Statement by

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Growth in the Post Crisis Development Economy

The general outlook for the global economy is moderately optimistic. There is evidence that economic growth has resumed in virtually all regions around the world, albeit at a varying rate. This encouraging trend has yet to translate into inclusive and sustainable development for all. High levels of inequality and persistent unemployment, in particular among the youth, raise concern that the benefits of economic expansion are not being shared equitably within societies. High inequality can inhibit progress in health and education, cause political and economic instability, and thereby reduce the pace and sustainability of growth. At the same time, the promise of greener and sustainable economic development is becoming less achievable as the frequency and severity of climate change-related natural disasters increases. In view of this, growth will only contribute to sustainable social and economic development if sound, responsible and inclusive policies and investments are put in place. It is the mandate of the World Bank Group (WBG) to support its public and private partners in achieving these objectives. The WBG internal reforms and the expanded financial capacities should strengthen this mandate and be assessed based on whether they enable the WBG to achieve these goals.

We expect the WBG to contribute to the identification of the most important obstacles to inclusive growth and shared prosperity at the global, regional and national level. As a global knowledge institution the Bank should enable its partner countries to develop and implement context-specific, innovative and evidence-based policies that address these obstacles. Realistic design and implementation necessitates an adequate assessment of the specific political and economic factors affecting policy reform. Given the dependence of returns on appropriate government policies, the promotion of effective and efficient public spending must remain a key component of the Bank's mandate. As is the selection and implementation of key investments in infrastructure and within social sectors. Bearing in mind the overwhelming importance private innovation and resources play in the achievement of these objectives, we expect IFC and MIGA to join, support and promote the best-performing private partners in the production of economic and social goods, especially in frontier markets and in contexts characterized by high risks and opportunities.

We welcome the rapid support that the World Bank Group has lately offered – acting together with the IMF - to Ukraine to ensure its macroeconomic stability, stimulate a long process of structural reforms and significantly contribute to the sustainability of the Ukrainian economy.

World Bank Group Engagement in Client Countries

The engagement of the Bank Group in client countries must be selective and focused on identifying those key development issues that tailor client demand with the WBG’s comparative advantage. Where
appropriate, the Bank should embrace a holistic approach, taking into account the technical, social, economic and political dimensions of the challenge being addressed. Bank Group financing must combine a comprehensive bundle of transformational programs that promote the development of a country or a region. The Bank's global knowledge and expertise must be better integrated and readily available towards local delivery. In advanced countries, knowledge may be requested as a stand-alone service and is often sufficient to provide a meaningful contribution. A more specialized and selective WBG should foster collaboration with other development partners in a coordinated effort to support client governments.

When committing its resources, consideration of the living conditions and dignity of the poorest segments of the population will be paramount. Sharing the benefits of growth and prosperity will therefore be central to the design of any policy and intervention proposed by the Bank Group. Potential conflicts of objectives and trade-offs must be made explicit and collaboratively addressed. Public participation, expanded by the strategic use of social media, will aim to ensure that any action taken translates into tangible benefits for the population.

The WBG's Contribution to the Promotion of Shared Prosperity

The success of the WBG will be measured by the progress realized by its clients in a selected number of strategic areas that are critical to achieve the WBG's corporate goals of poverty reduction and shared prosperity, such as jobs, access to affordable and clean energy, climate smart infrastructure and disaster risk management.

Jobs

We encourage the WBG to enhance its focus on employment and the creation of decent jobs. Ninety percent of jobs in developing countries are provided by the private sector. Therefore, the WBG should strengthen the underlying success factors for employment and private sector development: Targeted and demand-oriented education systems, an enabling business environment, improved access to finance and – last but not least – modern, reliable infrastructure. In all these areas, efficient cooperation within the WBG, and between the private and public sector, is key.

Education and vocational training systems must be oriented towards the dynamic needs of labor markets. They must be targeted and accessible for specific groups such as youth, women, minorities, or handicapped people. We encourage the WBG to partner with interested institutions and remove the constraints to job creation.

We support the Bank's work on Doing Business. Investment climate reforms in relevant fields including simplification of business entry, competition policy, taxation, inspections and permits can improve the performance of SME. Global trade can be another powerful engine for growth and employment. IFC’s trade finance, and the Bank’s support of single trade windows, are examples contributing to the global trade facilitation agenda.

Strategic partnerships with financial intermediaries give access to finance to traditionally under-served groups, such as MSMEs, or women entrepreneurs.

As to infrastructure, private public partnerships can mobilize additional expertise and capital for transport and energy infrastructure which are essential for doing business and creating jobs.
Access to Affordable and Clean Energy

The WBG has a strong comparative advantage in the field of energy-related activities. It can lead the way in helping clients create an enabling environment that fosters public and private investments and contributes to a sustainable development of the energy sector. It can take an integrated, programmatic approach providing policy dialogue, technical assistance and the mobilization of public and private sector resources. The WBG’s policy dialogue in the area of fossil fuel subsidy reform is particularly welcome, as it helps improve the financial performance of energy suppliers, strengthen governance, and to send the right price signals to consumers. We also see the benefits of the Group’s objective to balance energy demand with its impact on climate change by helping client countries realize affordable alternatives to fossil fuels. Moreover in view of the considerable financial needs of developing and emerging economies, IFC’s and MIGA's wide-ranging financial instruments are essential to mobilize and support private investment in the energy sector.

Climate Smart Infrastructure

The World Bank and IFC and MIGA will have to work hand in hand to support developing countries to build climate smart infrastructure. The demand for greener infrastructure in large cities is currently expanding due to health concerns and an increase in climate change-related costs. IBRD/IDA’s support for integrated urban policies, including institutional development, policy dialogue and infrastructure financing in a number of related sectors as well as IFC’s complementary support to specific private infrastructure projects can help reach this objective. But the financial needs for infrastructure in developing countries are such that currently public and private capital is not enough.

The WBG's efforts to explore options for developing a Global Infrastructure Facility (GIF) are welcome. The Bank can act as a keystone in linking the demand for long term financing with the supply of funds, while at the same time addressing any regulatory and/or governance risks. We encourage the WBG to work on the development of a market for infrastructure bonds to attract institutional investors so as to achieve significant development results in middle- and low-income countries.

Disaster Risk Management

Resilience to disaster and climate-related risks will be critical to reaching the WBG's ambitious goals and sustaining development achievements. The increasing frequency and severity of climate change-related disasters affects the poorest in society most, destroys hard-won development gains, and holds back development progress. The WBG must therefore continue to mainstream Disaster Risk Management (DRM) into its operations.

WBG leadership demonstrates a sustained high level of corporate commitment that, together with the priority IDA17 gives to climate change and DRM, provides a strong platform from which to face the challenges ahead. These will include aligning DRM and climate adaptation agendas, achieving the integration of DRM in the relevant post-2015 development goals and in increasing the convergence of donor efforts. We particularly welcome the WBG’s intention to expand the use of market-based solutions. We therefore look forward to seeing IFC and MIGA increasingly involved in helping our clients to become more resilient against Climate and Disaster risks.

World Bank Group Internal Reforms

The ongoing reorganization must enable the WBG to deliver substantial results in these strategic areas for poverty reduction and shared prosperity. Its success will depend, in particular, on a few critical dimensions.
First and foremost, the Bank Group will have to operate as one, combining the public sector expertise of IBRD/IDA with the private sector knowledge and mobilization capacity of IFC and MIGA. The ability to engage in a complementary way both on public and private resources in addressing development challenges is an obvious comparative advantage of the WBG. Therefore, and in accordance with the needs of its public and private sector clients, the Bank should step up joint projects, strengthen the incentive for collaboration and move to harmonized WBG policies.

Second, The WBG must endeavor to ensure a systematic exchange of knowledge and information between its Global Practices, Regions, and country units. A system of recognition and appropriate incentives must further ensure that the most suitable expertise is applied where required. The main challenge will possibly be, however, to combine the deep understanding of the context gathered by country teams with the technical expertise provided by specialists. To address this challenge, the Global Practices will need to collaborate substantively across sectors and create a strong partnership with Regions and country units. The occurrence of new “silos” must be avoided at all costs and an array of tools and incentives will have to enhance inter-practice performance.

Third, the administrative budget, expanded by the Bank and IFC executed trust funds, must be aligned with the WBG’s strategy and provide the institutional incentives that foster the corporate priorities and the delivery of practical and successful solutions to clients. Incentives for budget decisions must shape the country work programs towards an optimum of client orientation and WBG knowledge delivery.

Fourth, the new scorecard and a well-developed monitoring system will have to provide management and the board with the information needed to assess the impact of reform in real time and implement swift corrections as required.

The swift implementation and progressive adjustment of these processes should enable the Bank to rapidly deliver on its mission to eliminate poverty and promote shared prosperity.