



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



SIXTY-EIGHTH MEETING
DUBAI, UNITED ARAB EMIRATES – SEPTEMBER 22, 2003

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Statement by

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On behalf of Azerbaijan, Kyrgyz Republic, Poland, Serbia
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Today, we are meeting again at a time of many uncertainties. While the economic outlook is somewhat brighter than at our last meeting, the security situation in the region or the outcome of the ministerial trade conference in Cancun, just to name two important factors, pose serious challenges to the international community. This situation calls upon all of us to deeply and self-critically reflect about the lessons to be learned – individually and collectively – and to move ahead with a clear focus, determination and the willingness to converge on promising compromises. The stakes are simply too high to allow too narrowly defined interests prevail and stop the momentum. This implies that we have to make efforts to better understand each others' interests and constraints, be they economic or political, to foster a culture of dialogue and communication among governments and with the public at large. In this spirit, this Development Committee meeting comes at a crucial juncture to give a clear signal that we are committed to take our common responsibility and to move all together towards achieving the Millennium Development Goals.

Sound Policies and Appropriate Financing

We are still at the beginning of implementing the ambitious commitments of Monterrey. Yet, the Monterrey Consensus has already produced some important positive effects. It holds accountable all stakeholders in development, borrowers, donors and multilateral organizations alike, and helps us focus on becoming more effective in achieving results. The Global Monitoring Framework will be a critical tool that will allow us to bring clarity and transparency into the picture. This should lead to informed discussions and sound judgment on sustaining positive trends as well as tackling policies and actions lagging behind. We appreciate the progress already made in the elaboration of this monitoring framework and we urge the Bank and the Fund to finalize – together with the United Nations and the other institutions involved – this common system by addressing also aspects of efficiency, effectiveness and avoiding overburdening the limited capacities of developing countries.

It has become quite apparent that progress and development hinge critically on the quality of domestic policies, mobilization of local resources, trade and private investments – as well as the ODA.

It is evident that we all have to contribute to improve the global economic framework and strengthen the rules that govern the multilateral system. We note with satisfaction that many developing and transition countries, including borrowing countries of this constituency, have embarked on reform paths and are achieving initial positive results. They must sustain these efforts through broadening and deepening of their reform agendas. At the same time, the industrialized countries have to underpin these efforts with appropriate, predictable and timely support. Economic challenges make it difficult for many industrialized countries to increase aid volumes in the short run. It is therefore crucial that developing countries focus on mobilizing local resources through growth and sound economic management, and that effectiveness of existing aid is maximized. We should also be cautious to strike the right balance between loans and grants and take into serious consideration concerns of debt sustainability of developing countries as well as the financial integrity of International Financing Institutions.

We should use the momentum to accelerate progress on the front of sound policies in the developing and developed countries. PRSPs have already proven to be central in this process. We are very pleased that the borrowing countries in our constituency have made strides. In Azerbaijan, Kyrgyz Republic and Tajikistan PRSPs have been completed and in Serbia and Montenegro as well as in Uzbekistan they are on their way. These countries have made very positive experiences, as they engaged in a genuinely participatory process while elaborating and implementing their poverty reduction strategies. In this respect, managing tensions between numerous needs and limited resources and capacities, setting up medium-term expenditure frameworks and strengthening public expenditure management turned out to be critical success factors.

There are other inspiring lessons from countries that have achieved a higher level of harmonization. In Mozambique the government and bilateral and multilateral donors have reached a new quality in their partnership. The declaration of the World Bank to use the review mechanism of the joint donor budget support program can be considered a breakthrough.

Switzerland is ready to bear its share and we are committed to contribute to a higher degree of harmonization, coordination with other donors, selectivity and additionality in our aid programs. This implies also, provided the performance and the institutional situation in a developing country is adequate, that donors should increasingly provide sector or general budget support.

Leveraging Trade for Development

The Bank's analytical work convincingly underscores that policy and structural reforms in developing countries combined with development assistance are required to spur growth and private sector activities, both domestically and across borders, and to achieve the MDGs. Inversely improving global framework conditions and rekindling global economic development that foster more trade and foreign investment have an impact on fostering growth and pushing ahead structural improvements in developing countries.

In this sense, the setback of Cancun is disappointing for all developed and developing countries, in particular for those in our constituency. Nobody can be satisfied with the current situation and it is urgent to do serious soul-searching in all the camps. The World Bank's studies, such as the Global Economic Prospects 2004, do provide enough analytical underpinning that we all are loosing out if the negotiations cannot be brought back on track. It is also clear that the MDGs are not only ambitious but may become elusive. Therefore, the World Bank's engagement in research, technical assistance for improving trade capacity and lending for trade-related infrastructure needs to be stepped up. We trust that the Bank will contribute to rationalize the debate. It is critical to improve the comfort level of the negotiating partners to accept adjustment costs in specific areas, while benefiting overall. In that respect, we call on the Bank to extend its concrete support to countries in a transparent way.

Enhancing Voice and Participation

Switzerland has always been supportive of efforts to enhance participation of developing and transition countries in the decision making of the Bretton Woods Institutions. We recognize that

although there is a whole realm of measures that contribute to this end, the level of support for introducing them is variable. We recognize that far-reaching structural changes in voting rights and capital structure are premature; we need to further dwell on the advantages as well as the potential disadvantages of changes in these areas. However, this does not preclude us from implementing the administrative and organizational measures that have been tabled by the Board. Their importance should not be underestimated. We fully endorse them, and Switzerland is also prepared to look into financial support to flesh them out, provided borrowing countries take the lead and spell out concrete proposals.

We wish to recall that participation and voice are intrinsically linked with the corporate culture of the Bank in general. Decentralization and a stronger presence of staff in the client countries, a greater share of professionals of developing and transition countries in the staff and in higher levels of management contribute significantly and effectively to enhance the voice of developing and transition countries. Furthermore, we believe that the combination of developed and transition countries in a mixed constituency is a model that serves each ones' interests as it allows mutual learning and understanding. Cooperation at Board level has been matched by targeted efforts by Switzerland and Poland to increase bilateral cooperation with other countries of our constituency. Such coordinated efforts also help bridging diverging interests in the Boards of Bank and Fund.

Infrastructure

We strongly endorse the Bank's intention to re-engage in infrastructure, and thereby recognizing its fundamental role as a catalyst for development and poverty reduction. We welcome the flexible and undogmatic stance vis-à-vis public and/or private sponsors of infrastructure, according to specific circumstances. We acknowledge that infrastructure needs are huge and require massive investments both for rehabilitation and new projects, in rural areas in particular. It is crucial that infrastructure investments be embedded in adequate regulatory and institutional frameworks. The lessons of the World Development Report of 1994 on infrastructure, highlighting the importance of maintenance, recurrent cost financing, capacity building and governance, are still valid and essential. We particularly emphasize the importance of ensuring maintenance as a prerequisite for any investment. These lessons have to be folded into new operations without adding to transaction costs and without compromising environmental and social safeguards. This renewed commitment of the Bank has strong implications on its staffing, knowledge catch-up and integration into existing and future country assistance strategies. This will take time and should not come at the cost of other, equally important, priorities of the Bank. We will closely follow up how the Bank will translate this new commitment into the operational programs, specifically in countries of our constituency.

Conclusion

The time from one Development Committee meeting to the next is short. Because many of the points we are discussing require substantial time for implementation, we cannot expect leaps. We note, however, that current trends point into the right direction. The next meeting will certainly

be very interesting as for the first time we are expecting clear facts and figures about our individual and collective behavior. At the same time, we do hope that the international community will not lose more time but set clear signals on key issues affecting developing and developed countries alike.