

**DOCUMENTS AND RESOLUTIONS  
OF THE  
BOARD OF GOVERNORS**



## SCHEDULE OF MEETINGS

### Saturday

September 24 8:30 a.m. Opening Ceremonies  
Address from the Chair  
Annual Address by President,  
World Bank Group  
Annual Address by Managing Director,  
International Monetary Fund  
Procedures Committees Reports  
Annual Discussion

### Sunday

September 25 4:00 p.m. Annual Discussion  
Adjournment

### NOTES:

1. The Meetings was held in Constitution Hall (Saturday a.m. session) and Fund Headquarters 2 Conference Hall (Sunday p.m. session), and all sessions are joint.
2. The International Monetary and Financial Committee and the Development Committee met on Saturday, September 24, and Sunday, September 25, respectively.
3. The World Bank Group consists of the following:
  - International Bank for Reconstruction and Development (IBRD)
  - International Finance Corporation (IFC)
  - International Development Association (IDA)
  - International Centre for Settlement of Investment Disputes (ICSID)
  - Multilateral Investment Guarantee Agency (MIGA)

## **PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS**

### *Admission*

1. Sessions of the Boards of Governors of the World Bank Group and the International Monetary Fund will be joint and shall be open to accredited press, guests, and staff.
2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and such staff as may be necessary.

### *Procedures and Records*

3. The Chairman of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they ask to speak.
4. With the consent of the Chairman, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.
5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairman, the President of the World Bank Group, the Managing Director of the International Monetary Fund, and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairman and the Reporting Member.

### *Public Information*

7. The Chairman of the Boards of Governors, the President of the World Bank Group, and the Managing Director of the International Monetary Fund, will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

## AGENDA

1. 2005 Annual Report
2. Report of the Chairman of the International Monetary and Financial Committee (Fund Document No. 4)
3. Report of the Chairman of the Joint Development Committee (Fund Document No. 5)
4. Financial Statements and Audit Report (Appendix VII of the *2005 Annual Report* and Fund Document No. 6)
5. Administrative and Capital Budgets for Financial Year ending April 30, 2006 (Chapter 7 of the *2005 Annual Report* and Fund Document No. 7)
6. Selection of Officers and Joint Procedures Committee for 2005/2006

## REPORTS OF THE JOINT PROCEDURES COMMITTEE

*Chairman*—Democratic Republic of the Congo  
*Vice Chairmen*—Peru, Saudi Arabia  
*Reporting Member*—Bulgaria

### *Other Members*

Australia, Bangladesh, Dominican Republic, France, Germany, Ghana, Hungary, Italy, Jamaica, Japan, Libya, Malaysia, Nicaragua, Poland, Russian Federation, Rwanda, South Africa, United Kingdom, United States

## Report II<sup>1</sup>

September 24, 2005

Mr. Chairman:

At the meeting of the Joint Procedures Committee held on September 23, 2005, items of business on the agenda of the regular meeting of the Board of Governors of the International Monetary Fund were considered.

The Committee submits the following report and recommendations:

1. *2005 Annual Report*

The Committee noted that provision had been made for the annual discussion of the business of the Fund.

<sup>1</sup>Report II and the Resolutions contained therein were adopted by the Board of Governors of the Fund in Joint Session with the Board of Governors of the Bank, IFC, and IDA on September 24 2005.

2. *Report of the Chairman of the International Monetary and Financial Committee*

The Committee noted that a report by the Chairman of the International Monetary and Financial Committee would be circulated and subsequently entered into the record.<sup>1</sup>

The Committee recommends that the Board of Governors of the Fund thank the International Monetary and Financial Committee for its work.

3. *Financial Statements, Report on Audit, and Administrative and Capital Budgets*

The Committee considered the Report on Audit for the Financial Year ended April 30, 2005, the Financial Statements contained therein (Fund Document No. 6 and Appendix VII of the 2005 Annual Report), and the Administrative Budget for the Financial Year ending April 30, 2006 and the Capital Budget for capital projects beginning in Financial Year 2006 (Chapter 7 of the 2005 Annual Report and Fund Document No. 7).

The Committee recommends that the Board of Governors of the Fund adopt the draft Resolution set forth in Fund Document No. 7.<sup>2</sup>

Approved:

Andre-Philippe Futa  
*Democratic Republic of the Congo*  
Chairman

Dimitar Kostov  
*Bulgaria*  
Reporting Member

<sup>1</sup> See pages 21–23.

<sup>2</sup> Resolution No. 60-3; see page 207.

**REPORT III <sup>1</sup>**

September 24, 2005

Mr. Chairman:

The Joint Procedures Committee met on September 23, 2005 and submits the following report and recommendations:

1. *Development Committee*

The Committee noted that the Report of the Chairman of the Joint Ministerial Committee of the Boards of Governors of the Fund and the Bank on the Transfer of Real Resources to Developing Countries (Development Committee) would be presented to the Boards of Governors of the Fund and Bank pursuant to paragraph 5 of Resolutions Nos. 29-9 and 294 of the Fund and Bank, respectively (Fund Document No. 5) and subsequently entered into the record.<sup>2</sup>

The Committee recommends that the Boards of Governors of the Fund and the Bank note the report and thank the Development Committee for its work.

2. *Officers and Joint Procedures Committee for 2005/2006*

The Committee recommends that the Governor for Guyana be Chairman, and that the Governors for Luxembourg and Mozambique be Vice Chairmen, of the Boards of Governors of the Fund and of the World Bank Group, to hold office until the close of the next Annual Meetings.

It is further recommended that a Joint Procedures Committee be established to be available, after the termination of these meetings and until the close of the next Annual Meetings, for consultation at the discretion of the Chairman, normally by correspondence and, if the

<sup>1</sup> Report I dealt with the business of the Boards of Governors of the Bank, IFC, and IDA. Report III and the recommendations contained therein were adopted by the Boards of Governors of the Fund and of the Bank, IFC, and IDA in Joint Session on September 24 2005.

<sup>2</sup> See pages 23–27.



occasion requires, by convening; and that this Committee shall consist of the Governors for the following members: Burundi, Cameroon, Chile, France, Germany, Guyana, Honduras, India, Indonesia, Islamic Republic of Iran, Japan, Luxembourg, Malta, Mongolia, Mozambique, Netherlands, Rwanda, Saudi Arabia, Serbia and Montenegro, Suriname, Sweden, the United Kingdom, and the United States.

It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Guyana and the Vice Chairmen shall be the Governors for Luxembourg and Mozambique and that the Governor for Mongolia shall serve as Reporting Member.

Approved:

Andre-Philippe Futa  
*Democratic Republic of the Congo*  
Chairman

Dimitar Kostov  
*Bulgaria*  
Reporting Member

**RESOLUTIONS****Resolution No. 60-1**

Forthcoming Annual Meetings—Change of the  
2005 Annual Meetings Date

*On August 15, 2002, the Board of Governors adopted Resolution No. 57-3 concerning the timing and locations of the 2004, 2005, and 2006 Annual Meetings. The wording of the Resolution is as follows:*

RESOLVED:

THAT the 2004 and 2005 Annual Meetings shall be convened in Washington, D.C. beginning on Monday, September 27, 2004 and Monday, September 26, 2005;

THAT the invitation of the Government of Singapore to hold the Annual Meetings in Singapore in 2006 be accepted; and

THAT the 2006 Annual Meetings be convened on Tuesday, September 19, 2006.

*The Fund and Bank Executive Boards established a Joint Working Group to review arrangements for the 2005 and future Annual Meetings. The Joint Working Group made a recommendation that, given the uncertain impact of security on the logistical arrangements for the Annual Meetings, the 2005 Annual Meetings should take place on Sunday, September 25, rather than on Monday, September 26.*

*In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on April 19, 2005 for a vote without meeting:*

RESOLVED:

THAT the 2005 Annual Meetings shall be convened in Washington, D.C. on Sunday, September 25, 2005, and that Resolution No. 57-3 shall be amended accordingly.

*The Board of Governors adopted the foregoing Resolution, effective May 24, 2005.*

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**Resolution No. 60-2**

## Direct Remuneration of Executive Directors and Their Alternates

*Pursuant to Section 14(e) of the By-Laws, the 2005 Joint Committee on the Remuneration of Executive Directors and their Alternates on July 5, 2005 directed the Secretary of the Fund to transmit its report and recommendations to the Board of Governors of the Fund. The Committee's report contained the following proposed Resolution for adoption by the Board of Governors.*

*In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on July 19, 2005 for a vote without meeting:*

RESOLVED:

THAT, effective July 1, 2005, the remuneration of the Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be paid in the form of salary without a separate supplemental allowance, and such salary shall be paid at the annual rate of \$204, 400 per year for Executive Directors and \$176, 810 per year for their Alternates.

*The Board of Governors adopted the foregoing Resolution, effective August 24, 2005.*

**Resolution No. 60-3**

## Financial Statements, Report on Audit, and Administrative and Capital Budgets

RESOLVED:

That the Board of Governors of the International Monetary Fund considers the Report on Audit for the Financial Year ended April 30, 2005, the Financial Statements contained therein, and the Administrative Budget for the Financial Year ending April 30, 2006 and the Capital Budget for capital projects beginning in Financial Year 2006 as fulfilling the requirements of Article XII, Section 7 of the Articles of Agreement and Section 20 of the By-Laws.

*The Board of Governors adopted the foregoing Resolution, effective September 24, 2005.*

**INTERNATIONAL MONETARY AND FINANCIAL  
COMMITTEE OF THE BOARD OF GOVERNORS OF THE  
INTERNATIONAL MONETARY FUND**

PRESS COMMUNIQUÉ

September 24, 2005

The International Monetary and Financial Committee held its twelfth meeting in Washington, D.C. on September 24, 2005 under the Chairmanship of Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom. *The Global Economy and Financial Markets—Outlook, Risks, and Policy Responses*

1. The Committee welcomes the ongoing global economic expansion, although it notes that growth divergences between countries remain wide. Global growth is expected to continue, although downside risks to the outlook have increased, especially high and volatile oil prices, recently exacerbated by the effects of Hurricane Katrina, the widening of global imbalances, increasing protectionist sentiment, and the possibility of tighter financial market conditions. While core inflation generally is contained and inflation expectations remain well anchored, higher oil prices remain a risk to price stability. The Committee notes that these areas should be a particular focus of IMF surveillance and policy advice in the coming months.
  
  2. The Committee emphasizes that oil producers, oil consumers, and oil companies will all have their part to play in working together to promote greater stability in the oil market. First, the Committee welcomes the action by members of the International Energy Agency and oil-producing countries to continue to increase supplies to the market. Second, the Committee calls for further investment both now and in the long term throughout the supply chain, particularly in refining capacity including of heavy oil, and for efforts to create a favorable investment climate. Third, the Committee also stresses the importance of policies to promote energy conservation, efficiency, and sustainability, including through new technologies, alternative sources of energy, and reducing subsidies on oil products. Fourth, the Committee encourages closer dialogue between oil producers and consumers, and further efforts to improve oil market data
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and transparency to improve market efficiency. Fifth, the IMF should stand ready to provide assistance to help members, especially poor countries, deal with oil price shocks.

3. The Committee welcomes recent progress in implementing the agreed policies to address global imbalances and foster growth, but urges further action to promote orderly adjustment in view of the heightened risks to the outlook. This includes: fiscal consolidation to increase national savings in the United States; greater exchange rate flexibility in emerging Asia; further structural reforms to boost potential growth in the euro area; and further structural reforms, including fiscal consolidation, in Japan, where the economy is regaining momentum. Measures to promote a more investor-friendly environment, including in a number of emerging market economies, would also contribute to reducing imbalances. Oil-exporting countries will also need to play their part, including through efficient absorption of higher oil revenues in countries with strong macroeconomic policies.

4. Steps to strengthen medium-term fiscal positions remain crucial for supporting global growth and stability. Fiscal deficits in many industrial countries need to be lowered further, and reforms to address pressures from aging populations and ensure the sustainability of pension and health care systems need to be accelerated. Improvements in the fiscal positions and debt structures of many emerging market countries are welcome, but in countries with high public debt levels continued fiscal consolidation efforts are needed. The Committee also calls for more ambitious efforts to address rigidities in labor and product markets in many countries. Regulatory and supervisory authorities should remain alert to risks stemming from ample global liquidity and associated risk taking and leverage.

5. The Committee emphasizes that a successful outcome to the Doha Round by the end of 2006 remains of critical importance for global growth and poverty reduction. Serious challenges remain in reaching agreement at the WTO ministerial meeting in Hong Kong SAR in December. As finance ministers and central bank governors of WTO member countries, we have a vital interest in successful multilateral trade liberalization. Benefiting from a useful exchange of views with Mr. Pascal Lamy, the Director-General of the WTO, the Committee calls on all countries to ensure progress on ambitious trade liberalization with the urgency that the timetable now demands. Key areas for action are: increasing market access, especially for developing countries; significantly reducing trade distorting domestic support; eliminating all

forms of export subsidies in agriculture; and making significant progress on services, including financial services, and on issues of intellectual property. The Committee welcomes the joint IMF-World Bank staff report on proposals to enable low-income countries to benefit fully from trade liberalization, and urges the Executive Board to consider these proposals expeditiously.

6. The Committee welcomes the enhanced growth performance and prospects of many of the world's poorest countries, reflecting improvements in their underlying policies. With ten years remaining to meet the Millennium Development Goals (MDGs),<sup>1</sup> those countries should move rapidly to strengthen policies needed for sustainable growth and poverty reduction, including through sound macroeconomic frameworks and building the sound, accountable, and transparent institutions that are essential for fostering growth and supporting vibrant private sector growth. Also, the international community must follow through expeditiously on its renewed commitments to provide additional resources, including at the Gleneagles Summit and the Millennium Review Summit. An ambitious outcome to the Doha Round is also essential for poverty reduction.

### **IMF Objectives and Medium-Term Strategy**

7. The Committee welcomes and supports the broad priorities set forth in the *Managing Director's Report on the Fund's Medium-Term Strategy* to improve the IMF's effectiveness in support of its members. In the coming years the IMF will continue to work to help members meet the economic challenges of globalization within its mandate in the macroeconomic and financial areas. The Committee looks forward to specific proposals and timelines on the main tasks identified in the medium-term strategy in the Executive Board's work program, within the context of the IMF's medium-term budget framework and the staff compensation review.

8. The broad priorities set out in the Managing Director's report<sup>2</sup> are to:

- Make surveillance more effective;

<sup>1</sup> As endorsed by Heads of State and Government in the UN General Assembly on September 8, 2000.

<sup>2</sup> The report can be found at <http://www.imf.org/external/np/omd/2005/eng/091505.pdf>.

- Adapt to new challenges and needs in different member countries;
- Help build institutions and capacity;
- Prioritize and reorganize the IMF's work within a prudent medium-term budget; and
- Address the issues of fair quotas and voice.

9. The Committee agrees that the IMF needs to deepen its analysis of globalization and continue to develop its strategy for responding to the long-term challenges it poses.

#### **Strengthening IMF Support for Low-Income Countries— Instruments; Financing; and Debt Relief**

10. The Committee reiterates that the IMF has a critical role in supporting low-income countries through policy advice, capacity building, and financial assistance. The PRGF remains the main instrument for IMF financial support for low-income country members. The Committee agrees that the IMF's concessional lending should be financed at an appropriate level as assessed by the IMF. The Committee calls for incorporation of the lessons from the recent review of the design of PRGF-supported programs in the future work of the IMF in low-income countries.

11. The Committee welcomes the progress made on new instruments that will strengthen IMF support for low-income countries. The Policy Support Instrument (PSI) will be available to members that do not need, or want, IMF financial assistance, but voluntarily request IMF endorsement and continued assessment of their policies as meeting the standard of upper credit tranche conditionality. The country-owned policy frameworks designed by the authorities would consolidate medium-term macroeconomic and financial stability, and deepen reforms in support of poverty reduction and economic growth. A new window in the PRGF Trust will also be available to complement existing instruments by providing timely concessional support to low-income members without a regular PRGF arrangement and who are facing exogenous shocks, and we look forward to contributions from countries.

12. The Committee supports the proposal to provide 100 percent cancellation of debts owed by Heavily Indebted Poor Countries (HIPC)

to the IMF, the International Development Association, and the African Development Fund. This will provide significant additional resources for countries' efforts to reach the MDGs and reinforce longer-term debt sustainability. The Committee welcomes the approach subsequently discussed in the IMF to ensure that the IMF's resources will be used consistently with the principle of uniformity of treatment. It stresses the importance of ensuring that the IMF's capacity to provide financing to low-income countries is maintained, and therefore welcomes G-8 countries' commitments to provide additional resources. It also emphasizes that countries benefiting from irrevocable debt relief should have demonstrated sound policies and high standards of governance. Following this agreement now reached on all the elements, the Managing Director has informed the Committee that he will now call the Executive Board together to complete its approval of the arrangements to deliver debt relief by the end of 2005. The implications of debt cancellation for the new debt sustainability framework should be addressed in the review scheduled for Spring 2006. There should be a regular report on progress at future meetings of the Committee.

13. The Committee underscores the importance of full creditor participation, including by non-Paris Club creditors and private creditors, in contributing their share to implementing the enhanced HIPC initiative. It takes note of the work on identifying low-income countries with unsustainable debts as of end-2004, with a view to finalization by early 2006 of the list of countries potentially eligible for HIPC assistance.

14. The year 2005 is the International Year of Microcredit. The Committee notes the IMF's role in improving data availability on microcredit and in addressing microcredit issues in the Financial Sector Assessment Program.

### **Other Issues**

15. The Committee welcomes the rapid progress on the inclusion of collective action clauses in international sovereign bonds, and the efforts by emerging market issuers and private sector creditors to broaden the consensus on the "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets." The Committee looks forward to further work on the orderly resolution of financial crises, including the implementation of the IMF's lending into arrears policy.

16. The Committee calls for continued actions by all countries to develop strong programs on anti-money laundering and combating the

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financing of terrorism (AML/CFT). The Committee supports the IMF's efforts to implement its intensified AML/CFT work program, and notes the critical importance of supporting countries' efforts with well-targeted and coordinated technical assistance.

17. The Committee recommends members' acceptance of the Fourth Amendment of the Articles of Agreement. The Committee reiterates that the IMF's effectiveness and credibility as a cooperative institution must be safeguarded and further enhanced. Adequate voice and participation by all members should be assured, and the distribution of quotas should reflect developments in the world economy. The Thirteenth General Review of Quotas presents an opportunity to address the issue, and we look forward to progress on this issue and a report back at our next meeting.

18. The Committee looks forward to continued high-quality reports by the Independent Evaluation Office (IEO) under the leadership of its new Director, Thomas Bernes, and to the upcoming external evaluation of the IEO.

19. The Committee paid tribute to Alan Greenspan, in his last meeting of the IMFC, for his outstanding leadership of the Federal Reserve and his unprecedented and much valued contribution to the Committee's work over the last eighteen years.

20. The next meeting of the IMFC will be held in Washington, D.C. on April 22, 2006.

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE  
COMPOSITION

*As of September 24, 2005*

Gordon Brown, *Chairman*

Burhanuddin Abdullah	Indonesia
Ibrahim A. Al-Assaf	Saudi Arabia
Thierry Breton	France
Gordon Brown <sup>1</sup>	United Kingdom
Palaniappan Chidambaram	India
Hans Eichel <sup>2</sup>	Germany
Nicolás Eyzaguirre	Chile
Per-Kristian Foss	Norway
Ralph Goodale	Canada
Duck-Soo Han	Korea
Mohamed K. Khirbash <sup>3</sup>	United Arab Emirates
Aleksei Kudrin	Russian Federation
Mohammed Laksaci	Algeria
Tito Titus Mboweni	South Africa
Hans-Rudolf Merz	Switzerland
Antonio Palocci	Brazil
Gastón Parra Luzardo <sup>4</sup>	República Bolivariana de Venezuela
Didier Reynders <sup>5</sup>	Belgium
John W. Snow	United States
Sadakazu Tanigaki <sup>6</sup>	Japan
Paul Toungui	Gabon
Giulio Tremonti	Italy
Gerrit Zalm	The Netherlands
Zhou Xiaochuan	China

Alternate standing for the member:

<sup>1</sup> Mervyn King

<sup>2</sup> Alex Weber

<sup>3</sup> Sultan Al-Suwaidi

<sup>4</sup> Armando León

<sup>5</sup> Karl-Heinz Grasser

<sup>6</sup> Toshihiko Fukui

JOINT MINISTERIAL COMMITTEE  
OF THE BOARDS OF GOVERNORS OF THE BANK AND THE FUND ON  
THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES  
(DEVELOPMENT COMMITTEE)

PRESS COMMUNIQUÉ

September 25, 2005

1. We met against the background of a series of major meetings in this "Year of Development," in particular the United Nations 2005 World Summit held in New York on September 14-16. These meetings, including the G-8 Summit held in Gleneagles in July, have resulted in significant progress in building and deepening consensus on key elements of the development agenda. In our discussions we focused on implementation and priorities for action.

2. We reiterated our support for the realization of the internationally agreed development goals, including the Millennium Development Goals (MDGs), and recognized that this calls for a stronger international development partnership. We are encouraged by commitments to reinvigorate the aid partnership, with stronger policies in many developing countries matched by commitments by developed countries and other donors for significant additional aid and debt relief and steps to improve development effectiveness. We reaffirmed the importance of sound policies, including promoting a strong private sector and improving governance, in developing countries to the achievement of the development goals. In this connection, we emphasized the importance of expanding opportunities for those who have the least voice and the fewest resources and capabilities. We welcomed the increased resources that will become available as a result of the recent establishment of timetables by many donors to achieve the target of 0.7 percent of GNP for ODA. We commended donors who have already reached or exceeded this target. As called for by world leaders at the recent UN Summit, we urged those developed countries that have not yet done so to make concrete efforts in this regard in accordance with their commitments. We noted the launch of the International Finance Facility for immunization and the upcoming implementation of an airline ticket solidarity tax by a

group of countries. We called on the Bank to assist with implementation issues, as appropriate, to ensure that these initiatives are coherent with the overall performance- and country-based aid architecture. We also noted ongoing work on blending arrangements and advance market commitments for vaccines.

3. As important as mobilizing more aid is action to improve the quality of aid. We welcomed progress toward establishing tangible indicators and targets for commitments made in the Paris Declaration on Aid Effectiveness. We asked the Bank to work closely with the OECD Development Assistance Committee and other partners to support the delivery and improve the quality of increased assistance, through systematic monitoring and follow-up on aid commitments, and through vigorous implementation of the agreed agenda on managing for results, harmonization, and alignment.

4. We welcomed the World Bank Group's ambitious Africa Action Plan, which will support African countries in their efforts to increase growth, tackle poverty, and achieve the MDGs. We called for timely and vigorous implementation of the Plan and urged that the Bank work closely with the African Union, New Partnership for Africa's Development, African Development Bank, African Partnership Forum, and other partners. We commended the Plan's results-oriented approach and the concrete actions it proposes to ensure that increased aid will be used effectively. The Action Plan correctly focuses on building state capacity and improving governance; strengthening the drivers of growth; and promoting broad participation in growth and sharing its benefits. We commended its comprehensive approach toward developing an African private sector, creating jobs, enhancing exports, expanding infrastructure, raising agricultural productivity, strengthening human development, building capacity (including in conflict-affected and fragile states), and increasing regional integration. Related areas we emphasized include strengthening the implementation of Education for All Fast Track Initiative, including closing of the financing gap; stepping up the fight against major diseases including HIV/AIDS and malaria; promoting women's role in development; and improving the environment for small and medium enterprises, including access to microfinance. We called for further analysis and elaboration of proposed new mechanisms to scale up and strategically target aid to countries and programs with potentially high development impact, which are complementary to and consistent with IDA framework. We also welcomed the Plan's emphasis on partnerships, monitoring and evaluation, and consultative mechanisms,

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including reporting back to the Committee on progress on a regular basis in the context of the Global Monitoring Report, starting in 2007.

5. We welcomed the G-8 proposal for 100 percent cancellation of debt owed by eligible heavily indebted poor countries (HIPCs) to the International Development Association (IDA), the African Development Fund (AfDF), and the International Monetary Fund, as providing a valuable opportunity to reduce debt and increase resources for achieving the MDGs. In order to expedite the implementation of the proposal, we agreed on the need for an interdependent package consisting especially of dollar for dollar compensation for IDA that is truly additional to existing commitments and that maintains the financial integrity and capacity of IDA to assist poor countries in the future. We are agreed on the need for additionality of donor resources for debt relief to provide tangible benefits to HIPCs. We are confident that the package, including financing, the main technical features of the proposal and burden sharing on a voluntary basis will provide these benefits. We emphasized the importance of maintaining sound economic performance and good governance by eligible countries. We urged donor countries to ensure financing to fully compensate IDA for forgone reflows resulting from debt relief in order to reach a final agreement on the proposal. We welcomed the delivery commitments by the G-8 in their letter to the World Bank President. We asked the Bank to prepare a compensation schedule and monitoring system of all donor contributions urgently. On this basis we expressed our support for the aforementioned package and urged the Bank to proceed with the steps to ensure all necessary arrangements for implementation.

6. We also reviewed the implementation of the HIPC Initiative, welcomed continued progress in providing debt relief to HIPCs, noted the need to fill the current funding gap, and urged full creditor participation. We continue to underline the importance of the existing agreement that contributions under the HIPC Initiative be additional to other contributions to IDA. Eighteen countries have reached the completion point and another ten are between decision and completion points. We look forward to a final list of eligible countries in early 2006.

7. Stronger country policies and more and more effective aid must be complemented with ambitious moves to increase openness and market access and to ensure that trade benefits the poor. Without a timely and ambitious outcome for the Doha Development Agenda, developing countries will not achieve the economic growth needed to meet the MDGs. As we approach the crucial Hong Kong Ministerial meeting,

which will be an important milestone toward concluding the Doha Round in 2006, now is the time for action by all WTO members to move the negotiations forward, and we called upon developed countries to show leadership. We cannot overemphasize the importance for the global economy and for meeting the MDGs of achieving an outcome that includes: (i) a major reform of agricultural trade policies to expand market access and eliminate trade-distorting subsidies; (ii) action to open markets in manufactures and services; and (iii) increased aid for trade to address supply-side constraints and enhance the capacity of developing countries to take advantage of expanded trade opportunities. We endorsed the proposal for an enhanced Integrated Framework for Trade-related Technical Assistance, including expanding its resources and scope and making it more effective. We asked the Bank and the Fund to examine further the adequacy of existing mechanisms to address regional or cross-country aid for trade needs and explore new mechanisms as appropriate. We supported a strengthened framework for assessing adjustment needs so that IFI and donor assistance mechanisms can be better utilized. We urged the Bank and the Fund to better integrate trade-related needs into their support for country programs. We also asked the Bank and the Fund to continue their global advocacy role on trade and development.

8. Scaling up investment in infrastructure, alongside strong programs for education and health, is key to faster growth and progress in reducing poverty. We welcomed the progress made by the Bank Group in implementing the Infrastructure Action Plan and strengthening public-private partnerships to leverage investment and maximize impact, including in the framework of the newly established Africa Infrastructure Consortium. We called for continued deepening and scaling up of support for infrastructure service delivery, and removal of impediments in this regard, in order to respond to needs in both low- and middle-income countries. As part of this effort, we look forward to a progress report at our next meeting by the Bank on the impact of fiscal space on growth and achievement of the MDGs, in continued cooperation with the Fund on the macroeconomic aspects of this issue.

9. We welcomed the review of World Bank conditionality and endorsed the good practice principles the Bank has put forward to streamline conditionality and strengthen country ownership and leadership. We called for regular monitoring to ensure their consistent implementation at the country level and for a report on progress next year. We also welcomed the work on enhancing IMF instruments in support of its low-

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income members, and called for further strengthening Bank-Fund collaboration in this area.

10. We welcomed the joint Bank-Fund review of the poverty reduction strategy approach and noted the contribution the PRS approach is making to enhancing country leadership of the development agenda, promoting the articulation of clear and coherent country policies and priorities for spurring growth and reducing poverty, improving budget and monitoring systems, and sharpening the focus on development results. We noted that country ownership based on broad participation is now central to the PRS approach. We also noted the value of country-led diagnostics including poverty and social impact analysis in supporting the PRS approach. Good progress notwithstanding, continued efforts are needed to strengthen poverty reduction strategies and their implementation in many countries. This includes efforts by countries to improve policies, domestic resource mobilization, governance, and accountability and by donors to provide support in a predictable, aligned, and harmonized manner.

11. We support the World Bank's efforts, including through the Global Environment Facility, to assist member countries in measures to mitigate and adapt to the impact of climate change and improve energy efficiency and access to renewable and cost-effective energy; and welcomed efforts to follow up on the Gleneagles plan of action with early consultations to identify pragmatic investment and financing policy actions that can help further the goals of the United Nations Framework Convention on Climate Change. We look forward to a report for our next meeting on progress made in developing dialogue with partner countries and institutions and a future investment framework.

12. The Committee considers the issue of enhancing the voice of developing and transition countries in our institutions to be of vital importance. We will continue our discussions with a view to building the necessary political consensus on this matter, taking into account progress in the context of the IMF quota review.

13. The Committee expressed its appreciation to Mr. Trevor Manuel, Minister of Finance of South Africa, for his valuable leadership and guidance as Chairman of the Committee during the past four years, and welcomed his successor, Mr. Alberto Carrasquilla, Minister of Finance and Public Credit of Colombia. We expressed our gratitude to James Wolfensohn for his outstanding leadership of the World Bank Group during the last 10 years, and welcomed the new President of the World Bank, Paul Wolfowitz, who attended his first meeting of the

Development Committee, and wished him a successful tenure. The Ministers also expressed their warm thanks to Mr. Thomas Bernes upon conclusion of his tenure as the Committee's Executive Secretary.

14. The Committee's next meeting is scheduled for April 23, 2006, in Washington, D.C.



## DEVELOPMENT COMMITTEE COMPOSITION

*As of September 25, 2005*Trevor Manuel, *Chairman*

Ibrahim Al-Assaf	Saudi Arabia
Ahmed bin Mohammed Al Khalifa	Bahrain
Hilary Benn	United Kingdom
Thanong Bidaya	Thailand
Bohoun Bouabré	Côte d'Ivoire
Thierry Breton <sup>1</sup>	France
P. Chidambaram	India
Joseph Deiss <sup>2</sup>	Switzerland
José Francisco Gil Diaz	México
Ralph Goodale <sup>3</sup>	Canada
Duck-Soo Han	Republic of Korea
Eero Heinaluoma	Finland
Jin Renqing	People's Republic of China
Aleksei Kudrin	Russian Federation
Roberto Lavagna	Argentina
Ngozi N. Okonjo-Iweala	Nigeria
Fathallah Oualalou	Morocco
Antonio Palocci Filho	Brazil
Didier Reynders <sup>4</sup>	Belgium
Giulio Tremonti <sup>5</sup>	Italy
John W. Snow	United States
Sadakazu Tanigaki <sup>6</sup>	Japan
Heidemarie Wieczorek-Zeul <sup>7</sup>	Germany
Gerrit Zalm <sup>8</sup>	The Netherlands

Alternate standing for the member:

<sup>1</sup> Mrs. Brigitte Girardin<sup>2</sup> Mr. Jean-Daniel Gerber<sup>3</sup> Robert Greenhill, Paul Boothe<sup>4</sup> Armand De Decker<sup>5</sup> Ignazio Angeloni<sup>6</sup> Hiroshi Watanabe<sup>7</sup> Erich Stather<sup>8</sup> Agnes van Ardenne