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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95th Meeting of the Development Committee

April 22, 2017
Washington, D.C.

In an environment of constrained fiscal space and weak global growth, Multilateral Development Banks (MDBs) have a critical role to help finance investment in infrastructure and human capital in order to generate inclusive and sustainable economic growth and create jobs. With downside risks to global growth rising, replenishing fiscal space and promoting trade and investment would enhance resilience and boost productivity. However, implementing fiscal consolidation, while facilitating long-term investments will be challenging, thus further increasing the urgency to mobilize multilateral resources, including private finance.

Slowing global growth and diminishing investment exacerbate the challenges posed by rising inequality and demand a dedicated response. Designing policies that foster robust and inclusive growth will provide a sustained response to inequality. Promoting access to quality education and healthcare for all is essential to providing improved equality of opportunity. Therefore, we urge sustained support to reforms that are effective from both a growth and distributive perspective.

We recognize the critical role the World Bank Group can play in addressing the aforementioned challenges, and we agree that a better WBG is of utmost importance to ensure that we reach the twin goals, support the achievement of the Sustainable Development Goals (SDGs), catalyze private investment and promote human development. We fully support the 2 by 3 Twin Goals approach and serving all of our developing countries with a focus on accelerating inclusive growth through investment in infrastructure and human capital and enhancing resilience.

We welcome the positive momentum achieved thus far towards a Better and Stronger WBG through utilization of efficiency and realignment measures aimed at enhancing organizational effectiveness, ensuring that the WBG is fit-for-purpose. Furthermore, we believe that the Forward Look exercise needs to be bolstered by institutional, operational and cultural changes that improve WBG responsiveness and agility, while preserving its financial sustainability. We believe that we are capable of delivering more in the short term on Forward Look Milestones, such as improving the World Bank's operational model and increasing efficiency and responsiveness through the Agile Bank initiative. We also call for strengthened efforts to build absorptive capacity in IDA and Fragile and Conflict-Affected Situations (FCS) to enable them to capitalize on a considerably expanded IDA18 resource envelope.

We support that the Forward Look adopts the principle of “staying engaged with all client segments”. In this context, we are therefore pleased with the increased planned commitments for Low-Income Countries (LICs) and doubling of commitments in FCS under IDA 18 and urge a continuation of this in future IDA rounds. We also welcome the sustained engagement in countries suffering from active conflict and urge the
WBG to leverage resources in supporting countries’ resilience and reconstruction efforts, as well as, addressing humanitarian crisis and responding to the needs of the forcibly displaced and their host communities.

The Forward Look pledges that the WBG must "sustain and evolve its engagement with middle-income countries (MICs)" by supporting them in their economic transformation and contribute to the twin goals, while helping them identify drivers for growth, promote policies that reduce inequality, and assisting in crisis situations. Thus, we strongly urge the Bank to remain fully engaged in the full continuum of MICs for a multitude of reasons: MICs are home to over 70 percent of the world's poor, the WB is a cooperative that has a countercyclical role, development challenges and inequity are still prevalent, the high development knowledge potential and, last but not least, as the “current country mix brings diversification to IBRD’s balance sheet” and controls balance sheet riskiness. A strong WBG is a prerequisite. Further, we ask IFC and MIGA not to lose sight of the need for private finance in MICs, and to continue exploring new instruments and platforms to mobilize additional private capital in and toward MICs, including through private equity funds that can help build infrastructure, develop the SME sector and create jobs.

Arguments to make a case for a Bigger Bank have been made. In our view, more work is needed on financial capacity. While progress on the technical side has been achieved, we still need to work on developing our technical work and analysis, including on IDA Transfers and innovative approaches to Balance Sheet Optimization and the full range of financial capacity enhancing measures, including loan pricing, IDA transfers, and gains in operational efficiency. We nevertheless believe that we should keep the minimum agreed E/L ratio at 20% and not attempt to lower it further to boost IBRD lending capacity. Sustaining the WB's AAA rating is imperative and should be safeguarded in its own right and also for its linkages with other Bank Group institutions.

Implementation of IDA18 commitments and its emphasis on FCS situations and Small States will require reinforcing the organizational effectiveness of the WBG, while improving the overall employment value proposition. This requires developing a conducive staffing model that results in a cost-effective global footprint, complemented by security strategies that respond to the operational needs of the Group. IDA must be in a position to respond timely and effectively in FCS and in times of crisis. In addition, IDA’s new hybrid financing model should ensure IDA’s long-term financial sustainability, while retaining the concessional nature of most of its development lending. IDA’s risk management framework will need to ensure that IDA maintains its AAA rating, while having a conservation buffer that makes IDA resilient to shocks.

The paradigm shift of development finance illustrates the critical role of Official Development Assistance (ODA), both to finance the needs of Low Income Countries (LIC) and Fragile and Conflict-Affected Situations (FCS), as well as to efficiently leverage domestic resources and private capital. MDBs and the WBG will have a central role in mobilizing the needed Financing for Development from all sources, both domestic and international and public and private. We therefore support the WBG’s strategy of collaborating with the private sector across institutions, which enables improved productivity, job creation and increases consumption levels that form the foundation of future domestic resource mobilization (DRM). Reforms aimed at enhancing DRM and ensuring its optimal use through strengthened public financial management (PFM) will be key.

We welcome collaboration with the IMF on increasing effectiveness of DRM and urge the WBG to systematically address illicit financial flows (IFFs) within the context of DRM and PFM where it has a comparative advantage in providing technical assistance in contract management, procurement and regulatory reform. In addition, the Bank should be at the forefront of global advocacy for denial of safe havens for illicit wealth. Increased support from MDBs and the WBG for developing countries seeking to
build long-term capacity in tax administration and sustained engagement on international tax issues will be critical in helping those countries achieve their development needs.

Among the three sources of funds that can contribute to addressing the large development finance gap, namely, domestic resource mobilization; international public finance; and private capital, the latter is expected to play an increasingly important role, given the relative high volume of capital resources at its disposal, in addition to its role as a source of growth, jobs, and productivity. IFC has demonstrated its ability to play a leadership role in mobilizing private capital. However, for IFC to play a leading role in mobilizing the significant additional capital necessary to address the financial costs of fulfilling the SDGs, it should harmonize partnership across the entire WBG, reinforcing the One World Bank Group model, strengthening internal coordination, aligning staff incentives, exploring new instruments and strategically leveraging the Group’s financial and economic capital.

We realize that to meet all of the goals set out in the Forward Look, IFC requires additional resources, and a strong balance sheet to enable it to stimulate third party finance. In this context, we believe that the IFC has undertaken a bold approach and laid the groundwork for balance sheet optimization whether through the Private Sector Window, the cascade, or external mobilization. This is all meant to ease the pressure on the IFC balance sheet, create capital space and broaden its resource base. However, we need to be realistic of what can be achieved for the 2030 agenda and the IFC 3.0 strategy, through private finance mobilization. We also need to ensure that the capital we need for IFC to scale up in IDA and FCS can be strategically balanced over a reasonable period, until the WBG develops the pipeline in IDA and FCS and mainstreams the upstream reform. In addition to the time necessary to create the markets and develop the pipeline, we believe that the IFC needs time to reposition itself and pursue a business model that is not transaction based but target based.

Cross-border spillovers, inequality, falling investment and rising unemployment all hamper growth prospects in the Middle East and North Africa region (MNA). These risks impede macroeconomic stability, provision of basic service delivery, and sustainable job creation. Rising debt related to tightening global financial conditions is compounded by declining remittances and investment and is expected to result in a lower growth outlook for developing countries in the region. World Bank support towards reducing and managing these vulnerabilities will be critical.

We welcome the continued engagement in countries suffering from active conflict and urge the WBG to leverage resources in supporting countries’ resilience in addressing the difficulties of the forcibly displaced and their host communities. The ability to generate better jobs, particularly for youth and women, while investing in human capital and infrastructure, to facilitate quality service delivery, are essential to promoting sustainable economic growth, stability and social cohesion. Within this context, we support that the WBG has emphasized the jobs agenda, which poses difficult challenges in most regions, particularly in MNA. We also commend the WBG Gender Strategy, which urges greater economic participation and jobs for women. The gender and jobs agendas accentuate the need to address explicit gaps and focus on quantifiable results based on evidence. Sustained and committed support for these initiatives will be needed for the region to meet its development goals.

The Bank is well-situated to lead a collaborative global response to the socio-economic challenges of the MNA region through a flexible operating model, concessional resources, and instruments that reduce the financial burden on recipient countries. Here, we call for the Bank’s commitment to increase investments through greater emphasis on completing structural reforms and addressing market and institutional bottlenecks under the Cascade approach, in addition to exploring innovative ways to mobilize and leverage private sector flows into the region. Over the long term, the priority should be to scale-up resources to help rebuild infrastructure, institutions, and create jobs, with the objective of advancing economic and social resilience across the region.
Finally, in terms of Shareholding, we have made progress in terms of development of the dynamic formula but considerable work is needed to come to a consensus on the rules for realignment of shareholding. We reiterate the need for transparent rules in order to reach a balanced outcome in the discussions of the SCI. We stress that it is of utmost importance to set limits on dilution and protect the smallest poor members. We also emphasize that it is very important that any change in shareholding be gradual and not abrupt. We share the view that nothing is agreed until everything is agreed. Moreover, concerted efforts should be made to ensure a smooth process while fully cognizant that it will take goodwill from all during the ongoing discussions.