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ADDRESS BY THE TEMPORARY ALTERNATE GOVERNOR FOR THE UNITED KINGDOM
AT THE FIFTH PLENARY SESSION

Tony Faint

1. I should like to begin by thanking the Chilean Government for hosting this Annual Meeting of Governors in Santiago and to thank the Bank for their arrangements.
2. At the beginning of a new millennium it is right that the IDB should be reviewing the objectives we agreed in 1994 and the instrumentalities through which it pursues them. The Bank has many strengths, as the institution closest to the region of Latin America and the Caribbean and its largest source of development finance. As the Institutional Strategy paper recognises, the Bank needs to move forward on the basis of a clear vision, strengthened country focus and programming, partnership with the countries of the region and other international agencies, and an emphasis on performance and results.
3. The UK strongly believes that the core function of the Bank, as of other development institutions, must be the reduction of poverty and inequality. The evidence of development experience in recent years points to the need for a many-faceted assault on poverty problems, starting with a sound macro-economic framework that incorporates poverty aspects, and embracing micro-level reforms in the Enterprise sector and labour markets, as well as appropriate policies and instruments for social inclusiveness and social sector reform.
4. We therefore warmly welcome the clear statements by President Iglesias in his overview paper in which
 - he strongly reaffirms the core objectives of the Eighth Replenishment in terms of poverty reduction and environmentally sustainable development,

- he recognises the importance of the International Development Goals as milestones in this endeavour,
- he notes the importance of a joint effort led by the countries of the region to develop and implement strategies for poverty reduction with the support of the International Community as a whole.

5. These themes are central to the development of the Bank's Institutional Strategy. They must be the foundation for its work, whether in the priority areas of competitiveness and growth, social development and reform, public sector modernisation or regional integration.

6. Equally, development must be sustainable and sensitive to considerations of environmental protection if a lasting reduction of poverty is to be achieved. Poor people are often those who are most vulnerable to degradation of the natural and physical environment. We have found comparatively little recognition of the importance of longer term sustainability considerations in the papers for these meetings. Again this is not a question of a limited number of environmental project activities, but of a cross-cutting objective that is embedded in country strategies and the whole of the work of this institution.

7. A strengthened country strategy process is crucial to the implementation of the IDB-8 mandate and the Bank's Institutional Strategy. Country strategies need to be grounded in a strong analysis of the nature, incidence and causes of poverty. The Bank needs to equip itself to make a strong contribution to this analysis through its economic and sector work. Above all, strategies must be firmly owned by the country itself and developed through a consultative process. Where these conditions are met the Bank should be ready to provide flexible support for the implementation. In this connection we recognise the case for increased programmatic lending in support of integrated strategies for poverty reduction. We welcome the prospect of further discussion at the level of Governors of the Bank's Strategic Framework and the instrumentalities through which it can be realised.

8. Poverty and inequality are also closely correlated with issues related to race and ethnicity. We welcome the IDB's decision to host a regional conference in June focusing on this issue, in the run-up to the UN Conference on Racism in August.

9. The IDB has a particular responsibility for the needs of its poorest and most vulnerable members. In this connection we attach great importance to the target of 35% of lending for the poorer and smaller economies in the region—it should be reached as a matter of priority. We also welcome the conclusion at this meeting of a financing framework for debt relief to the region's Highly Indebted Poor Countries and the prospect of early delivery of interim relief to those that have already reached Decision Point under the Enhanced HIPC Framework.

10. The issues surrounding globalisation have rightly aroused spirited debate at this meeting. They are key to the economic prospects of the region, as they are to the global aim of the reduction and eventual elimination of extreme poverty. As a contribution to this debate the British Government published, in December 2000, a second White Paper on International Development entitled: “Eliminating World Poverty: Making Globalisation Work for the Poor”. Introducing the Paper in a recent speech, our Secretary of State for International Development, Clare Short, said: “The systematic reduction of poverty requires more international co-operation, not less and flows of trade and investment that make available the fruits of modern knowledge and technology to the poor of the world. The question is not whether we should be “for” or “against” globalisation, but how to ensure that globalisation becomes a positive force for all the worlds’ people. Some of the paper main conclusions are:

- First, sustained poverty reduction cannot be achieved without economic growth. But growth lifts people out of poverty more quickly where levels of inequality are low, so redoubled efforts are needed to reduce inequality. Policies to promote a strong private sector must be combined with effective government systems to promote social equity, justice and security. We need effective states and efficient markets.
- Second, investment in people, skills and knowledge is essential for countries that wish to be part of the globalising economy. The revolution in information and communications technologies creates an urgent need and an enormous opportunity to improve poor people’s access to education and knowledge. Appropriate policies, legal and regulatory frameworks must be promoted to enable this technology to be shared.
- Third, development assistance is vital for poverty reduction, but it must be used in new ways. Too high a proportion of current resources are spent on small, non-strategic projects and are not targeted on the poor. In the international system, and in all countries, we need a better co-ordinated and more coherent international development effort, which brings together all development actors behind country-owned poverty reduction strategies.
- Fourth, a stronger international system focused on the systematic reduction of poverty is needed to enhance the efforts of governments and take collective action where required. We need action at a global level—to tackle corruption, to reduce conflict, and to generate new drugs and vaccines for the diseases of poverty. Sustainable management of the earth’s natural resources requires international agreement and action.

11. We need the IMF, World Bank, Regional Development Banks, the UN and all development agencies collaborating to support governments that are committed to meeting the International Development Targets.

12. Above all, we must have fair international rules and strong international institutions to harness private capital and trading opportunities in order to improve the life of the poor. We need representative institutions, in which all can pursue their interests equally. To achieve fairer rules we need to increase developing countries' capacity to negotiate in international fora, and a commitment from developed countries to do away with damaging trade protectionism and the tying of aid to national procurement.

13. In conclusion, a challenging agenda is before us if the International Poverty Reduction target is to be met in the next decade and a half in Latin America. We would like to see the Bank place itself at the heart of that effort, dedicated to eradicating extreme poverty in its region.