Statement by

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On behalf of Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan
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Development Committee
Tokyo, Japan, October 13, 2012

Global economic growth remains subdued. The distress of the advanced economies begins to spill into the developing economies that have been strong sources of growth since the crisis. Indeed these countries continue to be vulnerable to external factors, such as demand for exports and volatile capital flows as well as to idiosyncratic imbalances and bottlenecks, such as infrastructure deficits or credit booms. Short-term policy interventions in advanced economies have bought time but to address structural imbalances they have to be accompanied by far-reaching structural reforms and appropriate fiscal adjustments. In sum, future growth, financial stability, employment and poverty reduction seem uncertain in many parts of the world.

For the World Bank Group, maintaining a focus on structural economic policy reforms is critical beyond short-term macroeconomic management. The World Bank should be prepared to react quickly to possible crises and sustain flexible lending programs to protect the most vulnerable and poorest countries and populations. Eastern Europe, Central Asia, the Balkans and the Middle East are for different reasons particularly exposed at this stage. The structural reform agenda is critical in turn to provide a horizon beyond crisis management, in view to anchor expectations, dissipate uncertainties and trigger the investor’s confidence. This agenda, encompassing today’s discussion on Jobs and Disaster Risk Management for instance, highlights some challenges for the World Bank Group (WBG).

First, the structural reform agenda is relevant for developing and developed countries alike. All countries seek solutions for their growth and development problems. As a global institution the Bank should be able to provide its global knowledge and expertise to support the design and implementation of these solutions in all countries, regardless of their level of income. The Bank’s modernization and knowledge agendas are critical areas of reform in this regard. They must aim to further improve the organization’s capacity to rapidly deliver high-quality and results-focused outputs. The review of procurement and safeguard policies, while striving for compliance with international standards, needs also to be approached from this modernization perspective. The middle income countries (MICs) will remain interested in collaborating with the Bank and in assuming new responsibilities in it only if these improvements can be achieved in the next years.

Second, long-term growth requires investments by governments and the private sector. The availability of its public (IBRD/IDA) and private sector (IFC/MIGA) arms uniquely positions the Bank to combine the respective forces and act as ‘one group’. Yet, the strategic and operational synergies remain suboptimal. There is a need to lead the two branches towards a closer convergence of purpose, without questioning the organizational and instrumental specificity of each of them. One variant of this challenge is the articulation of a group wide strategy to the private investment flows into the natural resource sector of many low-income countries, in particular in Africa. These investments can transform whole economies and offer great development prospects. But, as the literature on the ‘resource curse’ suggests they bear significant risks of exchange rate distortions, rent capture, instability and social conflicts. A better job can
be done through the combination of available instruments, expertise and administrative resources in IBRD/IDA and IFC/MIGA.

Third, maintaining the legitimacy of the Bank will be crucial to gather the investment resources necessary to deal with these difficult challenges. Legitimacy comes through the delivery of strong results, value for money, inclusive decision making and a fair distribution of rights and responsibilities. The upcoming IDA-17 replenishment will constitute a critical test in this regard. Not only is there a challenge in mobilizing donor support, but also in terms of adapting the IDA-model to a changing landscape marked by country graduation and by an evolving poverty map. On the one hand, poverty tends to cluster in fragile contexts. On the other hand, the largest share of the poor now lives in MICs. In any event, mobilization of private resources will remain crucial. The IFC has paved the way, not only through co-investments in projects but also through the Asset Management Company. It could easily increase its relevance and its impact by a moderate expansion of its capital basis via retained earnings and welcoming new semi-sovereign shareholders – without altering its governance model.

The World Development Report (WDR) on Jobs has highlighted the complexity of the economic and social decisions that influence the level of employment in all societies. The report recognizes this complexity by providing tentative, country specific approaches rather than sweeping policy prescriptions. The challenge goes far beyond economics, as it touches on an explicit or implicit social contract that determines how jobs are valued and who has access to the (formal) job market. A dual education model, for instance, is credited with fast and structured employment creation. But it is also the outcome of a complex social partnership between employer, trade unions and government.

Some important themes emerge that we consider critical in shaping the Bank’s thinking on jobs and poverty reduction. The private sector is the engine of job creation and innovation. The discussion of the last spring meeting ‘to put the private sector center stage’ is fully corroborated by this new report. Providing the informal sector with the incentives to formalize and the tools to grow, such as access to markets, physical and social infrastructure and reliable public services will be crucial. New innovative solutions have emerged to provide workers with voice in the context of informality. The success in Bank’s response to the jobs challenge will consist in optimally combining strategies, policies and investment projects of the IBRD/IDA and IFC/MIGA. In fact, employment, income and well-being improve where the private and public sector complement each other in the best way.

The WDR on jobs also underscores the importance of an open, multilateral rules based trading system to avoid win-lose outcomes. It finds that policies that aim to reap productive externalities from jobs by undermining open trading systems most probably reduce aggregate well-being. This is an important finding for the implementation of the WBG trade strategy and it underscores the need to revive and complete the Doha Round.

The publication of this WDR commits the World Bank Group to promote the job agenda for years to come. Some ideas and proposals are solid and should be tested in the different contexts identified by the report. Other recommendations are more tentative. In all cases the response to the job crisis is more an art than a science, as political leaders must combine wisdom, knowledge, trust, willingness and perseverance to implement the most promising economic policies. Taking this reality into account and in line with its mandate the World Bank Group should foster learning in the area of job creation and make sure that the countries interested in sharing their experiences and finding appropriate answers to the job crisis can do so.

The Sendai Report makes a compelling case to fully recognize disaster risk management (DRM) as good development policy. The economic costs of disasters increase with the accumulation of assets while the frequency and maybe the severity of disasters are likely to increase with climate change.
Investing ex ante in resilience saves lives, reduces demand for humanitarian action, and minimizes reconstruction costs ex post. The Bank can provide a critical contribution in shifting attention from ex post response to ex ante resilience, an area where the Bank has been strongest and highly additional. The Bank’s key instruments are financial and economic analysis to integrate DRM in its policy advice and investment programs.

Three elements need further attention in mainstreaming DRM across the Bank Group. First, there is a need to find the optimal combination of internal and external funding for DRM activities. Core and senior expertise should be financed through the World Bank administrative budget – trust funds should support mainly specific programs and operations. Second, the private sector is the critical element to absorb financial risks and provides also an important crisis response mechanism, in particular through financial intermediaries. We are pleased therefore to note that IFC has started deepening its engagement both on prevention and on private-based reconstruction. Third, collaboration with other development partners and specialized agencies are critical to maximize the impact of scarce resources.

The WBG has made a strong corporate commitment on gender and we take note that significant progress has been achieved. We welcome in particular the integration of gender into project design and Country Assistance Strategies. Focus on implementation needs to continue, in particular to address gaps in lagging regions and sectors. There is one caveat though. Most measures continue to be output based at the level of Bank planning; a necessary starting point. However, attention needs to shift now increasingly towards a results culture in projects and programs on the ground. In this respect and in correlation with the WDR 2012 on Gender equality, an increased focus should be directed to the economic empowerment of women to boost economic growth.