

**Statement by Ms. Ingibjörg Sólrún Gísladóttir**

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**On behalf of the Nordic and Baltic countries**

This is the first Annual Meeting led by the new President of the World Bank, Mr. Robert B. Zoellick, and the Nordic-Baltic Countries welcome this opportunity to discuss the Bank Group's strategic direction and the vision of the new President. Visionary leadership as well as consensus building are important factors at this stage and we want to congratulate President Zoellick on the vision presented in his October 10th speech, of the Bank's contribution to an inclusive and sustainable globalization. The Bank has gone through a somewhat tumultuous time and it is now important to show solidarity and work together to restore the credibility and reputation of the institution. The idea of the World Bank Group and the strengthening of the effectiveness of the Group as a whole, is an important point to make - for indeed, development work depends on a joint effort. It is time to honour our commitments and work actively towards providing more effective and increased aid.

**1. Strategic Direction of the World Bank Group.** We welcome the discussion on the Bank Group's Strategy. Without diminishing the importance of delivering short and medium term results the focus needs to be on a long term commitment, and achieving sustainable, lasting results. The process related to revision of the long-term strategy, must build on the Bank's many positive achievements, inclusiveness, mindful to constructive criticism, involve a wide range of stakeholders and link other key discussions in the Bank. It must also address issues of comparative advantage, complementarity and division of labour. The challenge is to understand the mix of political, social and economic factors that are needed to bring about inclusive sustainable growth and development.

The World Bank Group needs to improve its external and internal effectiveness and efficiency, i.e. by improved co-operation with key actors and better use of synergies between its different institutions and departments. In particular the Bank must retain its current country-driven approach and move forward with further decentralisation and its work on results measurement systems in order to further improve its effectiveness. The emphasis on Sub-Saharan Africa, fragile states, middle income countries and global public goods is imperative to the Bank's

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revised strategy. So is the implementation of the Bank's Gender Action Plan and a strong focus on governance issues. If the Bank is to continue to play a leading role on development issues, it must reinforce its' legitimate position as a true representative of all its member countries, and strengthen the voice and influence of emerging and developing countries in the Bank. The Nordic-Baltic countries therefore emphasise the need for continued constructive discussions on the Voice issue by the Bank Board.

**Climate Change and Clean Energy.** The Bank can and should play a significant role in addressing climate change, one of the most urgent problems facing the world today. Climate change is a challenge we must not neglect to address. Climate change is closely linked to development and poverty eradication. Unless appropriately addressed, climate change will continue to undermine what has been achieved through development efforts.

The Bank should view itself in the role of the advocate and a provider of technical and financial support rather than a negotiator. The climate change negotiations should take place within the framework of the UNFCCC and the Kyoto Protocol. The role of the Bank in the post-Kyoto framework will in particular evolve around the issues of mitigation and adaptation. New and existing financing instruments relevant to climate change must be made flexible, as to fit into a post-Kyoto framework. The World Bank has an equally important role to play between now and 2012 in integrating climate considerations in the large infrastructure projects that are currently in the pipelines and likely to have an effect on the climate in the next ten to fifteen years.

We fully understand worries expressed by developing countries regarding climate change and clean energy, the cost of mitigation and adaptation and who should foot the bill. Access to energy in the poorest countries is one of the fundamental aspects of reaching the MDGs. It is of utmost importance that climate neutral solutions be applied systematically in the Bank's work in developing countries. Thus, a multi-track strategy, combining caps on atmospheric pollution, investment in clean technology and adaptation to climate change is required.

The Bank Group has an important role to play in encouraging private investment in the energy sector. Here, we emphasize the importance of the private sector as a part of the solution and accordingly, we welcome IFC's new comprehensive climate change strategy. The role of technology is crucial and we must encourage investment in long term solutions that will bear fruit, years and even decades down the road. Here, the Nordic-Baltic countries offer to work closely with the Bank. The Bank, because of its global reach, has the opportunity to make use of

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its vast experience to translate economic policies into investments on the ground. It can take recommendations of different research and reports on climate change and clean energy and turn them into actual programs and initiatives.

We reiterate our strong commitment to the CEIF agenda, and encourage the Bank to look seriously into alternative approaches given the inadequateness of the tools and levels of finance available to tackle the various issues of climate change. We welcome and support the Bank's two new PCF and FPCF initiatives and hope that the derived experience feeds constructively in to the post-Kyoto era.

**Global Public Goods.** Through its country-driven approach, the Bank is uniquely placed to help in the alignment of global and national priorities. Due to its global reach and development mandate the Bank has a special responsibility in supporting and promoting GPGs and could take a leading role in analyzing problems and formulating possible solutions. The World Bank has the potential to contribute significantly towards solving some of the world's most urgent problems and within its mandate and comparative advantage play a central role in several issues of global importance, i.e. environmental issues, notably climate change; communicable diseases, multilateral trade system, financial stability and knowledge management.

**Middle Income Countries.** The context in which the Bank is operating has changed considerably in the last decade and yet the Bank's way of doing business has not changed accordingly. As we face an environment of growing inequality, increasing environmental concerns and persisting governance problems the Bank's role in MICs must be re-assessed to fit its surroundings. In our view the Bank should actually have a more aggressive, competitive and client-oriented strategy towards the MICs, although based on its core competencies. The Bank must develop flexible ways of serving these fast growing economies and their evolving needs. Immediate attention should be given to real-time problems faced by the MICs, i.e. issues relating to equitable development, access to clean energy, fighting climate change and challenges connected to fast-growing urbanisation. Furthermore, the Bank should strengthen its work to reduce corruption in MICs. Innovative approaches have to be thoroughly analysed from both the supply and the demand side, including ideas such as charging a fee for requested specialized services or studies in MICs and sub-national lending. Above all, the Bank must respect the borrowing countries ownership of their future, needs and development.

**2. Scaling up and the role of IDA (15).** The need for IDA's financial and knowledge services in its client countries is indisputable. Its development mandate, multinational ownership, global outreach tied with in-country presence, and strong focus on the country-based development model, endow the Bank with unique properties needed to cement the international aid architecture. The role of IDA in donor coordination of aid delivery and harmonisation is crucial, though not always in a leading role. The emphasis on country-owned, results-oriented poverty reduction strategies is fundamental for scaling up aid and to secure progress towards the MDGs. Strengthening the use of country systems and alignment with countries' budget systems are also key issues. Aid effectiveness and implementation of the principles of the Paris Declaration, notably at country level, must go hand in hand with scaling up.

It is vital that IDA's financial viability is preserved, and that political commitments are translated into binding and monitored financial commitments. High priority must be given to the IDA15 replenishment negotiations in order to maintain the financial integrity and strength of the Bank. Measures taken by IDA to better respond to the needs of fragile states are crucial, including systematic approach to arrears clearance. During the IDA 15 period a strengthened focus should also be placed on climate change, access to clean energy and continuing efforts in gender mainstreaming.

IDA has an important strategic role in ensuring debt sustainability. Debt relief is important. However, the last couple of years' aid increases have to a large extent been accounted for by debt relief. The challenge will be to ensure the scale-up of aid to avoid a future decrease of total ODA as the scope for debt relief diminishes. As the implementation of the HIPC/MDRI Initiatives progresses the importance of strengthening public debt management and achieving long-term debt sustainability following debt relief becomes even more important. In this connection we must also try to ensure that lowered debt-service payments are channelled to pro-poor programs.

As we welcome new donors to IDA, we challenge all donors to stand by their commitments and ensure the full compensation of IDA's lost credit reflows due to the HIPC Initiative and the MDRI. In this context we are happy to note the positive achievements by some members of our constituency the process of becoming new IDA donors. Let us continue to build an ambitious vision for the World Bank Group and acknowledge the need for its financial strength to ensure successful implementation of that vision.