Statement by

Mr. Johan Van Overtveldt
Minister of Finance

Belgium

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey
Statement by

Mr. Johan Van Overtveldt
Minister of Finance

Belgium

On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey

96th Meeting of the Development Committee

October 14, 2017
Washington, D.C.

Volatility has become the new normal. The global economy rests on a lower-growth, modest-recovery equilibrium that is prone to reverberations from the growing number of environmental, security and political shocks. Working together is a must – yet the continued pushback against multilateralism reminds us that preaching this obvious truth to the skeptics is harder than ever before. As a leader in the development finance community, the World Bank Group ought to act with more clarity and conviction to explain how facing the challenges of a volatile world together leaves us all better off.

Externally, this means applying convening power to further multilateral engagement on climate change, fragility, conflict and violence (FCV), migration and forced displacement.

On climate change, we reiterate our support for the Bank’s ambitious Climate Change Action Plan, and encourage engagement with the G20 Presidency in this respect. We are in favor of maximizing opportunities for action via joint initiatives with the United Nations (UN) like the High-level Panel on Water, and hope to see more tandem work on climate with other counterparts. Furthermore, the World Bank Group is well-placed to lead efforts among the MDBs to crowd in more public and private funding to forward climate action.

When it comes to FCV, we commend the Bank for stepping up cooperation with development and humanitarian partners over the past two years, most notably with the UN, and newly also on the prevention side. We are convinced that we would benefit from more coordination and encourage the Bank to cultivate the relationships not only with the UN but also credible civil society organizations and local communities for the sake of greater transparency and more inclusive national ownership.

Most importantly to our constituency, next year will mark an important guidepost for the dialogue on the Global Compacts for Refugees and Migrants. We recognize the Bank’s contribution in terms of spearheading global development initiatives such as the Global Concessional Finance Facility and coordinating action among the MDBs and with the European Union. We look forward to seeing how these achievements feed into the emerging Compacts. On content, we call on the Bank to devote more attention to analyzing the “push” factors of migration, such as climate change, water scarcity, conflict and violence, weak governance, joblessness, social tension and human and real infrastructure gaps. Knowledge should then translate into action: operational solutions fleshed out with clients. We are particularly keen on seeing swifter and better coordinated action on climate-driven migration, remittances as well as a clear plan for delivering on IDA18’s migration commitments within the special theme of jobs and economic transformation. We also encourage the Bank to share its expertise and value added in crisis preparedness and response, analytics capturing current and future trends, and explore innovative financing mechanisms.
Moreover, the 60th anniversary of IFC’s first loan is a good reminder that the World Bank Group can legitimately take the driver’s seat in the dialogue between international financial institutions (IFIs) and the private sector. But to truly leverage its convening power in line with the Maximizing Finance for Development agenda, the WBG needs to lead by example in applying the Cascade and actively creating markets. This is where the “one World Bank Group approach” is perhaps most direly needed: the public and private sector arms of our work should be better aligned. Both arms ought to continue fostering development solutions that the private sector is unable or unwilling to deliver. The first arm could devote more focus on developing the enabling environment for private investment, support domestic resource mobilization and fight illicit financial flows. The second arm should be ready to crowd in more investment to difficult markets using instruments that offer an attractive risk-return profile to investors, mindful of environmental and social standards. Importantly, IFC should focus more on development impact, rather than on transaction volumes. In this respect, we welcome IFC’s new initiative, the Anticipated Impact Measurement and Monitoring System, and look forward to mainstreaming it across the IFC and MIGA in the future.

Internally, applying multilateralism means bringing scale and adequate human and financial resources to top corporate priority areas: IDA18 and FCV. We wish to recognize the Bank’s mobilization effort as reflected in our IDA18 pledges, and we welcome the closer focus on FCV. We understand that decentralization and more specialized staff with the right skillsets on the ground is a prerequisite for smooth and speedy delivery in these challenging settings. Lastly, while we recognize the growing needs of IDA and FCS countries in absolute and relative terms, we wish to stress that the WBG should tailor its assistance and grow business lines in favor of all client segments, including IDA graduates, middle-income countries and upper middle-income countries. As for low-income countries, we advise caution given that debt levels and risk of debt distress have been on the rise. We strongly support debt monitoring by the WBG and IMF, and capacity building in debt management, as well as fiscal policy support.

We consider learning from operations and analytics, and sharing knowledge with others a cornerstone of development. Streamlining our strategy for knowledge management and transmission, advisory and analytics (ASA) and landmark reports such as the World Development Report (WDR) is needed to cement the Group’s position as the leading knowledge bank. The Forward Look implementation update only paints a partial picture in this respect. We are concerned about the declining ASA portfolio and look forward, with some impatience, to the knowledge management action plan update. On key reports like the World Development Report, they send a powerful message year by year and can set the tone in global debates. This year’s WDR18 “Learning to Realize Education’s Promise” is a clear demonstration of the value of such analytical work. We welcome the WDR’s focus on the quality of education, but tackling the learning crisis requires more funding and – most importantly - more political will than is currently demonstrated. We consider good nutrition and early childhood development, as well as access for vulnerable groups and school infrastructure in fragile contexts the most pressing challenges yet to tackle. But here again, knowledge should inspire action: we encourage the WBG to translate the WDR’s valuable insights into an implementation plan and into the practice of projects and programs in the field.

Lastly on looking inward, matching ambition with legitimacy and appropriate financing requires continued engagement on shareholding and capital adequacy. While we welcome the progress to date, we are all the more conscious of the work that lies ahead. On IBRD shareholding, we support allocating shares in line with the dynamic formula. Like many others, we have expressed a preference for a gradual process of shareholder realignment. We also need to explore more options for the use of unallocated shares. On IFC shareholding, more scenarios should be reviewed. We also encourage the WBG to align the IBRD and IFC shareholding review processes. Finally, the debate on General and Selective Capital Increases needs to be interlinked and incorporated into a larger package of measures aiming to improve IBRD and IFC capital adequacy.