DEVELOPMENT COMMITTEE

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on the
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Statement by

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on behalf of Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro,
Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

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We are pleased to note that since the last meeting, important steps have been taken to accelerate progress towards the Millennium Development Goals (MDGs). However, persisting development challenges require developing countries, developed countries as well as International Financial Institutions to reinforce their respective commitments and strengthen their implementation efforts toward these Goals. The World Bank Group plays a unique and important role in achieving this agenda. Therefore, we call for rapid and transparent efforts toward completing its corporate transition.

Global Monitoring Report

The Global Monitoring Report's (GMR) generally positive finding that growth is favorable and poverty reduction is accelerating is contrasted by the fact that many developing countries are off track in meeting the MDGs, particularly on the human development front. On the one hand, the developing countries need to amplify their efforts aimed at strengthening governance and implementing strong development strategies and renew their commitment to the MDGs. On the other hand, donor countries are called upon to live up to a substantial number of commitments. This involves in particular sustained efforts in liberalizing trade and helping developing countries integrate into the global economy, providing enhanced volumes of official development assistance (ODA), and achieving further progress in rendering aid more effective. Our constituency takes this mutual accountability seriously, as the following examples illustrate. The country assistance strategy for the Kyrgyz Republic, which the country's main development partners are preparing jointly, builds on the lessons learned about harmonization and the alignment agenda and should lead to more effective and efficient donor relations with the country. Switzerland is moving ahead with implementing trade-related reforms and intensifying its participation in budget and sector support and in joint assistance strategies, in line with the Paris Declaration on Aid Effectiveness.

Given the overall weak performance on the health-related MDGs, we welcome the mobilization of financial resources for specific health programs and goals from private and public sources. Yet, as the GMR rightly points out, there is a need to balance vertical programs against the realities of national health systems. Weak, under-financed, and under-staffed health systems can be overwhelmed by vertical initiatives, resulting in a change in national priorities, incentive systems, and coverage of other highly relevant health services. This calls for enhancing national health systems with a view to improving their absorptive capacity and overall quality. We urge the Bank to play a more active role in helping interested countries, particularly the poorest, to strengthen their health delivery systems. Moreover, global health initiatives should formally abide to the Paris Declaration by aligning themselves with national strategies. In this context, we fully concur with the GMR on the need for unified sector plans, such as the one adopted by the Kyrgyz Republic.

Governance

The report's broad concept for including governance in MDG-monitoring is a useful and timely first step. As President Wolfowitz pointed out in his recent speech in Indonesia, there is a strong link between good governance and development; and corruption, a critical component of governance, is a particularly serious threat to development. Creating demand for government that works and builds strong and accountable institutions and systems is key in this regard. We believe that achieving better governance in different country settings requires differentiated and tailor-made measures, long-term efforts, as well as broad-based and coordinated approaches which permit sustained engagement in very difficult settings and at times of slippage in performance.

We welcome the intention to strengthen the Bank's capacity to help countries improve governance and fight corruption. In this context, it is important to acknowledge that existing Bank rules and instruments already encompass the governance dimension, particularly in the IDA performance-based allocation system, which has served us well and needs to be abided by until formally changed. However, more can and should be done. Various options need to be evaluated and tested, such as the use of randomized audits as an effective and cost-efficient alternative as opposed or complementary to building up anti-corruption teams with a policing mandate.

Governance goes beyond corruption, as the GMR rightly underscores. We invite the Bank to frame a coherent governance strategy including corruption. This strategy must clearly show how and by which means the Bank will seek to improve governance and curb corruption. We fully support the GMR proposal of using the fourteen governance indicators. We would like to emphasize that the promotion of gender equality, the upgrading of public financial management systems, and the ratification, and particularly the implementation, of international conventions – such as the UN Convention on Corruption – are important and integral parts of any sustained effort to improve governance. Regarding the latter, we call for more effort within each national legal system towards restituting looted assets as a powerful tool to both deter and sanction corruptive behavior and to tap into an important source for funding for development. In framing and implementing its comprehensive governance strategy, the Bank should closely collaborate with other institutions dealing with governance issues in order to avoid a wasteful duplication of effort.

Clean Energy for Development

We welcome that the challenges arising from the links between access to and use of energy, climate change, and development have been put on the Development Committee's agenda. Indeed, these challenges will demand the full attention and sustained commitment of developing and developed countries alike in the years ahead. The Bank prepared an excellent report that presents a convincing analysis of a large range of issues and identifies a broad set of actions.

Action is urgently required. The undersupply of energy and the lack of efficient and reliable energy services hamper economic growth and human development. Hence, to make further inroads to reducing poverty, we need to invest in energy that is clean and economical and to foster an environment conducive to private sector participation and efficient energy use. In this respect, the option of harnessing the potential of hydropower should be considered by the Bank and private stakeholders.

It is evident that the past and current development paths are far too carbon-intensive to be sustainable. Climate change is occurring, and, with growing greenhouse gas emissions, this process will accelerate. Most alarming from a development perspective is that climate change will have the most devastating effects on the poorest and most vulnerable countries and populations.

An important conclusion of the Bank's report is that there is no single best solution. Indeed, there are existing technological options that provide quick and practical fixes and there are longer-term solutions that require technical leap-frogging and innovation. And so, incremental and multiple measures must be taken, based on common but differentiated responsibilities. There are a vast number of sectors, technologies, and dimensions that contribute to both the problems and the solutions, as the report points out. Most importantly, the economics of climate change need to be addressed - technology and behavioral changes must pay off. Furthermore, adaptation to climate-induced challenges must be translated into operational strategies, such as country strategies or the Africa Action Plan.

Even though various international institutions have been established to address these complex issues, we strongly concur that the Bank should play an important role in this area. But, the Bank still has to define its niche against the backdrop of its own comparative advantage and those of other international organizations and institutions. In our view, the Bank can make a unique contribution by differentiating its approach among country groups. For example, the most vulnerable low-income countries might prioritize assistance in the area of adaptation, while large middle-income countries should be assisted in developing clean energy sources to meet their growing energy needs while containing their greenhouse gas emissions. By following up on the Extractive Industries Review (EIR), the Bank should particularly promote viable pilot projects in the area of renewable energy.

The enormous investment needs in the energy sector have enticed the Bank to propose new financing vehicles. Nevertheless, we believe that it would be more useful for the Bank to first review the range of existing financing instruments and their adequacy and effectiveness before considering new vehicles. Moreover, the potential of the Global Environment Facility (GEF) should be better exploited. In this regard, all GEF shareholders have to bear the responsibility of working towards this end in the ongoing discussions on the GEF replenishment.

Multilateral Debt Relief Initiative

The recent Board approval of the Multilateral Debt Relief Initiative (MDRI) is a landmark decision for many of the poorest and most heavily-indebted countries. Now that we are moving into the implementation phase of the initiative, it is key to focus on ensuring its development effectiveness and preventing future accumulation of unsustainable debt. First, increased domestic revenue mobilization will need to complement debt relief, and macroeconomic stability must be safeguarded with a view to achieving sustainable long-term growth. Second, we urge governments, supported by the Bretton Woods Institutions, to make rapid and sustained progress in reforming their public finance systems in order to meet higher quality standards and assure efficient and effective use of scarce resources. We note that several countries have to tackle important weaknesses in this regard. Post debt relief monitoring plays a crucial role in ensuring transparency and accountability. We are pleased that the proposal to strengthen budget management systems, which Switzerland tabled last year, has been incorporated into the MDRI. Third, the risk of free-riding behavior needs to be mitigated. We call upon all creditors and borrowers to exercise responsibility when contracting non-concessional debt, consistent with the debt sustainability framework. Last but not least, while acknowledging the MDRI's intention and potential, we are aware that the MDRI also represents considerable risks for IDA's long-term financial viability, which have to be abated. Maintaining IDA's long term financial strength should be a priority for all World Bank member states.

Aid for Trade

The WTO negotiations are in a critical phase which requires renewed efforts by all parties towards a balanced package with high development relevance. At the 6th Ministerial Meeting of the WTO in Hong Kong, Switzerland played an important role in facilitating the adoption of the "Duty Free Quota Free Market Access Initiative for LDC". Trade Ministers also recognized the importance of enhancing Aid for Trade (AfT) as a mean to support the efforts of developing countries, particularly the poorest ones, to expand their trade and benefit from WTO Agreements. Switzerland welcomes the renewed interest in trade-related cooperation and supports the debate on the Aid for Trade initiative. However, Aid for Trade must not be a substitute for a successful outcome of the Doha Round in terms of development and should not be established as a compensation scheme for trade liberalization.

Switzerland recognizes the crucial role that trade-related cooperation can play as a complement to the Doha negotiations by helping developing countries seize the opportunities presented by the multilateral trading system. Consequently, since 2001, Switzerland has significantly increased its trade-related cooperation.

We also consider the Integrated Framework (IF) as a key initiative to promote the integration of trade into the national poverty reduction strategies as well as to improve coordination among donors. However, we agree that there is a need to improve the overall governance of the IF, establish a strong Secretariat and strengthen the institutional mechanisms at the national level. Those measures should help to ensure a better implementation of this initiative in the countries. We recognize the important role played by the Bank so far and would like to encourage continued strong involvement in this initiative.

Institutional Challenges

The GMR shows that the challenges posed by the MDG agenda are daunting for the international community and the World Bank. This requires the Bank to be in best institutional shape and to effectively utilize its unique position in the development arena and its reputation due to its highly qualified and dedicated staff. Accordingly, revisiting and adapting, where and as needed, the

Bank's organizational set up and strategic orientation would be well justified. President Wolfowitz has provided important elements in this regard, for example through his efforts toward defining an anti-corruption strategy, which needs to be further fleshed out into a coherent approach.

We look forward to receiving a report on progress with Bank reforms at the next Development Committee meeting. We trust that Management will live up to this challenge.