Statement by

Minister Gerd Müller
Federal Minister for Economic Cooperation and Development

Germany
Statement by
Minister Gerd Müller
Federal Minister for Economic Cooperation and Development
Germany

91st Meeting of the Development Committee

April 18, 2015
Washington, D.C.

2015 is going to be a crucially important year for international politics and development policy. At the large conferences planned for this year, we will need to set the course for a global partnership which will tackle the issues that are crucial for the future for humankind in a spirit of solidarity. The world we live in today is a globalised world. Only if we all work together will we be able to tackle the issues that affect humanity's very survival, such as making peace, preserving creation and enabling all people to live a life of dignity. The international community therefore needs to set out by the end of this year what is to be the political and financial framework for sustainable and ecologically sound development policy – a development policy geared to eradicating hunger and poverty, and to fostering more prosperity for all. We need a new partnership among all nations, a common agenda such as a world pact for the future, and a charter for sustainable development which will offer all humankind the very real prospect of being able to live their lives in dignity, without hunger or poverty. Major issues in this endeavour will be global sustainability as well as social justice.

The World Bank Group will have a crucial role to play in ensuring the success of these forthcoming conferences. The outcome of this spring meeting, and of our deliberations within the development committee, must send clear signals to the Financing for Development conference in Addis Ababa in July, the United Nations Summit in New York in September and, last but not least, the climate conference in Paris in December this year. Germany is willing to shoulder its share of the responsibility for the success of the international development agenda. Therefore, we intend to play an active and committed part in this year's events. And we will raise the level of funding we allocate to official development assistance on a long-term basis. At the same time, Germany intends to make a fair contribution to the goal of increasing climate financing to a level of 100 billion US dollars a year from 2020 onwards.

Currently, some 130 billion US dollars are being spent worldwide on ODA. However, this amount is not large enough to enable us to tackle the challenges we face. Moreover, we also know that it will not be possible to fund the Sustainable Development Goals, the SDGs, due to be adopted in New York in September, solely from public budgets. We therefore need a paradigm shift. Official development funding must serve to mobilise private finance and to direct this finance into those sectors or areas where global transformation is needed. Examples of this would be to use public guarantees to steer private investments into clean energy; or to use ODA to help set up tax authorities so that they can fight tax evasion; or to publicly fund the provision of know-how in order to support innovative and sustainable methods of farming. To achieve this, we need to set up collaborative schemes. Therefore, I expressly welcome the collaboration among the multilateral development banks and their cooperation with the IMF. I should also like to see closer cooperation with bilateral development institutions and think tanks.

We are working on a new "post-MDG" framework, a global pact for the future. In future, we will be dealing with an agenda in which poverty reduction will be integrated with issues such as social and environmental sustainability. What will this mean for the World Bank Group and for us as shareholders?
It means first and foremost that we must meet our moral and ethical obligation to eradicate poverty and hunger. The agenda has been set: the goal is to eradicate extreme poverty worldwide by 2030. The World Bank was quick to pledge its support for this goal. With regard to food, we also need to come up with concrete goals which set out how we mean to help people overcome a life of hunger and malnutrition. To do this, we need to foster socially and environmentally compatible structural change as well as innovations that will push rural development forward. We need to foster climate-smart food production, rural infrastructure development and responsible land use. I am pleased that the World Bank Group has significantly increased its activities in the agricultural sector, and is taking a leading role in supporting innovations and climate-smart agriculture. The World Bank Group should continue its work in this direction and, in future, focus its programmes, in particular those of the IDA, on reducing hunger and malnutrition. Germany will push to expand its collaboration with the World Bank in these areas, and will endeavour to be a strong and reliable partner.

The World Bank Group and we shareholders must all give much greater weight in our work to the aspect of sustainability. That in turn will mean that, on the one hand, we must combine measures to protect the climate and/or our resources with measures to alleviate poverty. We can do this, for example, by fostering climate-smart agriculture, clean energy and energy efficiency. Many industrialised countries have recognised that the opportunity for a technological turnaround has come. Developing countries, too, must decide which path they wish to take. And many developing countries have done just that and have already changed tack, for they have realised that the attitude of "grow first, clean up later" is going to be very costly – not only for the international community but in particular for their own societies. For instance, high levels of air pollution in mega cities lead to millions of deaths. It is estimated that China currently spends about ten per cent of its national income on measures to lessen the impact of air pollution. And it is estimated that India's wheat harvests have shrunk by about a third over the last 35 years, also as a result of air pollution. On the other hand, the focus on sustainability means that, in a growing number of regions around the world, wind and solar energy are becoming the most cost-effective ways in which to generate power. Each year, 110 million Africans spend more than four billion US dollars on kerosene to fuel their lamps. New technologies would provide a much cheaper and cleaner way of lighting their homes. And people could use the money they saved on fuel to pay for school-related costs instead. There is much to be done! For example, the World Bank and the IFC could step up their activities in this area; they could cooperate more closely with the Green Climate Fund; or they could use World Bank or IDA capital reserves for such activities.

We need to become better prepared to tackle crises when they do break out, and learn how to react more quickly and comprehensively. Over the last forty years, the number of climate-change related natural disasters has gone up fourfold. And it is poor people who are affected most severely by these natural disasters, and by events like epidemics and economic or political crises. Such crises would reverse the progress that has already been made in the fight against poverty. Furthermore, they also tend to lead to dramatic refugee flows. This calls for greater investments in preventive action – action that will pre-empt situations that cause people to take flight. In societies that lack resilience, crises quickly lead to a downward spiral. Often, the resulting lack of prospects and economic decline become a breeding ground for radicalisation and violence. That is why we must invest in resilience. We need to become better at stabilising regions that are particularly at risk and on quickly lending support to development there – inclusive development that benefits the population at large and gives people new opportunities. Such activities would include measures to help people in those regions adapt to climate change – measures such as our initiative to launch insurance against climate risks – and disaster preparedness. Moreover, measures of this kind are considerably cheaper than repair or reconstruction.

In order to be able to save lives, we are going to have to act quickly. The Ebola epidemic in West Africa has shown that the international community needs to do a better job in this regard. That is why Germany's Chancellor has launched a 6-point programme to effectively fight epidemics and to reform global crisis
management with regard to health emergencies. We expressly welcome the committed work of the World Bank Group and of President Jim Yong Kim personally to establish mechanisms which will ensure that the international community's responsiveness and response times are significantly better the next time a pandemic or other crisis occurs. It is essential that, at the same time, we make an effort to improve healthcare systems as well as resilience and responsiveness to crises at local level, and ensure that these systems are networked at international level.

We need to ensure that economic growth benefits all sections of the population. What we currently see worldwide is a trend towards an increasingly unequal distribution of income and wealth. Around half the world's income is in the hands of the wealthiest one per cent of the world's population. Despite working hard, many people are not able to earn enough to survive. The effects of the growing gap between rich and poor strikes at the very core of societies: many crisis regions are affected by high – and growing – levels of inequality, by high levels of unemployment and by social polarisation. The World Bank's research has revealed that, wherever income and wealth are concentrated in the hands of the few, instability and the potential for conflict will grow. The economic miracle that took place in my country was largely based on all citizens having a share in Germany's economic prosperity and its political processes. We know that economic growth is only sustainable if it reaches a large proportion of the population. Consequently, the World Bank has done well to set itself the goal of fostering "shared prosperity". The Bank now needs to put this precept into practice, for example in corresponding country strategies or by stepping up support for the establishment of functioning taxation systems. This is where the currently low oil prices offer a unique opportunity. Cuts in fuel subsidies would relieve national budgets. The funds freed up as a result could be used to support the poor, invest in social measures and push ahead with the empowerment of women.

We also need to make a concerted effort to raise additional tax revenues. In many developing countries, the tax rate rarely exceeds 15 per cent. However, this is just not enough to fund the investments in social services and infrastructure improvements that these countries need. A reasonable tax base is also very important when it comes to developing democratic structures. As you can see, the points raised here show very clearly what is at stake under the new agenda. The agenda will mean new obligations for all of us – industrialized country as well as developing countries. Developing countries will need to fight corruption and improve their tax systems; industrialised countries will need to lend a hand with capacity building but will also have to help with the fight against tax evasion by providing access to relevant taxation data.