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)

NINETY-EIGHTH MEETING
BALI, INDONESIA – OCTOBER 13, 2018

DC/S/2018-0063
October 13, 2018

Statement by
Mr. Johan Van Overtveldt
Minister of Finance
Belgium

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary,
Kosovo, Luxembourg, Slovakia, Slovenia and Turkey
Statement by

Mr. Johan Van Overtveldt
Minister of Finance

Belgium

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey

98th Meeting of the Development Committee

October 13, 2018
Bali, Indonesia

Our world and societies are facing many new challenges in a rapidly changing and vulnerable environment. We can no longer resort to business as usual, as we are increasingly challenged by fast-paced advances in technology and by creative disruptions that bring new solutions and opportunities but also risks. These transformations will also change the nature of work as we know it and require new skills and capabilities. We need to make sure that countries are ready for this shift. The international community, and the World Bank Group (WBG) as one of the leading players in this arena, must deploy every effort and expertise to address these, but also many other challenges. It is not an easy task, but we believe that with support from its shareholders via the capital increases, the WBG will be able to effectively tackle this ambitious agenda - ranging from addressing fragility, conflict and violence (FCV), through gender and equality, climate change all the way to data revolution, while delivering on its promise to end extreme poverty and boost shared prosperity.

Global Economy and Growing Debt Vulnerabilities

Global growth remains robust, projected at 3.0 percent for 2018, however, it has significant downside risks. Amid tightening financial conditions and moderating global trade, the international context will be less supportive to economic activity. The possibility of escalating trade protectionism has increased substantially in recent months, and the risks of disorderly financial market movements and heightened geopolitical tensions continue to cloud the outlook. In this context, we urge the WBG, jointly with the International Monetary Fund (IMF), to step up its support and use its convening role to promote the benefits of multilateralism and highlight the crucial role of an open and rules-based multilateral trading system for growth and development.

We share the concerns about rising public and corporate debt in Emerging Markets (EMs) and Low-Income Developing Countries (LIDCs). Both have increased substantially, are exceeding historical levels, and if not addressed in a timely manner will cause financial instability and heighten the risk of debt distress. This rise of debt levels has been accompanied by shifts in debt composition with increased access to non-Paris Club creditors and market financing. Therefore, we call on the WBG to work jointly with the IMF to address the debt vulnerabilities via the new WBG-IMF multi-pronged approach. This would allow for a systematic yet country-specific strategy for the EMs and LIDCs to strengthen their debt data coverage and analytics, create early warning systems, as well as improve monitoring and reporting, and build domestic capacities for debt/fiscal risk management. It is important that the WBG uses its wider toolkit to address public financial management issues and domestic resource mobilization, before committing to large financing, and therefore debt-increasing, operations. We should also seek a new mechanism to strengthen engagement
with non-Paris Club creditors and encourage their subscription to the G-20 Operational Guidelines for Sustainable Financing as the relevant guidance on debt sustainability and transparency.

**Changing Nature of Work and the Human Capital Project**

We welcome the *World Development Report 2019 - The Changing Nature of Work* as it highlights critical issues we are facing in today’s environment of rapid technological change. We appreciate the inclusive and transparent process and the opportunity to comment throughout the drafting process.

Advances in technology improve overall living standards, yet the process can be disruptive and bring considerable risks. There is a profound shift in the mix of skills required to succeed in the labor market and technology is changing production patterns. This calls for innovative approaches that will require larger investments in human capital throughout a person’s lifecycle especially in the early years. Governments will also need to update social protection systems.

Investments in human capital require additional revenues and enhanced resource mobilization. Therefore, the WBG should take a more active role in the global tax agenda, tackling problems of tax evasion and tax avoidance, fighting harmful tax practices in Offshore Financial Centers, and adopting policies to prevent aggressive tax planning connected to WBG projects. Improved private sector policies to encourage startup activities and competition are also necessary to keep up with the digital age. We count on the WBG to play a key role as a disseminator of expertise and best practices to help developing countries implement these approaches to harness the opportunities, mitigate the risks, and to guard against rising inequality.

We welcome the Human Capital Project to raise awareness, measure the value added of human capital for the economy and encourage countries to prioritize investments in people to help achieve development goals. We see the Human Capital Index (HCI) - quantifying human capital as the contribution of health and education to the productivity of the next generation relative to a defined benchmark, as an exciting new measurement to identify potential gaps and opportunities for improvement of countries performance. However, we do recognize that the HCI is still in the early stages and the WBG will need to continue refining the analytics and methodology.

**Disruptive Technologies and the Bali Fintech Agenda**

Rapid advances in technology are transforming the economic and financial landscape, offering wide-ranging opportunities to support potential growth and poverty reduction by strengthening financial development and efficiency while also raising potential risks. On the one hand, disruptive technologies and Fintech can increase the reach and inclusiveness of service delivery at lower cost with faster diffusion, such as eHealth or eBank. On the other hand, it may pose risks to financial stability and integrity, to consumer and investor protection. The WBG with its global knowledge, financing, and convening power – is uniquely positioned to help client countries harness the disruptive technologies and to help address the downside risks and impacts of disruption.

We do support the new Build-Boost-Broker approach that presents opportunities for individuals, firms and governments and can accelerate progress towards the SDGs and Twin Goals. Innovative solutions can help promote more inclusive growth and address development challenges such as gender equality, climate change, etc. However, the role of the WBG should also be to raise awareness about risks stemming from disruptive technologies and prepare client countries to manage them.

The joint WBG and IMF initiative, the “Bali Fintech Agenda”, is timely and relevant to all shareholders. Countries can gain from consulting the WBG/IMF in-house know-how on analyses and implications of Fintech as they seek to create their own policy responses. We support this Agenda and appreciate strong
collaboration between the WBG and IMF. Additionally, we would like to stress the importance of collaboration with other MDBs, coordination and harmonization of the WBG’s activities with other players. The WBG should be selective and narrow its focus on areas where it has the biggest development advantages and expertise.

**Capital Increases and Increased Focus on FCVs**

We are encouraged by the significant progress on the capital increases procedure of the IBRD and IFC and by the promising start of implementing the commitments made by the institutions as part of the historic Capital Package. A successful implementation of both the financial and the policy side of the Package would ensure that the WBG remains the leading global development institution in an evolving development landscape. However, Management should continue to explore ways to strengthen the financial position of the WBG institutions by optimizing the use of their existing resources and by applying the ‘cascade’ approach consistently throughout WBG operations, in line with the global agenda of Maximizing Financing for Development. We also encourage Management to continue to seek, together with development partners and impact investors, innovative solutions to leverage Official Development Aid in order to realize the ‘billions to trillions’ agenda. Blending public and private resources and cooperating with other MDBs and IFIs are critical to achieving development impact at scale.

Increased engagement in poor and fragile environments remains a priority of our Constituency. Support for FCV countries is needed to address the world’s most pressing development challenges and to contain spillovers that put at stake hard won development gains. We welcome the stepped-up role of the WBG in FCV contexts, including by addressing forced displacement and migration issues. We underline the action plan of the High-Level Panel on Water, which also supports this agenda.

Higher risk environments require strong risk management. We call on the Bank Group to continue guarding against integrity risks and potential harmful effects on local communities and the environment resulting from its projects, by strengthening the WBG’s Integrity Vice-Presidency, the World Bank’s Inspection Panel and IFC/MIGA’s Compliance Advisory Ombudsman. We also urge Management to deliver as soon as possible the comprehensive institution-wide gender-based violence (GBV) guidance note, including an ex-ante mechanism to assess potential risks, boosted-up monitoring and supervision, and incorporation of lessons learned.