



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



SEVENTY-FIFTH MEETING
WASHINGTON, DC – APRIL 15, 2007

DC/S/2007-0007

April 15, 2007

Statement by

Mr. Eero Heinäluoma
Minister of Finance of Finland

on behalf of the Nordic and Baltic Countries

**Statement by Mr. Eero Heinäluoma
Minister of Finance of Finland
on behalf of the Nordic and Baltic countries**

1. The Global Monitoring Report 2007: Confronting the Challenges of Gender and Fragile States

The Nordic and Baltic countries welcome this year's annual stocktaking of progress towards the Millennium Development Goals (MDGs) presented in the Global Monitoring Report (GMR). The GMR's focus on gender and fragile states is highly relevant and the report clearly documents that addressing challenges in these areas is key to reaching the MDGs.

It is encouraging that overall growth trends look positive and that some regions are on track for halving poverty by 2015. Averages at regional levels should, however, not mask critical concerns in many countries, particularly in Africa where, on current trends, the achievement of many of the human development goals by the year 2015 remains unlikely. It is also worrying that observed progress in school enrolment and completion is not being translated into better cognitive skills. We therefore welcome the discussion of how to improve quality in the education sector.

The World Bank plays an important role in identifying and addressing **country-specific constraints** to higher and shared growth. To that end different fiscal policy scenarios must be analyzed, as there is no one-size fits all solution. Moreover, further efforts are needed by developing countries in improving their business and investment climate in order to foster continued high long-term and sustainable growth. Growth, with benefits from it being widely shared in the population, is central to successful poverty reduction and to reach the MDGs.

The **progress in scaling up aid** has been very disappointing, particularly in Sub-Saharan Africa, and the GMR clearly shows that developed countries - not least some of the G8 countries - need to strengthen their efforts in assisting the poorest countries in achieving the MDGs. Commitments on official development assistance, debt relief and arrears clearance, need to be translated into disbursements, by means that ensure additionality and safeguard the financial integrity of the international financial institutions. Furthermore, acknowledging the importance of trade expansion for growth and development, we call on all parties to show the necessary flexibility to achieve a pro-development outcome of the Doha trade negotiations.

In the area of **governance** progress is mixed and the need for further efforts is clear. The Nordic and Baltic countries are strong supporters of the World Bank Group's governance and anticorruption agenda, and strongly endorse the updated strategic framework, which in our view will prove to be instrumental in addressing this serious issue. The global consultation process since the Annual Meeting in Singapore has been very useful and has provided us with a set of excellent core guiding principles for the work going forward. We hope that full attention can now be given to ensuring the framework's implementation.

Improved **aid efficiency** is fundamental to improved results, as well as a prerequisite for additional development financing. The Bank has committed itself to playing a role in ensuring that development assistance becomes better harmonized amongst development partners, aligned with country priorities and oriented towards development results. We have seen good progress in some recipient countries, while much remains to be done in others. We strongly encourage all stakeholders, including the Bank, to strive for further progress in this area. The principle of mutual accountability should remain at the centre of this process and implementation of the Paris Declaration on Harmonization and Alignment should be kept at the forefront.

Gender

The Nordic and Baltic countries warmly welcome **gender as one of the GMR's main themes**. The link between economic empowerment of women and economic performance remains a largely untapped source of progress in many countries, and greater attention needs to be given to women's rights and access to the productive sectors. Experience shows that the greatest gains countries can achieve, economically as well politically, come with empowering women, ensuring equal opportunity, health care and increasing the ratio of women's active participation in working life and the economic sector. The World Bank estimates that unequal education and employment opportunities for women in sub-Saharan Africa have retarded per capita growth by 0.8 percentage points per year between 1960 and 1992. This is truly significant and shows the appalling costs of gender inequalities. We therefore urge all donors, bilateral and multilateral, to invest in the empowerment of women.

In light of the above, we note with disappointment the **gap between words and deeds** of the development community's commitments to gender equality. While the importance of the issue is generally accepted, accountability for results is lacking. We expect the Bank to give high priority at all levels to gender issues, especially with regard to PRSP-processes and Bank operations in the economic sectors, and to ensure full implementation of its new Action Plan for Economic Empowerment of Women. Gender related results targets and monitoring of gender-sensitive indicators are central to ensuring results on the ground and we therefore warmly welcome the recommendations for additional indicators to measure progress towards MDG3.

The Nordic and Baltic Countries believe that actions are needed in the following key areas:

First of all, **political leadership** is necessary – both in partner countries and amongst development partners. Special initiatives are needed, but donors must also continue to align themselves and harmonize much more thoroughly with national and international commitments on gender equality.

Secondly, **non-discriminatory legal frameworks** must be put in place. Women's equal access to land, property and inheritance rights is a prerequisite for their economic empowerment. However, law reform alone is not enough as people must be conscious of their legal rights, and how to enforce them. Here, partnerships between governments, the private sector and civil society are important to raise awareness of legal rights.

Finally, the promotion of an **enabling business environment** is central, including access to finance, especially for small-scale female headed businesses in the informal sector. At the same time, practices, which deprive women of a voice in decision-making and limit their employment possibilities, need to be addressed. In this context, we would like to emphasize the importance of strengthening women's reproductive and sexual rights and access to health services. The Nordic and Baltic countries see the implementation of the Bank's new health strategy as another important tool for reaching gender equality.

Fragile States

The GMR rightly highlights the development obstacles facing **fragile states**. Being home to a large number of the poorest people of the world, and in light of possible negative regional spillovers, these countries continue to represent a major challenge where further involvement by the international community is crucial. Such involvement needs to be well adapted to country specific needs and conditions. The Nordic and Baltic countries therefore remain strong supporters of the Bank's work in fragile states and we welcome the Bank's new strategy for rapid response to crises and emergencies.

Bridging the gap from post-conflict recovery to development is one of the main challenges in fragile states. As pointed out in the GMR, average aid per capita to such countries is lower than aid to other low-income countries. These limited resources should be used more efficiently by focusing on results, minimizing the need for parallel systems and by strengthening coherence between aid commitments and delivery. Moreover, lack of donor coordination and division of labour between development partners has serious adverse impact on results. It is therefore essential that cooperation between the Bank and the UN is improved, not the least when working through Multi Donor Trust Funds. We also emphasize the need for the Bank to focus on issues which fall within its comparative advantage.

As immense challenges remain to improve women's access to health, education and economic opportunities in fragile states, we feel that the **gender perspective** in fragile states should have been better reflected in the GMR. It is particularly important that the UN Security Council Resolution 1325 on Women Peace and Security is given due attention in the Bank's, and other donors', work.

The International Aid Architecture

The International Aid Architecture is getting ever more complex with large private funds, "emerging" official donors and vertical programs becoming increasingly important providers of development assistance. While this presents opportunities, as new resources become available, a growing number of donors and increased earmarking of funds also pose a challenge in avoiding transaction costs and duplication of development efforts.

Strengthened **donor harmonization and alignment** is therefore fundamental to making effective use of the opportunities presented in the evolving international aid architecture. The Nordic and Baltic Countries expect the Bank to provide leadership in that regard, and to demonstrate clear progress when it comes to a stronger field presence and increased selectivity in its country programs. We encourage the Bank to further define its comparative advantages and strive for increased complementarity and division of labour. In this respect, we attach great importance to the Bank's role as a lending institution.

Furthermore, we encourage “emerging” official bilateral donors to give due attention to already established systems of donor cooperation with partner countries, not least in providing debt relief and ensuring debt sustainability.

2. Accelerating Development Outcomes in Africa: Progress and change in the Africa Action Plan

Assisting Africa in addressing its formidable development challenges is one of the most important tasks of the international community. Improvements in business climate and stronger growth performance in Africa create opportunities **for accelerating progress**, as does the improved fiscal situation for countries benefiting from substantial debt relief. The World Bank plays an instrumental role in taking advantage of this window of opportunity, be it through its financial resources, its knowledge services or by acting as a convening agent.

The Bank’s Africa Action Plan (AAP) provides an important framework for the Bank’s assistance to Africa and we welcome the **significant progress** already made under the AAP. However, we realize that although considerable, these results dwarf compared to the challenges Africa continues to face, and we emphasize that continued **scaling up** of both the Bank’s and other donors’ efforts are needed in order to assist African countries’ efforts to accelerate progress towards sustainable human and economic development.

The Nordic and Baltic countries strongly **support the revised AAP** and view it as an important tool to bring about development results on the ground. The principle of country ownership is key, and although the revised AAP focuses on sector flagships and cross cutting themes, we underline that the Bank’s point of departure should always be the client countries’ own priorities, as expressed in their Poverty Reduction Strategies. The eight selected flagships are in our view very relevant and in light of the poor progress made in the area of gender under the original AAP, we support the decision to make the economic empowerment of women a specific flagship, although it must not diminish efforts in the area of gender mainstreaming.

The Nordic and Baltic countries are strong supporters of the World Bank Group work on **clean energy and development** globally and we therefore highly endorse the choice of making this a flagship for the Bank’s work in Africa. It is important that the Bank Group actively continues efforts to increase financial resources to meet the energy needs of all developing countries, as well assist them in a transition towards a low-carbon economy. The Bank also needs to accelerate measures that assist developing countries adapting to the consequences of climate change. In the area of energy development we encourage the Bank to ensure a gender specific approach, which is not clear in the Bank’s Action Plan for Clean Energy and Development.

The main focus in the revised AAP continues to be economic growth and productivity. While recognizing that economic growth is a prerequisite for development, the Nordic and Baltic countries want to stress that **employment opportunities and income distribution** issues for both women and men, are important to address in order to strengthen the link between growth and poverty reduction. Employment also plays a vital role in efforts to avoid civil instability. We encourage the Bank and other stakeholders to

take this into account when formulating their strategies and programs.

It is only through real results at the country level that we can evaluate achievements made and adapt our strategies accordingly. We therefore welcome the **results focus** of the AAP, as expressed in the specific targets under each flagship. While doing so, however, we caution against excessive focus on delivering on those targets, at the expense of broader development outcomes, and underline that our fundamental goal remains the achievement of the MDGs. Moreover, it is important that the flagships, and their specific targets, are well aligned with the Bank's sector strategies and action plans.

It is of utmost importance that the **implementation of the AAP** is done in close cooperation and consultation with other development partners, both at the global and the local level, and is guided by an appropriate division of labour. Here, we note with satisfaction the progress made on the Bank's decentralization agenda, but believe that further efforts could be pursued in that regard. The indicators in the Paris Declaration provide the best basis for measuring progress in this area and should in our view also be the basis for measuring progress in ensuring aid effectiveness in Africa.