Statement by

Heidemarie Wieczorek-Zeul
Federal Minister for Economic Cooperation and Development
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The issues on the agenda of the Development Committee – such as how to promote good and transparent governance and how to foster the use of sustainable energy – are key challenges for all of us. In order to cope with these challenges, we need an open debate with and broad support from our public. Firstly, because we cannot afford to ignore public contributions to this debate; and secondly, the legitimacy of the Bank and of our decisions in the Development Committee ultimately depends on an open exchange of views and the lively participation of the general public. It is therefore with great concern that we have been following the debate about barring the entry of civil society representatives accredited for the Annual Meeting. We find the measures adopted deplorable, because they do not correspond to the culture of open dialogue between the World Bank and the general public which we wish to see. We regard discussions with civil society as an indispensable element of our Annual Meetings.

Boosting Investment in Clean and Sustainable Energy

Germany welcomes the Bank's work on clean energy, climate change and development, as a follow-up to the Extractive Industries Review. Helping to provide sustainable energy is at the core of the World Bank's mandate. The lack of access to modern, efficient and sustainable energy services will not only hamper economic growth but impede human development. Furthermore, the poor in developing countries will suffer most under the impact of climate change. Climate change may be one of the biggest threats to attempts to cut poverty in the world's most deprived nations.

We support pillar 1 as an important contribution to providing access to modern and sustainable energy for the poor. The proposed action plan for sub-Saharan Africa represents a balanced set of approaches, tools and policies, including the use of renewable energy sources. We also welcome pillar 3 on adaptation to the impacts of climate change, as it will help particularly those developing countries which have very little financing capacity of their own. The report presented to us pursues the right approach in placing the main emphasis on pillar 2, transition to a low-carbon economy.

Enhanced energy efficiency and the dissemination of renewable energy must be at the center of our efforts. Germany is keen to see all types of renewable energy included in the implementation of the proposed instruments, particularly solar energy. We welcome the positive comments on the potential of renewable energy sources in the report. The next phase towards implementation must ensure that the economic opportunities involved in renewable energy options are used swiftly and efficiently. The diversification of energy supply through the use of renewable energy sources not only contributes to the protection of the environment, but also to security of supply. The Renewables2004 conference in Bonn reached agreement on the target of providing access to renewable energy for an additional one billion people by 2015. The Bank must support countries in using the advantages of renewable energies, e.g. by
enhancing the relevant research efforts and country dialogues. We note that the Bank still has not sufficiently included the renewable energy industry in its consultations.

**Nuclear energy is not a "clean" or "cheap" energy.** It is not acceptable to define "clean" only by looking at carbon intensity. This is misleading. The objective of the framework is to foster development by identifying and promoting environmentally sound technologies. Nuclear energy is neither environmentally sound nor efficient. It poses high risks for development, especially the risk of accidental radioactive emissions, the unsolved problem of nuclear waste, the risk of proliferation of weapons-grade nuclear material, and the risk of terrorist attacks. If the costs of these risks and external effects are taken into account appropriately, nuclear energy must be considered as a high-cost technology. These considerations apply to developed and developing countries alike. We do not see any role for the Bank in the nuclear energy sector.

**Apart from the newly proposed instruments, Germany would like the Bank to give more consideration to how existing budgets and policies might be adjusted to promote clean energy.** We welcome that this has been mentioned in the recent progress report. Now, more specific approaches and ideas are needed on how to mainstream the issue throughout all Bank policies and instruments, including a clearer understanding of how to mobilize and steer relevant private investments.

**The suggested new financing instruments have to be a coherent part of the existing mechanisms and structure.** International carbon markets must be supported and further developed. Strong commitments within UNFCCC and the Kyoto Protocol are therefore needed. Any instruments managed by the World Bank must support, but not replace or weaken these ongoing processes, especially the Kyoto post-2012 negotiations. It must also be made sure that the new instruments will not distort the ongoing European Emissions Trading Scheme and complement the GEF's activities as well as the existing public and private carbon finance funds. The top priority should be to improve the functioning of existing mechanisms. We welcome the fact that the new report expressly mentions the option of integrating any new instruments into the GEF's activities.

**The design and the governance structure of the new financing instruments have to take the above aspects into account. We look forward to further proposals.**

*Coherently Promoting Governance and Anti-Corruption*

Germany strongly supports the Bank's enhanced focus on issues of governance, including anti-corruption. The proposed new draft strategy constitutes significant progress. In particular, we welcome the approach regarding corruption in the broader context of governance. Corruption is always a symptom of deficits in governmental and societal structures. The various aspects of governance are closely interlinked and, in some cases, mutually dependent or mutually reinforcing. Moreover, different societies find different ways to break free from clientelism and pursue different paths of governance reform. Only a broad approach will work that fosters this complex process within societies.

It is essential that the new strategy encompass the following principles:

1. **Basic rules and processes must be in place for management and the Board to foster a shared view on the appropriate level and form of engagement.** Predictability, transparency and consistent and equal treatment across member countries, using objective criteria to the extent possible, should remain our guiding principles.
(2) **Country Assistance Strategies** are the right instrument to tackle governance and anti-corruption issues. Fighting corruption is an important element of development cooperation.

(3) For IDA, the preservation of the *governance-oriented aspect of Performance-Based Allocation is important*. We caution against weakening the established allocation system.

(4) In implementing the strategy, the **collaborative approach** to development expressed in the Paris Declaration is crucial. Early strategic engagement with governments and parliaments, UN organizations (UNDP, UNODC), RDBs and other donors as well as additional relevant stakeholders is the best way to ensure transparent and predictable "rules of engagement" and a consistent response to governance challenges across the international community.

**One area that requires clarification concerns the tools and modalities for screening countries for governance and corruption risks.** The Communiqué of the Spring Development Committee calls for "disaggregated and actionable indicators." The results framework must be formulated clearly, in particular with regard to identifying quantifiable and objective indicators for measuring the development impact of the framework. Specific procedures for the step from identifying corruption risks towards deciding on deviations from the Performance-Based Allocation rules or switching – within the CAS – to a lower-case scenario are critical. This part of the framework must be clarified before the new strategy can be implemented.

**National ownership is crucial to ensure sustainable outcomes and progress.** As donors, we must ensure that what we do encourages improvements of governance rather than undermining them, by means of closer cooperation amongst each other in line with the Paris Declaration. It will be critical for CASs to be able to duly reflect Bank-wide adopted directives and policies, e.g. the use of country systems and reduced reliance on project implementation units. Recent evaluation findings on what works and how, e.g. regarding conditionality, must be fully reflected in the new approach. The Bank should also support local capacity for developing independent governance analyses. With respect to ownership, the EU’s recent governance initiative is exemplary in that it is primarily aimed at supporting peer review mechanisms where they exist (e.g. NEPAD's African Peer Review Mechanism) and arriving – by means of dialogue – at governance assessments shared by the EU and partner countries.

**It is key to promote transparent revenue and public asset management frameworks.** Non-transparent systems fuel corruption and thwart effective development. In particular, closer attention has to be given to the financing side of the budget, both in analytical and operational terms. It is worrying that a number of countries have seen a decline in the share of revenue intake in budget financing over the last few years. Insufficient domestic revenue mobilization and high rates of tax evasion are not only an economic issue but also have social and political implications: transparent domestic resource mobilization fosters accountability vis-à-vis the citizens.

**The transparency initiatives are of outstanding importance.** They should be further deepened and broadened. Germany calls upon the Bank to actively explore opportunities for designing transparency initiatives. EITI should be broadened to encompass other extractive industries, beyond oil and gas; this has been an important result of the Bonn EITI preparatory meeting (of 31 August and 1 September) for the upcoming Oslo annual conference. The principles of EITI and FLEG (Forest Law Enforcement and Governance) should be used to improve transparency in other sectors, such as the financial sector, infrastructure, and health.
Germany proposes that EITI become a platform for coordinating existing and possible new transparency initiatives, and maybe also create a monitoring mechanism for resource flows.

The industrialized countries, too, must step up their contribution to greater transparency, e.g. with regard to the financial sector – for example by establishing clear transparency guidelines for companies listed on the stock market, increasing transparency with regard to hedge funds and private equity funds, establishing strict policies on the provision of foreign trade guarantees, and expanding cooperation on identifying and repatriating illegally obtained assets and on fighting international tax evasion.

A competitive private sector plays a key role in preventing corruption. However, we need a differentiated approach, especially concerning the possible involvement of private firms in corruption. The crucial issue is not whether certain processes should be organized under private or public ownership, but whether the interactions of these public or private companies with the state, with citizens and with other companies (procurement, acquisition, etc.) are regulated by clear, unambiguous and transparent rules of doing business. It is equally important that countries adopt legal frameworks that require transparency of company ownership, e.g. in order to ensure that shell companies cannot be used for the purpose of sheltering or laundering corrupt payments.

Germany calls for an independent evaluation of all of the Bank's governance work to be carried out after three years.

Enhancing and Focusing the Bank's Strategy in IBRD Countries

Germany welcomes the Bank's reorientation in dealing with its IBRD clients. The Bank has to be more responsive to their needs with a view to helping them reach the MDGs, also bearing in mind that more than two thirds of the poor worldwide live in these countries. The Bank is a global institution and must continue to work as one. It will only be able to fulfill its role as a knowledge bank and a transmission belt for development experience if it is able to cater to all eligible countries across the spectrum of income levels. IBRD is a cooperative bank that subsidizes knowledge services through lending activities and ensures a certain level of solidarity across its membership through its transfers to IDA. Its lending operations are therefore at the heart of its business model and of its very mission.

The World Bank still has an important role to play in IBRD countries, especially with a view to
- providing cutting-edge knowledge for poverty alleviation, as well as with regard to problems that have resulted from economic growth, such as environmental degradation, social exclusion, etc.;
- providing financial support in frontier areas where access to private capital is not satisfactory, e.g. in the form of financing instruments to reduce vulnerability to external shocks; and
- supporting IBRD countries in contributing to the provision of regional and global public goods, such as the fight against HIV/AIDS or the promotion of sustainable energy sources.

We support the development of the suggested business lines and welcome the various technical considerations and proposals. Germany explicitly welcomes the proposal for joint IDA/IBRD country missions and joint country directors, as well including IFC and MIGA activities in the CASs. We also support accelerating and broadening the prudent use of country systems for all areas of safeguards and the delivery of fee-based knowledge services and TA.
However, the Bank must specify more clearly the rationale for its involvement in these countries, outlining the value added it offers. We need an overall strategy that outlines and proposes a new business model for the Bank, reflecting the changed needs and capacities of IBRD countries, while at the same time preserving the Bank's financial and organizational soundness.

Germany welcomes the consideration given to the Bank's ability to help provide regional and global public goods and encourages active follow-up in this area. We believe that more emphasis should be given to this area of work, but that the Bank is not currently well positioned to deal with these challenges. The Bank should address this crucial issue in a specific strategic framework, outlining the criteria for the Bank's involvement, the financing modalities and the governance structure, also taking into account the roles assumed by other players.

Similarly, we need a clearer understanding of where blending is justified. Blending could have a role in the area of global public goods (such as HIV/AIDS) or where new and innovative approaches are being tested without any experience to draw on. Blending arrangements for country operations should mainly be based on country-level cooperation between the Bank and bilateral donors. Such arrangements need to be carefully designed to avoid sending the wrong signals and providing the wrong incentives, especially since investment decisions must be country-owned. Furthermore, we recommend a more cautious stance on trust-fund-related solutions, in particular those that would lead to institutionalized replenishment commitments. Such funds are very likely to compete with donors' IDA allocations.

We would expect the Bank to be less risk-adverse and to adapt its financing facilities to the needs of IBRD's clients, thus also contributing to the development of their domestic financial sectors. Innovative approaches, such as local currency lending and sub-sovereign lending, should therefore be pursued aggressively.

In general, we need a process for ongoing discussion and agreement with other bilateral and multilateral partners so that the respective comparative advantages and appropriate standards can be identified. This will help prevent an unhelpful race to the bottom between our agencies. Germany would welcome, as a first step, a report on selectivity and harmonization with the RDBs in 2007.

Germany expects the Bank to develop an updated action plan, taking into account the above issues, for discussion in the Board before the Spring Meeting.

Enhancing the Voice of Developing Countries

Governance reforms are essential for the effectiveness and credibility of the IFIs. Germany welcomes the decision on quota and voice reform in the IMF. The reform will achieve significant progress in realigning quota shares in the IMF with countries' respective economic weight in the global economy. It is important that those countries which will benefit from an increase in their quota also assume greater responsibility in the multilateral system, in particular in international development cooperation, e.g. through IDA.

It is equally important now to enhance, as a matter of urgency, the participation and voice of low-income countries, whose weight in the global economy may be small but for which the IFIs play an important advisory and financing role. A key way of enhancing the voice of low-income countries is a substantial increase in basic votes, going beyond a doubling of basic votes.
Reinvigorating Aid for Trade and Regional Integration

I find it regrettable that it turned out to be necessary to suspend the WTO negotiations in July this year as there had been no indications of the negotiating partners' contrary positions converging after months of efforts to achieve agreement. I hope that after a phase of reflection, the partners will return to the negotiating table with new flexibility and that it will then be possible to bring the round to a conclusion that truly deserves the name "Development Round."

The suspension does not mean that the issue of aid for trade has become any less important or urgent. Many developing countries require support in the area of infrastructure or capacity building so as to be able to reap the benefits of global liberalization. In the Integrated Framework Task Force and in the WTO Task Force on Aid for Trade, we have succeeded in developing a shared international understanding of aid for trade and discussing ways of making our related cooperation more efficient. In the WTO, it will be important to continue the discussion so as to spell out in greater detail the proposals that are now on the table.

Regional cooperation and integration can make a significant contribution to developing countries' further integration in the world economy. This idea is also behind the economic partnership agreements that are currently being negotiated between the EU and the ACP countries. We have gained very good experience with regional approaches in our bilateral development cooperation and in the European Development Fund. The political impact of regional projects has often gone beyond expected project results. The World Bank may have to further develop its instruments along these lines so as to meet these needs.

Gender – A Renewed Effort

Germany strongly supports the Bank's new focus on gender issues and its intention to root gender mainstreaming more profoundly within the economic sectors of its operations under the Gender Action Plan. Equal opportunities for women in terms of access to land, labor, financial and product markets have long been neglected in the international debate and in donor activities, although the links between gender equality and higher economic growth are more than clear. The special challenges that women face differ from country to country. We therefore support a country-specific approach in implementing the plan. The Bank should pursue this plan with strong financial commitment and should present clear indicators for measuring short-term but also long-term results. In addition, it is important that the Bank enhance and improve its efforts for gender equality in the social sectors as well, such as education and health. In particular, the fact that women are disproportionately affected by HIV/AIDS must be taken into account. The issues of gender and HIV/AIDS can only be tackled appropriately if the sexual and reproductive rights of all individuals – women and men – are recognized and guaranteed. Germany therefore calls on the Bank to assume a clear and unambiguous stance on the question of these rights.

HIV/AIDS Control

Germany notes with concern the decline of the World Bank's financial support for HIV/AIDS control. We call on the Bank to reverse this trend. For this global challenge to be met, the Bank, too, must provide commensurate support, along with other multilateral and bilateral partners. The Bank is requested to submit a progress report on this matter.
Consistently Implementing the Education for All Fast-Track Initiative

The German government strongly supports the Education for All initiative. Germany focuses its bilateral contributions under the Fast-Track Initiative (FTI) on Mozambique, Yemen, Honduras, Guinea, and Tajikistan. The Fast-Track Initiative has proven a successful instrument for country-level coordination and harmonization. For the Initiative to be successful, it will be vital that donor contributions increase. Germany will double its bilateral contributions as against 2002, bringing them to €120 million in 2007.

The World Bank should give increased support to partner countries in future with a view to developing their implementation structures and database, as had been discussed at the DC meeting in April 2002. However, the Initiative will only succeed if the increasing external contributions are paralleled by growing mobilization of national resources, ownership, the development of organizational and human resource capacity, and constant monitoring of teaching and learning quality at the classroom level.