Statement by

Mr. Jean Daniel Gerber
State Secretary for Economic Affairs
Switzerland

On behalf of Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan
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Development Committee
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The world economy is slowly recovering from the biggest economic crisis in the past sixty years, but much uncertainty remains. Sharp slowdown in trade and sluggish domestic demand, weak capital flows and constrained bank lending still negatively impact growth worldwide, translating into significant unemployment, depleted wealth, and massive fiscal pressure. Current growth forecasts for 2010 and 2011 are nevertheless encouraging, albeit with substantial differences across regions and countries.

Developing economies have so far shown remarkable resilience. But the pre-crisis macroeconomic buffers are now largely depleted in many countries, social safety nets have been tested to the limit, and poverty reduction programs have been severely derailed. In this context, restoring rapidly the path towards a sustained, balanced, and inclusive global growth emerges as the key challenge ahead, together with redoubling efforts to restore the momentum in poverty reduction and to improve living conditions in developing countries.

Multilateral organizations will continue to play a key role in mobilizing political will and support, promoting coordination, and leveraging resources to this effect. At this particular point in time, their very nature and mandate are essential to ensure a transparent, inclusive and broadly shared endorsement of the diagnosis, priorities, and challenges for concerted actions in a post-crisis and resources-constrained environment. The World Bank Group (WBG) is well equipped to assume a leading role in this endeavor, following the far-reaching decisions made at our last DC Meeting in April. In this context we encourage a constructive advocacy role by the WBG in the G-20; we caution however that this engagement must remain transparent and inclusive, with proper consultation of the Bank’s membership through the Board of Executive Directors.

We note with satisfaction the historical level of resources deployed by the WBG in Fiscal Year 2010 to support developing and emerging countries affected by the crisis and dramatic natural disasters. We appreciate the dense and constructive dialogue engaged by WBG Management and Staff with all borrowing and investment countries of our constituency in the past year, which has translated into robust joint analysis of country-specific needs and substantial new financial commitments. While the Central Asian region was able to strongly address the consequences of the crisis, I am convinced that a continued constructive cooperation with the World Bank Group will be crucial.

As uncertainty still clouds the economic outlook, it will take several years before developing countries fully recover from the crisis. Increased risk aversion, more prudent regulatory stance, higher borrowing costs and reduced international flows may also dampen their growth prospect. At the same time, several emerging economies are already on a “pull-side” in experiencing a fast but more balanced and sustainable growth path. From our common constituency’s point of view I am glad that Poland’s as well as Serbia’s outlook – thanks also to cooperation with the Bretton Woods institutions - ameliorated during the last months. In this complex and evolving landscape, demand for WBG knowledge, services and finance will
remain high. It is therefore essential that the Bank provides a robust and fair response to these demands. In this respect we welcome the set of documents being submitted for consideration at this DC Fall Meeting, as a useful basis for our deliberation.

Six months after our endorsement of the “Post-Crisis Directions” (PCD), we acknowledge encouraging signs of the PCD integration into the Bank’s work program. We reiterate our support with the five strategic priorities which define a useful framework to guide Bank’s policies and operations with a continued focus on poverty reduction and support to an inclusive and sustainable globalization. We request Management and the Board to deepen their interaction with the view to accelerating the implementation of the PCD.

To this effect and in anticipation of the World Bank’s rapidly declining overall commitment capacity, we reiterate our demand that strict selectivity and fair and equal treatment be applied in defining programs, making trade-offs and shaping cooperation with others, based on WBG comparative advantage. Sharp reduction in IBRD lending capacity as from Fiscal Year 2011 also requires innovation in the WBG instruments, as well as enhanced emphasis on the Bank’s global knowledge and on its ability to catalyze global collective action in key areas like climate change and food security. Overall, we expect that the PCD translates soon into country partnership strategies, sector-wide strategies, criteria for budget and resources allocation, and benchmarks for results and performance management. We look forward to reviewing progress and considering proposals in this respect at our next Annual Meeting.

As regards Delivering on Results and Improving Lives, we welcome the outcome of the recent UN Summit on Millennium Development Goals (MDG) with the adoption of a global action plan to revamp the efforts towards 2015. The Summit has shown that despite setbacks due to the crisis, substantial progress with some MDGs has been made, and the Goals remain achievable. The 2015 target date is nevertheless at a nearby horizon and will require redoubled commitments from the developing countries and the international community. The World Bank has an important role to play in addressing this challenge, and we therefore welcome the submitted report on the International Development Association (IDA).

IDA has indeed a special role in the development architecture, providing a robust facility to address global and regional challenges, mobilize concessional resources and maximize results in the poorest countries. We take comfort that IDA’s performance-based allocation and results measurement systems are fostering progress, including tailored support for fragile states, crisis window and special attention to gender. The IDA-16 negotiation provides an opportunity for an in-depth progress review and to engage, in the context of the PCD, on IDA’s longer-term priorities and sustainability. We call for a successful replenishment with mutual commitment and joint efforts from all traditional donors, emerging donors, and the WBG.

This being said, the Bank’s support to the MDGs goes beyond IDA. More needs to be said on the contribution of IBRD, IFC and MIGA to this effort; we request Management to consider a more comprehensive information strategy in this regard. In a broader perspective, the Bank has to continuously give the highest attention to the quality and impact of its interventions, and to draw lessons from experience. We would appreciate to be informed at the next Spring DC Meeting on the outcome of the dialogue resulting from the recent IEG Evaluation on the WBG’s Response to the Global Economic Crisis.

In support to the post-crisis directions, we endorsed in our last DC Meeting an ambitious WBG internal reform agenda dedicated to modernizing the institution’s business model, organization and processes, to achieve more efficiency and effectiveness in meeting our clients’ needs. We acknowledge the update submitted for our consideration, and we commend Management and the Board for the progress achieved.
in unified financial procedures, access to information and data, as well as enhanced service delivery. We are also pleased with the initial steps and momentum to develop an integrated results framework for both IBRD and IDA, and to embark on the ambitious IFC 2013 reform program.

A modernizing Bank Group in a rapidly changing world will require courageous strategic and operational selectivity, as well as continuous progress on the internal reform agenda. Looking ahead, we will be particularly attentive to the alignment and consistency of this agenda with the PCD, and to effective implementation. In this respect, we reiterate our request to Management and the Board to ensure a realistic timeline for the agenda, careful sequencing and prioritizing of actions, and appropriate administrative budget allocations. Adequate incentive and communication with staff will be essential, as well as relevant mechanisms to incorporate theirs and clients’ views in shaping the reforms.

Finally, we appreciate the Board progress report on strengthening the WBG internal governance structures and accountability framework. The standing and legitimacy of a multilateral development institution like the World Bank requires a robust corporate governance basis. Much has been accomplished in the past two years; we take this opportunity to express our satisfaction with the formal establishment of the 25th Chair at the WBG Board as from this Annual Meeting, and we call on all shareholders to cast an early vote to ensure a speedy implementation of the other agreed Voice Reforms. We encourage the Board to continue its important work on governance and accountability. At this point, we support in particular the on-going work on a) strengthening the selection process for the Bank’s President, in line with our request from the October 2008 Development Committee; and b) establishing a framework for the dual evaluation of the Board and the President to be implemented as from the next presidential term.