STATEMENT

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on behalf of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden
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87th Meeting of the Development Committee

April 20, 2013
Washington, D.C.

A Common Vision for Ending Poverty and Promoting Shared Prosperity

The Nordic and Baltic countries congratulate President Jim Yong Kim for taking on the challenge to outline an ambitious agenda for the World Bank Group to contribute to ending extreme poverty and to promote shared prosperity in a sustainable manner. As the World Development Indicators show, it has taken approximately 40 years to reduce the share of people living in absolute poverty from around 50% in the 1970’s to the current estimate of around 20%. A world free of poverty by the year 2030 is thus indeed an ambitious goal.

As President Kim has stated, this means halving the world’s poverty levels nearly three times in less than 20 years. This requires firm commitment, strong cooperation and strengthened ownership – among all shareholders. Sound macroeconomic policies and structural reforms are critical in order to reduce poverty. The World Bank Group plays a key role in this effort, and we would like to thank President Kim for responding to the shareholders’ call for new strategy and introducing a truly common vision for the five institutions of the World Bank Group.

To succeed, clear goals, effective indicators, and concrete targets need to be included in the strategy. The proposed goal to end poverty has a clear target: reduce the percentage of people living with less than US$ 1.25 a day to 3% by year 2030. This must be a key input into the post-2015 development agenda. We support that the forthcoming strategy includes a goal to foster income growth of the bottom 40% of the population in every country. The Nordic and Baltic Countries propose that the income growth of the bottom 40% over time should be at least as strong as the mean income growth in each country. In addition, we expect that also environmental sustainability is concretely defined in the final strategy, with indicators to measure progress over time. Finally, the strategy should ensure that the gender perspective is mainstreamed throughout the World Bank Group’s activities at all levels.

Achieving these goals will require private sector-led inclusive growth that creates productive jobs, especially for youth, women and people with disabilities. This, in turn, necessitates an enabling environment that builds on macro-economic stability, sound institutions and essential infrastructure. For the Common Vision to materialize, it is important that the goals are directly linked to all activities by the Bank Group, and that these activities are pursued in environmentally, socially and fiscally sustainable way.

It is essential that focus is placed on results and impact of the Bank’s efforts within areas where the World Bank Group has comparative advantage: combining knowledge with financing, delivering development solutions, engaging with private sector, remaining with strong presence in client countries, and forging
innovative partnerships. To succeed in diminishing extreme poverty to 3%, no country should be left behind. The current situation, characterized by financial constraints and limited resources, requires selectivity and making tough choices in programming.

Although the aggregate global poverty rate has been on a strong declining path for nearly half a decade, the in-country inequality has increased in most developing countries, and more than 70% of the poor now live in middle-income countries. The World Bank Group has thus an important role to play in middle-income countries. The WBG’s work in middle-income countries should now focus on the remaining poor and strengthening the policy dialogue on how to ensure that domestic policies create opportunities and shared prosperity also for the poor.

Finally, to reach the goal to end poverty, the World Bank Group needs to strengthen its efforts, in collaboration with other actors, in particular with the UN, in the poorest countries and conflict affected states. In these countries, financing from private sources is often scarce, and multilateral development assistance must continue with a strong role. Supporting poor countries is and must remain core business of the World Bank Group.

Creating a virtuous circle of inclusive growth, good governance and equal opportunities

A world free of poverty and with more equal distribution of growth-generated prosperity has to be based on inclusive pattern of growth and creating decent jobs, good governance, and equal opportunities. The key elements of inclusive growth are: high and sustained growth with broad-based productive employment; equality of opportunities for all to take part in the generation of growth; and actions to reduce inequalities.

Recognizing the relationship between economic growth and social development, it is also important to balance the focus between actions in ‘hardware’ sectors – such as infrastructure, transport, private sector development – and primary ‘software’ sectors such as health, education, and social protection. Economic and social investments are complementary and mutually reinforcing in generating inclusive growth.

As the World Development Report 2013 pointed out, the role of a government in job creation might seem straightforward: provide fundamentals such as macroeconomic stability, the rule of law, and supportive fiscal policies; create suitable labour market policies not impeding resource reallocations; and create enabling business environments for the private sector to create jobs. These are all fundamental issues. However, they are all based on the capacity and resources to execute – and strengthen – good governance.

We emphasize that the World Bank’s Doing Business Report is an important tool in designing and focusing activities to create and strengthen enabling environments for the private sector. It thereby supports particularly small countries in their efforts to attract investments. We also urge the World Bank to develop similar tools to foster a positive and enabling environment for the agricultural sector.

Accountability, transparency and effective institutions are prerequisites for long-term sustainable inclusive growth. Cumbersome legislation and administrative processes deter individuals from starting and developing businesses, slow down public administration and prevent people from accessing publicly provided goods and services. Fighting corruption and strengthening public administration, including the legal system, are thus central components in efforts to generate inclusive growth.
Generating growth and ensuring its inclusiveness is especially challenging in **fragile and conflict affected states.** By 2015, more than half of the world’s poor will be living in fragile states. The responsibility to further peace and stability is a key challenge, and fragile countries will need strong continuous support from the World Bank Group and the international community. Along with this, and maintaining the continued relevance of the World Bank in fighting world poverty, the 17th replenishment of the IDA should emphasise the needs of the fragile and conflict-affected states as a special theme. *The New Deal for Engagement in Fragile States* is one of the promising tools for creating viable change.

To have a well-functioning economy, a country needs institutions that support productive work. Essential preconditions for inclusive growth are sound fiscal policy framework and **fiscal sustainability.** Strengthening tax systems, including broadening the tax base and increasing the tax collection capacity, is a core element in reinforcing state budgets to more sustainable grounds, and therefore also for maintaining macroeconomic stability.

Sound and transparent institutions and predictable and non-distortive **tax systems** are needed to increase the general trust and willingness to pay taxes, and efficiently collect and allocate public resources. This supports inclusive growth through allocating resources to publicly provided goods and services such as strengthening social safety systems for vulnerable groups. Enhancing the tax collection capacity and widening the tax base reduces in turn incentives to tax evasion and fraud, and builds up resources to build and strengthen capacities of good governance.

The Nordic and Baltic countries support the World Bank Group in its work to enhance developing countries’ fiscal and distributional policies by strengthening the capacity of public financial management, improving the capacity of tax authorities and creating a transparent governance and budgetary process of revenues from natural resources.

We need a global approach and commitment to fight tax avoidance and strengthen and implement international standards and exchange of information. In this context we recognise the standard setting role the IFC plays, especially amongst the international financial institutions, and it is therefore essential that the policy on intermediary jurisdictions discourages financial opacity as strongly as possible.

We also need strong international cooperation where both developed and developing countries work together towards increased **international financial transparency.** Financial secrecy and illicit financial flows not only undermine revenue policies but increase inequality and facilitates corruption, transnational organised crime, money laundering and terrorism.

Increased labour market participation and, as defined by the ILO, ensuring fundamental principles and rights at work for all – especially for women, youth, and people with disabilities – is central to foster inclusive growth. **Equal opportunities** thus represent the third element of the virtuous circle to end poverty and promote shared prosperity. The developing world has a great opportunity to achieve high and sustained growth paths: young populations eager to get involved in productive employment.

Creating productive and decent jobs for the youth is one of the greatest challenges where we need urgent action – more than 620 million young people are neither working nor studying. Creating opportunities for youth and **youth employment** is directly linked to **education** including vocational training. High quality of basic education is essential, but it is as important that education and opportunities are based on actual needs and demand.

**Gender equality** is not only a human right, it is also smart economics as demonstrated by the *World Development Report 2012.* Economically empowering women brings wider societal and political benefits.
Women’s participation in the labour market increases the size of the labour force and expands the tax base, thus contributing directly to economic growth. In addition, women’s economic empowerment, equal participation in politics and the labour market and equal access to assets needs to be at the forefront of the Bank’s business if it is to achieve the proposed goals.

This requires strengthening women’s agency; ensuring women’s access to education, training and health services; countering discriminatory social norms; establishing equal rights in property ownership, family law and inheritance legislation; and enabling entrepreneurship opportunities. Importantly, the WBG must also take concrete steps to speed up its efforts in integrating a gender perspective in all its core sector operations, where results are lagging behind. Women’s voice, agency, participation and access to justice cannot be seen in isolation from smart economics. A gender perspective must be mainstreamed throughout the Bank’s work.

**Environmental sustainability**

Ending extreme poverty by the year 2030 and promoting shared prosperity through inclusive growth entails addressing issues of inequality, including inequality of opportunities. In the post-2015 world this entails that the welfare of future generations is ensured through environmentally sustainable development. As we know, climate change affects disproportionately the poorest countries.

Urgent action on climate change is essential to address the threat it poses to poverty reduction and sustainable economic growth. Climate change is not just an environmental challenge. It is a fundamental threat to sustainable growth and the fight against poverty. We thus fully support the bold climate initiative the WBG presented yesterday together with the UN Secretary General in the *Third Ministerial Dialogue on Sustainable Development*. This is an action focused initiative, in alliance with other partners, which is urgent to start implementing, as part of a sustainable development agenda.

**Environmental sustainability** therefore has to be fully integrated in all work of the World Bank Group, including actions against climate change. We also urge the bank to actively contribute to the work on Sustainable Development Goals and to frame its new strategy with flexibility in the context of the formulation of the post-2015 agenda. This means clear indicators of environmental sustainability and measuring sustainable use of natural resources. The Bank’s work on natural capital accounting is a promising start in that direction.

Finally, we would like to commend the World Bank and the IMF for the *Global Monitoring Report 2013* which addresses the problems of inequality with focus on rural-urban disparities. Rapid urbanization in the developing world entails both opportunities and challenges. In our view the Report would have benefitted from a more thorough analysis of the risks related to uncontrolled urbanization and the means to mitigate these risks. In particular, questions related to availability of and access to food by the poorest people – whether in urban or rural areas – require further consideration.

The Nordic and Baltic countries stand ready to support the World Bank Group in its ambitious call to eradicate extreme poverty and fostering inclusive growth for shared prosperity. Each moment and period of history is unique and particular in its own terms. In recent years ‘the great convergence’ between the developed and developing world has been discussed extensively. We might not be there quite yet, but some trends and conjunctures are clear: technological change, the globalization of trade and economic activities, the global dynamics in manufacturing, and the demographic shifts and growth of global labour force.

All these bring along great challenges but also opportunities. The developing world and emerging markets have now the potential to reap the benefits of fast economic growth thus providing opportunities to lift
millions of people out of poverty. But for this to materialize and remain sustainable, the growth has to be *inclusive*; it has to provide *equal opportunities*, and it has to be *environmentally sustainable*. 