Statement by

Sigrid Kaag
Minister of Foreign Trade and Development Cooperation

Kingdom of the Netherlands

Representing the Constituency of Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova, Montenegro, The Netherlands, Romania and Ukraine
As the world’s largest development actor, the World Bank Group (WBG) plays a central role in driving progress on today’s inclusive development agenda. Our constituency sees the WBG as a vital partner in providing resources and analyses, mobilising funds and convening actors to find ways to deliver on the Sustainable Development Goals, the Paris Agreement on Climate Change and the Addis Ababa Action Agenda on Financing for Development.

We value the WBG’s continued support for countries in the Europe and Central Asia region, including the countries in our constituency. We encourage the Bank to deepen its engagement in the region, particularly by promoting private sector-led growth.

Debt Vulnerabilities

Our constituency shares the IMF and WBG’s concerns with regard to the substantial rise in recent years of public debt levels in low-income countries (LICs) and emerging markets (EMs). Especially if global financing conditions get tighter, this can pose serious challenges for many countries, have adverse effects for the poor, and undermine political and economic stability. Growing debt levels have been accompanied by a significant shift in public debt composition towards the private sector, which exposes LICs to further fiscal risks and debt vulnerabilities.

We therefore support close cooperation between the IMF and WBG in tackling this vital issue, and the wide-ranging approach that the two institutions have outlined to help countries contain public debt vulnerabilities. This includes improved assessments of public debt vulnerabilities, enhanced early warnings systems, increased data transparency, enhanced support for structural reforms to help reduce debt vulnerabilities, scaling up debt management capacity building, and additional outreach to creditors and borrowers to raise awareness of debt issues.

We are convinced that discussions on sound macroeconomic and fiscal policies, in particular on how to boost domestic revenues and use them for efficient public spending, should be at the heart of an intensive policy dialogue with LICs. In parallel, a strong approach is needed to step up coordination with creditors on improving information sharing and addressing the lack of data transparency.

Our constituency also strongly believes that thorough analyses of debt sustainability and debt transparency issues should play a central role in WBG policies, country strategies and operations. They should serve not only as background for WBG actions, but also – more importantly – as a key determinant of those actions. Therefore, we encourage the Bank to go the extra mile and explore possible additional measures, especially with regard to its own instruments, aimed at limiting further
debt accumulation in client countries as much as possible. This also requires getting internal incentive structures right, primarily by focusing on project quality rather than quantity.

*The Bali Fintech Agenda*

We welcome the Bali Fintech Agenda, and underline the need for the WBG to focus on major questions and challenges surrounding the adoption of technology in the financial sector. Our constituency recognises the need for effective frameworks to realise fintech’s full potential for inclusive development. The WBG can play a pivotal role in legal and regulatory frameworks, supervisory practices and the development of robust financial and data infrastructures. Our constituency calls on the Bank to take up that role.

We would also like to call attention to two additional, specific points. Firstly, the WBG should pay more attention to the leading role the private sector can play in fintech developments. Secondly, the Bank’s current agenda does not sufficiently address the risks resulting from ongoing digitalisation and dependency on digital infrastructure, especially with regard to data protection and fraud. We feel that the WBG could do more on this issue.

*Disruptive Technologies*

The constituency supports the WBG’s view that disruptive technologies – i.e. technologies with the potential to disrupt traditional pathways of development – can offer opportunities for sustainable, inclusive economic growth. We see some obstacles to unlocking the full potential of disruptive technology, however. These include infrastructural challenges, such as limited access to broadband internet, and human capital challenges, such as illiteracy. We call on the Bank to take a holistic view of efforts to narrow the ‘digital divide’, so that all can profit from technological advances.

The WBG mentions data-related regulations, social protection and the creation of a level playing field for individuals and companies in access to digital information as important areas for work in the coming years. Both states and companies need to give priority in this work to generating, using and taking ownership of data, to digital information transparency and to user empowerment.

*Human Capital and the World Development Report*

Our constituency commends the WBG for the open and inclusive process of writing the 2019 *World Development Report: The Changing Nature of Work*. This year’s report offers three suggestions, in the areas of human capital, social protection and revenue mobilisation. We believe the WBG should adopt a comprehensive approach to advocating for the report’s policy suggestions.

Our constituency feels that investing in human capital is vital for development. Health and education are essential foundations for sustainable, inclusive economic growth, and key drivers for delivering on the 2030 Sustainable Development Agenda. We welcome the WBG’s focus on education, and underline the importance of inclusion. The most vulnerable people must have a chance to improve their prospects. Our constituency supports the development and adoption of the Human Capital Index, which could become a valuable tool in assessing countries’ development potential. In our constituency Armenia, Georgia and Ukraine have volunteered as ‘early adopters’. We encourage extending the project to all interested countries, to improve their human capital outcomes. We also urge the Bank to pursue the highest level of transparency in publishing future updates to the Index.

As the Bank states in its WDR, investing in human capital is not enough to achieve social inclusion. Given the steadily growing number of workers in the informal sector, substantial improvements and broader access to social protection mechanisms are needed in many countries to attain this aim. Recognising this, our constituency urges the Bank to look for innovative solutions and share experiences.
Investments in human capital and enhanced social protection can only be paid for if governments mobilise substantial revenues. We welcome the Bank’s initiative to focus on public finance and revenue mobilisation, particularly in light of the debt vulnerabilities in many countries. We urge the WBG to show leadership in this field by setting an example, and notably by preventing tax evasion by further strengthening its own policies in accordance with international standards.

Implementation of the Capital Package

Our constituency, as a supporter of the capital package agreed at the Spring Meeting, is pleased that all our Constituency countries have voted and that the required majorities have been reached for approval of the resolutions by the IBRD Governors. We urge all shareholders to swiftly adopt the remaining IFC resolutions, as we believe it is of utmost importance that capital increases for IBRD and ICF go hand in hand in order to fully deliver on WBG’s private sector strategies. We welcome the fact that the Bank has started implementing several of the package’s key measures. We encourage WBG management to engage with all client countries to specify how the package will benefit them. Management should also work with the Board of Directors on the further implementation and detailed elaboration of the remaining policy commitments, such as the Financial Sustainability Framework and the increased focus on climate, gender, fragility and the private sector.