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

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October 19, 2019

**Statement by**

**H.E. Shaikh Salman bin Khalifa Al Khalifa  
Minister of Finance and National Economy**

**Kingdom of Bahrain**

**on behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon,  
Libya, Maldives, Oman, Qatar, United Arab Emirates, Yemen**

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**100<sup>th</sup> Meeting of the Development Committee**

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We support the WBG's leadership and advocacy role on the theme of "Jobs and Economic Transformation" (JET) in the core work of the Bank, particularly through implementation at the country level. Nonetheless, we must also be able to monitor the JET indicators to measure success and apply lessons learned, and we think this to be fundamental to enable inclusive and sustainable growth with the aim of spurring economic transformation to create quality jobs. We acknowledge that it requires both supply and demand side measures and policies, including through enhancing skills of workers, while simultaneously promoting the creation of better jobs. We recognize that it is a work in progress and look forward to a more coherent differentiated model and comprehensive strategic framework emphasizing well-defined outcomes and development impact. We also note that while JET remains relevant across all client countries, policy priorities must be country specific, particularly for MICs, where some remain stagnant or stuck and where improving the quality of jobs demands more focused attention.

Nowhere more than in the Middle East and North Africa (MENA) region is job creation a significant challenge to achieve inclusive growth and shared prosperity, as the region will need to generate close to 300 million jobs by 2050. Furthermore, youth unemployment rates in the region have been the highest in the world for over two decades, reaching 26% in 2018, including university graduates, with a significant share suffering from long-term unemployment. Additionally, female labor force participation was only 22% in 2018, which is less than half the global average of 53.7%, and for which one of the major limiting factors is access to financial services for female-led enterprises. As SMEs have a significant role in MENA economies in terms of their contribution to GDP and job creation, enhancing access to finance is therefore fundamental to promote startups and small size enterprises towards stimulating growth and job creation.

We welcome the trend of increased WBG operations and engagements addressing the constraints facing female entrepreneurs and enterprises and call for deepened engagement from the WBG to address these challenges. They could be reinforced by an inclusive education strategy that ensures that no child is left behind, complemented with an emphasis on access and quality of learning as well as focusing on inclusive vocational and technical education programs, which can potentially equip populations with cognitive, behavioral and technical skills for better jobs.

However, we need to go beyond access to education and focus on the quality, while strengthening the connectivity to the needs of the private sector. Transitioning to a more diversified, private sector led economy requires significant reform. Reform priorities should be predicated on improving the quality of education, creating private sector job opportunities for locals, and encouraging efficient production of goods and services.

Subsequently, the region has yet to see tangible progress made on the ground. Therefore, efforts to enhance productivity to promote a dynamic private sector through improving the business environment, addressing infrastructure gaps, and enhancing access to finance and promoting SMEs will have to be further expanded and strengthened. Productive financing is a key component in a country's ability to attract investment in their women, youth, and infrastructure. A significant element of this involves raising the IBRD Headroom to account for the pressing needs of the region. The increasingly concerning numbers of unemployed youth pose a risk to the future security of the region. Investment in their education and work opportunities is the most sustainable method of breaking the region's cycle of conflict. Moreover, the MENA region will be more reliant on the IFC and MIGA to create self-sustaining private sector markets through technical assistance and policy advice, and to crowd in investments and private capital. The adoption of a systematic approach to creating markets across the WBG by linking policy reform, advisory, investment, and mobilization, to deliver solutions packages and applying the Cascade approach as the operating system to Maximize Finance for Development (MFD), will be imperative. We would also like to emphasize how crucial it is for the IFC to continue its engagement with clients across the income spectrum.

While growth is a necessary component, it is not a sufficient condition for job creation. Other elements include equality of opportunity and inclusiveness, as well as strategies that remove labor mobility constraints and increase human capital investments that can help to realize demographic dividends for the region, particularly through the use of new technologies and the development of new industries. As we invest in strategic economic sectors, we must also be cognizant of the development needs of refugee-hosting states, who struggle to strike a balance between providing livelihoods and key services for refugees whilst meeting the demands of their citizens.

Meanwhile, creating more and better jobs can result in tradeoffs, thereby necessitating guidance from the WBG on ways to minimize adverse impacts as well as corresponding measures in program design that ensure productivity gains remain inclusive. The Human Capital Project will help in those respects, illustrating the importance of the role of human capital investments and realizing impactful outcomes in countries by maximizing productivity gains. Therefore, a systematic view encompassing all of its components, incentives, stakeholders, and diverse country efforts, including opportunities for lifelong learning, training and skills enhancement, are key foundations for the jobs agenda.

The demand in our constituent countries is both urgent and unique and therefore requires a completely new approach in terms of the depth and ambition of policies to create the millions of jobs needed to meet the aspirations of the rapidly rising number of youths entering labor markets. We thus urge the WBG to devise an innovative, bolder and country specific approach for job creation based on a conducive structural transformation. This economic transformation can be facilitated through capital and technology, raising labor and firm productivity, while shifting workers and production from low value-added sectors to high value-added ones. Harnessing technology could be enabled through the digital moonshot of the Bank. Structural change could come from encouraging competition. Nevertheless, both would require competent, independent and accountable regulatory bodies to set standards and level the playing field to encourage trade and investment.

The enabling market liberalization will call for removing barriers to firm entry, firm growth and insolvency as well as building a favorable environment for attracting high value-added foreign direct investment, and building up road, transport and broadband infrastructure to help goods and people move around efficiently.

However, a significant challenge standing in the way of economic transformation in our constituency is the size of the informal sector. Many of its economies remain informal and characterized by low productivity, inadequate trade connectivity to global value chains and limited access to markets. Effort must be made to incentivize formalization of the workforce by providing decent working conditions conducive to the education levels of the youth, particularly women.

Consequently, growth has not been inclusive and has failed to create quality, productive jobs and reduce poverty rates. Moving forward, improving market contestability and accelerating investments in technology are two main transformation drivers associated with labor movements from low to high productivity sectors that need to be promoted. Additionally, this would be particularly useful for FCV countries to leapfrog their needed transformation and reduce costs of doing business. Given that the FCV strategy aims to adopt an approach that identifies specific categories for diverse situations of fragility, conflict and violence, we would encourage integrating this differentiated approach in advancing the JET agenda.

The dynamics of reform in our constituency must integrate the adverse impacts stemming from rising debt vulnerabilities and commodity shocks that reduce countries' abilities to implement necessary reforms for economic transformation. Therefore, to create the necessary fiscal space, governments need to modernize tax administration and its capacity while expanding the tax base and ensuring its efficiency and transparency, including through technology, thereby helping governments better align domestic revenue mobilization strategies with the aim of reaping positive outcomes posed by digital economies.

Furthermore, as national and local governments own an immense wealth of assets, mostly in the form of undervalued real estate and SOEs, strengthening public wealth management through better governance frameworks that are buttressed with stronger institutions can help unlock these vast resources for increased spending on infrastructure, inclusive service delivery and development. Essentially, unlocking the potential of public assets will require an accurate and robust list and valuation of assets, a strong institutional framework and an action plan to maximize the productivity and value of assets.

We also need to recognize the development challenges facing small island states in their effort to transform their economies and create jobs, especially with their limited opportunities to diversify their economies, inability to achieve economies of scale in production and vulnerabilities to climate change. It is crucial that the JET agenda incorporates the realities of these countries and craft innovative measures to enable these countries to take advantage of the blue economy as well as develop quality climate and disaster-resilient infrastructure and investments.

The WBG jobs agenda can potentially reinforce stability and social cohesion by creating the conditions for a sustainable economic growth model through investing in human capital and infrastructure which facilitates quality service delivery for youth and women.

We also commend the WBG Gender Strategy, which advocates for greater economic participation and jobs for women. We note the significance of having knowledge products in producing evidence that will support the women economic empowerment agenda. However, for knowledge products to be effective they need to adopt sound methodologies and rigorous data verification measures. We consider this a work in progress and we caution against ranking countries, such as the case in the Women, Business and Law report. Principally, 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.

In summary, 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 our countries.