DEVELOPMENT COMMITTEE
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on the
Transfer of Real Resources to Developing Countries)

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Statement by
H.E. Ahmed Bin Mohammed Al-Khalifa
Minister of Finance
Kingdom of Bahrain

on behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, United Arab Emirates, Yemen
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We welcome the proposed scope of the Forward Look and concur with the pivotal role the World Bank Group can contribute towards the attainment of the SDGs and their correlation with realizing the twin goals of ending extreme poverty and increasing shared prosperity. We would also like to take this opportunity to commend the President, Board and management for their collective and collegial efforts during this unprecedented collaboration. We believe that the Forward Look exercise needs to be reinforced by institutional, operational and cultural changes that enhance WBG responsiveness and quality, while maintaining its financial sustainability.

We agree that the WBG needs to continue working across all income levels while maintaining emphasis on the difficulties faced by the poor and vulnerable. We welcome the utilization of targeted and flexible interventions to address the diverse challenges of countries experiencing prevalent fragility, conflict and violence. Equally, we acknowledge that small states also feature prominently in the WBG’s engagement to address their unique circumstances, particularly their vulnerabilities to climate change, natural disasters and economic shocks. We recognize the importance of supporting global public goods, but with limited resources, we feel that striking an appropriate balance ensuring that client needs continue to be a prioritized agenda will need to be applied and sustained. While recognizing that climate change remains an important element in our effort to reduce poverty and promote shared prosperity in an inclusive and sustainable manner, we feel that the Bank’s efforts in the climate domain should not supersede its mandate as a development institution.

We support the initiative of streamlining operations by creating a faster, more agile and efficient WBG. We look forward to holistic proposals that will integrate the people agenda, institutional effectiveness and financial sustainability. Furthermore, improving the incentive structure in countries facing fragility is requisite for active dialogue and successful project execution. In addition to improving the system of delivery, achievement of the twin goals and the SDGs demands adequate financial capacity of the WBG, comprising increased concessional financing, innovative lending instruments and dedicated windows for crisis response.

Realization of the 2030 Agenda will necessitate resources far beyond the capability of any individual development institution. Therefore, it is imperative that the WBG works within the parameters where it has a distinct comparative advantage, while strengthening its coordination with other partners based on their own areas of specialization, in cooperation with the private sector and other key stakeholders. We therefore support a strong IDA replenishment that will allow the WBG to assist its clients, especially in FCS and
small states, in addressing multifaceted challenges. We stress the substantial impact of concessional financing and welcome efforts to develop innovative financing packages that will increase leveraging capabilities of partners’ contributions while ensuring long-term sustainability.

Partnership among development institutions should not be limited to financing aspects, the fulfilment of the 2030 agenda and twin goals will correspond with strengthened data quality and wider data collection efforts. We must address key data gaps directly linked to the twin goals. Data collection capacity must be developed by working directly with national statistical agencies to ensure collection of reliable and credible data, particularly social and economic indicators.

The challenges facing the global economy are escalating and the economic outlook in our region is susceptible to downside risks, including declining oil prices, triggering decreased remittances, investment and official development assistance. Further, financial market volatility raises borrowing costs and results in capital outflows, resulting in the difficult task of stimulating growth while investment is waning. Assessing fiscal space, how to use it effectively through improved fiscal frameworks, enhancing the efficiency of public investment, and scaling up quality infrastructure spending should be improved and supported. Therefore, we urge continued support towards improving domestic resource mobilization, while developing a framework for building public finance management capacity in developing countries.

Conflict in the region has exacerbated existing high levels of poverty, unemployment, and has resulted in intensified fragility, thereby negating previous development gains. This impedes institutional capacity and their ability to implement needed structural reforms. Structural reforms designed to support demand in the short-term and to boost sustainable and inclusive growth in the long-term, will need to be supported and enhanced. The WBG and its partners need to build and advance local institutional capacity while incorporating the dynamics of the political economy with the goal of fostering growth and increasing resilience. The Bank is equipped to lead a collaborative global response to the socio-economic challenges of the MENA region, which underpin the drivers of conflict and displacement. We see the necessity for a more effective approach to FCV in LIC & MIC countries, including through a flexible operating model, additional concessional resources, and instruments that reduce the financial burden on recipient countries.

The refugee crisis and the ensuing challenges facing host countries has generated universal unanimity that addressing fragility and supporting the forcibly displaced is a global public good. A significant lesson of this recent crisis is that the development and humanitarian aspects of crises are closely correlated. Within this context, we believe that the WBG should utilize a nuanced approach that differentiates between voluntary displacement, such as economic migration and the involuntary nature of forced displacement due to violence and conflict. Over the long term, the priority should be to provide scaled-up resources to help rebuild infrastructure, institutions, and improve governance with the aim of strengthening economic and social resilience across the region.

We strongly believe in the centrality of the private sector in global development finance, and support the initiative to partner with and mobilize private finance in the design and implementation of development solutions. Within this framework, we welcome IFC shifting towards creating markets rather than the traditional demand driven approach, we feel this can unlock multiple opportunities for development finance, especially in IDA and FCS countries. Restoring investor confidence and attracting both foreign and domestic investment will be crucial for stable and resilient growth. Therefore, it is vital that the IFC and MIGA continue their work on improving the investment climate and developing labor markets in FCS and MICs adversely impacted by conflict.

Creating an IFC-MIGA Private Sector Window under IDA will support expansion of private investment in IDA countries within IDA only countries and we would therefore like to emphasize the no-region left behind principle.
The capacity to prevent, prepare and respond to crisis should continue to be a central component of the Forward Look Agenda. Additional support and financing will be required to strengthen the relationship between humanitarian needs and development objectives and to create an environment of economic opportunities and basic service delivery for both host communities and the forcibly displaced.

We, therefore, welcome the establishment of the Global Crisis Response Platform, which strengthens the ability of clients to mitigate the damaging effects of crisis. We also appreciate the adoption of the Concessional Finance Facility that benefits refugees and host communities in all eligible middle-income countries, while continuing to maintain a strong focus on the urgent needs of the MENA region. Post-conflict recovery will require the active collaboration of all partners to prepare for the aftermath of conflict. This will include understanding the country’s context and supporting efforts to design and implement reconstruction programs that enhance economic growth and development.

We note the report to WB Governors on the Dynamic Formula and the two elements that underpin this proposed formula, namely Economic Weight and IDA Contributions (Historic and Recent). We also welcome the inclusion of a compression factor within the formula. We recognize that reaching consensus on the proposed dynamic formula was the culmination of goodwill and compromise among all shareholders. Additionally, we would like to reiterate that while the formula is a key input, it should not be the final determinant of the outcome. Care should be taken to avoid large deviations from existing shareholdings and ensure that allocation rules support the principle of moving towards equitable voting power between Developed and Developing Countries.

We must avoid a reversal of gains achieved in Istanbul concerning equitable representation and achieving parity and any dilution of developing and transition countries’ voice and representation. In this regard, the resulting Developing Countries’ shares should not be diluted, and we should avoid an outcome that merely re-allocates shareholding among Developing Countries. Second, protecting the smallest poor countries is vital. Third, a smoothing mechanism is needed to make the results more generally acceptable to the membership.

In this context, we welcome the agreement on transparent share allocation rules which include: introducing a defined threshold to ensure only very limited dilution of individual countries, introducing principles-based forbearance, and increasing basic votes, with the impact of dilution on other developing and transition countries being neutralized through allocation of additional shares, as was done in 2010. The formula should be able to generate an improvement upon the existing shareholding, including in allocation of calculated shares between Developed and Developing Countries.

Finally, we welcome the dialogue on a potential capital increase, stressing that this exercise should be comprehensive, and encompass IBRD and IFC transfers to IDA, leveraging IDA’s Balance Sheet through the IDA private sector window and the IDA first loss mechanism, among other instruments. Any potential increase in capital should be used exclusively for the purpose of meeting growing client demand across the WBG.