STATEMENT BY

H.E Gerd Müller
Federal Minister for Economic Cooperation and Development

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This year, we have made great progress towards achieving the goal of making the World Bank Group “bigger and better”. For us, the capital increase goes hand in hand with an important realignment of the World Bank Group: making more funding available for poorer countries, in particular fragile states, and enhancing efforts in the fields of Global Public Goods provision, climate protection and crisis prevention; and strengthening private sector involvement so that public funds are used as economically and efficiently as possible. In this context, we also welcome the institutional and financial reforms in connection with the capital increase, including internal measures to enhance efficiency in relation to revenues and costs.

When it comes to enhancing efficiency, it is also essential that the Bank invest in prevention and resilience, since preventing is more effective and cost-effective than reacting. We therefore welcome the World Bank Group’s “pivot to prevention” and its closer collaboration with the United Nations. Germany is actively engaged in strategically strengthening the comparative advantage of the Bank when it comes to the multi-dimensional analysis of risks and prevention, supporting the Bank in establishing the Global Crisis Risk Platform. Prevention means avoiding crises. The Bank has shown that it can offer innovative mechanisms in this regard, for example by developing insurance solutions. The Bank needs to stay on track here, too, and keep working on new instruments.

We also want to strengthen the World Bank as a bank that can help overcome global challenges. One important step in this context is establishing a Global Public Goods concessional financing framework. This framework can make it possible for us to use concessional funding not only as an instrument for the poorest countries but also in order to promote investments in global public goods in middle-income countries. Ultimately, these are investments that benefit all countries, for instance investments in crisis prevention and climate protection.

The World Bank can, and it must, play a pivotal role in implementing the Paris Agreement. The New Climate Economy Report and the IPCC 1.5 Degree Report have made the urgency of this task evidently clear. We expect the Bank to continue driving transformation with a view to boosting decarbonisation and avoiding a carbon lock-in. Moreover, there must be a stronger focus on adaptation measures. Collaboration with the Bank within the framework of the NDC Partnership and the InsuResilience Global Partnership are best practices in this regard. For enhancing support to developing countries, the Bank needs to both use more concessional funding and mobilise more private investment.

We applaud the targeted effort by the World Bank Group to boost private sector investment and improve the institutional environment in its country programmes in the “Compact with Africa” countries. The jobs that are needed in Africa every year can only be created by the private sector. We believe that, in order to promote employment, there will need to be close collaboration with partner governments and potential investors with a view to improving the attractiveness of business locations for investors and companies, addressing obstacles to investment and strengthening African SMEs. For the International Finance
Corporation, in particular, implementing the Compact with Africa offers great potential for attractive synergies.

To achieve the goals of the 2030 Agenda, we also need the Bank in its function as a knowledge bank. We welcome the fact that the Bank has set itself the task of getting governments and people ready for the new dimensions of technological change. Technological development is shaping the future of work, changing market structures and production processes and, consequently, raising new questions. How can the newly emerging global platform companies be regulated and taxed? How can the people working under these new employment structures be adequately protected? How can lifelong learning be encouraged so as to keep pace with technological change? And, ultimately, how can income and social participation be ensured for those who cannot find jobs? The Bank needs to address these questions so it can deliver on its mission of ending extreme poverty and promoting shared prosperity.

We should see our discussions in Bali as a first and important step in exploring these issues. We should take the time to continue these discussions and move them up to the next level by including more aspects. We must strive to ensure that development achievements are not lost as a result of the digital revolution, that even the poorest countries can share in the opportunities available and that we do not lower our standards with regard to “decent work” and corporate responsibility, for the sake of the people who need to adapt to change. Finally, we must acknowledge that efficient state and social institutions are indispensable. In situations of radical change, these institutions guarantee stability and social peace.

It will be the task of the World Bank to promote adaptation to digital change through expertise and funding. The proposed investments in digital and physical infrastructure, the support for regulating the digital economy, and the investments in education and health are undoubtedly important. However, it is likewise important that education and health are not merely seen as economic factors. After all, they are human rights.

And whilst we are making provisions for keeping up with technological developments, another persistent problem once again calls for our attention: in many developing countries, but also some emerging economies, the debt situation has worsened dramatically. At the same time, the risks of the global economy are increasing. This goes hand in hand with outflows of capital from these countries to “safe havens” – a factor which may exacerbate the situation still further. Now, decisive action is required to avert new debt crises and prevent development achievements from being destroyed.

We welcome the fact that new players are coming forward and are contributing to the financing of measures to achieve the Sustainable Development Goals. This also means, however, that the financing situation is becoming more complex. This growing complexity creates the need for increased transparency and better cooperation among creditors. For us, the World Bank, the International Monetary Fund and the Paris Club are at the centre of all efforts to detect and actively address the risks of over-indebtedness at an early stage. We are convinced that the debtor countries also need to be supported in strengthening their debt management capacities and mobilising domestic resources. The Bank’s and the Fund’s multi-pronged approach are targeting the right levers. This approach should be moved forward proactively and, above all, in a concerted effort. And one aspect is particularly important for us: support for structural reforms. Right and important as these reforms are: they are generally unpopular. In some countries they are seen as a medicine that is not only bitter but even harmful. The Bank and the Fund have learned from the programmes of the past, and they have made fundamental changes. We expressly welcome that. We would like to encourage both institutions to communicate this even more clearly. This will make it easier for debtor countries to ask for the required support in good time, to take ownership for implementing their reforms and, in this way, minimise the economic and social consequences of a debt crisis.

With regard to this last aspect, in particular, the World Bank can make an essential contribution. It can play a pivotal role in ensuring that reform processes do not cause the population to suffer.