Statement by

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Sustained and broad-based economic growth has been the main contributor to the unprecedented decline in poverty over the past 25 years. The share of the extremely poor in the global population may have reached single digits in 2015 for the first time in history.

Yet, important development challenges remain. There are still some estimated 700 million people living in extreme poverty, many of them concentrated in Sub-Saharan Africa. Non-income deprivations and inequalities of opportunity still prevent many poor households from engaging in more productive economic activities and long-term investments in human capital. While sustained economic growth will continue to lift poor people out of poverty, progress will be more difficult to achieve amidst a weakened economic outlook in developing and emerging economies, fueled by lower commodity prices and a slowdown in global trade. Economic shocks, climate change, natural disasters, pandemics, wars and conflicts will continue to disproportionately exacerbate the existing vulnerabilities of the poor and pose new risks and challenges, such as economic migrations and massive displacements of refugees.

The 2030 Agenda for Sustainable Development reflects and addresses these complex and difficult global development challenges. It proposes a comprehensive set of universal and inspirational development goals and targets to be reached over the next 15 years. Commitment, determination, and not least, financing will be needed from all development actors, including national governments and the private sector, to achieve these goals. A robust mechanism of monitoring and evaluation will have to track progress towards results and increase overall accountability.

The World Bank Group, with its universal membership and global reach, must build on its role as a leader in the multilateral development system and contribute to the achievement of the Sustainable Development Goals (SDGs). Regrettably, Bank members are divided about the future role and the governance of their institution. A common vision about the role of the Bank Group and each of its institutions will only arise if an agreement on a governance and shareholding arrangement can be reached.

**The Bank’s main contribution to the 2015 Agenda: Competent advice and effective investments**

The World Bank Group is in a favorable position to provide a meaningful contribution to the 2030 Agenda for Sustainable Development. Both the Bank’s mission and its strategy – focused on reducing poverty and promoting shared prosperity in a sustainable manner – are closely aligned with the 2030 agenda. Given the tremendous scope and ambition of the 2030 Agenda, the Bank will have to clearly articulate its role, approach, and expected contribution to the SDGs. It must be selective and focus on key development issues that align legitimate client demands with the Bank’s comparative advantages.
The World Bank Group’s main comparative advantage lies in its ability to assist clients with competent advice in designing and implementing effective policies and investments based on a sound understanding of their needs and capacities. By combining financing with global knowledge and expertise gained from operational experience across the globe, the Bank plays a catalytic role in mobilizing public and private resources and facilitating exchange of best practices to address national and global development challenges. At the same time, the Bank cannot and should not try to be everything to everyone. Enhancing the Bank Group’s future relevance and impact is not only a matter of volume but of quality.

**Fostering sustainable broad-based growth**

The Bank has a proven track record in supporting client countries to put in place the fundamentals of sustainable broad-based growth and establishing an environment for productive long-term investments. Given that financing provided through official development assistance will remain scarce, the successful pursuit and achievement of the 2030 Agenda will require strong state capacity to effectively mobilize, allocate, and spend domestic resources. The central responsibility of the state in this context will be to establish an efficient, transparent, and accepted institutional framework, maintain sound macroeconomic policies and remove market distortions. This involves, among other things, establishing well-functioning domestic capital markets and effective banking systems as well as eliminating illicit financial flows.

These measures will not only foster productive employment – the main channel through which economic growth improves the income of the poor – but will also promote private capital accumulation and productive investment of private savings, thereby enabling the state to raise the resources it needs to take on the leadership for sustainable development. IDA and IBRD, in close collaboration with the IMF and other relevant actors, must continue to support their clients through professional advice in these fundamental areas for the expansion of the private sector. IFC and MIGA have to nudge the private sector to assume reasonable risks and invest in frontier markets.

Sound macroeconomic and structural policies have to be accompanied by smart investments in human capital. Equitable access to good quality public services, including health, education, safe water and sanitation improves people’s lives and equips them for productive employment. This is particularly true for children, whose opportunities early in life determine their ability to shape their own future and the future of their communities. The Bank’s advisory services and financing solutions enable developing countries and emerging economies to make smart investments in these areas, allowing them to remove the non-income deprivations of the poor and translate growth into lower levels of inequality. The promotion of gender equality is of critical importance in this respect. Empowering women and improving their access to essential public services and productive assets must be an integral part of the Bank’s work program to successfully conclude the unfinished Millennium Development Goals agenda.

Recognizing and preparing for risk pays off. Insurance mechanisms, such as well-designed and efficient safety nets or crop insurance schemes, can be powerful instruments to increase the opportunities of the most vulnerable and facilitate entrepreneurial risk taking and innovation. The Bank Group’s diagnostic tools and risk management solutions enable its clients in the public and the private sectors to better manage a wide variety of risks, thereby enhancing their resilience and opportunities for development. The Bank Group also has a wide-ranging set of financial instruments, such as guarantees, cat bonds, green bonds, or hedging instruments that pool risks across countries and transfer a diversified pool of risks to the market. These instruments allow it to mobilize investment from private and public sources in order to address global development challenges, such as environmental or health-related emergencies or the lack of climate-resilient infrastructure, and clean energy solutions. We see value in expanding this line of business to match the increased demand from clients.
A better understanding of development challenges through more rigorous and comprehensive data collection and analysis remains a prerequisite for informed and meaningful action. The lack of relevant, systematic, and reliable data is a significant obstacle to monitor progress achieved in the pursuit of the SDGs, particularly in poor countries and fragile contexts. The Bank must continue to foster a sense of common responsibility by pragmatically monitoring progress achieved by each country in the pursuit of the SDGs. Technological innovation, mainly driven by the private sector, has dramatically improved the availability and quality of data over the past decade. When used in a responsible way, big data represents a tremendous opportunity for development. The public sector has to promote open data policies and seek partnership arrangements with the private sector, academia and civil society to use the wealth of information for sustainable development. The Bank will also have to work with its partners to enhance its capacity to conduct applied research in development in the interest of its clients. A systematic understanding of the political economy and behavioral drivers of development should facilitate the dialogue among those who have the ultimate responsibility to formulate and decide on policies that orient the allocation of available resources.

**Enhancing the ability to respond to external challenges**

The recent increase in Bank Group lending reflects the successful implementation of measures aimed at enhancing the use, the allocation, and the leveraging potential of existing resources. The change process, the margins of maneuver package, the expenditure review and the new country engagement model have all contributed to strengthening the Bank’s ability to serve its clients. However, the changes in the structure and processes, accompanied by the departure of key leaders and integrative personalities, have also generated a sense of insecurity among staff and external partners. The expectations of a stronger alignment of business investments with the development mandate of the whole Group has challenged the more deal-oriented culture of IFC and MIGA and generated fears of loss of efficiency and professional identity. A common understanding and approach needs to be found. We encourage the Bank to consolidate the organizational changes introduced and provide a sense of stability to its staff, clients and partners. The continued commitment and flexibility exhibited by staff to implement the Bank’s mission, as well as the open attitude with which Management has implemented adjustments allow us to remain optimistic in this regard.

The protection and promotion of global public goods and the prevention of global public bads will require a strong engagement of the World Bank Group. Today’s major development challenges, such as climate change, water and food scarcity, economic crises, natural and humanitarian disasters, fragility, conflicts induce human suffering across borders and threaten to reverse hard-earned development achievements. The unexpected nature of some of these events represents a special challenge for an unprepared and often distracted international community. The Bank is well positioned to rapidly understand the scope and nature of such events, catalyze action at the national and global level, mobilize the resources needed to mitigate their negative impact, and to build the institutional frameworks needed to address the negative effects of those events in the long run.

As the intensity and frequency of global threats increases, working in partnership with other development and humanitarian agencies, in particular the United Nations, will be critical to foster global collective action and develop adequate responses to address immediate concerns, while promoting sustainable solutions over the long run. In this context, the Bank has to clarify where it can achieve the highest value added according to its comparative advantages and demonstrate that its operational country-based delivery model is well suited to provide the sustained and flexible support that is indispensable to overcome global development challenges.

Given the scarcity of the concessional resources available to tackle national and global poverty-related challenges, it will be essential to use these resources where they are most needed, can make a real
difference, and access to other sources of financing is limited. While many low income countries entitled to IDA funds now have access to other sources of external finance and investment, the poorest countries and the regions affected by natural catastrophes or conflicts often do not. Moreover, the anticipated graduation of several major IDA recipients will reduce the number of IDA beneficiaries and increase the resources available for the countries facing the most difficult development challenges. This evolution presents the opportunity to assess the current operations and allocation system of IDA to optimize the use of scarce concessional resources. Concessional funds that are presently thinly distributed across all low-income countries on the basis of stringent, pre-established criteria will have to be targeted to areas where they can be used most effectively and have a meaningful impact. Finding a better balance between relevance, needs, and performance as well as between flexibility and rigor will be a major step to improving outcomes.

Need for a strong and clear mandate for the future

Fundamental questions have emerged about the role of the Bank in supporting the 2030 Agenda for Sustainable Development. The World Bank Group will need a strong and clear mandate to preserve its future legitimacy. Securing such a mandate first and foremost depends on a common understanding of the Bank’s role in the context of the 2030 Agenda. The Bank’s resources will have to be in line with its mandate. Unfortunately, at this stage, there is no agreement among Bank members about the governance and the future role of their institution.

The 2015 Shareholding Review offers a timely opportunity to assess whether the Bank’s resources, instruments and governance are in line with the needs and expectations of its members. It will be important to consider all relevant factors and options in a holistic manner to define a common view of the future role of IBRD, and the long-term financial sustainability and governance of IDA. Similarly, the role of IFC and MIGA in low- and middle-income countries and in fragile contexts as well as the scope of the Bank’s future environmental and social standards will need to be defined. We support the Bank in its efforts to strengthen the voice of each underrepresented country and are committed to a transparent and open system that ensures the involvement of all member countries in the governance of the organization. Increased representation should go hand in hand with additional financial responsibility to ensure the Bank has the resources to achieve its mission and strategy.

It will be critical to preserve IBRD’s status as the backbone of a global multilateral platform for development. Indeed, a complex and expanding system of regional development banks, large vertical funds, bilateral agencies, private foundations and civil society organizations needs a credible intellectual and political center of gravity where experiences are exchanged, ideas are discussed and controversies are played out in an open and constructive spirit. The adequacy of present and future resources should be measured with this objective in mind.

Although IDA has significantly contributed to the progress of development over the last decades, there is no agreement on whether the governance of IDA should be fully integrated with IBRD nor on the future funding mechanisms for IDA, including the modalities of leveraging its large capital base. Neither do all shareholders see the necessity to assess how IDA concessional finance is allocated in today’s changing development landscape. Against the backdrop of a challenging and uncertain external environment and tightened fiscal constraints, it is important to ensure IDA’s long-term financial sustainability and to re-examine its role and business model to match the objectives of the 2030 Agenda for Sustainable Development. Issues, such as IDA’s governance structure, leveraging options, value for money considerations, and an increased financial responsibility of emerging markets must be addressed.

There is also need for clarity on the role of IFC and the promotion of the private sector. While the critical importance of commercial enterprises is widely recognized, there is presently a lack of clarity and
consensus about the priorities and strategic direction of IFC, its role in emerging economies, IDA countries and conflict situations, as well as its share of annual net income transferred to IDA. We see value in reviewing this transfer. Moreover, two years of intense collaboration between IFC and IBRD/IDA have not yet led to a common strategies and operations. The necessary capital increase that would allow IFC to grow in line with expectations and demands cannot be justified before reaching clarity on these issues. Similarly, MIGA has yet to address fundamental questions related to its future role, such as the possibility of concentrating the Bank’s main risk-mitigating instruments under one roof.

Without a common view on these central matters, it will be impossible to reach an agreement on shareholding and capital. A clear political mandate in Lima would help the World Bank Group to continue to play a recognized and positive role for global development.