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Governor of the Saudi Arabian Monetary Agency

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The year 2015 witnessed UN members’ adoption of three landmark agreements. As the international community implements the ambitious agenda agreed in 2015, we need to keep an eye on the implementation challenges in the context of the Sustainable Development Goals (SDGs) agenda, Financing for Development and the Nationally Determined Contributions to climate resilience and mitigation. Added to these challenges will be addressing the issue of forced displacement, which has intensified since we met last October, as well as the lingering global economy issues of slow and largely jobless growth and growing inequality. Within this broader context, I would like to share my views on how the World Bank Group (WBG) should proceed on the specific issues brought to the Governors’ attention at these meetings.

Forced Displacement and Development

With 20 million refugees worldwide and 40 million internally displaced persons (IDPs) at the end of 2015, forced displacement has become a critical issue and a new priority for the WBG. Those forcibly displaced people remain in a desperate need of assistance and so do the developing countries that are hosting them. The majority of refugees are hosted by developing countries that obviously have limited resources and development needs of their own. The current situation poses significant challenges to the economies and communities of host countries. In this context, I foresee a key role for the WBG in mobilizing resources, attracting the private sector, designing and financing projects, and providing implementation platforms and frameworks.

In terms of global cooperation to address the forced displacement issue, the current institutional landscape can be strengthened to provide an effective collective response. The complementary mandates of existing international organizations can create the synergies to deal with this crisis, with the UN tasked to provide the humanitarian assistance and the MDBs providing development solutions. In this respect, the Forward Look exercise can help us identify solutions that can have a positive impact on forced displacement. I believe that solutions that are sustainable from a socioeconomic perspective call for concessional financing modalities that could leverage the private sector to support the displaced people and their host countries. In this respect, I would like to thank the World Bank, the United Nations and the Islamic Development Bank for the joint financing initiative to support countries in the MENA region most affected by the influx of refugees, in particular due to the Syrian crisis. I also agree that both the upcoming World Humanitarian Summit next month and the September 2016 Summit on Addressing Large Movements of Refugees and Migrants would be important events where the WBG can both gain an in-depth understanding of the issues around forced displacement and moot ideas for action by various multilateral agencies and other stakeholders.
A development approach to the forced displacement crisis must take into account the political economy dimensions of forced displacement and their host countries. Therefore, the response should aim to help mitigate, and if possible eliminate, the specific vulnerabilities of forcibly displaced people, going beyond the traditional social protection approaches. A more comprehensive response would require creation of economic opportunities for the forcibly displaced people as well as the countries and communities that host them. It would also require building partnerships with governments and the private sector, an area where the WBG has a demonstrable comparative advantage.

Finally, I would like to highlight that the differences between forced displacement and economic migration are enormous. Therefore, even though the World Bank may have the capability to undertake analytical work on the economic and development implications of economic migration, it will be appropriate to focus on stepping up efforts to support forcibly displaced people and their hosts, particularly those impacted by violent conflict.

**Forward Look**

At the outset, let me reiterate that WBG’s twin goals of poverty eradication and promoting shared prosperity remain valid and should provide the foundation for any forward look exercise. Within this context, and informed by past experience and guided by the mandates and comparative advantages of WBG institutions, the overarching strategy should be to deploy resources to support activities that will make the most development impact. This will require remaining focused on core development priorities, such as infrastructure, private sector, financial sector and capital markets, human development, agriculture and food security, and competitive industries and services. Building in-country capacity, promoting good governance and strong institutions and improving business environment would also remain cross-cutting priorities.

As for engaging in global issues where the Bank Group may take the lead, I fully agree that it is necessary to ensure that the Bank follows robust methods to set priorities. It would be useful to elaborate on this and demonstrate consistency of the Bank’s role with its mandate and comparative advantage. In this regard, I would like to stress the need for a balanced approach in pursuing the climate change agenda: balance between adaptation and mitigation, between renewable and other energy sources, between advocacy for withdrawal of fossil fuel subsidies and energy affordability, and between low-carbon approaches and supporting the development of technologies for capture, storage and environmentally friendly re-use of carbon. With over a billion people world-wide living without access to power, it would be unwise for the Bank to focus support only on one source of energy while scaling back support for other energy options.

The Paper’s vision on the emerging development agenda and the challenges for the developing countries is agreeable. Given the budget constraints around the world, financing is a singularly critical challenge in the current environment. In this regard, the “billions to trillions” ambition is pertinent but, in terms of the work of Bank Group, there is a need to be more precise in defining the role of the WBG institutions in terms of goals and indicative targets. In the context of domestic resource mobilization, the Bank Group —IBRD/IDA in particular— also needs to deepen and widen engagement with client countries as well as globally to stem the flow of illicit finance.

Finally, given that WBG institutions are experiencing increasing client demand, there is a need to take a combination of measures to ensure financial sustainability. These measure could include mobilizing greater amounts of co-financing from other sources; enhancing operational efficiency and maintaining flat administrative budgets; exploring avenues to increase income, including loan pricing; reducing IBRD transfers to IDA and replacing IFC transfers to IDA with dedicated investment financing in IDA countries within IFC’s own balance sheet; and assessing long-term capital needs of IBRD and IFC. In the case of IBRD, that assessment should take place after the completion of the ongoing shareholding review and any capital increase associated with it. In the case of IFC, there appears to be a case for selective capital increase.
to align its shareholding pattern with that of IBRD. As regards MIGA, it appears that there is room to expand its guarantee operations by placing a greater percentage of its exposure with co-insurers.

Mainstreaming Disaster Risk Management in World Bank Group Operations

Humanity has suffered from natural disasters since time immemorial causing loss of life and economic assets and reversing hard earned development gains. I therefore welcome the mainstreaming of Disaster Risk management (DRM) in World Bank operations with the use of a wide range of instruments, partnerships and the development of data and tools. I particularly appreciate the emphasis on resilience measures, both for disaster preparedness and prevention as well as post disaster recovery. In this regard, I commend management for giving adaptation the importance it deserves.

Investing in disaster prevention and preparedness no doubt yields high economic dividends and I appreciate that recent years have witnessed significant Bank investments in such ex-ante measures, in particular in early warning systems. However, post-disaster response is equally important as it can cushion adjustment costs and accelerate the pace at which affected countries achieve economic recovery. I encourage management to systematically examine the trade-offs between ex-ante and ex-post interventions in terms of resource allocation. There is also a need to learn from empirical evidence on avoided economic and human losses through ex-ante measures supported by the Bank.

World Bank Environment and Social Safeguards

I take note that the Bank is updating its environment and social safeguards framework (ESF) for investment projects in consultation with client countries and other stakeholders. While it is necessary that the Bank’s policies remain in sync with the changing development paradigm, it is equally important that the ESF does not pose undue burden on the capacity and finances of clients. It is also critical to ensure that the social safeguards are implemented in a flexible way in order to ensure they are not in conflict with national laws and social norms in client countries.