Statement by

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Belgium

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey
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Road to Dignity: Transforming Development Finance
Post-2015 Financing for Development: Multilateral Development Finance

We welcome the joint effort of six Multilateral Development Banks (MDBs) and the IMF to produce a paper focusing on sources of development finance to support the achievement of the Sustainable Development Goals (SDGs). Rather than mainly focusing on Official Development Assistance and donor commitments, its emphasis on the wider spectrum of private and public financial resources offers a balanced representation of potential sources for financing the post-2015 development agenda.

In addition to confirming the pivotal role of private sector finance, the joint document highlights the importance of private domestic resources, a source of development finance insufficiently stressed in past Financing for Development discussions. Experience in developed and developing countries has demonstrated that measures to increase domestic resources such as broadening the tax base, improving tax collection capacity, designing adequate and equitable taxation schemes, and properly spending tax revenues, are fundamental to a country’s development and poverty reduction agenda.

According to the organization Global Financial Integrity, an estimated US$ 1 trillion is lost every year by developing countries through illicit financial flows, which are derived from illegal activities such as bribery, kickbacks, tax evasion, organized crime, and trafficking of humans, weapons and drugs. Although such estimate should be regarded with caution, the international community definitely needs to put this topic higher up on the Financing for Development agenda. We should be more ambitious. The MDBs and, in particular, the World Bank Group, guided by its governance and anti-corruption strategy, can play a key role in addressing some of these underlying problems and can help discourage and capture some of these illicit flows.

We appreciate the Development Committee paper’s emphasis on global issues and the link with global public goods. To address some of these problems, global funds and facilities can be effective when properly managed and coordinated. However, further fragmentation by creating additional funds should be avoided. Additional funding should preferably be generated internally and through efficient and effective leveraging.

The ongoing discussions seem to be heavily focused on mobilizing additional financial resources. To achieve a more comprehensive approach in support of the Sustainable Development Goals, this approach needs to be balanced against the need to efficiently, effectively and sustainably use existing resources. In addition, we expect the MDBs and the IMF to continue devoting adequate attention to important non-
financial dimensions of the post-2015 agenda, which include issues such as stronger accountability, transparency and good governance, sustainable development (including appropriate environmental and social standards, and procurement), building capacity at all levels of government, and better use of the potential offered by the internet and digital technologies for economic and social development.

Prominent development specialists have stated that the post-2015 agenda has become overburdened and that the SDGs and their many indicators may not be fully measurable. Consequently, the MDBs and other development partners need to be selective in the goals they intend to support and in accordance with their comparative advantage. As strengthening coordination among development finance institutions will become even more relevant, it is also important to bring new institutions on board. Going forward, we expect that Development Committee meetings will, on an annual basis, offer the opportunity to provide updates on MDB/donor collaboration with respect to the SDGs. Such updates could be based on country cases.

In accordance with the Independent Evaluation Group’s recommendations, we believe that the role of the Bank Group in the SDG process, as well as its approach and contribution, need to be clarified. In a follow-on note to the Executive Board, it would also be desirable to explain the results chain and monitoring system that will be used to assess the Bank, IFC and MIGA’s contributions to the SDGs.

To deliver on its own corporate goals of eradicating extreme poverty and boosting shared prosperity, the World Bank Group has engaged in a process of stretching its own financial means as well as fine-tuning the ongoing structural change process. Much hope is placed on the Margins for Manoeuvre exercise which aims to enhance IBRD’s financial strength and increase its capacity to respond to the development needs of client countries. While a surge in commitments is already noticeable, the low interest rate conditions and longer-term uncertainties continue to cloud the outlook on the revenue side and increase the risk of getting locked into a volume-driven model. Strengthening the Bank’s effectiveness through selective and transformational engagements carefully focused on countries’ poles of growth and efforts to boost shared prosperity, will be key in maximizing development impact without compromising quality in such a constrained environment. The Bank also needs to address its inefficiencies to avoid a reversal of the savings achieved and planned.

Appropriate environmental and social safeguard policies support the quality of World Bank operations in terms of effectiveness and development impact. In this context, we welcome progress in the ongoing safeguards review process and appreciate the extended and inclusive consultation process which led to more in-depth and technical discussions and allowed all stakeholders to provide their feedback. Based on that feedback, we expect that specific standards will be clarified in order not to dilute the current policy but to further strengthen it. We specifically recommend that the policy include a comprehensive risk assessment and management framework, a firm and clear Indigenous Peoples policy and comprehensive standards on Labor and Working Conditions, including ILO core standards, and to cover sub-projects posing high and substantial risk.

We also take note of IDA’s proposal to use its equity in order to unlock additional financial resources to the benefit of graduated and IDA countries, and we are looking forward to further discussions by IDA Deputies on this issue in the run up to the Mid-Term Review and the IDA18 replenishment. These discussions should be based on more detailed information and analysis with clear recommendations and on initial feedback on the newly introduced concept of the Concessional Partner Loans.

Finally, turning to the topic for our lunch discussion – The economic consequences of cheaper oil – we consider that it would deserve further consideration given the important development implications it entails. As the oil price decrease may extend over a longer period of time than expected, policy makers in oil importing countries now have an opportunity to adjust their policies by shifting away from
indiscriminate fuel subsidies, which too often accrued to the ones who needed it the least. To transform their economies into less fuel intensive ones, these countries could use the additional fiscal space generated by cheaper oil to invest in more sustainable renewable energy and in improving energy efficiency. The World Bank Group should also seize this opportunity not only to help some of these countries to design the right policy mix, but also to help the economically vulnerable oil exporting countries to diversify their economies and in better targeting their subsidies on the poor households.