Statement by

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on behalf of Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan
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We welcome the opportunity of this 76th meeting of the Development Committee to engage in a first round of exchanges about the World Bank Group’s future Strategic Direction. The rapid pace of globalization continues to create new opportunities - as well as global challenges - for the world. As a leading multilateral development institution, the Bank has to demonstrate its capacity and agility to adjust to this evolving paradigm and to reflect on its role and mandate in order to ensure that these opportunities are seized upon and the challenges are properly addressed through concerted actions.

Continued strong economic growth has led to significant progress in reducing poverty and improving living standards worldwide. But the benefits of globalization have been uneven across regions and countries. Poverty and inequality remain daunting challenges to humankind. Further substantial efforts are therefore needed to reach the Millennium Development Goals; current trends will not suffice. Moreover, to sustain rapid economic and social progress, a more decisive and coordinated action will be required to deal with the threats to the global commons.

In this regard, we share President Zoellick’s vision of an inclusive and sustainable globalization as preamble and framework for the World Bank Group’s Long-Term Strategy. Combined with the Bank’s core mandate of economic development and poverty reduction, the vision best illustrates the need for the Group to adapt to a changed environment and strengthen the effectiveness, synergies and leveraging potential of its four entities. This is a timely agenda.

**Strategic direction**

We support the general thematic orientation proposed by President Zoellick. A sustained engagement in low-income countries, fragile states, and middle-income countries, as well as renewed efforts towards global and regional challenges and the promotion of the knowledge and learning agenda, all constitute critical areas for action. In view of the nature and the worldwide mandate of the institution, we consider that socio-economic criteria must remain the main determinant in driving the Bank’s strategic orientation. We do not favor the use of cultural, ethnical or religious criteria as they may have a dividing effect.

This orientation should be further elaborated on the basis of the value added and the comparative advantage of the World Bank Group across the suggested themes. Given their ample scope, and with due consideration to the flexibility needed for the Bank to seize opportunities, the strategy will indeed require clearer indications pertaining to envisaged priority areas for intervention, possible trade-offs, and ways to move forward in operational and organizational terms. To support the prioritization process, four criteria appear particularly important to us: (i) **value added**
and comparative advantage of the World Bank Group; (ii) subsidiarity; (iii) consistency with the Bank’s core mandate of poverty reduction and economic growth; as well as (iv) coherence with the country-based model.

The division of roles and complementarity with other multilateral partners, in particular the UN family and Regional Development Banks should be defined after discussion with them. The UN appears for instance well placed to deal with standard-setting and political issues, while Regional Development Banks would be suited for regional infrastructure and regional public goods needs. In addition, the instruments used should also help to distinguish the respective roles as International Financial Institutions use rather loans or a mix of loans and grants whereas the UN provides only grants.

In the long-term strategy of the World Bank Group, inclusiveness and sustainability must be acknowledged as building foundation across all activities of our institution. Moreover, good governance remains central. The recent approval of the Implementation Plan for strengthening the Bank’s engagement on Governance and Anticorruption (GAC) provides a sound platform for implementing the GAC strategy, and we expect the Bank to act resolutely on this important agenda. We encourage the Board and Management to consider all opportunities and modalities for mainstreaming the issues of inclusiveness, sustainability and good governance in the Group’s long-term strategy.

On the themes suggested by President Zoellick, we would like to comment as follows:

1. We support the World Bank Group’s commitment to play a more active role in addressing challenges and opportunities related to regional and global public goods. In our view, efforts to address global public goods should include all member countries. High income countries are affected by global challenges as well, for example in the field of climate change and communicable diseases. They can significantly benefit from the experience of the Bank. As a competent policy and technical advisor, the Bank has a major role in providing assistance to all countries affected by global challenges.

The United Nations and related bodies have a primary mandate for negotiation and standard-setting on global issues. The Bank, with its strong country focus and its recognized convening role, has the opportunity to engage into a constructive dialogue among all countries taking into account their different levels of development, as well as with national stakeholders, to better integrate the identified needs and the consensus-based decisions into national programs.

The recently approved new health sector strategy is a case in point. It concretely illustrates the Bank’s added value and comparative advantage in addressing a global challenge. The strategy’s focus on health systems and disease prevention - building on the Bank’s established experience and competence – is a major contribution to address effectiveness and coherence issues in the health sector, including the fight against communicable diseases. We encourage the Bank to further explore, along these lines, how it could more and better contribute in areas such as the strengthening of the international financial architecture and the enhancing of countries’ participation into the global trading system.
We agree that climate change represents the biggest challenge on the global public goods agenda. Mitigation and adaptation to climate change effects will be essential to overcome poverty in many countries. The Bank has made good progress in mapping these challenges, and we welcome the activities undertaken so far under the Clean Energy Investment Framework. Further progress on the agenda will however imply to go beyond energy to address related concerns and bottlenecks in transportation, agriculture and forestry. We hence support the need for a multi-sectoral approach and we encourage the Board and Management to deepen their discussion and to review options in that matter.

To secure funding and implementation for achieving these global commons, the Bank will need to develop instruments and financing mechanisms in a systematic but cautious manner. While we appreciate the various proposals submitted so far, we consider that the Bank should primarily work on the consolidation of established mechanisms, the promotion of integrated approaches within the Bank Group, and the leveraging effect of private-public partnerships. New financing windows should be envisaged with caution and only with the assurance that market distortions are avoided, and that full coordination occurs with organizations that have a primary responsibility in delivering concessional funding.

2. Despite significant economic and social progress in recent years, close to 2 billion people will continue to subsist on less than 2 dollars per day by 2015. We hence concur with President Zoellick that overcoming poverty and fostering sustainable growth must remain at the core of the World Bank Group’s long-term strategic direction.

The Bank’s engagement in low-income countries has significantly contributed to the results achieved in poverty reduction over the last decade. The country-based approach and Poverty Reduction Strategies have been instrumental in facilitating this progress. In the current context of increasing aid fragmentation, we encourage the Bank and development partners to seek further ways to strengthen the effectiveness of the country-based model, and to explore additional opportunities to promote higher growth through private sector development in low-income countries. Agriculture, business environment, trade, and local financial markets are areas where the World Bank Group should scale up its work, as well as in considering support to infrastructure for regional integration. Results and performance should remain at the centre of the resource allocation system in low income countries and the governance weight should remain strong. A priority focus on Africa remains necessary, but we urge the Bank to also consider unaddressed demands and opportunities in other regions, like South and Central Asia.

We welcome the Bank’s commitment to play a more active role in contributing to fragile states’ recovery and development. Conflict situations affect today half a billion people in more than thirty countries, most of them in Africa. These countries present a challenge to aid effectiveness, which calls for renewed efforts by all development partners for more consistency, coherence and coordination in their policies, approaches and interventions. In close coordination with the United Nations, the Bank plays an active role in facilitating the needs assessment and laying the basis for early recovery and subsequent development plans. Success stories must be disseminated and replicated wherever possible. We commend the Bank for the substantive steps taken early this year to increase its presence in the fragile states.
and to improve the incentive to staff. We encourage the Board and Management to further work on a review of the financing options and the business modalities with these countries.

When considering the agenda for poverty reduction, we should not forget that 70% of the world’s poor live in Middle-income countries (MICs). Our constituency remains committed to an enhanced partnership of the World Bank Group with MICs. Crucial will be the capacity of the Bank to properly respond to the specific needs and demands of these partner countries. We have been supportive of the recent decision to simplify and reduce the IBRD loan pricing. This is a strong and timely signal of the Bank’s willingness to achieve early results on this agenda. We expect soon further improvements in the competitiveness of the Bank, in particular to reduce non-financial costs including through a more systematic use of country systems.

3. Although the World Bank Group has since long been recognized as a leading contributor to the world’s knowledge and learning, this domain has not yet translated into a true business line of a “knowledge institution”. The Bank has the potential to learn from experiences worldwide and to share competences and lessons among all shareholders and stakeholders. We encourage the Bank, in the context of the long-term strategy, to reflect on the opportunities and constraints to better tap this wealth of knowledge and learning which exists in the institution and in the partner countries, and to avail this to all its members, borrowing and non-borrowing countries. We are convinced that the Bank may establish a dynamic and successful new business line in focused areas without crowding out service providers of the private sector. This effort should be fully integrated in the in-depth review of the World Bank Group’s business model.

A key challenge in the formulation of the long-term strategy will be to formulate one concise and viable document that can effectively serve as a clear framework for the planning of the Bank’s interventions and allocation of resources, as well as a communication instrument to the public at large. In such an effort, the process also matters. To ensure a broad ownership of the Bank’s vision and objectives, it will be necessary to have further consultations within the Group, but also with representatives of the civil society, the private sector, as well as bilateral and multilateral stakeholders and partners. The Board must be very closely involved throughout the whole process.

Finally, while acknowledging the importance of a participative and iterative process, we would call on the Bank to sustain its efforts in finalizing the strategy soon. Given the catalyzing potential of the Group and the increasing complexity of the aid architecture, we have to reaffirm the importance of our institution and clearly position it on the multilateral stage. We would welcome a full-fledged discussion of the strategy at the 2008 Spring Meetings.

**Scaling up and the role of IDA**

We acknowledge and welcome progress achieved in poverty reduction, macroeconomic performance, and institutional development in low-income countries, and we commend IDA for its contribution to this encouraging trend. The Country-Based Development Model has been instrumental in fostering this progress and we reiterate our full support to its continuous and sustained application, in the context of an increasingly complex global aid architecture.
With a strong presence at country level worldwide, IDA is in a position to play a pivotal role in promoting coordination among partners, addressing regional and global issues, and leveraging private and public, financial and human resources. With the aim to foster aid effectiveness to overcome poverty, this role needs to be sustained along the principles of the Paris Declaration, with due consideration of the comparative advantages of IDA and other development partners.

We appreciate the Bank’s view on the scaling up effort needed to support a growing demand for aid. We believe that the long term sustainability of development gains only partially depend on an external push in traditional ODA. New financing modalities, remittances from migrants, and the role of emerging donors should stimulate the Bank to explore innovative approaches to mobilize these resources and increase their effectiveness for low-income countries’ development. In particular, we expect IDA to support partner countries to increase mobilization of their domestic resources.

Further progress is also required in public financial management, institutional and organizational capacity development, especially at the local level. More efficient coordination of local and external resources is also required. With the country-based model, we believe that the Bank can address these challenges and provide a platform for improved aid alignment and harmonization along the principles of the Paris Declaration. To produce effective and sustainable development results, the quality of lending and advice is key. IDA should continue to improve the quality of its products to ensure maximum benefits to clients and to avoid re-accumulation of debt. The donor countries of our constituency will do their best to accommodate the related demand for IDA15 replenishment.

**Clean Energy Investment Framework**

The activities undertaken so far under the Clean Energy Investment Framework (CEIF) to improve country access to clean energy, reduce emission of greenhouse gas (GHG) and assist them in the adaptation to climate variability are encouraging. We acknowledge and appreciate these important efforts.

The increased level of lending for access to energy shows that the Bank responds to a real demand in this field. The Bank should however ensure that access to energy is focused on clean energy and energy efficiency. It should therefore limit the funding of projects for oil and coal plants which are not technologically efficient and produce high GHG emissions. The Bank should encourage the use of technologies which will keep GHG emissions at low levels.

Switzerland is currently reviewing its climate change strategy and setting new pillars of actions to reduce its GHG emissions. It is presently studying the possibility of establishing a climate change neutral strategy, where all its domestic emissions could be compensated abroad and at home. Switzerland will continue to participate actively in the multilateral discussion related to the United Nations Framework Convention on Climate Change (UNFCCC). The current negotiations should allow to find a global consensus on a Post-Kyoto climate regime and reduce drastically the GHG emissions. We will support more actively low and middle income countries so that they can integrate the global climate change normative framework. This should allow them to maintain a sustainable and climate friendly development.

We welcome the proposal of the Bank to create the Carbon Partnership Facility and the Carbon Forest Partnership Facility which aim at reducing GHG emissions. The proposal is well timed. It anticipates but does not politically pre-empt the results of the upcoming discussions in the UNFCCC process and can serve there as concrete input for decision makers. We welcome
especially the post-2012 focus of the Facilities. This will send clear signals to the market, attract further private investments, give additional security for long-term investments and identify new reduction potentials. This will also help Parties under the Kyoto Protocol to take on stronger emission reduction commitments under the post-2012 framework. We consider however that the Bank should pay attention that the proposed new facilities do not interfere with, and crowd-out, private investments.

We appreciate the efforts made by the Bank to develop climate risk management and adaptation facilities in collaboration with bilateral and multilateral donors as well as with the private sector. In this context, synergies with other MDBs are essential to ensure the effectiveness of aid in the field of climate change. We highly support the current Bank efforts for the creation of a joint MDB framework of action which would coordinate the support for low carbon growth.

In order to address the resource gap, the Bank should work towards refining and improving existing financing vehicles and engaging the private sector. We do not favor the proliferation of concessional funds. On the other hand, we encourage the Bank to reflect on its possible additional contribution to promote and stimulate the networking of knowledge and research centers worldwide, on issues related to clean energy and climate change.