



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



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Statement by

Mr. Ibrahim Al-Assaf
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The Context

The Development Committee is meeting yet again amidst challenges and uncertainties facing the global economy. Although economic developments point to the continuation of a modest global recovery, growth expectations for 2012 remain moderate, financial stress has increased at the margin, and significant downside risks are still present. The pace of expansion remains weak and could be affected by fiscal consolidation in advanced economies. Growth in emerging and developing countries, while remaining relatively strong, has decelerated. High levels of public and private indebtedness, structural issues and a persistent development gap continue to cloud medium-term global growth prospects. The euro zone issues are yet not fully settled. Many economies face high unemployment levels. Supporting growth and job creation should thus remain our highest immediate priority, within the broader context of the Millennium Development Goals and the need to close the prosperity and welfare gap between the developed and developing, as well as among the developing countries themselves.

Looking back, our institutions—the World Bank group (WBG) and the Fund, with the support of their shareholders—have done well to contribute to international efforts to overcome a series of financial, economic and other crises over the last four years. Looking forward, facing the remaining challenges with success will require stretched use of their financial and intellectual capabilities to address the development, financing and knowledge needs of client countries. At our last meeting, I had stressed the need for repairing the crisis-related damage to the development process. That need continues, so does the lead role of the WBG. This role includes bringing development perspectives into the deliberations of the G20, which has included many pressing development issues in its own agenda. Growth, poverty reduction and jobs should be the highest priorities for the WBG, with support for private sector development and private investment as the cross-cutting theme.

The following comments on selective issues reflect this context.

Safety Nets Work: During Crisis and Prosperity

I welcome the Bank's work on safety nets, which builds on its new social protection and labor strategy and lessons from recent independent evaluation. The strategic vision of the issue, and the focus on filling safety net gaps and on improving effectiveness of safety net programs, is appropriate. The positive impact of safety nets is self-evident because they improve people's resilience to shocks. I nevertheless appreciate that building effective safety nets is a challenge for most countries in the face of limited fiscal space and competing demands. The Bank therefore has a critical and multifaceted role to play, including advice on policy, program design and innovative resource generation; identifying and developing efficient delivery channels; capacity building of the institutions involved; and provision of financial assistance. Within this broad range of activities, individual interventions, of course, need to be custom-tailored to local needs and circumstances. Safety nets must be dynamic in their design and adaptable in application.

Internalizing financing of safety net programs in national budgets and long-term fiscal sustainability will, however, remain to be a universally relevant issue that would demand the closest attention and keenest efforts. This is an area where the Bank can add most value. It can, for instance, help create technology-based capacity for economic planners in developing countries to find optimal balance, in terms of returns to the economy, between quick-yielding infrastructure investments and social expenditures.

Low-income countries and fragile and conflict affected states will need financing support in the short to medium term, preceded by assistance to build capacity and efficient delivery mechanisms. There should, however, be credible exit strategies as countries will need to sustain safety net programs themselves eventually. There are also large pockets of poverty in some Middle Income Countries (MICs). Bank support to such MICs should focus on transfer, including south-south transfer, of knowledge and best practices based on successful experiences, as well as capacity building where needed.

Finally, availability of credible and updated data is critical to designing effective safety net programs. This is an area where the Bank needs to improve its own research and provide the needed technical assistance to strengthen statistical capacity of countries. This is critical for generating disaggregated data needed to identify vulnerabilities in different sections of the society and properly target safety nets.

WBG Innovations in Leveraging the Private Sector for Development

Among the community of multilateral development banks, the WBG is doubtlessly at the forefront of private sector development (PSD) and catalyzing private investment, using a wide range of lending, investment, guarantee and advisory instruments and advocacy tools. Two building blocks in the Bank's current work on PSD deserve special mention: progress on improving the enabling environment for businesses is essential for laying a foundation for greater private sector engagement, and improving access to finance, which remains a critical constraint in many countries and particularly impacts small and medium enterprises and entrepreneurship drive.

The Bank Group can also leverage the private sector more effectively by piloting an intensive engagement in strategic sectors. Development potential can be unlocked by scaling up public actions on improving investment environment and simplifying regulations and procedures, as well as entering into public-private partnerships (PPP) and making pioneering public investments that may not be financially attractive to the private sector. Agriculture and food sectors are examples where collaborative public and private action needs to be scaled up, globally. Transport and logistics sectors are another area where there are large public-private investment needs and linkages. I welcome WBG's increased focus on PPP. It can add value by transferring knowledge and lessons of successful experiences and customizing individual transactions to local conditions.

The pace of innovation and change is rapid in many sectors and holds great potential for developing countries. I would encourage Bank Group institutions to focus on how governments can foster and create incentives for innovation and technological progress. Research funding and seed capital, as well as investment in scientific and legal sectors and financing of specific transactions, can help achieve this objective.

A key goal for us should be to encourage and support the cross-border move of "Southern" private sector players within their regions and into other markets. They could be well capitalized and more enthusiastic but need the comfort provided by the presence of multilateral institutions in investment transactions and projects. Also training the young people in entrepreneurship would be a smart way to unleash their potential. Learning from successful experiences with venture capital and government programs for small businesses should be encouraged. Building on existing partnerships is useful but I would encourage IFC in particular to also work with newer partners, in order to expand the reach of its development impact.

Food Prices, Nutrition and the Millennium Development Goals (MDGs)

I appreciate the pertinence, exhaustiveness, analytical content and policy recommendations of this year's Global Monitoring Report (GMR). Indeed, food price spikes and volatility impact different countries differently as some are food surplus, some self-sufficient and some food-deficient. I appreciate the report's emphasis that there is no-one-size-fits-all. It makes eminent sense that policy recommendations be adapted to individual country circumstances.

It is heartening that the poverty MDG has been achieved well before 2015. On the other hand, we should also be concerned that progress on infant, under-5 and maternal mortality is considerably short of expectations. It would be illustrative to know whether recent food price crises have contributed this lack of progress. We should also have a better understanding of the role of social protection programs and subsidies in reducing poverty, as well as whether there is a risk that withdrawal of such programs/subsidies could set back progress.

The obvious priority for developing countries is to protect the poor and vulnerable. This would require prudent management of whatever fiscal space is available. Supply response in food production as well is important where there are inefficiencies in domestic food production and supply chains. Continued IBRD and IDA support in all these areas, as well as for increasing agriculture productivity, will remain critical. High among other priorities would be to pursue the G20 food security agenda, including particularly withdrawal of export bans and easing of other trade restrictions. In addition, the Bank and the UN institutions concerned should jointly come up with an action plan on how best to put uncultivated arable lands to productive use globally.

A few specific reactions to some of the issues covered by the GMR.

First, it is an apt reminder that trade can be an excellent buffer for domestic fluctuations in food supply, and that greater trade integration holds considerable potential for stabilizing food prices. However, it also needs bearing in mind that trade is not a panacea. While we do need advocacy for free trade, we should also acknowledge that limits to fully liberalized and integrated trade have been demonstrated by repeated episodes of export bans by some countries in response to events in domestic food supply and international price developments.

Second, while recurrent food crises highlight the need for additional social spending and creation of fiscal policy buffers in many countries, the severe inadequacy of fiscal space in poor countries points to the need for financing support with credible exit strategies. Official development assistance for agriculture, food and nutrition, whose share in total aid is modest, can play a critical role in meeting the funding gaps in such countries.

Third, the GMR's rather categorical message—that there is no global food shortage, and that the problem is one of moving food from surplus to deficient regions and countries—could divert attention away from the need to keep any eye on the future growth of global population and expectations of future demand and supply. Focus, therefore, should remain on policies aimed at preventing future supply shortages. We cannot also gloss over the fact that there indeed is a food-fuel competition and that this competition puts upward pressure on prices of food crops used for production of biofuels. The Bank should, therefore, be at the forefront of analyzing and advocating policy options for minimizing food-fuel competition.

The Bank's Business Modernization: Results, Openness and Accountability

I note that there has been commendable progress over the last two years in modernizing the Bank's business in terms of results, openness and accountability. The impact of the Modernization agenda, which involves both rules of the game and a culture change, will take time to be realized. It is essential that the

progress achieved to date is locked-in and momentum for further reform maintained. Priorities in this regard should include human resource (HR) reform, maximizing the effectiveness of the organizational matrix, strengthening the “knowledge bank”, simplification of procedures and business processes, and maximizing operational and institutional synergies among the WGB institutions.

Staff is indeed the World Bank Group’s most valuable asset. Proactive management engagement on HR reform is needed to ensure the best fit between responsibilities and qualifications of individual staff. A key aspect of HR reform is the full implementation of the staff diversity policy. I would like to emphasize that diversity is not for its own sake. It is also critical to the knowledge agenda. A truly diverse staff would also mean that shareholder countries would have equal opportunities to contribute to, and benefit from, the knowledge flows generated by the Bank. I would like to see diversity being implemented to especially address the issue of severely under represented nationalities.

There appears to be room to further improve effective use of the matrix management system, in particular to ensure the effectiveness of knowledge activities and internal dissemination and use of knowledge. Lessons learnt from the work on the ground should be systematically absorbed in operations. Going forward, management should particularly focus on improving knowledge management, including results orientation across regions and networks, increasing cost-efficiency and avoiding duplication of work and structures within the institution. A credible analysis of how cost-efficient the knowledge bank is would help.

Attention also needs to be paid to the simplification agenda. Outdated and time consuming procedures and business processes should be reviewed, with the objective of delivering Bank assistance to clients faster and less cost. This is particularly important as the institution faces decline in revenues in a persisting low interest rate environment.

I welcome the impressive advances in transparency and openness and commend management for implementing the Open Data Initiative. The launch of the Corporate Scorecard was an important step and I look forward to this tool being applied across all business lines. Also needed are continuing synergy improvements in the WBG work, with a view to leveraging the private sector to achieve sustainable development outcomes.

Finally, I would urge that the Bank use politically-neutral development language in its documents for internal use and external dissemination.

Change in Leadership

Before closing, I would like to place on record deep appreciation of the Kingdom of Saudi Arabia, and my personal appreciation as Governor, of the invaluable leadership provided by Mr. Zoellick to the institution during a very challenging phase in the Bank’s life. He will be remembered for his strong stewardship, passion and hard work. His imaginative Arab World Initiative deserves special recognition. His legacy would both challenge and motivate the next leader. I wish him success in his future pursuits. I also take this opportunity to welcome Mr. Kim as the institution’s new leader and wish him all the success in his new challenge.