poverty indicators and the MDGs, as well as the tremendous efforts required from all those involved in the fight against poverty to close this gap. Policy actions of developing and developed countries as well as multilateral institutions to fight poverty should be undertaken in the context of a comprehensive strategy for each country. Efforts should be coordinated and harmonized to maximize the return to each dollar in foreign assistance and minimize overlap and potential contradiction in policy advice and technical assistance. While a comprehensive approach to development that addresses all aspects of economic policy is the best move forward, like Mr. Lushin and Mr. Lissovolik we believe that attention to sources of growth should be at the center of these efforts. The World Economic Outlook indicates that the relative success of different regions in reducing poverty appears closely related to growth performance. Halving extreme poverty by 2015 in Sub-Saharan Africa would require a considerable increase in the growth rate of this region.

Developing countries should pursue policies conducive to growth by liberalizing their economies and allowing the private sector to explore their economies comparative advantage. Higher aid levels and technical assistance would certainly be helpful in this regard. Most critical, however, is the ability of developing countries to access markets in industrial countries, which depends on the elimination of protection of agricultural and textile industries, and more generally on moving forward with the Doha Round. In this regard, I broadly share the comments made by Mr. Dairi. We strongly believe that achieving the MDGs without excessive reliance on foreign assistance and over-stretching the domestic resource base requires serious action on this front. The monitoring effort of IFIs should include at its core the assessment of progress and the need for action in this area. We expect upcoming Global Monitoring Reports to continue to report on these issues.

With regard to other areas of relevance for developed countries, we associate ourselves with the views of Ms. Indrawati, Mr. Al-Turki, and Mr. Misra. Commitment of resources and disbursements need to increase in line with the requirements to meet the MDGs and the ability of low-income countries to absorb aid. The delivery of aid monies is best done in a way that allows a certain degree of flexibility for the recipient country to direct resources to areas that require most attention and where return can be optimized.

With regard to issues related to developing countries, we agree with the broad message of the Global Monitoring Report, but like others, we hope to see more a focused message conveyed in future reports.

Ms. Dupont made the following statement:

I thank the staff for the great effort that has produced this report. This first Global Monitoring Report helpfully provides many new ideas for increasing the effectiveness of the countries' development policies and of international development support. Today I want to focus on how we can best use it. The Global Monitoring Report should be more than a background report for the Development Committee. I see two real contributions it can make: it can enhance cooperation among the agencies engaged in helping countries reach their Millennium Development Goals; and it can provide a clear view of how those goals can be reached.

Closer cooperation among the agencies will provide for better sharing of experiences, induce more effective policies and avoid duplication of effort. The report is mainly a distillation of the efforts of Fund and Bank staff, although there was indeed collaboration with the United Nations and other multilateral agencies. For all its close involvement, the UN currently has no similar all-encompassing report that focuses not only on money issues but also on policies. Would it be possible for the IMF and World Bank staffs to work even more closely with the UN and for the UN then to endorse the resulting report? Could the report be a

flagship publication of three institutions or even more? Shared responsibilities make the need for closer cooperation clearer. Close cooperation would help avoid wasteful overlaps and provide a platform for sharing experiences and research.

The report should also be used to get clear messages out to all parties involved. As I said, this report contains a lot of interesting information. Its main messages however should be better articulated and stressed. It should be clearer from the executive summary and the overview where the future focus should be for developing countries, developed countries and IFIs. A clearer focus on the main messages is also essential for the background report to the Development Committee.

In my view, one of the messages that should come more to the front is the importance of improving public sector governance in developing countries. Economic growth alone cannot reduce poverty. Growth has to go hand in hand with improving governance and strengthening institutions. According to staff, many improvements can be made in this area.

Another message worth stressing is the importance for the developed countries to keep the promises and commitments they made at the high masses of development cooperation held in places like Monterrey, Cancun, and Doha. The figures cited by the staff on what is needed and the comparison with development assistance provided in the past are very interesting. Improve cooperation between donors is a second clear message to be given to developed countries.

Like others, I was disappointed by the meager descriptions of the Fund's priorities for action. This voluminous report could find stronger messages than simple recitations of what is already planned. The priorities described look very much like the topics already on the agenda. The report can provide an abundance of inspiration concerning how the IFIs can do better and how they can refocus their efforts. Why not propose to focus more on governance and building institutions for example?

So the main messages should be made clearer. These improved, well-stated messages should then be disseminated broadly. There are many parties interested in the MDG effort that would all benefit from this reports' analysis. So I welcome the staff's assertion that they are looking for a broad public for the Global Monitoring Report. Stronger, better organized collaboration among agencies would help. Agencies that have provided inputs to the report and endorsed the report are more likely to pay attention to its messages and pass them on to their members. It is not only the activities of developing countries that benefit from ownership.

Mr. Zheng made the following statement:

We thank the staff for the comprehensive and informative report, which is an important step towards the MDGs. An annual Global Monitoring Report to the Development Committee could provide a timely assessment of priorities for action. We agree with staff's views of the progress made by various parties and the priorities identified for the discussion of the Ministers.

Since 2002, countries as a whole have made sustained progress in improving macroeconomic stability by improving policy soundness. Most of this was achieved with implementation of the IFI- and bilateral donor-supported programs. As economies grow, especially in the private sector, developing countries in general have improved. The private sector has thus begun to play an increasingly important role in economic activities. Meanwhile, private sector governance has also appeared to be strengthening in developing countries through the enhancement of transparency and accountability. Nevertheless, as the report shows, progress has been uneven in terms of the distribution between countries of different regions. Moreover, a number of key MDGs will likely be missed. In this connection, we agree with Mr. Usman and many other Directors that more resources should be mobilized by the international community—continuously and coherently. The comparison between the foreign aid to developing countries and domestic subsidies to agricultural production by developed countries is useful. I encourage the staff to continue to explore similar analysis in the hope that this issue might come to the attention of policy makers of industrial countries as well as multilateral organizations.

On other issues, I express my full support to Mr. Usman and that we attach broad importance to trade issues and to make the Doha Round productive. To pursue development trade policy, developing countries need to increase exports of high technology and environmentally friendly technology, instead of exporting primary goods or transferring energy for high protein industries.

Extending his remarks, Mr. Torres made the following statement:

I would like to thank the staff for a good and useful document, and associate our chair with Mr. Misra, Mr. Dairi, and Mr. Bakhache on the relation between trade and the fulfillment of development objectives. It would be useful if this document could help to focus Ministers on the coherence between debt sustainability and trade policies. It would also be useful if the staff drew some conclusions from the Asian crisis. The prices of commodities lowered as a consequence of the crisis, triggering procyclical subsidies in developed countries to further depress commodity prices, and worsen current accounts in developing countries. As a consequence, hardship was placed not only on the populations in developing countries, but also on the developed countries that were required to replenish the IFIs to contain the crisis with public funds.

So, basically the consumer and the taxpayer in developed countries had to pay for procyclical subsidies that made the crisis worse, and had to pay as well for the support that was provided to developing countries to contain the crisis.

It is also interesting to point out that, with commodity prices presently quite strong, it is a good time to tackle reforms that have not been implemented. Reform of procyclical policies in developing countries should be tackled at this time, and Ministers should reflect on this issue.

I join my colleague, Mr. Dairi, on his points on the environment. If the staff focuses on the consequences of production methods on the environment, there will be a bias towards pointing out shortfalls in developing countries. A proper analysis should consider the consequences on the environment of externalities associated with consumption in developed countries.

Extending his remarks, the staff representative from the Policy Development and Review Department (Mr. Boughton), in response to questions and comments from Executive Directors, made the following statement:

I will focus on a few key points and reiterate that many of Directors' comments will be quite helpful in revising the paper over the next few weeks.

Mr. Dairi raised the issue about the timing of publication. We would like very much to be able to take advantage of the interest that there will be on this subject in the run-up to the Spring Meetings. Yet it appears that it will not be possible to make revisions and get the publication out by that time. There might be other formats that could be used to get the message out at the Spring Meetings.

Mr. Callaghan raised quite valid questions about the Overall Trade Restrictiveness Index. There are two issues that need to be looked at. One is the issue of the data that the staff is collecting from national sources to use in the model to get an overall picture of trade restrictiveness. The other issue is the model itself, which is a complex exercise. At the moment, the major problems appear to be isolated in the quality of the data in a few cases. If excise taxes have been interpreted as tariffs, this needs to be corrected. If the model itself were causing large problems, the staff would expect those problems to be diffused across more countries. Since it seems to be isolated in a few cases, the staff need to make sure we deal with these problems in the short term.

Several Directors have raised a question about aggregation. This is an issue that the staff have struggled with because accountability resides at the national level and at the institutional level. It would be nice if the staff could analyze each individual country and find the key priorities from the United States to Zambia to other developing countries. But in the context of this kind of report, the staff had to make some compromises. The staff tried to be more focused on individual accountabilities here than in the framework paper that was presented in

2003. Presumably by next year, when more experience has been gained with this kind of exercise, the staff will continue to focus more on the country level and identifying individual accountabilities.

Several Directors also raised the question about the extent of collaboration with the World Bank. The staff tried in writing this report to collaborate behind the scenes to end up with a single report. Zia Qureshi in the Bank has held the primary pen throughout, and we have come out with a report that reads fairly seamlessly from one chapter to the next. But the production of those chapters and their messages is the result of an extensive process of collaboration at all stages of the process. For example, Chapter 10 on trade has great inputs from the WTO. Chapter 11 on aid reflects close collaboration with the DAC.

Finally, the staff will take on board the many comments on the need to develop a set of clear priorities and messages for the Development Committee. While we were producing this report, at one point Mr. Qureshi informed me that he had collected from the Bank, the Fund, and from other agencies approximately 700 pages of drafts for various chapters in this report. We eventually condensed that to a little over 200 pages, single-spaced, for the report. We then summarized the 200-page report in a 15-page Overview chapter that brought all of the chapters together, and finally produced a four-page Executive Summary from the Overview. We will hone that summary further before circulating it to Ministers.

Mr. Dairi suggested that, unlike the WEO, the GMR could be drafted two or three months before the Spring and Fall meetings to allow for broader consultations, such as with the UN, before bringing the paper to the Board.

The Acting Chair (Ms. Krueger) thanked Directors for their comments, and thanked the staff and Mr. Qureshi for what was obviously a major effort. As already indicated, the report discussed today would be the basis for an issues paper and background documentation that would be prepared for consideration of the Development Committee at its meeting on April 25, 2004. The revised documents would reflect Directors' comments and also the views expressed the preceding day by Directors at the World Bank. Directors would have an opportunity to take a final look at the issues paper before it was sent to the Development Committee.

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SHAILENDRA J. ANJARIA
Secretary