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**Statement by Mr. Fried and Mr. Ladd on Global Monitoring Report 2007
(Preliminary)
Executive Board Meeting 07/27
March 23, 2007**

We thank the staffs of the Fund and World Bank for an interesting and informative review of developments in the last year in the global effort to fight poverty. At the World Bank Board, our chair joined a number of other chairs, calling attention to the need to better integrate gender considerations into public financial management and to focus on the special needs of fragile states, including specific recommendations on the drafting of the report.

However, this year's GMR raises six topics that merit attention from the Fund's perspective. These are:

1. Just as the IEO's 2004 report on the PRGF and this year's report on the Fund's role in Sub-Saharan Africa found, the GMR points out that Poverty Reduction Strategies are not playing their expected role in fiscal and development policy.
2. In the midst of the most benign international economic conditions in many years, extreme poverty and inequality are rising in 14 surveyed Latin American and Caribbean countries (pg. 28).
3. With the exception of foreign exchange regimes, macro policies in low-income countries have not clearly improved. Most notably from the Fund's perspective, monetary policy in a number of LICs weakened from "good" to "adequate." Also, the GMR's findings of unsustainable consumption of natural resource rents and disturbing quality problems in the provision of health and education services shows that the Fund's attention to the absorption limits of LIC's is well-placed. Those LIC members that fail to publish their budgets are missing an important opportunity to improve the quality of their policies.
4. Measurement of the quality of economic governance and investment climate, notwithstanding statistical weaknesses and possible biases, has proven to be a high-powered incentive for reform. We look forward to further follow-up on our recommendations from last year in regard to these useful tools.

5. Although we have devoted considerable attention to the Fund's interaction specifically with the World Bank, it is important, especially in fragile states, for all the international agencies and donor agencies to cooperate so that their measures to help fragile states are coherent and properly sequenced. The Fund provides unique fiscal, monetary and financial sector policy support that other agencies or donors are not expected to do, at least not as well. It is critically important to the continued relevance of the Fund that it work well with other international agencies in the diplomatic, security and development domain.
6. Finally, we note that the GMR is silent on gender considerations at the Fund. Sound macroeconomic advice is and should remain gender neutral. Internally, progress is being made on diversity, which may merit mention.