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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

Tuesday, March 11, 2003

Washington, D.C.

The meeting of the Executive Directors

in a Committee of the Whole was convened at 12:15 p.m. in
the Board Room, 1818 H Street, N.W., Washington, D.C.,

Mr. Shengman Zhang, presiding.

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P R O C E E D I N G S

MR. ZHANG: Let's continue. Mr. Jonck is already wondering what will happen to your technical briefing scheduled for the afternoon. I sort of advised him one thing at a time. So for now, let's focus on this. We will deal with it when it comes.

Item 1 under the Committee of the Whole is a synthesis paper entitled "Progress Report and Critical next Steps in Scaling up -- Efforts, Health, HIV/AIDS, Water and Sanitation", together with a companion volume entitled "Progress Report and Critical Next Steps in Scaling up - Background Papers".

Let me welcome our friend from the IMF, Mr. Fallon.

Let me also acknowledge the statements that Messrs. Aljazzaf, Guadagni, Harada, Jonck and Kurowski already circulated in advance.

I will now ask Mr. Holzmann, Acting Vice President of the HD Network, to introduce the subject.

Robert, please.

MR. HOLZMANN: Thank you, Shengman.

Members of the Board, ladies and gentlemen: The Development Committee has requested of us an update on

progress in Education for All and an assessment of what is needed to scale up in HIV/AIDS, health and water and sanitation to meet the articulated goals. The synthesis paper attempts to lay out the range of issues that confront the international community in moving toward the ambitious goals in the second through seventh MDG.

As the paper indicates, progress on multiple fronts will be needed from sectoral reforms to enhance the implementation capacity, including data collection and analysis, better governance, more effective use of existing resources, and more resources. And these will need to move in tandem if goals are to be achieved.

Scaling up in this context means achieving outcomes -- at country, regional and global levels -- commensurate with the scale of the challenge. The process of scaling up is not straight-forward and the magnitude of the challenge is formidable. But the goals are clear and we have all committed to moving forward together to try and to meet the objectives that underlie them. This paper summarizes the progress and the efforts we will all need to embrace to take on the challenges to bring a better life to populations in the World Bank's client countries.

The issue of resources, despite the fact that this is only one of the many challenges, has received considerable attention. One of the Endorse, Japan, raised the issue. The cost estimates were generated in response to the request from you and your governments to guide us on what would be entailed in meeting the MDGs. They are general, first-cut estimates. If the scope, time frame or ambition of the goals are altered, then the resource estimates will change. The information in the synthesis paper is meant to inform that debate and the decisions that are made regarding the four key aspects of the MDG agenda -- data, policy, implementation and resources.

We look forward to hearing from you, the Committee of the Whole and the Development Committee, on these issues.

Thank you.

MR. ZHANG: Thank you very much.

Mr. Vasudev.

MR. VASUDEV: Thank you, Mr. Chairman.

I just want to welcome this Progress Report and the critical next steps in scaling up. This paper does serve as some sort of a wake-up call to the global

development community since the danger of our not meeting the internationally accepted Millennium Development Goals is staring us in our face. This is despite the tremendous increase in efforts in different parts of the world to meet the MDGs.

We have a few suggestions and some certain related changes that we think could sharpen the message that this paper seeks to give.

I think the first point I want to mention is some feeling of disappointment with regard to the EFA, Education for All fast track initiative. Even though we understand that indications are that most resources required for the first seven countries will materialize, the difficulties in doing so, particularly so soon after the Dakar EFA meeting and after developing countries took up the issue of policy reform in this sector in a determined manner, it does create certain apprehensions about the system's capacity to mobilize resources for countries who are in a position to absorb additional ODA for meeting the goals of EFA.

I think we need to remind ourselves that there are more than 80 countries out there that would need

assistance in one form or the other if the objectives of the EFA fast track initiative are to be achieved.

The second point I would like to make, Mr. Chairman, is that this is a Progress Report with regard to very specific sectors -- primary education, fighting HIV/AIDS, water supply and sanitation, and health. These are very specific sectors and it is not difficult to attach labels to individual operations which support these, unlike the objective of poverty reduction and the MDGs where it is difficult to attach labels to support either by donors or by the Bank-assisted projects.

Therefore, these four, five sectors, they lend themselves I think much more easily to determination of what is the existing coverage with regard to the MDG goals and what are the physical gaps that need to be bridged to achieve these goals and what are the incremental resources which are needed for bridging these gaps. I think this is a good exercise that the Bank has done because these are sectors, as I said, which are very easily definable and the number of people who are deficient in terms of the MDG goals and what needs to be done to enable them to reach the MDG goals, it is easy to define and, therefore, both the physical requirements and

also the financial requirements for achieving the MDGs in these sectors are easier to determine.

Therefore, we very much welcome and appreciate the work that the staff has done in this paper. But at the same time, I think I want to stress that a little more elaboration of the regional dimensions, region-wide, the number of people who are deficient with regard to MDGs for these different sectors will give a better feel to the Governors to appreciate the tasks that lie ahead and what needs to be done by the governments themselves and the countries themselves, because ultimately the responsibility of realizing the MDGs rests with the countries concerned, and therefore a little analysis of the region-wide breakup of the number of people who are MDF deficient in that respect would certainly help to sharpen the discussion in that respect.

I think the other point that needs more focus is that, while policy reform and sound institutional arrangements are essential for better outcomes, they themselves on their own may not be able to meet the huge unmet demand for these services. I think the story in Box 2 on page 4 may lead the reader to conclude that there has been investment in physical investment, when

the truth is that physical infrastructure continues to be woefully inadequate and it needs to be backed with policy and institutional changes.

The other point I want to highlight is that the linkages between education, health and other basic physical infrastructure like road connectivity and electric supply I think is extremely important because there are demonstrable and empirical evidence with regard to how the social sector benefits can be enhanced by greater investments in these physical infrastructure sectors, and also the cost of drinking water. And especially in the case of drinking water, I think the augmentation and availability of water and the storage that is required to augment the availability of water, which is necessary to achieve the Millennium Development Goals.

I think the points on paragraph 3.5 with regard to subsidization of services are well taken, but probably they could be a little better rounded off by talking about better targeting of subsidies and more transparency and more efficient delivery of services so that the capacity to pay concept, which is well recognized by the Bank, is also reflected in this.

I think on the issue of education, while evidence does strongly suggest that extra years of schooling have a considerable positive impact on infant mortality, maternal mortality and total fertility rate, the point is that for girls who would be entering primary schools in the period 2003 to 2015, benefits would accrue largely in the post-2015 period.

Hence, keeping in mind the cross-sectoral benefits, if we are to achieve the MDGs in respect of infant and maternal mortality rates, investments in adult and continuing education would once again need to be brought forward. I think the Bank and other development partners ought to look at stepping up intervention in these areas.

Thank you.

MR. ZHANG: Thank you very much.

Mr. Melkert.

MR. MELKERT: Thank you, Mr. Chairman.

Let me first note that the draft agenda for the Development Committee has improved substantially, and has now the action-oriented character that we discussed in our previous meeting of the Committee of the Whole. And

this paper on scaling up fits very well into that action orientation.

We are positive about the bottom-up approach that is being looked for, positive also by the clear messages and the assessments that are given by the Bank. And we also see a number of innovative means to finance recurrent costs involved in scaling up health and education services as an important part of the proposals that are being made and, once the Development Committee will have given its okay on that, it is a very important guideline also for the work in the near future by the Bank.

In the analytical part, we are concerned about some of the range of financial means that are being mentioned. For instance, figures like an annual incremental ODA contribution that would be needed between US \$23 billion and \$43 billion, that is a bit beyond a usual margin of error I would think, and it would be very necessary when we are talking about big money that we are also a bit more specific, because it is not only a political message, but it should also be analytically supported that we are really sure about the huge challenge that is ahead of us.

And equally, we noted that calculating the annual financing gap on education, there are still some problems with the figures. Last year, there was a discussion to bring back the total amounts calculated from \$5 billion to \$4 billion. We had difficulties in accepting that, and now we see that it is estimated between \$5 billion and \$8 billion, not to say that we are happy, because we are unhappy that even more money is needed, but somehow the figures are changing too much. And I really would urge the staff to put more work into that part of the analysis which is vital for a credible political message.

Let me then make a number of remarks on some of the more specific items where we hope the Development Committee will make progress.

First of all, on Education for All, I do share some of the remarks made by Mr. Vasudev. I think that the Bank's assessments underline that the recipient countries are committed to improve and implement their policies, but that donors do not sufficiently commit themselves. We do have some hope that the meeting that will take place on the 25th of March in Paris will contribute to bridge the gap. Out of an earlier

discussion, I understand that the required financing for the upcoming three years amounts to \$150 million to \$200 million, and that about \$40 million to \$70 million has still to be covered by donors. And obviously, if the Paris meeting would not lead to that result, this would be an important point to bring forward to the Development Committee.

A very crucial point which is not sufficiently underpinned in the analysis in this paper is how we could keep the MDG goal relating to gender parity on the map. The only way forward may be to strive to get gender parity by 2005 for enrollment of children in the first grade. If we accept this approach as a means to keep the gender goal on the agenda -- and I would suggest that we do -- can staff then outline how we could materialize that? Is an implementation plan discussed or agreed with the relevant client countries and donors ready? Have the risks been outlined clearly? Are we ready to present the Development Committee with a clear-cut analysis and action plan to still do everything possible to come as close as possible to the MDG goal in 2005?

And my suggestion, Mr. Chairman, would also be to add that point to the issues for the Development

Committee that are mentioned on pages 18 and 19 of this synthesis paper, because living in 2003, it would really not be acceptable to forget about our first goal of 2005.

Then, on health, I must admit that frankly we do not think that the Bank is already on top of things. It is a relatively weak part of the document, which maybe could not be repaired at short notice now, but the intention of scaling up and outlining the routing of scaling up is not very deeply developed in this part.

Of course, we share the assessment relating to weak capacity, lack of qualified staff, lack of well-functioning medicines, distribution systems that are all part of the problems, and it is important to note these problems. But a lot of work still has to be done, and I think that is also important for the follow-up after the Development Committee. And I would like to ask management to consider that point closely.

One element of an approach which, in fact, not clear is reflected on page 67 in the background document, where a blunt statement is made that the majority of developing countries will not achieve the child survival MDG. And that is not a very satisfactory conclusion, and it is too premature conclusion at this moment. We still

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will have to work a lot to overcome these kind of premature conclusions at this stage, and much more work needs to be done there.

On HIV/AIDS, I appreciate the issues brought forward in the report but I miss an explanation why the disbursement rates for the MAP, especially the MAP Africa, is so extremely low. I think it is about 10 percent of the total amount that has been made available.

I appreciate the summing up of the innovative approaches like financing NGO activities and community-based initiatives. I note reluctance from some client governments relating to this way of funding. A bit more detail, how much reluctance, why reluctance and consequences of this hesitating position for the fight against HIV/AIDS, about this part of the mutual responsibilities, would be useful. I think there the Bank should really call upon governments to join hands in a more effective way.

But also, the Bank itself is not totally consistent in this regard. Reading the text, it seems as if the Bank positions itself outside the UNAIDS and GFATM framework. And I think that perception, just looking at the formulation of the text needs some correction.

Finally, the water and sanitation issue. As we also emphasized in the previous discussion, it is very important to have that discussed also as the part of the scaling up ambitions. But here, it would be important to share now or in the coming weeks in which way a first important step could be made after the publication of the Camdessus Report, because I read in the report that also Camdessus himself is calling upon the Development Committee to keep the momentum. And the question is now: What could be the best way to keep that momentum? And I think we should be more specific than has been indicated in the document. And also there, I think it would be useful to add to the issues for the Development Committee, once again pages 18 and 19 of the synthesis paper, a concrete step to take on the implementation of the water agenda, knowing, of course, that it will be a very first step of many steps to follow.

Thank you.

MR. ZHANG: Thank you very much.

Mr. Passacantando.

MR. PASSACANTANDO: Thank you.

We share the basic message of the document that to reach the MDGs there is a need of decisive action on

the part of everybody, both developed and developing countries, in actions and policy changes.

So I think the main issue is the proper balance between different commitments and different types of actions. And I see two main issues in this respect. The first is the balance between the issue of volume of resources and the quality of development assistance. I think the issue of the quality of development assistance has received a lot of attention recently, and we must say that some progress has been made, that the harmonization conference has achieved some results, at least in terms of commitment. And I think the document could have built on that for the reason that at least we can show that there is a movement, something is being done, and that we can build on the first steps that have already been made in the area of reduction of transaction costs, for instance, that are very important ones.

So I think this issue of quality and volume and the balance between the two should be more forcefully emphasized and, at the same time, the results achieved could also be mentioned. And by the way, it would be important to make sure that in the Development Committee we have a reiteration on the part of the Development

Committee members on the implementation on the agenda that was set in Rome. So, in a way, this could offer the opportunity to ask Ministers to go forward on what was agreed in the harmonization conference.

The second category of balance that should be achieved is between results and commitment. Commitments can be asked when already there are some results that can be achieved. I mean, you need commitments to start with but then you need the results to build on this commitment in order to make sure that further commitments arrive.

Now I know that we are still in the early stage of this entire exercise. So it is too early to indicate results. But, at the same time, there have been already some activities that have been financed, for instance, the MAP that Ad Melkert was referring to. It is an important example and Ministers would like to know what is happening in that area, and that the results achieved could help them elicit further commitments. So I think that is also another balance that should be achieved.

Now on the issue on the analytical aspects, I also reiterate what has been said, especially by Ad, on the cost estimates. I think we need to make sure that we arrive at some more stable numbers. I don't envy your

task. I know this is very difficult, but at the same time you have to understand that Ministers need to have a more stable and clear framework in mind, especially also on whether there is double or triple counting. I mean, the methodology should be clear to the reader that we are not double counting.

Now having said this, it is clear that there is an issue of volume of resources and that you appropriately so ask about the commitment of Ministers in this area. At the same time, I think that the questions posed are too generic. It is hard to ask a Minister what size of increased resource flows can Ministers commit for FY04-06 and on what conditions. I mean, you have an ideal image of a Finance Minister and the realities are different. And you cannot have Finance Ministers to make a commitment.

We have budget cycles that are yearly budget cycles. I think what could be more useful is again to be more specific in that. There have been some commitments on long-term objectives at the Monterrey conference and afterwards. All countries have made some commitments and it would be important to reinforce those commitments.

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But if we want to be more specific, we have to be more specific on specific initiatives.

Now, for instance, on the EFA initiative, I think in that area we should be more specific because this initiative has had a lot of exposure. There is a lot of expectation, and I think it would be a big disappointment on the part of everybody if we encounter obstacles in the financing of this initiative. So in that area, I think it would be appropriate to ask for commitments. Let's see how the end of March meeting goes, of course, but it would be important to ask for commitments.

On the part of my authorities, they tell me that they are ready to support the creation of a trust fund on this, and they will be discussing it at the late March meeting. But I think this is an area which has had a lot of again attention, received a lot of attention, and we have to make sure that we do not disappoint those expectations. So in that area, I would ask for specific commitments.

On the recurrent expenditures, I mean, we have to avoid to repeat the discussion that we have had. There are different positions on this. It is clear that

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some form of commitment is necessary, a multi-year commitment is necessary. It would be most appropriate to understand under what conditions donors would be willing to have this long-term commitment, which, of course, should be complemented by measures by countries to mobilize their domestic financing. But we should avoid to repeat the discussion that we have had in the last Development Committee.

Now on the issues of the alternative financing mechanisms, we, of course, look forward to alternative financing mechanisms. Some of our countries have made proposals and I think the Ministers would like to see also elaboration on these proposals on the part of the Bank. The question as it is now, whether we would be willing to discuss alternative models, I think the answer is yes. You don't need even to ask. Let's see what the proposal is. So I think some more background work should be necessary. You should at least ask what categories of proposals -- you know that there are a number of proposals being discussed presently and perhaps we could be more specific in that area.

On the flexibility of IDA, we know that we have an IDA framework that has the advantage to bind donors to

specific commitment. So we should refer to that framework, but, in general, I think that is certainly something that we can explore.

So on the questions -- I am sorry I have not been very specific -- but I am afraid that, as they are posed now, they hardly can guide the discussion. I think they should be more specific.

Thank you.

MR. ZHANG: Thank you very much.

Ms. Brookins.

MS. BROOKINS: Thank you, Mr. Chairman.

This paper portrays a particular vision for a way forward on the development agenda, but it just seems to me that it leaves implicit a number of policy choices that I believe have to be surfaced in the discussion of this paper.

In terms of the general approach, in specifics it barely engages on the growth agenda and then only dismissively under 3.2, where it says that it continues to be critical for developing countries to generate resources and reduce poverty, but it will depend on many factors, including investment climate, increased opportunities for trade access to develop markets. But

then, it just firmly concludes that projected levels of growth are not, however, expected to be sufficient to reach the MDGs.

As a consequence, we are left to understand that there is a gap to be crossed in meeting the MDGs and that the only thing that can and should be done about it is to increase donor assistance levels. I frankly would like to know what could be done if in this paper the Bank's serious growth agenda was also addressed in a more coherent fashion tied to the MDGs in terms of our priorities, in terms of sequencing, in terms of implementation, in terms of projected outcomes, and why we reach this very cursory conclusion.

I strongly agree with my colleague Mr. Harada's points made, and I believe that successfully and sustainably achieving the MDGs will depend substantially on the ability of the developing countries to increase their own private sector led growth and productivity, and that these will be the foundations of economic growth and increased sustainable resources that can be devoted to human capital building.

I would also argue that a strategy based solely on ramping up donor assistance, in fact, will lead to

unsatisfactory outcomes for the countries we are trying to help. Donors should focus assistance where it will be used most effectively and certainly identify what is working and how it can be accelerated. And I think what Ad Melkert said, that we need to overcome premature conclusions, is very much in keeping with our views.

As to scaling up, we already know that there are capacity issues. Their scope and potential impact are not taken into account in the paper. Yet, what is implied that simply adding more money to the situation would only exacerbate these problems, in our view.

Public sector management is another area that contains constraints, and it is important to ensure that resources go to their intended destination. But the paper only makes reference to budget formulation.

Two other factors are necessary to increased public expenditure management effectiveness, making sure that budgeted money actually reaches the intended recipients through reforms and service delivery efficiency. And I think we all are familiar in this Board Room that recent expenditure tracking studies showed that a few years ago in Uganda, for example -- and I am not meaning to single out Uganda; it is just one

that came to me pretty quickly -- that only 13 percent of budgeted funds in education actually got to their destination. One in Ghana I believe had similar conclusions. Again, I am not meaning to prejudice toward Sub-Saharan Africa and toward my colleague.

On top of that, this paper contains a potential major new debt trap for countries in terms of encouraging them to now borrow money to pay for recurrent costs on an increasing basis. Scaling up requires much more careful assessment of the effectiveness of the current approaches. We need to design much stronger business models. This includes working aggressively on measuring interim indicators early to determine what approaches are most effective before they are scaled up and to make sure that they can be really scaled up in a meaningful way. This will also be crucial for mid-course corrections, particularly in resource allocations.

We are playing with numbers today dealing with outcomes in 2015 and we are even having a problem in our grants, in identifying grant money and identifying interim indicators on grants in very specific little projects. So I find there is a real disconnect here between broad statements and actual concrete work being

done by the Bank that is the real nuts and bolts of our great work that we are doing.

Developing countries must first address fundamental gaps as well in political will, policy, capacity and data before a meaningful assessment is made of additional financing requirements.

Now specifically on Education for All, the fast track initiative as a business model for scaling up, the paper argues that the EFATI business model is the way to operationalize scaling up. We don't believe that the model merits replication for other MDGs at this time. It is still at the very early stage of working out how to do things, and the first outcomes and results that could recommend its replication are still off in the distance. It is too early, in our view, in the program to determine whether EFATI produces the policy changes necessary for achieving the MDGs, and core framework issues are still being worked out.

In fact, the lessons learned so far from EFATI from our experience here already suggests that changes should be made to that business model. For example, donor partnerships need to occur first at the technical level during the formative stage and before pledging of

funds is considered. Donors should develop FTI plans under country-led efforts at the national level versus donors at the global level. And artificial deadlines, you know we have got the Development Committee meeting, so we have got to meet that schedule so that you have something to announce. Artificial deadlines are inimicable in our view to achieving solid donor consensus, country leadership of donor coordination and strong civil society involvement.

In conclusion, as we made clear in the past, we question the methodology and assumptions upon which the estimated financing gaps are based. Moreover, the financing gap model used here does not take into account the possible growth-enhancing impact of changes in policy, institutional development and other critical growth factors. It is a static model, improperly applied to a dynamic situation.

Also, the paper needs more emphasis on how to engage new partners such as the private sector, corporate and faith-based communities, foundations, academia and others to meet development targets. Issues such as education and work for development could afford an opportunity to do so. And we would like to know the

Bank's intentions for moving its own resources in the targeted sectors.

In conclusion, and I regret to say this, as posed right now, as the paper is structured right now, it is our belief that it would not be productive for this paper to be added to Governors' discussions of the MDG monitoring paper. That paper addresses a number of issues that are fundamental to development and achieving the MDGs, notably growth and governance, which are really missing in the depth that need to be addressed in this Progress Report.

MR. ZHANG: Thank you very much.

Mr. Moulin.

MR. MOULIN: I don't fully share the view that Carole has just expressed. We are discussing four documents; so we should set the clock to twenty-four minutes instead of six, but I promise I won't use all of this time because I share most of the points that were made by Mr. Melkert. And so if I can just summarize the main messages that I want to put forward, I have mostly three.

First on the amounts that are needed to achieve the MDGs, the figure of \$23 billion to \$43 billion is

very broad, as Ad said. I have some difficulties to reconcile it with the figures provided by the Bank before Monterrey and, more specifically have, like Mr. Melkert said, some difficulties for Education for All and for calculating the financing gap for Education for All.

Second, we would caution against trying to extend the fast track approach to all the MDGs. It is not necessarily the best approach for health or for water. So we would send a word of caution here.

And third, we think we need more specificity in terms of instruments to use and approach of the Bank in the water sector.

But let me come back quickly to each Progress Report. On Education for All, as I said, as co-chair of the donor group on EFA with the Dutch, we agree with what Ad said. I think we will need to update the report according to the results of the Paris meeting at the end of March. We hope that some progress will be made on the filling of the financing gap for the seven countries to benefit from Education for All.

The broad financing framework also could be decided upon; it could be agreed upon in order to be able to secure appropriate and timely resources. And donors

will discuss also the pace and process for future expansion of Education for All of the fast track initiative towards our beneficiary countries.

On the financing gap, we really feel that there is a question. We agree that donors should secure the appropriate financing, but, at the same time, we really need to be clear on the figures, and not to try to play with huge figures that are not totally understood by everybody. On the ODA incremental contribution, we had in mind \$2.9 billion for low-income countries, and if middle-income countries were to be added, we would like to make sure that the estimate of \$5 billion to \$8 billion is really realistic.

Regarding the first seven countries, the financing gap is estimated at the moment at \$200 million which is quite different from the estimate given in the report of \$430 million. And again, it is possible that at the end of March some progress will be made in filling the financing gap.

As far as France is concerned, we have pledged 65 million Euro at the meeting held in Brussels in November 2002, and I am not sure this is fully recorded in the paper.

Finally, the report raises the issue of imbalances in country aid allocation, pointing out that aid to preferred countries appear to prevail among bilateral donors. I think this is quite inevitable because there are priorities in the development assistance budget, but it might be an important issue for the Bank and other multilaterals to concentrate on non-preferred also performing countries.

On health and HIV/AIDS, we wonder if the two issues could not have been presented in the same chapter, because a lot of conclusions are similar. Starting with AIDS, we agree that it is really a priority and that, unless we are able to reverse the spread of HIV/AIDS, the MDGs as a whole will not be achievable. It will be one priority of the Evian Summit and of the G-8 and we are trying to mobilize the international community for a donor conference on the global funding in July.

We endorse much of the report but, like Mr. Melkert, we believe the paragraph on the Global Fund should be looked at again, because we have the impression that there is a competition between the Bank and the Global Fund as it is written now. And if there are problems, they should be identified, but the Bank should

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put itself in a position to help the Global Fund accomplish its mission. And really paragraphs 27 to 29 and the end of paragraph 62 should be written in a more positive way.

On health, I would like just to say that we would like to send a word of caution of whether the fast track approach is really suited for the health sector. The report is not very clear on whether we want to apply it to the health sector. We believe that because of the urgency on AIDS and other diseases, programs like the Global Fund or Roll Back Malaria are necessary even in the countries that could be judged out of their formats. So I think it should be worth clarifying this for the Development Committee.

The last comment on the water, I will go quickly on the points we agree upon. We find the Progress Report very interesting. We like the acknowledgement that subsidies cannot be avoided under certain circumstances. We concur with the reference on the important role of NGOs, et cetera.

We agree with the emphasis on public/private partnership, but we believe that more details should be provided on the different types of PPP. It seems to us

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that, in particular, the models where the private sector should bear the full cost of investment do not appear realistic at this time, and some alternative model should be put forward.

I think paragraph 19 is a little bit upbeat on the role of the private sector compared to the public sector. So maybe you should have a second look at it. But my main message is that when we turn to the role of the Bank, the paper is a little bit too business-as-usual. And we are afraid that the Bank will be behind some of the proposals that are made, especially in the Camdessus Panel, but I think the report should address more specifically, just like Ad said before, some of the proposals that are in the Camdessus Panel so that we can have a valuable discussion and we can move forward at this Development Committee meeting.

Thank you.

MR. ZHANG: Thank you very much. Let's go for lunch and we will come back at 2:30 starting with Mr. Bayer and then I think followed by Mr. Masse and the rest.

All right. See you at 2:30.

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[Whereupon, at 1:01 p.m., the meeting was recessed, to reconvene at 2:30 p.m. the same day.]

AFTERNOON SESSION

[2:38 p.m.]

MS. RAMPHELE: Can we take our seats, because we have a very challenging task ahead of us with lots of indications, so the sooner we start, the better.

Our first speaker is Mr. Masse.

MR. MASSE: Thank you very much, Madam Chair.

First, we think that the report provides a very useful update for Ministers on the challenges involved in scaling up toward meeting the MDGs, and we will make our comments on the three specific issues that are raised in the paper.

On the first one, expanding the development framework, the paper asks the Development Committee to consider whether the EFA Fast Track Initiative provides the donor community with a model for scaling up and whether it is an approach that should be extended to other MDGs.

We agree that the Fast Track Initiative provides a useful framework to accelerate progress toward the MDGs in some countries, but we would also note that the approach is new and bears continued monitoring. Certainly, the lessons that have been learned from the

EFA FTI need to be studied when considering scaling up efforts in other areas, but we believe it should be done with a lot of discernment and caution.

More specifically, when applying the FDI model, we believe that two sets of concerns need to be considered. First, we agree with the concerns raised about the "performance by target syndrome" noted in paragraph 2.4 of the paper. By thinking of the MDGs as a set of discrete sectors and pursuing a series of sectoral initiatives similar to the EFA, we risk losing sight of the intersectoral linkages that are essential to achieving the MDGs.

We believe that the report makes important contributions by highlighting the interconnectedness of the MDGs, that is, the progress toward one goal depends on progress in others, and also by emphasizing attention to the sustainability of our efforts.

Second, in using sectoral approaches and initiatives, country ownership must remain central. National poverty reduction strategies should remain the key instruments for gauging developing country priorities. Here, we are making a point that has concerned us a bit, which is that the MDGs is certainly a

series of goals that we must aim at, but we should not forget the lesson of the past, which is that concentrating the attention of the Bank--but any bilateral agencies, is the same--concentrating your efforts on one specific target for a period of time runs the risk of allocating your resources to that one, neglecting others that may in fact be complementary to that initiative, not changing the policies that are necessary long term to make the attainment of that target sustainable, and that this is certainly not in conformity with what we want to do.

So the fact of just selecting these targets I think should be considered by the Bank as part of the PRSPs and the CDFs--in other words, the main planning tool must remain for the Bank the overall planning tool that looks at how a country can develop from a holistic point of view and that the attainment of these targets must be seen as very important sub-objectives within the overall planning framework.

So we must maintain a careful balance between offering sectoral support and ensuring that developing countries are generally committed to these areas and have all build sufficient capacity to use resources

effectively. Donors' commitments to these sorts of initiatives raise expectations, and the political pressure to meet these commitments even in the absence of genuine country ownership can be very great, and we should guard against this.

On the second of the issues--securing appropriate financing--while it is true that the lack of resources threatens the achievement of the MDGs, we believe that donors need a more comprehensive understanding of the various sources or potential sources of financing available to developing countries in order to have a more correct understanding of the overall financing gap.

The latest report on Global Development Finance is an important contribution in this regard, but it shows us that we have to deepen our analysis and to look, for instance, at how private capital flows could be better used in a way that contributes to the achievement of the MDGs. That is probably especially true in the area of water and sanitation, where a lot of the investment in theory can be done through private investment and privatization.

We also believe that this would apply to the issue of remittances. We have noted that the GDF has looked at that question, but it has also underlined the importance of remittances, and a question that remains to be looked at is how these remittances can be used--they are already reducing, of course, the financing gap, but they can be used in order to achieve the MDGs or help achieve the MDGs--and the question of how they can be utilized through the banking system and/or the government system in order to help that achievement and reduce the unnecessary flow of additional ODA.

There are also a number of very difficult issues that are related to the economic pricing of social services, for instance, in the field of water, and we believe that until we have looked at what is the economic pricing of these social services, we cannot conclude on the capital needs that are necessary in order to finance them. We believe that the principle of economic pricing with subsidies to the poor who cannot afford to pay the full cost for the services makes good economic sense. This is certainly something that we have used in Canada a number of times. But we also believe that the necessary systems for paying those subsidies are very difficult to

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establish in developing countries, particularly in rural areas, and we should therefore look at what is the appropriate role for the private sector in the provision of social services. This is highly debated. This changes with time, this changes with the level of development, and we know how politically sensitive it is by looking, for instance, at the latest riots that have taken place in a number of countries such as Ecuador when privatization of water supply has taken place. So when we do this, we have to be aware of the need for private sector capital, we have to be aware of the need for proper pricing, but we must also know that our conclusions vis-a-vis these issues, which may vary from country to country, do affect the amount of ODA that is necessary to implement it.

On the third issue--developing financing frameworks--I see I have used up my time, and I will go very quickly--we believe that the shift toward pooled aid resources involving the untied programmatic use of funds in support of country-level poverty reduction priorities remains an appropriate longer-term objective and is consistent with other efforts such as harmonization. We believe the two go in the same direction.

We would, however, make just two brief comments, the first one on technical assistance. We think that the role and value of technical assistance should be carefully reviewed--a very important part of this question--and they have to be integrated more fully in the relationship between ODA levels and MDG achievement.

Our final point is on recurrent cost. We do believe now that it could be justified for donors to support recurrent cost--we have not always believed this--but we believe also that continued attention must be paid to strengthening public expenditure management mechanisms if we are contributing long term to the public expenditure costs themselves. And we have also to create mechanisms that take into account the fact that whilst we support recurrent costs for a long period, we must avoid creating long-term aid dependence, because then we will not have produced development. And that question I think has got to be given still a considerable amount of study.

Thank you, Madam Chair.

MS. RAMPHELE: Thank you.

Mr. Bayer?

MR. BAYER: Thank you.

I'll just make a few remarks to the general report and not to the individual sectors.

We share the view in the report that without an extraordinary effort, it will be very difficult to reach and fulfill the MDGs. Too much is interdependent, first of all, with aspects beyond the reach of individual policy actors.

However, I think the report should stress that there is a chance if all endeavors are made that we could get close to fulfilling the MDGs, and I think the message has to be that one doesn't have to give up right now, but of course, we have to try harder.

I would like to make a few points which are especially important to us. I think the Progress Report is quite frank and clear about the challenges. It says-- and I think the American chair has mentioned--that economic growth alone will not be sufficient to achieve the MDGs. My conclusion from that is a little bit different from the American chair, because I think there is a considerable scope for policymakers in the LDGs to design policies, strengthen institutions, and improve the effectiveness of spending in order to meet the MDG

targets. The report provides some interesting experiences and lessons in this regard.

The second point, the interconnectedness of MDGs, a lot of people have mentioned that. Now that the MDGs are interconnected, there is consensus now that in order to achieve sustainable development, one needs a multisectoral approach. So interventions across sectors are essential, and investments at the country level must also be done in a coordinated manner. This constitutes a new challenge, and we welcome the building of cross-sectoral teams.

Other chairs have mentioned the need to increase ownership of the MDGs at the country level to further reduce the top-down approach. MDGs and their achievement must be more country-driven.

The fourth point is that given the pressure on developing countries on delivery, there is a potential risk that countries shift too many of their resources to those areas which can quickly show results. That, of course, would result in a lag in other, more sustainable areas. I think it is a point that Marcel Masse just made before.

There is also a good reason I think to focus more on quality, meaning effectiveness and sustainability, in service delivery than in just access to service.

One point we have missed in the report is a discussion about the absorptive capacity and debt issues, which should not be underestimated.

The point about recurrent cost was just mentioned by Marcel Masse. I think there are still a lot of questions in the international community whether it is willing to finance recurrent cost, just for the reasons he mentioned, I think.

And the final point I would like to make is that data collection of course is of crucial importance, and as we will obtain more realistic data and, based on that, more analysis, the risk factors will be better understood, but we must also be aware that maybe better data might also lead to a more pessimistic view of how far we are ahead in this respect to the MDGs. Better data will not necessarily mean that they are closer to the MDGs than bad data do.

With that, I would like to stop. Thank you.

MS. RAMPHELE: Thank you very much.

Mr. Hyden?

MR. HYDEN: Thank you.

I share the concerns expressed by Carole Brookins and Yuzo Harada and some of Marcel Masse's comments, especially about an overly narrow sector approach and understating the central importance of economic growth.

I think the paper includes some interesting observations about past experience, including "the need to avoid engaging in a mechanistic drive for expansion, which previous global initiatives have shown lead to unsustainable results," and another quote, "the need to avoid the 'performance by target' syndrome in which the time-consuming and often politically difficult processes of realigning policies and institutional roles are bypassed in an effort to quickly show results."

As the report says, "It is policies and programs of recipient countries themselves which determine whether sustained progress can be made."

Despite these and similar comments in the paper, it seems to me that overall, it rather glosses over the absorptive constraints and appears to be close itself at

times to suffering from a mechanistic drive in the "performance by target" syndrome.

I have commented in the Board before about the experiences of one of the countries I represent where universal primary education has already been achieved, but nine out of ten school leaders cannot get a job. So, like Carole, I am not persuaded that the EFA provides an appropriate or workable model for application to other MDGs.

I do accept the desirability of enhanced and coordinated sectoral programs, but they should be fully integrated into country development programs, not outside them.

I also share concerns about the paper's new estimates of the incremental cost of achieving the MDGs. As with previous estimates, we are given no explanation of how they are arrived at or how they relate to previous estimates, and again, they are presented as preliminary. I regard the Bank's performance in preparing these estimates as unsatisfactory.

I understand the Bank's desire to respond to requests such as those made by Ad Melkert and Franco Passacantando for stable bottom-line figures if Ministers

are to make decision on them, but it would be irresponsible of the Bank to provide such figures without indicating the complexities and uncertainties involved-- and this requires more than just providing a range instead of a point estimate.

The Bank also needs to indicate the impact on the estimates of different assumptions, including those relating to global and country growth rates, the impact of trade liberalization, private capital flows, and countries' capacities to meet part of the costs themselves.

And the Bank needs to be much more transparent in presenting its estimates and how they are calculated.

I note in Figure 2, the paper asserts that there is a widening disparity between richer and poorer countries in under-5 mortality, despite the fact that the graph shows the opposite. This example of portraying figures in the worst possible light may be a result of the advocacy approach adopted in the paper and does not reflect well on the Bank's objectivity.

I agree with several previous speakers that the questions posed for Ministers at the end of the paper are not ones that Ministers can realistically be expected to

answer, except for the first set of questions, to which I'll join Carole Brookins in giving a clear "No."

The DC is not an appropriate forum for a pledging session. It is not clear that a new financing framework is needed. And the proposal to provide greater flexibility in IDA for countries striving to reach the MDGs is not clear, since all IDA countries are presumably already striving to reach the MDGs.

I think we need to look again at these questions and the value of the paper, I think the second paper, which we will be discussing shortly, provides a much more balanced approach for Ministers to discuss.

Thank you.

MS. RAMPHELE: Thank you very much.

Mr. Jonck?

MR. JONCK: Thank you, Madam Chair.

I circulated a written statement rather late this morning so I don't expect anybody to have had a chance to see it. And since I have a desire to say something differently, I will avail myself of the 6 minutes that I will hopefully be able to dispose of.

First, I think the key question before us in this meeting today is whether this paper before us is a

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proper paper that raises the right kinds of questions for the Development Committee. It is not a discussion of the Millennium Development Goals themselves or the development paradigm, et cetera. I think we should focus on this question about what is the usefulness of this paper, and does it serve the purpose it is intended to serve.

I fully agree with what Mr. Vasudev said, that this is really a sort of wake-up call, reminding us of what is required if we want to achieve the Millennium Development Goals. I must say from this chair that we like the freshness and clarity with which this paper underlines that scaling up and improving service delivery in terms of financing, quality, access, et cetera, is really required.

As Mr. Melkert said, then, the Development Committee Agenda has been changed to the better, bringing this paper more in focus and not just as a background report. We welcome that and believe that that makes room for an interesting discussion of the issues based in this paper.

I realize and admit that some of the questions which are raised in the end may deserve some paraphrase

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or rephrasing to make them more acceptable from a political point of view, not because we will ask for that, but I think that that comes clearly out of the discussion we have today.

I must say in that context also that I am not able to follow the criticism of the paper that Carole Brookins presented this morning. I think we should remember what kind of paper we asked for. We asked for a paper describing progress in scaling up in four specific areas, the four areas dealt with in the report on Education for All, AIDS, health, and water. We did not ask for a general report or a general monitoring report of the Millennium Development Goals or on the development paradigm.

That doesn't mean--and let me make it very clear from the outset--that we should in any way disagree with the importance of economic rules, private sector, trade, et cetera. These are all also essential things for achieving the Development Goals and for sustainable development. We fully subscribe to that. But I do believe that it is possible and should be possible to discuss initiatives and progress on, for instance, Education For All, or health, independent of the full

development paradigm--to discuss it so to speak on their own terms.

Another point I would like to make that we have not dealt with in our written comments is the question about needs estimates, which are clearly very much in the focus of this discussion and plays a prominent role in the paper.

Clearly, I would say from this chair, we find needs estimates to be a very useful instrument. They help us in illustrating the magnitude of the challenges we face, and they do usually provide some kind of incentive for resource mobilization--and I haven't heard anybody deny that.

But I do agree with what has been said by several chairs that there might be a need within the Bank to have a more consistent and more coherent approach to the estimates of the needs, so that we avoid this discussion about methodology and what are the assumptions in this case, or where you may play one figure out against another one. I think we should have a common, agreed base on how to estimate and then hopefully use the same platform in the future.

Let me then revert to my written statement and just highlight two or three points which I think fall into this discussion that we have had.

First, on the Fast Track Initiative, we find that the Fast Track Initiative may be an appropriate means as a framework for scaling up and for channeling in a fast way additional financing to a sector. The critical issue in this regard is how to coordinate such fast financing mechanisms with national structures and processes.

Another challenge is of course to exploit the existing aid allocation instruments better and to ensure complementarity and leverage rather than creating new structures. Fast Track Initiatives should be directly linked into and be part of PRSPs and other national strategic processes, and national ownership in this context is crucial.

These issues could be developed more thoroughly in the report, for instance, by outlining different approaches for possible future fast track initiatives. Let me in this context just make one small request for clarification.

When the development framework or the fast track framework is described in paragraph 7.1 in the first bullet point, when we talk about countries not ready for policy change as is done at the bottom of the page, it conveys wrongly, I think, the impression that countries not ready will not be provided anything else than what is said here, policy dialogue and analytical assistance. As we have always, we have, I presume, the country allocation system under the IDA will of course also be applied, and that means there will be access to funds. I don't see where we deny it, but it conveys the wrong impression when you read this part and could give some countries the impression that they may no longer have access to funds, and that is not how it should be understood.

I find that the suggestion of developing a financing framework is highly relevant. However, alternative models of a financing framework for scaling up should be further developed before the next Development Committee Meeting. A country-specific approach with mobilization of funds, neutralization of swaps, pooled resources, and harmonization efforts on the ground is in this context essential for progress.

Regarding the Education For All, we from this chair clearly welcome the initiative taken by the Bank, and we will encourage the Bank to continue its engagement.

We should also consider how we could stimulate a more political engagement in Education For All by, for instance, proposing fora or processes where the [inaudible] framework and relevant MDGs could be mainstreamed and be mainstreamed and be given a higher position on the global agenda.

Finally, just one comment on health and nutrition and population targets. We from our side recognize the initial steps that have been taken regarding the health-related MDGs, and my authorities and all my constituency take an active role in this.

There is an urgent need in our view for a more elaborated strategy for how the World Bank can help to accelerate progress toward the health, nutrition, and population-related MDGs. The health agenda is complex, and lessons should be drawn from the Education For All Fast Track Initiative. We would like to see and find it appropriate to have these issues discussed at the upcoming Development Committee Meeting.

Thank you, Madam Chair, and I apologize for having spent more than 6 minutes.

MS. RAMPHELE: Thank you, Mr. Jonck.

Mr. Scholar?

MR. SCHOLAR: Thank you, Chair.

I thought this was a useful paper in summarizing the progress to date and the current state-of-play. It was rather clear and frank, and we welcome that.

We have various points of detail on some of the individual case studies, but we will submit those separately in writing to staff. I would like to address here the overall questions about the report, and here, I very much agree with the comments that Finn has just made on the overall paper.

It seems to me the key question both for the Board and for Ministers at the Development Committee at this stage is what is the next stage in this agenda, what is the best way to move forward, and that is what I think Ministers should address, and I think the paper needs to support a discussion of that sort.

The main point I have to make is that I strongly agree with what Finn, Yuzo, Marcel, and others have said about the overall thrust of this approach. First of all,

the MDGs are clearly very interdependent. Second, it is essential to keep the focus firmly on country-driven Comprehensive Development Strategies. Third, sectoral initiatives can play a useful role here, but we must be very careful that they support the PRSP and such processes rather than cut against them. Fourth, there is otherwise a risk that sectoral initiatives could either be inconsistent between themselves or in the worst case, that they could start to undermine the PRSPs.

I think there was some evidence that at an early stage, there were some teething problems with Education For All. I know that Bank staff have worked very hard in recent months to avoid problems of that sort, but I think we need to keep this risk very much in mind as we consider how to move forward.

So I think that overall, the paper needs to place much more emphasis on the PRSP as the center of the process and make clear the place of sectoral initiatives in support of that.

Just to take one example, Section 3, Paragraph 3.8, discusses how to ensure that these various approaches are consistent with each other. It seems to me that the answer to that question is a very simple one.

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It is to put the PRSP at the top and everything else to fit within it. Yet I don't think that that is particularly addressed in that section of the paper.

So I think that that needs to come up first. It is the basis of everything agreed on at Monterrey, Johannesburg, and everywhere else, and I think we need to be very clear on that.

The other question is what should Ministers discuss at their meeting. I think that I agree with those who have said that as they stand, the issues for discussion don't quite do the trick in setting up the kind of productive discussion that we would like to see.

I would like to suggest three questions to put to Ministers which will I think naturally lead them to a discussion about the next steps in this debate--first of all, a discussion of the lessons from the experience so far with this approach. I think that would naturally focus on Education For All. There has been a lot of valuable information and experience gathered over the last year, what has worked well, what hasn't worked well, how can we ensure that this is supportive of the PRSP approach. I think it would be very useful to set out that for Ministers. A lot of that is already there in

the papers, but I think put explicitly as a question for them.

Second, to seek their guidance on what is the best way of moving forward. I agree with what Emmanuel and Neil said earlier that Education For All does not necessarily supply the model for how to move forward in other sectors. I'm sure there a lot we can learn, but I think that is a question that we ought to put explicitly to Ministers.

Third, on the question of resources, again, I agree with Franco that this issue needs framing differently. I also agree with Neil; I think a pledging session is not really going to work at this meeting.

I would put this in the context of a general question of how to mobilize resources for development in general, not tie it specifically to these initiatives. It seems to me that the sectoral focus can be quite powerful in helping to mobilize resources. Some of the examples in the paper on the scale of the challenge on water and sanitation--these are very striking figures, and I think they will be very helpful in making the case both to governments and the general public on the need for increased resources.

But I think it is important not to confuse the debate with too many different figures. I agree with what Ad said earlier--there is a pretty wide margin of error in the spread in the numbers. I also agree with Emmanuel that there is a more familiar figure around which is the \$50 billion. Of course, the truth is we don't know what the answer is. I don't think it is enormously productive to debate exactly what it is; it is clear that a very large amount of extra resources is needed, and I think we should devote our attention to how to achieve that.

Various proposals have been put for how to increase aid flows. One of them is the proposal put by my own authorities, Gordon Brown and Clare Short, for an international finance facility, and of course, there are other proposals as well. I think they could usefully be addressed perhaps in the companion paper rather than this one. But I think if we frame the sectoral approach--and this is really my general message--it needs to be located firmly within our overall general approach, and I think that would then lead to a very helpful discussion with Ministers, and that will give us advice on how to take this forward after the Spring Meetings.

Thank you.

MS. RAMPHELE: Thank you very much, Mr. Scholar.
Mr. Harada?

MR. HARADA: Thank you, Madam Chair.

We also distributed a statement even later than Finn this morning, so I am pleased to hear that some people did read the statement, but I would like to just underline several points.

The first one is the estimates on incremental cost and ODA. We think that the estimates in this paper and also the \$50 billion figure that has been estimated before should be regarded as such as mainly estimates on the basis of many assumptions and very sensitive to those assumptions.

So I don't think that the figure at this point can be or could be so specific, so we should treat that number as such, which is not something that we should focus on so much. So we prefer to see those numbers not in the main body of the paper but rather probably better discussed in an annex.

One aspect of this particular estimate that should be studied further is, looking at Table 2, we welcome that this estimate is based on the estimates on

overall needs first. That includes domestic resources, public and private, and external resources, including very importantly, private. And it is quite amazing that the ratio of ODA is so high, particularly in health and water sectors. That suggests that the underlying development model is probably not sustainable. If you have to assume such high level of dependence on ODA over 30 years and beyond, it strongly suggests that we have to do something taking this assumption.

The key is to utilize much better the domestic resources and also private capital. That is one issue that we strongly care about.

The second point is one sectoral approach. Already many previous speakers have discussed this, and we fully agree with those who expressed skepticism and caution on the sectoral approach. In particular we want to emphasize the importance of the country-based approach and just nicely summarize the importance of the central role of the PRSP and CDF as well as the CAS from the Bank's point of view.

The paper mentions the multisectoral approach with limited sectors, and I don't think that this is a

viable idea. Rather, the multisectoral approach should be on a country basis and including all relevant sectors.

The third point is on aid modalities. The paper asks the question on page 19, as issues for discussion, what measures will Ministers support to pool aid resources, et cetera. This question is based on the premise which regards pooling as the sole effective modality. As discussed in Rome, there are many modalities that can be effective, and pooling is only one of them.

The last question is about the alternative financing framework. We think that--well, there is a typo mistake in the statement that says that this models of financing framework for scaling up "is outlined in the paper." It should be "is not outlined in the paper"--this is critical.

But our conclusion is the same. We are very much skeptical about the merit of discussing this issue at the Development Committee. We probably need much more discussion, and we feel that the alternative financing framework now proposed is probably not a viable approach.

Thank you very much.

MS. RAMPHELE: Thank you.

Mr. Zhu?

MR. ZHU: Thank you, Madam Chair.

To discuss how to reach the goal of the Millennium Development Goals is a very important issue that relates to the future of the world and particularly the future of developing countries. But it is also a very difficult topic because it is related to the issue of how to mobilize their financial resources. So that is important and difficult.

In this regard, I think this paper provides useful information. At least the paper lets us know where are we to reach the target of the MDGs. I like the very candid language here: "Bluntly speaking, many poor countries will not reach the MDGs unless our development partners take decisive action without delay."

That is a key point of this paper, and that is the key message that this paper would like to pass to the Development Committee. If we talk about the main purpose here--you mentioned update the Development Committee on progress in scaling-up efforts and alert Ministers to the need to develop a financial framework for reaching the MDGs--I think that the paper reaches that purpose.

But the key question for the Bank is how to really mobilize financial resources and how to really help countries to reach the Development Goals. I think we should add that issue more balanced from the long-term and short-term perspectives.

From the long-term perspective, I absolutely agree that economic growth and private-public sector partnerships are very important. They are key for countries' development, and they are key for countries to be able to mobilize their own financial resources to reach the Millennium Development Goals. And that is an internal issue that is certainly related to the PRSP program and ownership--everything. That is the commitment made by the developing countries during the Monterrey Conference and other international conferences.

Here, I also would like to emphasize that balance rules here, the policy commitment made by developing countries and additional financial support by developed countries. That is real partnership, and we should work together to reach the Millennium Development Goals.

Here, I would like to see how the Bank plays a role based on this reality to mobilize financial

resources, to help countries to reach the Millennium Development Goals. I think that on the one hand, there is still a big gap, as the paper says here, there is a need that ODA supplies; but on the other hand, we should set every progress already made, and I would like to mention some cases.

One case is during the Monterrey Conference, immediately after developing countries made a commitment, the EU countries announced, based on some members of EU already reaching the target of 0.7 of GDP, which is the UN target, and in general, the EU made the commitment that by the year 2006, the EU would reach 0.39. That is development.

Also now we talk about Education For All, we talk about water supply, sanitation, and we talk about health issues. We welcome the proposal made by the Camdessus Task Force, and now on water supply and sanitation, we have already made some progress.

Also, the last time Mr. Wolfensohn had the meeting with the EDs, the French ED, Pierre Duquesne, briefed Board members during the G-8 Summit in early June that they would invite African leaders to have a meeting in Paris to discuss how to reach the Millennium

Development Goals. I think the EU side has already made that effort, and we welcome that.

Another one is that Tom Scholar I think mentioned a very important issue, that is, during the Development Committee, how to really mobilize additional financial resources. The proposal made by Treasury and UK DFID jointly to mobilize an additional \$50 billion--if that target can be reached, total ODA can be reached \$100 billion, and that is doubled. I hope this really can be realized. That is a big development.

I also thank Carole Brookins. Last Friday, she chaired a meeting and invited John Taylor, Undersecretary of Treasury of the United States, to brief Board members about the proposal by the U.S. side about the Millennium Challenge Accounts.

I think those are all some positive signals of developments, and we hope the Bank can play a coherently role in these positive developments, particularly giving more information or useful information to the Development Committees so that Ministers can really discuss how to mobilize, how to make more effort to reach the immediate target, mobilize more financial resources to help countries to realize the Millennium Development Goals.

Thank you.

MS. RAMPHELE: Thank you very much..

Mr. Veglio?

MR. VEGLIO: Thank you, Madam Chair.

I also join colleagues who found this document an interesting one and a useful one for the discussions that are planned in one month--and by the way, my impression is that staff just did what we asked them to do. I think the paper is a rich and relevant one both in terms of analytic analysis, policy orientation, and operational experience that it reflects.

I think it is certainly useful as a wakeup call, as Chander Vasudev said this morning, but I would also say it is a mirror for development partners who want to know where we are, and as usual, mirrors project some images that may please or not please, but this is the reality.

My reading of the document is that there are not too many distortions, there are no side effects, not tinted glasses in this mirror, so let's take it as it is.

Of course, one can argue how to improve the paper, and I'm sure that staff is ready to make some improvements in the paper; it is obvious that the paper

is a bit static in the approach, but because of the focus, we cannot blame staff for that.

Then, certainly, the link to the PRSP could be further enhanced at the country level. Maybe some references are necessary there in some parts of the document. The range of financing gap is too large; I think there have already been some comments on this. Some recommendations could certainly be backed a bit better by some experiences.

And maybe one could--I'm not asking for additional pages to the document--but maybe some experiences that middle-income countries have done and that are in my opinion sometimes more relevant to low-income countries and some of the OECD countries' own experiences could be added in a non-bureaucratic way to the paper. I think the strong focus of this paper is on low-income countries, which I understand, but sometimes there will be some very useful links that could be established with some very relevant experiences that the Bank and other development partners have done in middle-income countries.

On the questions that have been asked, I join the previous speaker who requested some rephrasing. I

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think it's not too difficult to do that, and Tom Scholar made some suggestions, and I have nothing to add to that.

Maybe some short comments on the other papers-- on the Education For All Initiative, I found interesting the strong focus on the implementation. I think the paper does not advocate a blueprint approach but shows how complex the challenges are. And the four gaps that have been identified as a framework for measuring performance seem reasonable.

And by the way, again on quality, there are some references in the paper, but they could be further enhanced, as I said before, with some link to the experience of middle-income countries.

On the HIV/AIDS paper, what I personally like is that the paper makes clear that this is not just about money. It describes, again in a very courageous way, all the social and political obstacles that not only the World Bank but all development partners face when trying to implement this.

On the NGOs, not a critical remark but one reflection. I think that stressing the role of NGOs and community-based organizations is obviously very relevant in this particular area, and not only this one. One

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might get more mileage for the dollar with them. The possibility of distortion when you have small NGOs handling large programs should, however, not be neglected. Accompanying measures in the methodological area, financial, and governance training should be offered. NGOs are better-equipped to promote the change in behavior that is underlined as a very important aspect in the paper. Governments are basically weak in this respect.

For this reason, supporting NGOs raises the question of scale. With the necessary means at play for scaling up, the same absorption capacity syndrome could crop up. NGOs should nevertheless be supported, possibly more with software than with money.

On the paper on water and sanitation, I have just two short remarks, the first one to support what Mr. Marcel Masse said with respect to the role of private capital; and number two, to support the call maybe for a bit more information on a sort of typology of public-private partnership as requested this morning by Emmanuel Moulin.

Thank you very much.

MS. RAMPHELE: Thank you.

Mr. Bier?

MR. BIER: Thank you, Madam Chair.

I have a few comments, and I'll try to be as brief as possible.

First of all, I want to state very clearly that I found the paper interesting and a good complement to the paper that we will be discussing still this afternoon for the Development Committee. So I really think that it has relevant information and provides relevant information for the discussion.

I have a few points. The first one is related to the focus that the paper gives explicitly to low-income countries. As Pietro, I understand this focus, but I'm not sure I agree with this way of proceeding.

My point is the achievement of the MDGs is a challenge not only for low-income countries but also for middle-income countries. We are obviously talking about different starting points, but the shifts are very challenging, and I don't think that the responsibility of the international financial community stops at the low-income countries level. So I would like to ask staff to take this into account in reviewing the paper.

The second point I would like to make is that I found the paper, as many have stated, very good and candid in its assessment, and I think this helps. It is really a very positive feature. I did not want to speak without making this clear observation.

The fourth point that I have is related to the interdependence of the MDGs and the way this is highlighted in the paper. I also find this a very interesting feature of the paper, and I think it states very clearly the need for this holistic approach in the development agenda. I think this is a very important feature and should always be kept in mind, so I welcome very much the inclusion of this idea.

My fifth point is related to governance issues. Again, I think that the highlight that this governance issue has in the paper is very appropriate, and it is impossible in my view, as many have stated as well on many occasions, to be effective in development without these tools in place.

And I think that technical assistance should be very much focused in this governance area; this should be a very strong focus of technical assistance, and maybe

this should be one of the issues discussed at the Development Committee level.

My sixth point is related to the incremental needs of resources to meet the MDGs. As many, I find the estimates a bit too--let's say, the margin of error, as Ad put it in his statement--too large. On the other hand, I do not agree with the idea that the Development Committee is not the proper forum for this discussion, and I would like really to understand the viewpoints of some of my colleagues.

I think if this is not an issue for Finance Ministers in this concentrated effort to bring about development, I don't know where this will be discussed and would really like to understand this better.

Still related to this issue, I think more works has to be done not only on achieving better estimates but also including a bit more explicitly--I find, for instance, on the table of incremental needs, there is a Footnote 1 that states that for middle-income countries, the assumption is that most of the resources needed will come from domestic sources. I would like to ask the staff if we really think that middle-income countries have enough fiscal space, to mention one dimension, to

increase the amount of domestic resources allocated to the achievement of the MDGs, or are we understating the needs, actually.

So I really want to probe deeper on this, and I think more work has to be done, and we have to have a better estimate to move ahead this discussion.

My next point is related to the issue of absorptive capacity that is mentioned in the paper. This is actually a question. I want to learn more about this issue. I think it is a very relevant one. What are the impediments. You state in the paper that maybe monetary and fiscal policy will have to be adjusted at the country levels to accommodate larger flows of aid. I would like to know what kind of adjustment you have in mind, what are the secondary impacts of these adjustments--if the secondary impacts, for example, on growth are taken into account in the analysis. I think it is a big issue. I think it is a very relevant issue, and we would like to have a bit more information on that.

I will be very brief. I have only two more points. One is related to what Finn said about the fast track initiative. I had the impression that what was said was correct, Finn, that the Bank or the

international financial community would give massive intellectual input to the countries that are not yet ready or not committed or not in place to get into the fast track, without any substantial flows of money.

I do think this is not the best way to engage, and we should actually concentrate a bit more on the impact of flows, on the willingness to engage in reforms. I think this is an important issue and very important for the effectiveness of what we are discussing here.

Actually, the point is that you don't have only black and white here--you have grays--and there has to be a policy for the various grays that you have in place.

My last point is related to this new financing framework that you asked about in the latter part of the paper. I really would like to have a flavor of what you have in mind. You certainly have something in mind, and maybe we could come to more specific proposals for the Ministers to discuss if we have a bit more information on what you have in mind when you refer to "alternative models of financing."

I have just a last point. I have some specific issues that I want to follow up bilaterally with the staff.

Thank you, Madam Chair.

MS. RAMPHELE: Thank you very much, Mr. Bier.

Mr. Jones?

MR. JONES: Thank you, Chair.

We come down on the side of those who see this paper as being a useful background for taking the discussion of the Development Committee forward on what needs to be done in a number of critical areas to help attain the MDGs. And the scale of the challenge is quite evident. By emphasizing the multidimensional nature of the effort that is required, the paper provides the proper context for discussing this subject of scaling up.

We have heard discussions about estimates. We think that this is something that reasonable people would come to different conclusions on, but this is something that we cannot shy away from. And whereas effective use of resources is important, it is clear that we do need much more resources for improved service delivery, for infrastructure, for maintenance, et cetera. And while, on the need for more resources, the issue of recurrent cost in the areas of health and education has been raised and we think deserves appropriate consideration, it brings to the fore the need for budgetary support, at

least over the medium term, while--and this brings me to the question of growth--while the growth element which we would like to see and which underpins in the longer term sustainability, while we pursue that. So it is possible to talk about what needs to be done in the short to medium term while at the same time not distracting from the emphasis on growth.

On funding for Education For All, we think the track record so far is not encouraging, and we should be sending a strong message for timely action to remedy the situation.

It should also be noted that the many requirements that have been asked of countries is an issue that should be addressed.

Regarding water and sanitation, the paper asserts that the main part of operations and maintenance and part of the investment cost will be covered by user fees. We think that this statement is too general. The difficulty of urban poor and those in rural areas in meeting the cost of such services is a major one, and therefore a realistic picture should make some distinction for the poor countries.

On HIV/AIDS, of course, when we look at the regional dimension of the problem, we think that certainly scaling up is a matter of priority.

Finally, on capacity-building, we think that it is not just that capacity is lacking in many of our countries. The question of the brain-drain is also a critical issue, and it does no good in the longer term to scale up training only to see capacity moving abroad. Here, you are talking about pay scales, working conditions. These are relevant issues for this discourse on capacity-building, and I think it leads us back to the basic development task in the longer term, and that is building strong and productive economies.

Thank you.

MS. RAMPHELE: Thank you very much.

Mr. Alyahya?

MR. ALYAHYA: Thank you, Madam Chair.

For quite some time, I thought I was in a donors' forum, so my comments might be tainted by that atmosphere--not surprising for Saudi Arabia being a donor country.

First let me associate myself with Mr. Harada's written statement--after correction--his views on growth,

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on incremental costs and ODA, on linking of interventions and outcomes, on the intermediate MDGs and the need to really put intermediate targets, on the private sector capital flows, and on harmonization. And with that, many other colleagues have agreed and associated themselves with Mr. Harada's statement.

But let me just add a few specific comments on the focus on MDGs, the financing gap, the linkage of interventions and outcomes, and about the paper before us for discussion to the Development Committee.

On the focus on MDGs, I totally agree with Mr. Masse's comments and other colleagues who have agreed with him in the sense that there is a fear that focusing too much on the MDGs per se would be a bit destructive in the sense that it would crowd out other issues that are extremely important for development. And I will come to this in a minute.

On the financing gap, it is interesting that this paper and the following paper that we will be discussing is really focusing on only one dimension of this problem, basically in the form of the ODA needs, and even though the figures are not even really certain, and the estimates are really quite fluid, and we are seeing a

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wide range from \$50 to \$90 billion so far, in a situation like this, I wonder what is the wisdom of really taking issues to the Ministers when they are not really agreed on and there is not some sort of consensus on.

But then, the other dimensions, the other issues of the financing, in terms of the gap in debt and equity transfers needed to raise the investment levels are not discussed at all. These are all the more important given the latest trends in global development finance which we discussed yesterday that show that developing countries as a group have become net exporters of capital to the developed world. And here, I do associate myself with Carole's comments, except to really put some balance to it, that there also need to be incentives for the private sector climate development, and really, the key issue is really trade, because you can imagine a country that has the most conducive environment for investment from a regulatory viewpoint, from an infrastructure point of view, but if there isn't really access to consumer markets, there will be no incentive for the private sector to really invest in such a country, and consequently, we cannot really talk of the investment climate, the investment environment, without really

addressing the issue of market access as a main component of the investment climate.

This comment also--I am happy that the other paper that we will discuss does address this issue in a more comprehensive way.

On the linkage between interventions and outcomes, this is really the area where despite the significant amount of effort over the past six months, both reports, this one and the other one, still remain very weak. As we have mentioned in several committees, it would have been beneficial to focus and draw on some lessons, as some colleagues have mentioned, of past experience in countries that have successfully succeeded in reducing poverty, such as China, India, and Vietnam.

I would recommend that we add some country-specific experiences to more clearly illustrate the consequences of specific reforms.

Thank you.

MS. RAMPHELE: Thank you very much.

Mr. Asumpinpong?

MR. ASUMPINPONG: Thank you, Madam Chairman.

We welcome this synthesis paper and the background papers on the Progress Report and Critical

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Next Steps in Scaling Up. The papers are well-structured to portray the current trend in services delivered, MDGS, as well as recommending how to scale up the efforts of relevant parties in order to catch up with target debt trends.

We appreciate the candid assessment of the report that many regions will not be able to achieve their education targets, HIV/AIDS targets, and sustainable access to water and sanitation services, while all regions are in trouble meeting the child and maternal mortality targets.

We also appreciate the report accepting the fact that economic growth alone will not do the trick in achieving the MDGs. We agree that immediate and concerted action is needed not only from developing countries but also from developed countries, international development communities, and the World Bank to resolve the bottlenecks if the progress is to be accelerated.

Even though the underlying recommendations provided in the report, we are of the view that some of those are really broad and that more specific measures should be spelled out in order to meet the MDGs.

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Madam Chair, we are in broad agreement with the proposed action on the issues of expanding development frameworks, securing appropriate financing, and developing financing frameworks that staff explicitly propose to put forward for the DC to discuss in order to translate the commitment into concrete results.

We share the view particularly that although the EFA FTI model is considered a successful approach in making possible the achievement in MDG Education For All targets, however, this model may not simply be applied to HIV/AIDS, health, water, and sanitation. Perhaps we need to build a more specific model for each goal. In this connection, we ask staff to explore any possible models for articles which are at least not going to be achieved.

Thank you, Madam Chair.

MS. RAMPHELE: Thank you very much.

Mr. Gomes?

MR. GOMES: Thank you, Madam Chair.

Like others, I welcome this report on the critical next steps in scaling up for education, health, HIV, water and sanitation. I think the staff has summarized very well the issues, and I am in broad

agreement with the key elements of the proposed Progress Report.

I think it is a useful report to alert the Ministers to the need to develop a financing framework for reaching the MDGs.

I would like also to thank staff for the bilateral meetings we had.

I will align myself with what Finn said. On Mr. Jones, I was a little bit concerned about--how to say it--it seems to me that people are quite less excited about this issue of MDGs. I am getting the feeling that there is less passion, and I think we cannot afford to have Carole not on board on this, so I will make sure that I really understand her concern, because it is something that maybe we need to discuss more in detail.

But it is important to say, I think, to our colleagues that we need not to give the impression that the momentum is not in this issue anymore. We had in our office to develop a tremendous effort to get our Ministers on board after the Annual Meeting. As you know, we have a team of a couple of Ministers--the Ministers from Uganda, Burkina, Namibia and Cameroon--and we have organized a system in which we will have them in

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town from time to time to really follow up what is going on in our countries, because we believe that countries need to do their homework on this issue in order to be credible that they are committed to moving on the issue of MDGs, essentially on, for example, HIV and education.

As a matter of information, we have recommended for the African heads of state to take up again the issue of HIV during the next African Union meeting in June or July and to issue a strong statement about the fact that they will be involved at a personal level to push for the agenda of HIV.

So I think we are in the process of continuing to build this coalition of leaders. In Africa, leaders matter. We don't have the institutions that make things sustainable yet, so we rely on leadership, and having those leaders on board on this issue is extremely important.

So it is important to continue this advocacy move from the Board, from the Bank, so I will disagree with some colleagues who think the tone is excessively on the side of advocacy. We have to continue to do that.

And of course, we cannot ignore the issue of financing. We cannot operate in the dark or in an

environment where there is no predictability about the support that countries will expect to implement reforms. When you put in place reforms in education and in health, you have to have a clear view on where you are going and how the resources will come to support some of the programs, because as I used to say in our discussions here, in any participatory discussion we have in the countries, you raise expectations, and people assume that you will deliver. That is why the issue of predictability and also the fact that donors have to realize that those resources have to come in time; it has to be timely, so there is no room for a kind of unpredictable mechanism of delivering that support to the reform program.

So I welcome the emphasis on resources. I think we need to be frank on that and emphasize that.

The other important thing that we need to say in implementing this and scaling up is that it took a fair amount of time for our governments to recognize that they need to work with NGOs and grassroots organizations, and some are not yet convinced that they need to go in that direction. We are building the coalition on that. That is why the momentum needs to be maintained, and it is

important for them to know that the international community and the Bank are with them in this process.

So in one word, it is important to have a paper like this for the Ministers of Finance during the Spring Meetings. They have to have a say. They have to look at it, and we have to focus on delivering what we have agreed upon during this famous conference on the Millennium Development Goals. So I welcome the discussion that certainly will take place during the Spring Meetings.

I will read a couple of points in my statement, but I wanted to make this point prior to that.

Ngozi, sorry, this is the first time, but it seemed to me that people weren't very excited about this paper, so I had to make the points.

MS. OKONJO-IWEALA: Well, we are making exceptions today right, left, and center, so go ahead.

[Laughter.]

MR. GOMES: So, moving aid faster, at the country level, scaling up capacity-building in key areas--many of the countries that have the greatest MDG gaps also have very limited implementation capacity. Therefore, there is a need to give specific attention to

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policies, institutional reform, and capacity-building to improve systems in order to better serve poor people.

A long-term perspective and focus on national and local authority and community level is essential rather than building capacity in enclaves. A particularly weak capacity area is the public health delivery system in terms of physical and human resources. Strengthening the public-private partnerships in service delivery is critical plus the use of civil society organizations in implementing HIV/AIDS programs. I mentioned this issue before.

At the Development Committee level, the major element required to improve development effectiveness is policy and institutional change, which is largely the responsibility of developing countries themselves. However, implementation of policies need to be financed adequately to be effective. In this regard, I would like to convey to Board members my authorities' concern that donor funding promised for the EFA program is not forthcoming. I just came back from a very quick meeting with the delegation of Mauritania, and to tell you the truth, I had no great answer to give them on the commitment, but Mr. Moulin told me that apparently,

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things are moving, and something interesting will happen in a couple of weeks.

So they are particularly concerned about the uncertainty of the level of financing, the unpredictability of its availability, and the possible lack of sustainability, which are making the EFA planning very difficult for them.

I would also like to emphasize the Bank contribution to the EFA program, and this program should be maintained, of course.

Donor coordination at the country level is vital in the MDGs. Proliferation of country-level coordination starts to lead to duplication. Absence of coordination may also lead to conflicting recommendations, different procurement procedures, leading to confusion. We want the Bank to take a leading role on that issue.

That doesn't mean that we ignore other initiatives that are taking shape--actually, Carole convened an interesting meeting with Undersecretary Taylor on the Millennium Challenge Accounts--but we did flag our concern about the importance of keeping an eye on the ball which is the issue of harmonization.

A special comment on scaling up TA again. In reference to a discussion on LICUS, I agree with the staff that lending instruments such as technical assistance and analytical approach are specifically appropriate for staying engaged in these countries. However, I also strongly believe that the primary education should be on one area where the Bank should stay engaged no matter what level of stress countries are undergoing.

On HIV/AIDS, while I understand the general position on nonaccrual status, I believe that there is a need to separate the issue of conflict and non-conflict countries from other countries when dealing with HIV/AIDS. I also believe that the issue of IBRD countries and eligibility for concessional funding for HIV/AIDS also needs to be reexamined in the context of the Global Fund for HIV, Tuberculosis and Malaria.

Thank you, Madam Chair. I am sorry for the time I took, but I needed to make those points.

MS. RAMPHELE: Thank you.

Mr. Agha?

MR. AGHA: Thank you, Madam Chair.

We found this to be a useful paper which frankly indicates the magnitude of the challenges that we must face jointly together or, failing that, face failure together.

Madam Chair, it is absolutely correct that the primary responsibility for achieving the MDGs and related development outcomes rests with the developing countries themselves. But all that this paper seeks to point out is that this cannot be achieved without scaling up of efforts both by developing countries and by developed countries, and that the financing gap cannot be filled or bridged without a holistic approach.

I find nothing wrong, frankly speaking, with this candidness.

Secondly, as some other chairs have also pointed out, in our focus on MDGs, we should not lose sight of other priority sectors or create structural imbalances that create impediments to the prospects for long-term economic growth and productivity.

Thirdly, on private sector development, I think this is a critically important sector in its own right as the primary vehicle for sustainable economic growth and improvements in productivity. There is no second opinion

on this issue, but can the private sector play a major role in changing the outcome for the MDGS, particularly in the short to medium term? Given the leads and lags involved, I suspect not.

We agree that the CAS and PRSPs or Country Development Strategies are the appropriate point of focus. Otherwise, we might lose ourselves in aggregates. While we agree with the multisectoral approach, this need not necessarily translate into multisectoral projects, which usually have a poor history of implementation.

While we agree on the need to get a firmer grip on the financing gap and the methodology used, and also that the Development Committee cannot become a pledging session, yet I think this paper is correct in highlighting the magnitude of the challenge that we face and that the Finance Ministers need to address at their forthcoming Spring Meetings. And I do think that the Development Committee is the right forum for discussing these issues.

Thank you.

MS. RAMPHELE: Thank you very much.

Mr. Olsson?

MR. OLSSON: Thank you.

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I just wanted to respond to Mr. Jonck's comments characterizing Carole's comments for her and maybe clear up some misunderstanding.

Carole's comments were not meant to suggest a different paradigm, nor were they meant to suggest alternative objectives in the paper. They were meant, rather, to suggest that there are a number of paths that could be taken to meet the MDGs, and only one or two of those paths were highlighted, and there were other paths not particularly well-mapped-out, and that the discussion of the objectives in the paper would benefit from a more comprehensive look at the map of how to get to achieving the MDGs.

Thank you.

MS. RAMPHELE: Thank you very much.

Mr. Vasudev?

MR. VASUDEV: Thank you. I'm sorry to come back.

Just listening to some observations, I couldn't resist making this point, that to see the stage at which we are discussing this particular issue, there is a Millennium Development Goal commitment by all the heads of government, heads of state. There was a conference on

financing for development at Monterrey which adopted these MDGs. And Millennium Development Goals are goals; they are targets. And now to argue that we should not have a target syndrome or a sectoral approach, I think these arguments could perhaps have been at Monterrey, that they don't want these MDGs for such-and-such reasons, that they feel overall growth is good enough, and trickle-down will take care of all sectors.

But at the Monterrey Conference, a conscious decision was taken to have a targeted approach on specific sectors, and goals have been set. And now to say that we should not even have numbers with regard to the current status of access levels and with regard to different goals, the current status with regard to the physical assets, physical infrastructure needed for achieving the MDGs, the current status with regard to the financing gaps which are there, then I think that probably we are going back in time.

I think all Ministers have asked for it, the Millennium Development Goals asked for it, the Monterrey Conference has asked for it, and if the Development Committee is not the forum to discuss these issues, I cannot find any other forum. That is a committee to

consider transfer of resources, and that committee has asked for a system of monitoring the MDGs, and if we are monitoring, and we don't go into specifics, then what are we talking about?

So I don't think there is any escape from a target syndrome, frankly. These are targets which have been laid down by the Ministers and accepted by the governments.

There is no escaping also from a sectoral approach, because these targets are sector-specific. These are with regard to drinking water, with regard to HIV/AIDS, with regard to health, with regard to child mortality, with regard to maternal health care. Whether we like it or not, this is what we have been enjoined to do.

So I thought I would just restate the context in which we are discussing. Maybe these issues have their relevance, but perhaps they should have been made at the time, at Monterrey or some other place. And of course, if issues of methodology or assumptions of robustness of these numbers are there, and what is a better methodology, surely those are issues which are valid and which can be discussed.

Thank you.

MS. RAMPHELE: Thank you very much.

We have had obviously a very rich and wide-ranging discussion.

I am just going to ask the staff to respond to some specific things, but there will be much more one-on-one followups with some of you on some of the specific questions you have raised. But I think that in light of some of the fundamental questions which were raised, it is important for some of the staff to respond.

I will start with Robert, and then I'm going to ask Minouche, because she has to be excused from the Board very soon, to also make some comments, because there are some important issues.

Mr. Bier?

MR. BIER: I just want to ask, in those bilateral discussions, maybe the information should be made available to all the constituencies, because I am very much interested in some responses to questions raised by other colleagues. So I would really ask to get back the information also from staff.

Thank you.

MS. OKONJO-IWEALA: May I suggest that perhaps the responses, if they are going to be written, be sent to the Secretariat, and we'll share them with everybody.

MR. HOLZMANN: Good suggestion.

Thank you. It was indeed a very rich discussion, and thank you for the encouragement but also for the critique and suggestions and comments. They will all be taken into account in the redraft which starts as of this afternoon, as soon as we return to our offices.

I will address a few of the suggestions made with regard to focus and nuancing the message, and then I will address to issues, the growth part and the estimates part, before I turn it over to Minouche and the others to come in and answer the sector-specific questions which I would not want to take up.

Three comments on the focus and nuancing. One on the sector, the sector focus, which received some critique, I have to say we would be very unhappy if in the final paper, the feeling would remain that we have a sector-specific focus and we forget about the cross-sectoral approach and its importance.

What we are saying here is that not only various sectors together but also various networks really have to

try to take this on. I think what is important--another comment which came out was that we didn't put too much emphasis on putting the PRSP in the center, because if you do it, you'll see immediately that one has to look at all sectors at the same time. But what came out when you discussed it with us is a kind of "think cross-sectoral and act sectoral," because if you try to implement projects or programs in a too much cross-sectoral mode, the question of sectoral excellence and quality comes at stake.

So what we try to do is try to think cross-sectoral and then act sectoral; otherwise, the Christmas tree approach and the question of accountability comes up.

The second comment is on low-income countries, middle-income countries, what you have raised. Indeed, there, we could have said more. It was a question of restriction with regard to focus and space and time. We all warn, each time we talk to our clients, "Yes, sir, we also have issues even if you are a middle-income country." And also, the other part, which the Indian chair raised, on regional distribution and what is the distribution of the MDG-deficient numbers and to get a

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feeling for where is the need and where are the resources. We will take care of this when we rewrite it.

The third issue is the question of the questions. Perhaps some of the questions were too naive in the sense that one doesn't ask Ministers "Where is the money?" which was essentially there. But I think we all agreed that the issue of does the EFA and Fast Track Initiative make sense should be there. There should be a question of next steps and how to come to the resources, and the UK chair provided useful suggestions how to move about. But also, I thought that the majority of you supported some thinking about the financing mechanism, and I think some of you asked what do we have in mind.

My understanding is there is a lot of discussion inside and outside the Bank among the donors about what model should be applied--should it be a fund at the local level, country level? Should it be a kind of contract between the donors and the country? What can IDA do; should IDA be the main mechanism of distribution--but then, only IDA14--what happens in the meantime? There is the issue of should the money be used to paid down EBRD or ADB or other creditors?

So thinking about it and having a discussion about it, what we ask is does it make sense, and if so, to get guidance on what kinds of models you would exclude ex ante, saying, "Sorry, in this direction, don't think about it; it doesn't make sense from our point of view." But these are the kinds of areas where we think it makes sense to think about it and come back when you have a paper and put this into the structure.

Now to the piece de resistance, the growth issue and the estimate issue. I fully agree with Ms. Brookins that growth and governance are important. This is something that we all know are critical issues and which should always be on our minds when we deal with development issues.

But we thought that this paper is not the moment to deal with it, because we wanted to focus on the MDGs. And also, there is a companion paper there which looks more at the macro part, and if you go to the Executive Summary to Roman III and IV, you find all the elements there where one talks of how important growth is, but also saying what the limits of growth are, because the estimates we have already assume, I have to say, quite

high growth rates in order to make the estimates. So growth assumptions are already there.

If one asks the question how high do the growth rates have to be out of their own, they achieve not only the poverty MDG but all the other MDGs, the service MDGs, 2 to 7, when you come to levels which are simply historic; they are much too high.

So from this, the question then comes down to ask, okay, if the growth rates are too high, we will never achieve them in order to commit it. What other kinds of things do we need to do in order to achieve the MDGs? And this is the approach we have taken, fully taking into account, you are perfectly right, that growth is a crucial issue in this area.

But there is an additional issue to that. If you think of very low-income countries and low-level equilibrium, if you only wait for growth, it will take decades even to approach some of the MDGs. You have to jumpstart it, and you have to jumpstart it with measures to make sure that they come onto a growth path. And we think we know that a growth path without basic education and without access to health will not happen. You won't have growth if this is not available.

The second part, on estimates. I understand the comments that say, well, this range is pretty large. Well, that is true, but you have to understand how these estimates are made. We started out, as we didn't have data, with macroeconomic--call it speculation--which we all did in grad school and afterward to find out what are the kinds of magnitudes which emerge out of them.

As we move now at the country level, for some of the sectors, it is possible to use country data to do a bottom-up approach--not for all of them, for some of them--but as we all know, the data there is pretty unreliable, so each time we come back to a country for other estimates, the information changes. So this is one of the reasons why we have this large range.

The second part, of course, is that there are two estimates involved. One is for the overall costs, so how much does it cost; the second one is how much of this will be foreign assistance, and within this, there are some sub-assumptions.

Since all of these assumptions are pretty much independent, what we know is if you then take minimum/maximum, the variance adds up, so at the end of

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the day it is simple statistics, so at the end of the day, you end up with a large variance which is normal.

If we look at the magnitude, did we try to frighten you? No. If you compare our estimates with the others, they are more on the lower side of it, not on the higher side, and the assumptions we have there are--call it conservative or optimistic, because in most cases, we work with average cost and not marginal cost. If it came over to marginal cost, it would be much higher.

The upshot, my take is if I were Minister of Finance, and we come up with a point estimate at the small range, I would disbelieve the numbers. I think the broader range shows that this is still work in progress.

The second part--and you are perfectly right--if these estimates are there, we want to understand what the assumptions are. On this later on, Maureen Lewis, Chief Economist for the HD Network, will provide you guidance where we are currently moving, because you are perfectly right--we must understand what are the assumptions behind these estimates, the different ones, in order to play around with is it a reasonable assumption or is it not a reasonable assumption.

With this, I hand over to Minouche.

MS. SHAFIK: Thank you, Robert.

I guess I'll start by introducing myself, My name is Minouche Shafik, and I am the Vice President for Private Sector and Infrastructure.

I haven't seen many of you as yet, because I have been off achieving my own Millennium Development Goals. I recently had twins, and I am pleased to report that we achieved our target on both the maternal mortality and the infant mortality measures. But it is nice to be back.

Let me just make a few remarks on the water sector specifically, which we cover, on the growth issue, on multisectoral dimension, and on the specific issue of the Camdessus Panel.

On the growth issues, just to elaborate a bit on the points that Robert made, in the water sector, we have also seen the fact that growth doesn't deliver the whole story. But the issue of the distribution of the financing of water investments is clearly an issue that is open to debate and on which Ministers could well debate.

The historical pattern is that about 67 percent of water investments are financed by domestic sources, by

the public sector, and by the utilities themselves, based on local financing. About 28 percent is financed by donors, and only 5 percent in the water sector has been financed by the private sector--clearly, a very low level, the lowest of all the infrastructure sectors in terms of the water sector's ability to attract private financing.

I think the message of this report is a simple one. It reminds me a little bit of a story one used to hear about Eastern Europe--the debate on Eastern Europe and the transition economies was always big bang versus gradualism. And I remember one person, who will remain unnamed, who was a rather heavysset man who used to say, "You know, it's like you have a very, very fat man, and we could spent a lot of time debating over whether his optimal weight is 150 pounds or 180 pounds or 200 pounds, but the point is he is really fat, and he needs to lose weight."

I think the simple message of this report in many ways is that more resources will be needed under any scenario, and where those resources come from I think is a very good issue to put before the Development Committee.

There are scenarios in the water sector where private resources could be greater, but as is discussed in the paper, those are going to likely involve various permutations of public-private partnerships because as we have seen recently, the willingness of private finance to invest in the water sector has not been very high of late, and the risk appetite is low. So we need to be creative, and I think that is a very important area for Ministers to discuss.

On the issue of multisectoral issues, which I think Mr. Vasudev, Mr. Masse, and Mr. Bier raised, we completely concur, and I think the actual production of this paper, which was a joint effort by the Private Sector and Infrastructure Network and the HD Network, is a good example of that perspective, and we are certainly very sympathetic in trying to take that into account.

On the specifics of the Camdessus Panel, which Mr. Melkert and Mr. Moulin raised, we have been very involved in that process. As most of you know, Peter Woicke has been representing the Bank Group in the Camdessus process. The formal report will be launched on March 21 at the Kyoto Summit in Japan on Water.

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We are now preparing our response, which will be presented in Kyoto on March 22. Overall, our reaction to the proposals in that report, which is an array of recommendations on the water sector, are very positive. We very much agree--in fact, when you read the report, it will read very much like the paper you have in front of you in terms of where we think the future of the water sector should go.

They do recommend a doubling of ODA for water, and in some sense, it is consistent with our own estimates of financing needs. They also talk about sub-sovereign activity and the need for financing at the sub-sovereign level. We are very interested in that. We brought to you recently the IFC project in Mexico which was the first time Bank Group has actually lent at the sub-sovereign level. We think that is a very important precedent, and we hope to come back to you with more proposals along those lines.

They also propose a devaluation liquidity backstop to help foreign investors deal with the foreign exchange risk of investing in the water sector. We are looking at that, and we hope to get back to the Camdessus Panel next month with some proposals on that.

We are also very sympathetic to the increasing emphasis on public-private partnership, affirmage [phonetic], and a variety of ways to shift the risk burdensharing in the water sector to try to attract more financing. And we are working on a variety of proposals along those lines including explicit subsidies, which I think Mr. Jones raised, for the poor in places where we can't achieve sustainable cost recovery without some explicit treatment of the subsidy issue.

Let me stop there.

MS. RAMPHELE: Thank you, Minouche.

Maureen?

MS. LEWIS: I am Maureen Lewis, and I am the interim chief economist in Human Development.

I want to pick up on an issue that many of you have raised, having to do with the resource estimates. I think we are in total agreement on the importance of getting consistent and clear numbers here. We have been working on it now for quite a while. We hope to have something out that makes this clear.

I think one of the problems is that, as was said before, we are dealing with poor data, different assumptions, different kinds of circumstances, and we are

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trying to make some coherence out of this. But this is something that Nick Stern has been leading as well, to make sure that we are working across sectors, that we are looking at the issues, so we are in the process of putting together something that will clarify this.

I should say that one of the things I want to rectify now, because it was raised by a couple of you, is that the amount for education of \$4 to \$5 billion is for low-income countries, and clearly, that has been internalized by many of you, and that is correct, and the number of the paper was for low- and middle-income countries. So that is where the discrepancy came from.

But what we hope to do is to put together something that clarifies and answers the questions that you have raised here. They are on target, and they were not in this paper because this was not about costing; it was one element of it, and we wanted to emphasize the issues of getting institutions right, of getting the governance in place, and of making sure the focus was on something other than resources. Resources were obviously important, but as we have said in the paper, if the other things don't happen, the resources are secondary.

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However, I think that given what we have seen from the work that we have done in health and growth, what we have done on looking at growth in the MDGs and looking at the three sectors of health, education, and water, and also in HIV/AIDS, we are coming to orders of magnitude that are not that different from what we have seen from earlier work that we have done and work that others have done.

So I think that we will be very much focused on getting better numbers and being consistent about it, because we are very concerned about this; we know this is an issue, and we shared with you something on an interim basis, but I think the bottom line is that the goals are ambitious, these are difficult settings, and it is a short period of time, and it is not going to be costless and the orders of magnitude are probably not going to change dramatically over time, but we will try to be more precise, and we hope that we can open a dialogue to discuss this and to also be helpful in terms of what we think is going to be required to reach these ambitious goals.

So I hope that is helpful, and I hope that we will be able to come back to you sometime in the next

month or two and be more clear on the specifics behind some of the costing that we have done.

Thank you very much.

MS. RAMPHELE: Mr. Bayer?

MR. BAYER: I would like to say something on this cost estimate thing. I think the explanations were quite good in how you arrived at these very wide ranges. But this is something which puzzles me and which I am also going to bring up on the next paper--what is the appropriate way to approach Ministers that you have a very large financing gap? And if we come with these very large ranges, the Ministers get the feeling that these are very arbitrary figures, and nobody knows what he is talking about.

A lot of the people around the table here I think have been advising Ministers, and we know what Ministers need essentially in order to catch their interest. So if you come with some kind of most likely or most powerful type of point estimates and show the ranges, that is fine, but if you come with \$23 or \$46 billion, something like a doubling of the range, that is just a very difficult way for Ministers to focus on the issue.

So I think it may be just a matter of presentation on the form and not so much of substance, but you can't really put the analytics for how you arrived at these things just on the table for the Ministers, because they are not interested in how you arrived at these things and why the range is so big.

MS. RAMPHELE: Point taken.

I thought it would be important for Ms. Kagia, the Director of Education, to respond to some of the issues--not all of them, because again, we will come back to you in a more comprehensive way.

Ms. Kagia?

MS. KAGIA: Thank you.

I am sensitive to the time, so I will just respond to two points and preface my comments by thanking the Board for the tremendous momentum that you have enabled us to achieve, particularly in education. It is just one year from the time we sat here and you authorized us to move forward with the fast track program, and when you look back on that 12 months, you realize the value of this authorizing environment and the authorizing environment that comes with the Development

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Committee in helping us tap into our collective convening power with our partners as well.

And that is the context in which we have come back to you with a progress report, and the only thing we stand behind is finding ways of accelerating progress on education in this case, finding ways of catalyzing change at the country level, but also finding ways of focusing attention on the critical bottlenecks of financial policy, data, and capacity, and that is the context in which we are also looking at the financing issues.

The vast part of that financial analysis indicated an order of magnitude of \$2.5 billion to \$5 billion for the low-income countries, which goes up to about \$5 to \$7 billion when you add it all up. But that is the total cost. What we are working on now and what we hope to come back to you with in a few months is the country-by-country distillation of all the resources available at the country level, and then, the net gap which will definitely be much more. But we feel that unless we started with the total estimated cost, then it becomes difficult to get a handle on the magnitude of the challenge ahead of us. So that is really in a sense where we start from, but we are distilling this, and

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really zeroing down on what is the net gap, everything else taken into account including domestic revenue mobilization and better utilization of those resources.

So we hear you on the numbers, but those will keep changing as we define our analysis which we are working on.

The second issue was on gender. Again, we hear you. We did raise the issue in the first paper last April that whereas we don't expect to achieve the gender goal, we do hope to at least aim for achieving the gender goal in the intake in period one, because then you begin to view the momentum.

We have been working with UNICEF, which as you know is the lead agency on this, through the Secretary General Gender Initiative. We have been working with them, and we have also been working with UNESCO on the EFA monitoring report, and the 2004 monitoring report is going to focus specifically on gender. We finished the meeting in Paris only this week, and we said we've got to raise the profile of gender issues and make the world aware that we are falling short of the first goal, and it is the first credibility test on the Millennium Development Goals.

So we are focusing on it, but in this case, letting UNICEF and UNESCO provide the leadership with our analytical support.

Thank you.

MS. RAMPHELE: Thank you very much.

Debrework--sorry--Mr. Harada?

MR. HARADA: I just wanted to comment on that range of estimate issue. I have to take issue with Mr. Bayer. If you try to solidify the number without the necessary assumptions, explanations about assumptions, that will certainly give the wrong and misleading impression to Ministers. If your estimate for a country is at the wide range, I think the numbers should be presented as such.

I would argue that the range should be even larger given the uncertainty about the impact of the growth and also the relationship between the overall cost and the ODA part. So I take issue with that point.

MS. RAMPHELE: Thank you.

Ms. Zewdie will talk to some of the issues you raised around HIV/AIDS. She is the Program Director for the Global HIV/AIDS Unit in the Ban.

MS. ZEWDIE: Thank you. I'll be mindful of the time and be very short.

There are three issues that I want to address. The easy ones are the first one and two--is the Bank working with UNAIDS and under the MDG umbrella, and is the Bank competing with the Global Fund.

If the paper gave these perceptions, it is really unfortunate, because we are working with UNAIDS under the MDG umbrella, and we are supporting the Global Fund. We are working together, and we will be able to provide you with the details of how we work together.

The third issue which I want to address a little bit more extensively is the MAP disbursing, or why is the MAP disbursement low. When I came into this room this morning, I felt that I didn't know many of you, unlike the time when you gave us the mandate with the Multi-Country AIDS Program. Maybe it is a fault on our side that we haven't kept you up-to-date.

The MAP is disbursing slowly both relative to the epidemic and to the project potential. We will be the first ones to admit this. However, we are trying to do two things that are both challenging. The first one is to intensify activities on HIV/AIDS prevention, care,

and treatment, and we inherited the legacy of a very poor infrastructure and a very limited focus on HIV/AIDS which was only health [inaudible], while we are trying to address it multisectorally.

The first one is we are trying to assist governments to get resources to the grassroots level, and this is a very difficult task. We spent a lot of time when we were planning the MAP on the financial planning, and although it seems that the MAP is not disbursing, it is disbursing compared to other Bank projects. But again, I will repeat what I said before--because we built the MAP for speed, the disbursement rate is not compatible with the speed that we are looking for.

However, the background, the groundwork that we have laid in the financial planning is already becoming fruitful, for example, for the Global Fund. It is a very hard process, but we are working on it.

So these are the two major challenges.

What are we doing about it? Again, we would be very happy to provide you with an update, but let me focus on a few steps.

One, the simplification process of the Bank took the HIV/AIDS projects, more specifically the MAP, as a

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guinea pig. We did form a committee, the HIV/AIDS Project Implementation Acceleration Team. Before we went to countries, we wanted to look into are there any problems in the Bank's procedures that are contributing to the slow disbursement of the MAP. I am happy to report to you that in 95 percent of the cases, we have managed to solve the problems internally. What is remaining now, as was mentioned earlier by you, is to go out and to face the governments, which is something which we have done from the beginning of the MAP.

The disbursement issue of the MAP is a primary agenda on Mr. Wolfensohn's meetings with all the African leaders. Mr. Gomes mentioned the OAU, which is being planned. There is also a meeting which is being planned in Lesotho where African governments would be challenged by how fast the MAP needs to disburse, and we are working toward that.

In the meantime, we are building networks among these countries where they are coming together and sharing experiences. Certainly in the new MAP countries, because we have built in the lessons from MAP 1, we see much faster disbursement.

When we brief you, we will include some of the achievements on a country-by-country basis. Although the figure out there--and it depends from what time we are counting--looks like 10 percent, it is disbursing, but the epidemic is moving much faster than we are.

I take note of the NGO which was mentioned by the Swiss ED. The point is not only coming up with a syndrome of chalking up the small NGOs, but it is also the empowerment problem, and again, we have some lessons which we will be able to share with you.

I'll stop there.

MS. RAMPHELE: Thank you very much.

I'm going to ask Rob Hecht, who is the Acting Director of Health, to speak to some of the concerns you raised about the health paper, and then we'll wrap it up there. This is obviously work in progress, and we are very grateful for all of your comments, and they will greatly enrich our further work.

Rob?

MR. HECHT: Thank you very much.

I also wanted to extend a thanks to all of the Executive Directors for the helpful input on the health, nutrition, population part of the four-part paper series.

I just wanted to respond to three specific points that were raised by EDs this morning and early this afternoon. First of all, starting out with the French ED, a number of you made the point that we shouldn't take it as a given that the FDI approach to scaling up should necessarily be the model to be applied to all of the MDGs, that we should keep an open mind. And I think we are very much approaching the HNP, the health, nutrition, population--I believe this is true for water and sanitation and the other areas--we are approaching this with an open mind, looking at alternatives, and trying to learn the lessons indeed from EFA from the fast track.

That having been said, we think that there are some features of the current interaction of the fast track initiative that make sense for health, nutrition, and population. They include the current focus on the country and not on the global level, the desire to integrate this within the PRSP and the Medium-Term Expenditure Framework, the maximum use of existing mechanisms such as sector-wide approaches without investing new mechanisms that only complicate the situation at country level, and learning the lessons from

aid effectiveness which suggests that in different conditions of governance and capacity that different instruments are appropriate, not purely that we should focus our financing on the countries with the best governance and the best fiduciary arrangements, but that there should be a graduated approach. I believe this is the way in which education is proceeding, and this is the way we are interpreting it for health, nutrition, and population.

But if there are different models both on the financing side and in terms of the way in which donors should work together, we welcome your input on this. And I must say that in the health, nutrition, population area, we are pleased in fact that one of the lessons we learned from Education For All was to bring in the partners very, very early in the process, and in fact we are getting quite a lot of input from a number of your colleagues in the different partner agencies on how to develop the right model, the model that will fit the scaling-up challenges in HNP.

The second thing I wanted to say was to respond to the comments we received I think mostly from Mr. Melkert and Mr. Jonck in which they encouraged us to go

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further to elaborate the approach to scaling up in health, nutrition, population. We welcome that, and it is also gratifying that some of the countries represented by those EDs are very much associated with the efforts that we are undertaking right now to try to elaborate the best approach.

That having been said, I would ask that at least you take a look at Sections C and D of the background paper because I think, perhaps for one of the first times, we have tried to identify what we see as the key--not interventions at the level of health services themselves--but the key policy and institutional factors both on the supply side and on the demand side that we have learned from the lessons of experience in middle-income countries as well as in low-income countries that actually achieve a scaling-up effect. And I won't run through those, but they are a small subset of factors, and I think they do begin to form a rigorous framework for thinking about what has to go along with the additional financing in the area of institutional policy, capacity reforms, in order to scale up on the health MDGs.

The third and final thing, I just wanted to respond very specifically to Mr. Hyden's criticism of one of the charts on under-5 mortality in the synthesis paper. I apologize for the mistakes there; we will correct them.

I think that if you look carefully at the chart, the point we were trying to make was that the multiple, the difference between the richest and the poorest, had grown over the last 40 years. I believe Mr. Hyden was suggesting that the graph was inaccurate, that in fact the differences had narrowed rather than widening--if I misunderstood I apologize, but the absolute level has gone down between the richest and the poorest over these 40 years, but the multiple has increased from sixfold to tenfold between the poorest and the richest.

So we will clarify that. It is our mistake, and we will fix it.

Thank you.

MS. RAMPHELE: Mr. Hyden?

MR. HYDEN: My point is that the appropriate way to measure this is the absolute level, not the multiple.

MS. RAMPHELE: Mr. Gomes?

MR. GOMES: Yes, on the issue of IBRD countries and concessional funding for HIV, I think it will be useful for the Spring Meetings to at least flag this issue because it has been raised by Ministers during the Annual Meeting, and it will come up again. I don't know how you want to raise it again. I know it is something that is a work in progress, but I think it would be good to flag it during the next meeting.

MS. RAMPHELE: Ms. Zewdie?

MS. ZEWDIE: I'm sorry, Madam Chair, but in my haste to be short, that is one important point I forgot. The team which I mentioned is looking into both issues of working in IBRD countries--as you know, six of the seven IBRD countries are the ones that are hardest hit by the epidemic--and also countries in conflict. These are the two agenda items that the simplification team is looking at, and we are working on it very closely.

We are also trying to use the Global Fund as an entry point to solve some of these problems.

Thank you.

MS. RAMPHELE: I thank you very much for your continuing support, and we will take all of your comments

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into account, and the staff will come back to you with more detailed responses to some of your questions.

Thank you very much.

MR. BERNES: For those of you who were wondering, the Technical Briefing on the HIPC Implementation Statistical Update is postponed until the same time tomorrow.

