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Achieving Shared Prosperity and Poverty Reduction through Jobs

Developed and developing countries face the urgent challenge of generating sustainable and inclusive economic growth and creating good jobs. Persistent unemployment, in particular among the youth, precludes that the benefits of economic activity are shared within societies. High levels of income inequality in turn increase political and social pressures, discouraging trade, investment, and hiring. In fact the lack of job opportunities does not only reduce the ability of households to improve their material well-being; it also tends to generate frustration and undermine social cohesion. While targeted and well-designed transfers can be useful instruments to reduce inequality and reduce poverty, policies that promote economic growth and job creation are indispensable to sustain shared prosperity in the long run. We therefore expect that the World Bank Group (WBG) addresses the causes of mass unemployment as a major obstacle to achieve sustainable social, economic, and ecological development.

The Global Monitoring Report (GMR) 2014 provides an excellent basis for engaging in a policy dialogue on poverty reduction and shared prosperity with client countries. The report reaffirms the key message of the World Development Report (WDR) 2013: economic and social development mainly happens through jobs. Indeed, growth is more effective in fostering poverty reduction and shared prosperity if the pattern of growth is labor intensive. The development payoffs from jobs include acquiring skills, empowering women and youth, and stabilizing post-conflict societies. At the same time, the GMR 2014 makes clear that job creation is a complex global public good that requires a collective effort not only at the national, but also at the international level through responsible macroeconomic and structural policies aimed at stimulating strong private sector-led growth. These policies have to be accompanied by sound investments in human capital, an efficient use of safety nets, and steps to ensure environmental sustainability. Inclusion is the foundation for shared prosperity. In line with the WBG report “Inclusion Matters – the Foundation for Shared Prosperity”, inclusion can be planned and achieved by creating an inclusive society, not only in terms of economic welfare but also in terms of voice and empowerment of disadvantaged groups.

In view of the potentially high development impact of good jobs and the multidimensional efforts needed to sustain job creation, we encourage the WBG to incorporate the findings of those reports in its country diagnostics and country strategies in order to help client countries put in place responsible and inclusive development policies, private investments and programs that further the creation of decent and productive jobs.
Move the Jobs Agenda Center Stage

Both the GMR 2014 and the WDR 2013 provide clear messages and operational lessons on how to advance the jobs agenda. Sound and even-handed monetary, fiscal and financial policies ensure the macroeconomic stability required for the private sector to invest and increase opportunities for employment. Upstream diagnostics and downstream capacity building and implementation tools are widely recognized as important instruments for identifying vulnerabilities and strengthening institutional capacity of client countries. We believe there is scope to further enhance the way the WBG works with its partners, in particular the IMF, to help clients achieve their employment goals through sound macroeconomic management that keeps public finances on a sustainable path.

Structural reforms should focus on promoting market competitiveness and fostering private investment to raise the potential for economic growth and job creation over the longer term. In particular, structural reforms should promote access of the poor, men and women, to relevant value chains to create jobs for the bottom 40 percent. They should also strive to make market systems work more effectively for micro, small and medium enterprises. Efforts to improve the business environment by reducing red tape and opening up protected sectors to competition can open investment opportunities at all levels and improve the overall efficiency of the economy. We support the WBG’s continuous engagement for an improved business climate through policy dialogue and advisory and knowledge work. The WBG’s flagship report on Doing Business, which compares business regulation in 189 economies and ranks them on their overall ease of doing business, has encouraged countries to reduce regulatory barriers to entrepreneurship and monitor improvements on the ground. IFC’s Advisory Services have been very effective in promoting growth and employment generation through sustainable lending to traditionally under-served groups, such as women entrepreneurs, micro, small and medium enterprises, or businesses in fragile contexts. IFC’s trade finance and the Bank’s support of single trade windows have been contributing to the global trade facilitation agenda. IFC’s investments in financial intermediaries as well as private equity funds have reached out to thousands of micro, small and medium enterprises with a tremendous employment impact.

Adequate infrastructure is a key ingredient of the business environment. Efficient provision of infrastructure improves labor productivity, which in turn can increase the demand for workers. The USD 24 billion invested in FY2014 reflect the increasing needs and demands in infrastructure financing in developing and emerging countries. These investments, beyond providing necessary reliable services for future generations, also work as a powerful engine for the creation of local jobs during the construction phase. We thus support the WBG’s increased engagement in the infrastructure sector. The WBG can play a catalytic role in closing the infrastructure gap in emerging markets and developing economies. The WBG should integrate the efforts of public and private infrastructure stakeholders to find solutions to complex challenges. Enabling framework conditions are a precondition for attracting private investments in infrastructure. Hence, we consider that the WBG should prudently advise governments on best approaches to improving the investment climate and sectors regulation. Since we are witnessing a proliferation of infrastructure initiatives at the global level, we strongly encourage the WBG to work in close collaboration with multilateral development banks and other actors in this area.

Macroeconomic and structural policies have to be complemented by sound social policies. We need investments in human capital as well as well-designed and efficient safety nets to increase opportunities for the poor. Good nutrition, health, and education outcomes improve people’s lives and equip men and women for productive employment. Some developing and emerging countries have shown that good investments in health, education and productive social safety nets can be key drivers of inclusive and sustainable growth. Adequate room should thus be given to smart and targeted social policies that have recently allowed some countries to translate growth into lower levels of inequality. Promoting gender equality is also of the utmost importance. Empowering women and improving their access to essential
public services and productive assets must be an integral part of the shared prosperity agenda. Gender should not be limited to analysis, but also be integrated into the WBG’s operations across all sectors.

Our Group faces specific challenges in situations of violence, conflict and fragility. A perspective that a job can give under these circumstances can be of special importance. Although the level of risk is much higher in fragile contexts, the potential opportunities and impact can be very high too. We encourage the WBG, and in particular the IFC, to develop solutions for these contexts. Partnerships with other actors, especially the United Nations and other multilateral development banks, will be important for the WBG to leverage its influence and resources and scale up best practices.

Focus on Implementation

The release of the GMR 2014 provides an appropriate window of opportunity for the WBG to shift its focus from internal issues to more substantive and universal issues of growth, shared prosperity and job creation. It also provides a chance to demonstrate in practical terms how the WBG, under its new structure, can operate as one, bringing together the public sector expertise of IBRD/IDA with the private sector knowledge and mobilization capacity of IFC and MIGA. The ability to engage in a complementary way both on public and private resources in addressing development challenges in general and the obstacles to job creation in particular is an obvious comparative advantage of the WBG.

The WBG should emphasize the decisive importance of implementation. The WBG’s technical breadth across sectors and its experience in implementing projects worldwide should enable it to provide context-specific, innovative and evidence-based policy advice that encompasses upstream policy design and downstream implementation support based on client needs and demands. Potential conflicts of objectives and trade-offs must be made explicit and collaboratively addressed.

The Solution Area on Jobs will have to ensure systematic, effective and efficient provision and exchange of knowledge. It should promote practical solutions and appropriate design and planning of programs and projects across other relevant Solution Areas (such as the one on Gender or Public Private Partnerships), Global Practices, Regions and country units. Realistic design and implementation necessitates an adequate assessment of the specific political, social and economic factors that affect the implementation process. We expect IFC and MIGA to take an active role in formulating country diagnostics and in developing and implementing country strategies. The WBG will also have to further increase its coordination with bilateral and multilateral development partners as well as the private sector in order to ensure the effectiveness and quality of its interventions. The WBG’s undergoing effort to consolidate and align jobs-related trust funds under one umbrella to prevent inefficient fragmentation and duplications and ensure a smooth implementation of interventions is highly welcome.

A solid but simple system of results measurement will have to provide the feedbacks necessary to adjust strategic choices and operational tools and approaches. We fully support the WBG’s effort to improve the measure of inequality and shared prosperity and to expand data collection while strengthening statistical expertise, especially in poor and fragile countries. It is important that the WBG proposes a way to streamline reporting of income growth of the bottom 40 percent throughout its publications. Only if data on both overall growth rates and growth rates of the bottom 40 percent are widely available, countries and the WBG will be able to focus their policies systematically on the second of the twin goals. We therefore ask the WBG to propose an approach to measuring growth of the bottom 40 percent in a reliable, timely and practical way.
The World Bank Group’s Role in the Post-2015 Development Framework

The international community is about to establish a follow-up agreement to the Millennium Development Goals. Given the complexity and ambition of this undertaking and the rapidly evolving and increasingly fragmented development landscape, we count on the WBG’s recent experience in successfully developing a corporate strategy with selective and well-defined goals to help guiding the post-2015 process and ensure that the final framework is clear, concise and implementable. A focus on shared prosperity and job creation would be especially welcome.

We further encourage the Bank to provide leadership and guidance in developing an ambitious, yet achievable financing for development agenda. Domestic resources can cover an important part of the financing needs, especially in middle-income countries. Domestic resource mobilization will therefore need particular attention. However, it will not be possible to achieve the post-2015 targets without the private sector. It will thus be of paramount importance to create the necessary framework conditions to convince private sector actors to contribute to the achievement of the new development goals. The Bank’s ability to strategically engage public and private partners should be of great value in this endeavor.