Statement by
H. E. Guy Parmelin
Minister and Head of the Federal Department for Economic Affairs, Education and Research
Switzerland

On behalf of Azerbaijan, Kazakhstan, the Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan
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100th Meeting of the Development Committee
October 19, 2019
Washington, DC

We congratulate the World Bank for its long history of lasting achievements in international development while celebrating 75 years of its existence. In this historic 100th Meeting of the Development Committee we reconfirm our collective will to further strengthen this excellent and successful institution and enable it to better assist its clients in achieving inclusive sustainable development in line with the objectives and targets of the Agenda 2030 for Sustainable Development and Paris Agreement on Climate Change. We strongly believe that the World Bank Group will be able to translate the topics on today’s agenda into robust and well-designed operations in its client countries, and make significant progress in achieving the Twin Goals, which continue to guide our actions.

New World Development Report on Trade and Global Value Chains

The World Development Report (WDR) 2020 is published at a critical time. Pressures on international trade are mounting and the world is experiencing a wave of protectionism and trade conflicts between major economies with serious spillover effects leading to diminished global economic growth. We begin to see notable shifts in global risk sentiment and decreased international investment volumes. A further tightening of global financial conditions could have strong adverse effects, especially for low income countries and highly indebted economies.

We concur with the main messages of the report, which appropriately describe the nature and scope of major Global Value Chains and, more broadly, the significance of trade for economic development. Developing countries have benefited strongly from the rules-based multilateral trading system which has fostered openness, growth in jobs and investment, and increased productivity based on comparative advantage. The multidimensional analysis of the drivers of GVC participation contained in the WDR 2020 should be helpful for countries in formulating national polices to increase their integration into GVCs.

We expect the findings of the WDR 2020 to be translated into concrete lines of action by the WBG and to provide some much-needed momentum for targeted reforms of the rules-based multilateral trading system. The gains from participation in GVCs should be distributed more broadly and evenly, and policy reforms should be geared towards more sustainable production and consumption in line with the Agenda 2030 for Sustainable Development and the Paris Agreement.
on Climate Change. Trade expansion and GVC participation should continue to be development priorities of the first order for their proven track record in fostering broad welfare gains, inclusive growth, productive investment, and job creation.

While income inequality among countries has generally decreased in recent decades, we see growing inequality within countries which must be addressed to maintain long term economic, political and social stability. Likewise, the effects of global warming and serious environmental degradation are weakening the natural base of economic development and the life-sustaining systems of our planet. More work is needed to ensure that GVCs will diminish economic inequalities rather than amplifying them, and to reduce and internalize environmental costs associated with manufacturing, transportation, and waste.

Strong institutions and conducive policies tailored to specific local circumstances are key success factors for integration into GVCs and can help unleash the associated benefits in terms of jobs and economic transformation.

**The Human Capital Project: An Update**

The Human Capital Project (HCP) is gaining traction. Its core concept has triggered a remarkable mobilizing effect, as has the Human Capital Index (HCI), despite the apparent need for further research and refinement.

As of this summer, more than 60 countries across all income categories have joined the HCP. We are pleased to point out that four countries from our Constituency are among them. The HCI is an excellent diagnostic tool and, in addition, helps raise awareness of human capital as a key determinant of development. Investment in human capital is strongly linked to employment and employability, increased productivity, sustained economic growth, reduced inequalities, a more proactive and participatory citizenry, and the creation of just and peaceful societies.

We support the proposed human capital research agenda and the further development of the HCI. There should be a better alignment with the targets and indicator framework contained in the Agenda 2030 for Sustainable Development. As data reliability increases we would expect the HCI to expand both in quality and scope, allowing it to become an even more reliable, comprehensive, and widely used diagnostic tool. The inclusion of subnational data and disaggregation in socioeconomic groups and gender will shed a light on patterns of inequality and possible root causes of fragility, informing the design of measures to address them. Research on the influence of non-communicable diseases, disabilities, migration and out-of-school children on human capital and economic development should also be considered.

At operational level, more clarity is required on how the work on human capital is incorporated into country diagnostics and country partnership frameworks and on how the HCP itself is resourced, managed and coordinated.

We note that this latest paper is rather silent on partnerships. Strong synergies and efficiencies could be achieved if the Bank strengthened its collaboration with other development partners with strong track records in health and education. Likewise, we would encourage the Bank to explore
the potential for better alignment and complementarity with the Human Development Index issued by the United Nations.

Jobs and Economic Transformation: Drivers, Policy Implications and WBG Support

We welcome the continuing Bank focus on jobs and economic transformation (JET) at a time of increasing trade policy uncertainties and the changing nature of work. The jobs gap is widening across the world, particularly in IDA countries.

Opening the economy for investments and trade, making markets more competitive, providing more flexibility to labour markets, strengthening of the capabilities of firms and workers, and the restructuring of state-owned enterprises are critical to create more and better jobs.

In addition, as we continue to mainstream JET in the work of the Bank, particularly in IDA, it is essential to focus on the inclusion of low-skill workers and marginalized groups, and to leave no one behind. The Bank should support the countries in reaping the benefits of new technologies and digitalization which can bring growth in jobs and boost productivity. Foreseeable recurring changes in job profiles and required skills make it necessary to adapt education and training systems towards work-based life-long learning e.g., through apprenticeships, vocational training, and other forms of job-based training. The promotion of research and development, innovation, and entrepreneurship are also important sources of more and better jobs.

A functioning learning and feedback mechanism is critical to define the JET agenda. What lessons can be learned from successful policy reforms in a given county which could be applied in other developing countries? We urge the WBG to systematize the evaluation and learning process of the JET agenda with feedback loops into the design of new initiatives, with due consideration to replication and scaling-up opportunities. Such efforts should be informed by lessons and recommendations derived from dedicated programs on competition and innovation, or from experiences with the job-creation effects of labor-intensive infrastructure, construction, and maintenance projects. Doing so effectively will require refinements in measuring jobs impacts, indirect job impacts, and productivity growth, for instance within the investment climate portfolio.

We commend the fact that JET-agenda is now well anchored in the entire WBG but recommend closer collaboration with other key actors to multiply entry points and increase effectiveness. We see a need for closer cooperation with the OECD on the role of volumes, composition, and quality of FDI in the private-sector-led growth model. The WBG should also cooperate with the ILO on labor market reforms and MSMEs. Also, the Bank may want to further refine the country typology it employs to enable country teams to tailor policy reforms and programs to their specific context and local circumstances.

IDA Voting Rights Review

We welcome the report to Governors on the IDA Voting Rights Review and endorse the proposed Review. The concept of “fairness in both process and outcome” should be included among the Guiding Principles for this review, as well as a need to ensure that the incentives for smaller and new IDA Donors will be duly taken into account, along with the recent evolution of payments.
Given the complexity of the issue and the consequences of the review process, the shareholders should be provided with a comprehensive set of information on all the options before any decisions are taken. Regarding the sequence, we support an approach which focusses first on targeted adjustments to IDA’s current voting framework, examining what incremental changes could be made to address the identified issues (Option 1), before looking at the development of a new voting framework (Option 2). The targeted adjustments to be reviewed should also include an examination of member classification, transition modalities and possible alternative classification schemes. While we understand the complexity of the topic, we are convinced that we should set a more ambitious time frame for the discussions, with a target of concluding the discussions by the Fall of 2021.

Concluding Remarks

We note that the JET agenda, the Human Capital Project, as well as the countries integration into the Global Value Chains are strongly interlinked and value the intentions of the WBG to address them in an integrated manner. Their targets are well aligned with the IDA19 priorities and the broad new orientations of the capital package for IBRD and IFC. With its strong workforce, the capital package and the new IDA19 replenishment, the Bank will have an excellent strategic, knowledge, and financial basis to make a difference and assist countries in using their potential to promote inclusive and sustainable growth.