



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)

**ONE HUNDRED AND SEVENTH MEETING
WASHINGTON, DC – APRIL 12, 2023**

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Statement by

Ignazio Cassis

**Head of the Federal Department for Foreign Affairs,
Federal Councillor**

Switzerland

**On behalf of Azerbaijan, Kazakhstan, the Kyrgyz Republic, Poland, Serbia,
Switzerland, Tajikistan, Turkmenistan
and Uzbekistan**

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107th Meeting of the Development Committee

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We convene as the world is dealing with the effects of multiple crises. The consequences of climate change, pandemics, fragility and conflicts, especially the Russian aggression against Ukraine, and rising economic imbalances put at risk the lives, development perspectives and livelihoods of billions of people, in particular the poor and the most vulnerable. Failure to address these global challenges threatens to reverse the development gains accomplished under the Twin Goals, the 2030 Agenda, and the Paris Agreement and undermine future development prospects.

Global challenges call for a renewed effort to rethink how MDBs can step up their support for global and regional public goods without compromising their focus on fighting poverty and inequality, as well as on the Sustainable Development Goals. The unprecedented scale of financing needed for meeting global challenges means that no single institution can do it alone. Partnerships – between development actors, governments, civil society, academia and the private sector – based on a shared understanding of development challenges, a prospective and systematic division of labor and a harmonized framework of action are key to maximize impact. In light of scarce public resources, all MDBs, including the WBG, must work in tandem to make the most out of their existing capital by following the G20 CAF recommendations, while preserving their financial stability. Mobilizing and enabling private capital must equally be part of the answer.

We strongly support the WBG's engagement in Ukraine and its active participation in international efforts leading to its post-war reconstruction, while paying attention to principles of development effectiveness and ensuring coherence between short-term humanitarian as well as long-term development activities. Mitigating the devastating social and economic impact of the war in Ukraine and the region remains a key priority. We appreciate the WBG's relentless efforts to mobilize financial and technical assistance through a coordinated multilateral response. The WBG's swift establishment of the emergency financing package has allowed the government of Ukraine to continue to provide essential services in these challenging times. We particularly welcome the proposal to establish crisis facility to support Ukraine, Moldova, and IDA countries affected by increased food and energy insecurity with exceptional financing.

We commend the WBG's efforts to enhance its engagement in fragile and conflict-affected situations with partners across the humanitarian, development, and peace nexus. We call on the WBG to reinforce efforts to join forces to prevent and address conflict and fragility.

We remain concerned about rising levels of debt vulnerability. They accentuate the serious strain on developing countries that are already struggling with crisis-induced limitations of fiscal space and surging inflation. The role of the WBG and the IMF is essential to support countries in addressing their debt vulnerabilities in a timely, well-structured and tailored manner. Strengthening public financial management, domestic resource mobilization and enhanced transparency to achieve debt sustainability is essential.

We support the revised WBG mission statement to foster sustainable, resilient, and inclusive development to end extreme poverty and boost shared prosperity. It reflects the need to better respond to global challenges in order to reach the goals of the Agenda 2030 for Sustainable Development and the Paris Agreement. As an institution with global presence and a universal development mandate, we consider the WBG particularly well placed to tackle global challenges. Climate change, pandemics, and fragility and conflict are preeminent global challenges of this time. The WBG's revised approach to global challenges calls for an adjustment of the scorecard indicators, to be finalized once the reform process is completed. We ask the WBG to remain flexible in addressing emerging global challenges going forward. We call on the WBG to play a proactive, albeit selective role in addressing global challenges, in cooperation with other development actors. Strategic partnerships and coordination at the country, regional, and global levels are key to maximize development impact. We urge the WBG to further reflect on means to strengthen its systems, incentives and approaches for strategic partnerships and coordination ahead of the Annual Meetings 2023 in Marrakech.

To enhance its operational delivery, we support a strengthened One WBG approach and increased outcome orientation. The crisis response toolkit should strengthen country capacities and institutions for prevention and preparedness. We look forward to receiving more information on the proposed five Global Priority Programs, the redirection of selected Umbrella Trust Funds, as well as the IFC warehouse securitization facility to assess them with all their implications, including financial ones, and decide accordingly. We expect IFC to strengthen advisory services to support reforms that enable sustainable and long-term private sector development. We are open to explore proposals on how to expand and better leverage existing WBG mechanisms for concessionality for global challenges. We see merit in further examining the role of selective and targeted financial incentives and differentiated pricing for global challenges in IBRD-only countries. Delivering concessionality to higher income countries must not come at the expense of low-income countries. We encourage broader reflections on incentives for global challenges, including non-financial ones, to leverage the Bank's technical assistance and knowledge leadership. Regarding private sector operations, we underline that blended finance must adhere to the principles of minimal concessionality in order to minimize market distortions. We ask for an in-depth discussion before considering the possibility of setting up a new trust fund for private sector concessionality.

We support the revision of the WBG's financial model to make best use of capital. The WBG's financial sustainability, preferred creditor treatment, counter-cyclical capacity, and triple-A rating need to be preserved. This is critical to respond to the significant development needs of IBRD clients. As a first step, a prudent reduction in the IBRD policy minimum Equity-to-Loan ratio, the removal of IBRD's Statutory Lending Limit as well as further considerations on hybrid capital securities, notably the launch of a pilot program to capital markets investors, are welcome measures to provide a considerable potential to boost IBRD's financing capacity. This must be accompanied by a robust risk management framework. We consider these measures as the first steps of a broader, medium-term package geared towards modernizing IBRD's capital adequacy framework. Further considerations will require close coordination with other multilateral development banks and an intensified dialogue with credit rating agencies. We also acknowledge the continued financing needs of IDA countries. We are open to consider prudent measures that are in line with IDA's financial sustainability to soften the transition from surge financing towards longer-term commitment volumes. A strong focus should be on high-quality implementation of the surge financing, with due attention to the absorption capacities both of clients and the Bank staff.

While we are mindful of the urgency to act and deliver tangible results, sufficient time is needed to discuss the substantive reforms needed and ensure all voices are heard.

Looking ahead, we reiterate the importance that the WBG upholds its all-clients approach, as it is a central pillar of its global development assistance to all countries, including a strengthened value proposition for higher income countries. To maximize the WBG's impact now and in the future, sound implementation, supervision, monitoring and evaluation of programs is essential. We call on the WBG to ensure strong in-country presence, adequate staff capacities and strict implementation of the WBG's environmental, social,

and governance standards. We also underline the importance of strong, effective and independent accountability and oversight mechanisms and call on WBG leadership to keep a steadfast attention on this.