



DEVELOPMENT COMMITTEE  
(Joint Ministerial Committee  
of the  
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on the  
Transfer of Real Resources to Developing Countries)



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Statement by Pascal Couchepin  
Federal Councillor  
Ministry of Economy  
Switzerland  
On behalf of Azerbaijan, Kyrgyz Republic, Poland,  
Switzerland, Tajikistan, Turkmenistan, Uzbekistan and the  
Federal Republic of Yugoslavia

## ***Development Cooperation in the 21<sup>st</sup> century***

Development effectiveness, while far from perfect, has continuously improved over the last 50 years, most notably over the past decade. The Bank's report confirms that development assistance and its programs have made a significant contribution to increasing economic growth, promoting private investment and reducing poverty. Yet, it also reminds us that aid may be futile where the institutional and policy environment is weak. Protectionist policies, especially in the North, have also hampered economic and commercial integration.

The Bank is on the right track in its pursuit of results-orientation and effectiveness. Its new strategic framework rightly emphasizes a good investment climate and the empowerment of people as the two main pillars of development. The implementation of poverty reduction strategies (PRSPs) - shifting from donor-driven assistance to country-owned development strategies - reflects the fact that policy reforms are crucial to aid effectiveness. The Bank's performance-based allocation system further reinforces the link between aid and good policies. Furthermore, the Bank has recognized that development effectiveness requires strong local institutions with adequate capacity to implement policy changes and manage foreign assistance.

But I also see scope for further action. First, the ongoing discussion on how to measure development effectiveness must be internalized by the Bank. Performance should be measured at the country as well as institutional level and needs to be linked to actual development outcomes, not only to inputs and outputs. At the same time, the Bank cannot be held responsible for what it does not control. Thus, performance measurement must be comprehensive and clarify, to the extent possible, the causality between the Bank's work and results on the ground. Harmonization is the second area where there is still considerable room for improvement. While I recognize and welcome the progress made over the past 12 months, the practical relevance of the on-going harmonization efforts has not been tangible enough for developing countries. The donor community must accelerate its efforts, while remaining pragmatic and aiming for improvements at the country level in the context of the PRSP process and sector wide programs. We should also foster ownership of harmonization efforts by borrowing countries.

Countries with weak policy frameworks and low institutional capacity remain a challenge. In poor performing countries, participatory development is elusive. Moreover, the premise that effective aid requires a sound policy and institutional environment should not imply that the donor community directs its attention away from poor performers. We cannot afford to disengage from countries that show a willingness, but lack the capacity to implement policy reforms. And where public commitment to reform is weak, we must still ensure that the population has access to a minimum level of education and health services. I therefore strongly encourage the Bank to develop a new approach for "Low Income Countries Under Stress" that foresees a closer collaboration with the private sector, including NGOs, private companies and independent service authorities. Setting up parallel structures may be necessary under certain circumstances. But we need to

develop a comprehensive assistance strategy and ensure the eventual transfer of responsibility.

### ***Education for Dynamic Economies: Action Plan***

Monterrey has highlighted the complexity of achieving the millennium goals and the need to prioritize our actions. Education must be at the forefront of our efforts due to its overriding role in advancing the development agenda. I fully endorse the proposed development compact, where governments commit to transforming their education systems and external partners commit to providing financial and technical support. I agree with the proposed “fast-tracking” process for ten selected countries.

While Education for All (EFA) establishes relevant benchmarks for primary education, we need to look at the entire education complex and ensure that policies in developing countries are consistent with efforts to broadly enhance human capital.

In designing an action plan for EFA, we need to be bold but circumspect. The division of labour between the bilateral donor community, UN agencies and the IFIs must be clear and a resource mobilization strategy must be designed. Also, we need to broaden the scope from too narrow a focus on basic education to include a comprehensive education strategy which includes other forms of education and training. Marginalized groups of society may require special consideration. Particular attention must be paid to ensure that girls are able to attend schools and complete their curriculum. The same is true for indigenous peoples, where language barriers often limit access to basic education. Finally, we need to monitor progress in enrolment rates as well as in the quality of education.

### ***HIPC Progress Report***

Although progress under HIPC has slowed down, I would like to reiterate that the Bank should not precipitate the preparation of Poverty Reduction Strategy Papers (PRSP) for the sake of achieving quicker debt relief. The goal of HIPC is to achieve debt relief for long-term debt sustainability and economic growth underpinned by a sound macro-economic framework. Often this has to be preceded by far-reaching structural reforms and a reprioritization of expenditures. These processes require a significant amount of time and behavioral change.

I support that on an exceptional basis additional debt relief is being provided at the completion point to countries that experience exogenous shocks leading to further deterioration of their external debt indicators.

My main concern is that the financing of the HIPC Initiative remains unresolved. So far, this has not created any difficulties in practice. Nevertheless, IDA's financial sustainability could be jeopardized in the medium-term, if we continue to commit IDA resources because of a lack of additional HIPC contributions from donors. The situation would be aggravated if we decide to increase the share of IDA-grants on a pay-as-you-go (PAYG) basis. I strongly caution against mortgaging IDA resources any further into

the future. Additional efforts should be undertaken to secure the adequate participation of all donors, as well as creditors, in the HIPC initiative.

The framework for action outlined at the London Conference in February 2002 is an important step toward addressing the problem of the heavily-indebted CIS countries. The Bank and the IMF can no longer ignore that several countries will not be able to extricate themselves from their debt and fiscal problems without significant outside support. They must monitor the situation carefully and formulate workable solutions in close cooperation with the Paris Club. The CIS countries must also strengthen their commitment to enforce growth-enhancing policy reforms and to improve public expenditure management as well as pay special attention to debt management and strategy.

### ***Anti-Money Laundering Action Plan and Fighting Terrorist Financing - Progress Report***

In the wake of the terrorist attacks of September 11, the World Bank and the IMF have made a remarkable effort to reinforce the fight against money laundering and the financing of terrorism. While I welcome that the action plan aims at extending the anti-money laundering assessment methodology to the fight against terrorist financing, we should not forget that the core mandate of the Bank is development and poverty reduction. Consistent with the Bank's comparative advantage, its emphasis should be on follow-up activities such as technical assistance and capacity building. Enforcement of standards should be left to other institutions.

There is a risk that a multitude of actors are pursuing similar and sometimes overlapping mandates. Cooperation and coordination with other competent international bodies and the elaboration of a comprehensive assessment methodology to be included in the Report on the Observance of Standards and Codes (ROSC) should therefore be a crucial element of the Bank and the IMF's strategy. Assessments should remain voluntary, uniform and cooperative and should exclude the evaluation of individual law enforcement measures.