DEVELOPMENT COMMITTEE
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On the
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Statement by

Federal Councillor Joseph Deiss
President of the Swiss Confederation
on behalf of Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

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Since Dubai, global economic growth has gained pace, but the recovery remains fragile. The industrialized countries must take the lead in consolidating growth by reducing external and fiscal imbalances and addressing potential economic risk and vulnerability.

There has been much talk about the benefits of globalization. However, these will only materialize if globalization is broadly perceived as being orderly and fair to all. Therefore, it is crucial that the international community confront the substantial unfinished multilateral agenda and restore the confidence that international dialogue and negotiations can provide equitable outcomes for everyone. We must revive the Doha trade round and accelerate our efforts under the Monterrey Consensus. It is in this spirit that I greatly welcome the Bank and the Fund's efforts to produce a report that will help us better monitor our progress towards the Millennium Development Goals.

Global Monitoring Report

I congratulate the Bank for the quality and comprehensiveness of the Global Monitoring Report. Its findings do not come as a complete surprise, but will be invaluable in guiding our future efforts. The international community still must rise to the challenge. We all, individually and collectively, have to do better, and each one of us knows, which specific issues have to be tackled in their own way. The Report gives us the tool we need to monitor ourselves. It will be key to increase global transparency and accountability of the international community. Moreover, it will send a strong message to the political constituencies in donor countries that more aid but also improved access to markets is a prerequisite to reduce poverty.

The policy changes required are of a substantial and long-term nature. Results will only be visible in the medium-term. In light of the detail and comprehensiveness of the report, I propose that the Report be prepared every two years only. The methodology should be further refined and the coverage increased as more data become available, but without sacrificing the comparability of data. It may also be useful that the Report change its focus from time to time and analyze specific areas and topics. A better comprehension of the recent dynamics and prospects of meeting the MDGs in certain countries, for example in Central Asia, the South Caucasus and the Balkans, could help us understand how to achieve better results in these countries.

Education for All - Fast Track Initiative

We welcome that the participating donor agencies have recently agreed on how to operationalize the expansion of the Fast-Track Initiative (FTI) to all poor countries with an agreed poverty reduction strategy and education sector program. While substantially increased as well as more flexible and predictable financing through multilateral and bilateral channels will be necessary, this agreement should facilitate the implementation of this challenging FTI and the achievement of the Millennium Development Goal of universal primary education by 2015.

Long-term Debt Sustainability

I welcome the new operational framework to analyze debt distress, which proposes a more forward-looking approach to debt sustainability analysis than has previously been the case. I endorse, in principle, the underlying analytical concept. It will be important to ensure that low-income countries' external debt remains sustainable as they pursue the MDGs. But more work is required with regard to the implementation of the framework, in particular the definition of debt thresholds, the consideration of exogenous shocks. The policy implications of the new framework are far-reaching. Primary responsibility to achieve debt sustainability lies with the borrowers themselves. Yet, the creditor community will also need to abide by principles and practices that respect and foster debt sustainability.

The new framework should avoid focusing too early and exclusively on grants to be provided by the IFIs. The issue of concessionality requires a broader perspective of the international development and financial architecture. For one, it is unlikely that the total aid volume will increase rapidly. The framework will therefore need to balance resource availability against the need for enhanced concessionality. Second, it is by far not clear who among the main financiers of low-income countries should provide the required additional concessionality. Therefore, I suggest that the Bank and the Fund undertake simulations that provide us with the information we need to endorse a final framework by the next Development Committee.

The new framework cannot replace the HIPC-Initiative, which deals with the burden of the past. If HIPC fails to relieve the poorest countries from unsustainable debt burdens, it will not be possible to achieve this objective under the new operational framework either. Thus, HIPC debt relief will remain an important instrument for the time being.

Trade

Rules-based and non-discriminatory trade, and better market access for labor-intensive goods will greatly help to achieve the MDGs. All of us have to make efforts to bring the Doha negotiations back on track and to conclude them as quickly as possible. We have a great responsibility not to loose time in creating a trade environment that will give decisive impulses to the production and exports of developing countries. With only a few exceptions, Switzerland has given full access to its market for industrial imports from developing countries. Emerging economies also have to be prepared to open their markets, and to open them even more to their low-income neighbors.

Tariff and subsidy reductions in agriculture are at the heart of Doha negotiations. Elimination of export subsidies, further decoupling of subsidies from production, and a substantial reduction of tariff escalation are essential elements for a successful Doha development round. Switzerland is in the process of eliminating tariffs and quotas on agricultural imports from least developed countries. However, opening markets is not enough. We also have to deal with the behind-the-border agenda. Developing countries have to be able to take advantage of improved market access. Switzerland has long established an import promotion program, which is successfully bringing producers from developing countries into the global markets.

Our common goal must be that commodities become a dynamic source of foreign exchange for many developing and particularly poor countries while strengthened local and regional food production should help in reducing dependency on food imports and food aid.

Many developing countries have legitimate claims to less reciprocity in their trade concessions and to a differentiated pace of introducing trade rules. Yet, the time has come to take account of economic success and dynamic growth. Not all developing countries have the same needs and differential treatment has to be focused on the countries that have a harder time in their trade integration. This point could make or break the success of the Doha Round.

I welcome the initiative taken by the DAC Chairman to strengthen the dialogue between the trade, agriculture, and development constituencies at the OECD. This will help us to better understand the need for policy coherence. Policies in all sectors are relevant for poverty reduction.

We have to keep our focus on trade capacity building. The Doha negotiations have brought to the fore that it is wrong to dissociate policy performance from the quality of trade cooperation and institutional development. Let us assist developing countries in making better use of the WTO. We must also harmonize the activities of bilateral and multilateral agencies. They all have to chip in. Together, they all have to make trade a tool for poverty reduction.

Harmonization

Last year's Conference on Harmonization in Rome set a clear vision. Today, there is still a measurable gap between intention, commitment and reality. Many (including Swiss) agencies and institutions have embarked slowly in this direction and have to do better in internalizing the set of existing recommendations. I commend the Bank for its efforts to modernize and simplify its procedures with a view to introduce more flexibility, free up borrower capacity and reduce transaction costs. While we endorse leadership, we wish to caution the Bank against running ahead of others, expecting them to adjust to the Bank's modernized standards. The integration of all agencies and borrowers from the outset is at the core of the harmonization process.

Of course, all harmonization efforts have to strive for the optimal balance between high standards, cost-efficiency and country specificity. The results framework will certainly capture the positive as well as the negative outcomes stemming from these decisions. There are implications at the corporate level, and we encourage the Bank to deepen its efforts of reviewing, and adjusting where necessary, organizational aspects, human resource policy, policy instruments as well as checks and balances.

IDA-14

I am pleased to note that the IDA-14 negotiations got off to a good start. The work program is heavy and challenging, and there are important issues that require careful analysis and due reflection on the part of IDA Deputies. The discussion on the share of grants in IDA will have to be placed in the context of the new framework for debt sustainability analysis. In addition, the grant allocation framework must be reconciled with the performance based allocation system. Inevitably trade-offs and compromises will be necessary, and we should prepare ourselves to look at the whole question of financing IDA over time with a fresh and open mind. This will require from the World Bank, IDA Deputies and Borrower Representatives a high level of professionalism and respect of multilateral principles.

Middle-Income Countries

Without addressing also the needs of the MICs, the MDGs cannot be achieved and poverty levels cannot be lowered significantly. The challenge is how the Bank can renew its role in the MICs in order to enhance its developmental impact and effectiveness. I welcome the initiative to simplify Bank procedures and to reduce the administrative costs for MICs. Relying increasingly on country systems where appropriate and possible, and strengthening local monitoring and management capacity, is an effective way to deliver Bank assistance. However, greater programmatic lending should not put at risk the Bank's comparative advantage to combine finance with high quality analytical and advisory capacity in areas where difficult questions need to be addressed, inter-sectoral know-how is required and the Bank is perceived as a neutral player.

Infrastructure Action Plan

Infrastructure remains a key element for poverty reduction, and I therefore welcome the Bank's efforts to scale up its activities in this area. To reach the MDGs, the Infrastructure Action Plan must place adequate weight on rural infrastructure and on the balance between financing the construction and the recurrent and maintenance costs of infrastructure. Where there are financial trade-offs between infrastructure and other key sectors this must be discussed openly and with a strategic and country-specific view. At the end of the day, ODA financing will not suffice to cover the enormous infrastructure needs in developing countries. Instead, it will have to be used strategically to catalyze private sector financing and to promote best practices and compliance with adequate environmental and social safeguards.

Extractive Industries Review

Activities in the Extractive Industries foster infrastructure projects and , if implemented properly, contribute to poverty reduction and economic growth in many countries of the world. The Extractive Industries Review and the associated independent evaluations by the World Bank Group provide valuable food for thought. I urge the Bank to formulate its position and response to this review without further delay. I do not want to preempt the discussion on this important matter. Nevertheless, it is clear that the Review will have implications far beyond the World Bank Group. As for the World Bank, in addition to its broader role in these industries, I also expect it to become a center of excellence in advising countries on their energy options, including in particular the scope to implement meaningful energy efficiency measures and renewable energy solutions.

Voices of the Poor

Enhancing the voice of the poor is an important issue. But I am not convinced that the proposal by the Development Committee Chairman for a review by an eminent persons group will shed any new light on this matter. Moreover, I see a risk that such an exercise could blur responsibilities and accountabilities for a process, which is being dealt with by the Board of Executive Directors. I expect the Board to come up with a conclusive proposal on this matter.