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90th Meeting of the Development Committee

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This year’s Annual Meetings are taking place at a critical juncture. Since the onset of the global financial crisis in 2008, economic growth has been stubbornly slow in advanced economies and many developing countries. Whatever growth we have witnessed has been largely jobless and high levels of unemployment remain a challenge in most parts of the world. As we approach 2015, it is clear that a large number of countries will not be able to achieve some of the MDGs, especially those relating to child and maternal mortality, water and sanitation, and some will also miss the target of halving poverty. There are also lingering concerns about inequality within and between countries. 2015 will also be the year the global community will commit to new development goals for the next fifteen years and hopefully agree on a fair climate deal at the UNFCCC.

In this backdrop, and in the context of its own twin goals of eradicating poverty and boosting shared prosperity, the World Bank Group (WBG), being the world’s premier development institution, will be challenged in more ways than it has in the past. Recent geopolitical developments and conflicts in the Middle East and North Africa (MENA), Europe and other regions have posed new challenges as large parts of populations have become internally displaced or have taken refuge in neighboring countries, become aid-dependent and remain deprived of adequate food, shelter and basic facilities.

I am confident that the WBG has the necessary intellectual resources and the ability to optimally use its knowledge, experience and financial capacity to take on these challenges. In engaging with client countries, the focus should be on the twin goals. The prevailing situation in MENA countries and territories justifies rapid scaling up of Bank assistance, IFC investments and MIGA guarantees, where situation on the ground permits. On global public goods, such as climate change, the Bank should support the agenda agreed at the UNFCCC. Care should be taken that the financial burden of climate mitigation and adaptation does not fall on poor countries, and that countries are left free to choose least-cost development paths in energy and other sectors. The WBG should also play the lead advocacy role to promote separate accountability for development finance and climate finance. I am pleased that the Bank is in the process of refining its Corporate Scorecard (CSC), which I view as both an internal management tool and an instrument of accountability to shareholders and external stakeholders. In this regard, a few words of caution are in order. First, since many CSC indicators are composite outcomes of the efforts of the global community, the Bank and its clients, attribution is a challenge and needs to be handled deftly to assign credit where it belongs. Second, in choosing CSC indicators, care should be taken that faith-based norms are respected.

On its part, Saudi Arabia has made rapid strides on several development fronts and contributed to the global development agenda. First, it has by far exceeded the Millennium Development Goals. Second, it has embarked on ambitious energy efficiency and large-scale solar energy generation programs. Third, it has taken several affirmative measures--legal, administrative and financial--to enhance female
opportunities in education, training skills development and entrepreneurship, and access to finance as part of the Government’s SME development efforts. Importantly, women occupy 30% of the seats in the Shura Council (consultative assembly). At the global level, Saudi Arabia has maintained one of the largest aid programs relative to its GDP and continues to be a large donor to IDA. Besides, Saudi entities are significant contributors to some of the special-purpose funds launched by IFC and its subsidiary, the IFC Asset Management Company. Equally important, Saudi Arabia is contributing to global demand and trade through its large-scale infrastructure investment program, and by maintaining an open labor market policy and large amounts of outward remittances ($34 billion in 2013).

Shared Prosperity

I take note of the report’s main messages, including the high-impact intervention areas and the WBG’s policy agenda for promoting shared prosperity. The WBG can deliver the highest and quickest poverty and prosperity impacts by focusing on enhancing human capacities; supporting infrastructure, agriculture and rural development and sustainable urban development; improving the access of SMEs and the poor to finance; promoting good governance; and building institutional capacities.

The issues of poverty, inequality and shared prosperity are intrinsically linked. It is heartening that the income or consumption per capita in a third of countries has been growing 5% annually. However, rising inequality in some of the large economies is a matter of concern as it can undermine the benefits of economic growth. Poverty therefore needs also to be analyzed in relative terms. Have incomes of the poorest 10%, for example, risen faster or slower compared to the top 10% over the past decade or two? A similar analysis can also be undertaken to assess relative poverty trends between countries, in order to have a better understanding of whether and to what extent prosperity is shared across countries. I encourage the Bank to undertake such analyses.

I can see the importance of international policy coordination to ensure the global economy works for promoting shared prosperity. It is however critical that the focus remains on policy areas directly relevant to the objective. Promoting openness of the global economy to allow free movement of goods and capital is a good example of the policy area where international cooperation can be strengthened. Exchange of knowledge and experience relating to tax and spending policies is another. The caveat, however, is that internationally coordinated policies should leave enough space for countries to adapt them to national circumstances. Having said that, I do not believe it is appropriate to link the climate change issue to the shared prosperity agenda. The relationship between them is remote, if at all.

Finally, creating jobs is an essential part of the anti-poverty and shared prosperity agendas and deserves special attention in WBG operations. However, at macro and global levels, it is also important to explore the technology-jobs nexus more thoroughly. While technological advancement and use of technology can vitally contribute to growth, it would be useful to know whether, on an incremental basis, technology contributes to, or replaces, jobs. I would urge the Bank to undertake a systematic analysis of this phenomenon.

Global Energy

If there is a single sector that is most critical to the WBG’s twin goals, it is energy. As the Bank implements its energy sector strategy spelled out in the Energy Sector Directions Paper of 2013, especially in the context of policy advice to client countries and global advocacy, it needs to maintain focus on the highest-impact areas. First, the overarching goal should be universal access to affordable energy. The need to invest in electricity generation is obvious. But investing also in energy efficiency, reducing line losses and improving the system’s reliability can bring immediate and higher economic returns. The Bank Group also has a critical role in mobilizing private investment in client countries and
helping to structure energy sector projects on the basis of a fair risk-sharing between government and private investors.

Second, energy pricing is a key issue but it has to be seen in the context of both cost and affordability. The question of subsidies should be approached from the broader angle, covering all subsidies, whether in energy or other sectors, since they have the same fiscal impact.

Third, Bank support for energy sector development in poor countries should be independent of climate change agenda. It is only fair that the economic and financial burden of producing global goods such as reduction of Greenhouse Gas emissions does not befall poor countries. It should be borne in mind that poor countries are not responsible for today’s climate variability, which is the result of historical policies and actions of industrialized countries, as well as that the global climate agreement is yet under negotiation at the UNFCCC.

Fourth, the Bank should take every opportunity to advocate for, mobilize and serve as a conduit to channel climate finance.

Fifth, we should be conscious that carbon pricing and carbon taxes have serious implications for poor countries, and they interfere with affordability and least-cost principles. The Bank Group should not push these measures as conditionality but stand ready to provide technical analysis and advice if a country requests it.

Finally, and in the context of global energy supply, it is well known that, by maintaining an excess oil production capacity of 2.5 million barrels per day, Saudi Arabia plays a critical role in the stability of international oil markets.

**Global Monitoring Report (GMR) 2014**

I am pleased that this GMR sees development issues through the lens of the Bank Group’s twin poverty eradication and shared prosperity goals. It maintains the tradition of high quality of reporting on the achievement of the MDGs, identifying major challenges and highlighting actions needed to advance progress. It is appreciable that the GMR 2014 has monitored sustainable and inclusive growth both within and across generations. The report’s stress on greater investments in human capital with a focus on the poor, and prudent use of safety nets is apt and a useful reminder. However, its advocacy of policies to make growth greener in my view needs to be caveated. Green growth is a laudable objective but, for poor countries, it could also mean departure from least-cost development paths, which they may be able to ill-afford without provision of adequate concessional climate finance. This aspect needs to be kept in mind while applying the GMR’s policy messages to Bank Group operations.

Overall, the report’s messages are hopeful and important. It is hopeful that the three regions with almost 95 percent of world’s poor—East Asia, South Asia and Sub Saharan Africa—are expected to grow at an annual average of 6 percent over the next two years. Ending extreme poverty by 2030 will require accelerated poverty reduction in Sub-Saharan Africa and fragile and conflict-affected states over the next fifteen years. Achieving shared prosperity in high- and some middle-income countries is stalling because of unemployment, while it is constrained in low and middle-income countries by slow progress in education, health and sanitation. Suffice to say that inclusive growth is paramount to achieving the twin goals, and this requires well-designed safety nets, building climate resilience, and greater investments in human capital.
Gender Equality

I take note of the informative update on the implementation of the gender equality agenda, and welcome the meaningful progress achieved, in particular the improvement in preparing gender-informed country strategies and the integration of gender in a number of lending operations. The WBG is encouraged to continue filling the knowledge gaps to effectively address gender issues in some meaningful areas of interest, such as poverty eradication, shared prosperity, inclusive growth, and gender-based violence.

In line with the findings of the IFC report titled “Investing in Women’s Employment: Good for Business, Good For Development”, the WBG should use its comparative advantage and global outreach to promote initiatives tailored to improve economic opportunities for women, such as training, childcare support, health services, and alternative work arrangements, as well as improve working conditions for both women and men. Another area of interest is to work on closing the gap in access to credit and other financial services of women-owned SMEs. Nevertheless, families being the most important stakeholders should be left free to make choices and tradeoffs in allocating responsibilities for income-earning and family care.

Looking ahead, we are confident that the new organizational model has the potential to address some meaningful areas of interest related to gender equality, and build a learning tool based on the existing solid foundation, while promoting client ownership of the gender equality agenda.

Macroeconomic Development in Low-Income Countries

This paper provides a constructive guide for macroeconomic developments in low income developing countries (LIDCs). I am pleased that it addresses issues and questions that are forward-looking and relevant to both the WBG and IMF. I agree with the broader message that paying attention to inequality is not only an integral part of achieving the twin goals but failing to understand its dynamics can put a heavy burden on economic stability and the sustainability of growth. The 60 countries that represent the LIDCs group account for only three and a half percent of the global GDP. But they also account for one-fifth of the world’s population, which makes them prime testing grounds for the achievement of the WBG twin goals, and for testing the sustainability of our global growth model.