Statement by
H.E. Prof. Dr. Bambang P.S. Brodjonegoro
Minister of Finance
Indonesia

Representing the Constituency of Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam
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91st Development Committee Meeting

April 18, 2015
Washington, D.C.

We are pleased to participate in this 91st Development Committee meeting, and welcome the selected topic of “Post-2015 Financing for Development – From Billions to Trillions: Transforming Development Finance.”

World Bank Group and Sustainable Development Goals (SDGs)

This is a relevant and timely topic. The global community is expected in the forthcoming months to formulate new commitments in the form of the post-2015 Global Development agenda, and in particular the establishment of an ambitious set of Sustainable Development Goals (SDGs). The post-2015 agenda therefore requires that the World Bank Group (WBG), together with other development institutions, play an instrumental role not only in shaping the scope of these important discussions but also providing technical expertise to guide the global community in formulating realistic and relevant development targets to be achieved by 2030. The WBG should use this opportunity to refine our institutional strategies in order to contribute meaningfully to the SDGs through our twin goals of ending extreme poverty and boosting shared prosperity.

We agree with the Bank’s assessment that in order to mobilize enough resources to meet these ambitious goals, a business-as usual approach to development finance is inadequate. While Official Development Assistance (ODA) will continue to form a critical source of development transfers, especially for the most fragile and vulnerable countries, it is insufficient to address development challenges posed under the SDGs. We need to step up our efforts to help countries find innovative and efficient ways to mobilize domestic financial resources, as well as to leverage on the private sector and non-traditional resources. To achieve this, countries would need to put in place an enabling environment that would propel economic growth, by pursuing reforms that would improve the domestic investment climate. This would need to include the setting up of strong governance and technical capacities in both public and private institutions to ensure robust and sustainable development.

Challenging Macroeconomic Environment

This will not be an easy task made more so by the challenging macroeconomic environment. Despite encouraging signs of growth and employment in some leading economies, global growth remains uneven, with slower growth projected at least over the near term. Global trade as the main driver of economic growth remains constrained due to weak global demand. There are also problems associated with declining potential growth in some economies as well as persistently high unemployment rates. Rising income inequality and demographic challenges have also continued to impact all economies to varying extent. Recent developments in commodity markets and in particular the sharp decline in oil prices have also caused a negative growth impact on oil exporting countries.
Countries need to focus on these immediate macroeconomic challenges while at the same time build their capacities to design, prioritize, and implement longer-term growth priorities laid down in the SDGs. Fiscal discipline and an active pursuit of critical structural reforms will be the way that Governments can sustainably contribute towards the post-2015 development agenda. On its part, the IMF and the other development institutions including the WBG, would need to assume the important roles of providing effective macro-economic surveillance and as a development partner for building strong economic resilience in all economies.

**Tailoring Interventions to Client Needs**

The role of the Bank in the post-2015 Financing for Development agenda becomes all the more critical. We should ensure that the WBG is well equipped with advisory and financial capacity, which should be delivered readily and effectively, so as to equip client countries with the expertise and resources to move ahead expeditiously with their national development programs. Here, the WBG needs to step up assistance to improve client countries’ capacity to mobilize domestic financial resources, as well as tap on private sector resources to meet the development goals. The Bank should also consider unique circumstances faced by different client countries and adapt our assistance to the varying needs and stages of development.

**Small Island Developing States (SIDS)**

Targeted efforts would be needed to assist Small Island Developing States (SIDS), where their smaller, isolated domestic markets makes it challenging to mobilize resources and to access private investment. Here, the Bank should strengthen its commitment to these countries by scaling up its current engagements. Where appropriate innovate and region-based programs should be embarked upon so as to extend the market potential and to raise the comparative advantage of these countries so that they may compete effectively and equitably in the global marketplace.

Of significant concern to these countries is the need for comprehensive and systematic efforts to adapt to climate change and manage disaster risks. This must go beyond ad-hoc and reactionary efforts in the aftermath of catastrophic natural disasters, which are becoming more frequent and leaving devastating consequences on affected populations – especially the poor and vulnerable. Instead, there must be more proactive measures to engage respective regional development institutions to establish robust institutional and innovative financial structures that can provide rapid emergency response and even effective disaster pre-emption. The Bank should use its convening power to canvass and mobilise additional resources from other fund providers for this purpose. Furthermore, many of these countries are at risk of permanent geological erosion due to rising sea levels and thus more must be done now to buttress these effects before it is too late.

**Middle-Income and Transition Countries**

Another area where customised engagements is warranted is in relation to the Middle-Income Countries (MICs). MICs often are economies in transition and thus require more complex services and products from the World Bank Group. There have been many occasions where the demand from these clients stemmed not from the need for financing but from their desire to tap on the Bank’s global development expertise. For these clients, we encourage the active use of the Bank’s Reimbursable Advisory Services by drawing on the best expertise across the WBG and from world-renowned international experts in their field of specialization to provide analytical and advisory services to the countries. This would help to strengthen the Bank’s key developmental role and to extend its legitimacy as a Global Solutions Bank. An active support of these programs is also a sustainable way for the Bank to generate positive income which can subsequently be channelled to boost resources in other key areas of the Bank’s development portfolio, such as in the Fragile and Conflict regions.
Knowledge Hubs

The issue of Financing for Development also involves how development institutions can provide resources to enable the sharing of development expertise and best practices. In this regard, we support the WBG’s efforts to establish global knowledge hubs around the world, as well as to promote South-South knowledge exchange among client countries. This will enable the Bank to demonstrate its thought leadership and to serve as a global broker for development.

Leveraging Private Sector in Public Infrastructure

Finally, Infrastructure investments are precursors for economic growth and sustained development. We urge the WBG to continue its efforts in enhancing private sector participation in public infrastructure. The Bank has a comparative advantage in terms of experience and knowledge accumulation and it is crucial that it shows its leadership in creating an enabling environment to attract private, long-term finance and facilitating an optimal mix of public-private participation.

Conclusion - Making the Most Impact

In closing, we would like to sum up the areas where the WBG can make the most transformative impact in driving the post-2015 agenda.

Firstly, the WBG together with other development partners should use their technical capacity to sharpen the global discussions so as to make these targets ambitious yet realistic and relevant. We need to be mindful that underlying any quantitative targets is the robust economic analysis and data-informed decision-making, for which development institutions play a pivotal role.

Secondly, once these targets have been established, the WBG, will need to demonstrate thought leadership and to use its global convening powers to rally existing and new development partners in joint pursuit of the post-2015 development goals. Given the complexity of development operations, there must be a willingness to work collaboratively with these development institutions and regional architectures in a way that would maximize each institution’s comparative advantage so as gain most impact from the resources and expertise available.

Thirdly, the WBG would need to work alongside National Governments to fine-tune their taxation and macro fiscal policy instruments to enable effective and efficient domestic resource mobilisation. This would need to take into account different states of development and be adapted to existing and new national development plans and programs.

Fourthly, the WBG should proactively assist countries to improve their investment climates, playing specific attention to the innovation and financing roles of the private sector. Where possible, efforts should be made to nurture domestic private sector, including small and medium-sized domestic enterprises, in each of the country operations.

To achieve these important outcomes, the WBG with the other development institutions and the IMF would need to look internally on the budgetary and technical resourcing that would be required. The global community must have sight of and be in agreement on the resourcing requirements if we are to make genuine progress from now until 2030.

We look forward to working with the WBG and other partners in pursuit of the post-2015 development agenda.