Statement by

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It has been eight years since the onset of the global financial crisis that pushed the global economy into the deepest recession since the Great Depression of the 1930s. Although the global economy is recovering, the pace of recovery has been slow and a number of issues requires continued attention, including sluggish trade and investment, weak capital flows, slow productivity and employment growth and potential volatility in financial and commodity markets. Amidst this scenario, the role of the Bretton Woods institutions, especially the World Bank Group (WBG), remains critical in helping developing countries achieve growth, eradicate poverty and promote shared prosperity. The Bank is uniquely placed to play this role with a wide variety of instruments at its disposal, including financing, knowledge, analytical services and policy advice.

Forward look

Against this backdrop, I welcome the vision embodied in the WBG “Forward Look. I particularly appreciate the commitment to continually ensure that WBG resources are strategically deployed to meet global and client needs and targeted to areas of the world that most need funding. This is indeed necessary, given that the vision is broad and calls for careful selectivity. In this context, I would like to stress three points. First, any new agenda that the Bank takes on should be consistent with its core mandate, with focus on areas where it has comparative advantage and can add value. The core mandate is currently defined as the twin goals—eradicating extreme poverty by 2030 and promoting shared prosperity—and many of the Sustainable Development Goals (SDGs) are aimed at achieving the same results that we expect from the pursuit of the twin goals. A robust methodology needs to be put in place to guide prioritization of the Bank’s work. Systematic ex ante assessment of the impact on the twin goals and the SDGs should be an integral part of this methodology.

Second, the Bank has an important role in facilitating the delivery of global public good (GPGs), such as development support for refugees and the hosting countries and communities, issues related to global health, such as pandemic financing, supporting countries in post-conflict transition and illicit financial flows (IFF). However, excessive stress on climate change would inevitably involve tradeoffs with financing support for the development agendas of client countries, given the limited resources. Such a tradeoff must be avoided.

Third, it is widely expected that the WBG would play a meaningful role in supporting the SDGs agenda. In this regard, it would be necessary to focus on those of the SDGs that can make the most impact in terms of the poverty eradication and shared prosperity goals. Selectivity would therefore be key, both at the corporate level as well as at the level of individual client countries.
2015 Shareholding Review

I note that the Bank’s Executive Board has agreed on a Dynamic Formula. This formula is not perfect. It is a compromise. And that spirit of compromise needs to be carried forward into the next phase of discussion. In this regard, I would like to spell out two critical imperatives. First, in accordance with the formula guidance provided by the Governors, the outcome of the formula should be broadly acceptable to the membership. In practice, this means that there should be no sharp changes in the shareholding and voting power of individual shareholders. Second, the voice issue should be an essential part of the discussions and the voting power of developing and transition countries must be preserved, individually and collectively, in the spirit of Monterey, as well as in the context of Target 10.6 of SDG10. This target requires to: “Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions”. The 2015 shareholding Review should build on the 2010 voice reform and make progress on moving towards equitable shareholding between developed and developing countries. The voice gains of 2010 should be preserved and must not be allowed to be reversed. We must thus avoid an outcome that re-allocates shareholding among developing countries.

Forced Displacement

We are witnessing unprecedented levels of prolonged conflicts in some parts of the world, which have resulted in forced displacement of millions of people. The large number of Syrians who have been forced to leave their homes and have taken refuge in neighboring countries or safer places within the country is illustrative of the monumental humanitarian problems and attendant development issues caused by forced displacement and the pressures it has created on the host economies and communities. This is an issue of global proportions and requires global cooperation, in which the Bank has an important role. In this context, I welcome the Bank initiative to establish the Global Concessional Financing Facility (GFF), building on the MENA Concessional Financing Facility established earlier.

I might add that, on its part, since the outbreak of the crisis in Syria, Saudi Arabia has been at forefront of countries supporting the Syrian people and has received nearly two and a half million Syrian citizens, in addition to half a million Yemeni citizens already residing in Saudi Arabia. We consider them guests, not refugees. These guests are not housed in refugee camps but are accommodated in the society to preserve their dignity. They enjoy complete freedom of movement across the country and have access to public health and education on equal basis with Saudi citizens. Today, there are more than 141,000 Syrian students and more than 285,000 Yemeni students receiving free education in the Kingdom. This is one of our ways to demonstrate respect for human rights, and this is what our faith and national values oblige us to do.

Refugee and migration issues are to some extent interrelated, in the sense that some of the displaced may eventually become migrants. However, I would like to highlight that addressing forced displacement and migration requires different approaches. Migration is intrinsic to globalization and needs to be recognized as a global development issue. The WBG’s role in the migration space over the medium to long term should be guided by its own twin goals, the SDGs and the Bank Group’s comparative advantage. The migration agenda can benefit from the perspectives embedded in the “Forward Look” that takes into account the main forces shaping the global development agenda and their impact on the needs and demands of the WBG’s clients, as well as on the Bank Group’s resources.

IDA18 Replenishment

I am encouraged by the direction and interim outcomes of the IDA18 Replenishment discussions. First, I welcome the increased level of ambition, with the aim to raise a total of about $75 billion. Second, I am pleased that market borrowing will, for the first time, be a part of the replenishment package and, in this
regard, I welcome the triple AAA credit rating recently secured by IDA from major rating agencies. Third, I also appreciate that IDA lending to fragile and conflict states will be doubled during IDA18. I believe this is the right response to the pressing needs being felt presently. Fourth, I see the creation of a private sector window in IDA as a significant and highly desirable improvement in the IDA-IFC cooperation model. Inclusion of MIGA in this model further strengthens the “One WBG” approach as well as IDA’s contribution to private sector development in recipient countries. Finally, I welcome that management and the Executive Board have begun discussions on a formula based approach to IBRD and IFC contributions to IDA18 Replenishment. This discussion has been somewhat overdue in light of multiple market and portfolio developments that have dragged down the net income of both institutions.

The Financing for Development (FfD) Challenge

The 2030 development agenda and the sustainable development goals and targets agreed at the UN last year are ambitious and highly challenging, especially in view of the huge financing requirements. While bilateral aid and multilateral lending can go some way to fill the financing gap, the private sector and domestic resource mobilization (DRM) will need to play a by far larger role. The obvious path to DRM is the fiscal policy and public expenditure management, where both the Bank and IMF have important complementary roles. What may not be obvious is the impact of IFF on domestic resources. By some estimates, Africa alone loses $50 billion a year through Illicit Financial Flows (IFF). Globally, this may run into hundreds of billions of dollars and much in excess of the current levels of aid. IFF therefore needs to be recognized as a key development issue and put on the Bank’s agenda in both DRM and anticorruption contexts. I am therefore pleased that the Bank has produced a stocktaking report on IFF. I would urge management and the Executive Board to build on this work and spell out a discrete action plan to curb IFF, at the level of client countries as well as at global level. Among other things, this would require global cooperation to deny safe havens to illicit wealth. The Bank should provide an advocacy and discussion platform for such cooperation.

The New Environment and Social Framework (ESF)

I congratulate management for an elaborate consultation process followed in developing the ESF, which will strengthen environmental and social safeguards in the Bank’s investment lending operations in multiple ways. However, given that some aspects of this framework remain controversial, it would be important that staff be provided adequate guidance to implement the ESF flexibly in order to avoid friction with national laws of client countries.