Statement by

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Malaysia

Representing the Constituency of Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam

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On behalf of the South East Asia Group, I take this opportunity to congratulate, Mr. Chairman, on the extension of your term as Chairman of this Committee. We look forward to working together to strengthen the role of this Committee to guide the work of this esteemed institution.

We are meeting today amid challenging global economic and financial conditions. Recent data suggest that growth in developed nations is strengthening while concerns over quantitative easing have subsided for now. However, the growth momentum has slowed in major developing countries. Sharp fiscal consolidation in advanced countries could also lead to an uncertain protracted low-growth environment. These could have an adverse impact on emerging and developing countries. The balance of risks remains on the downside.

On the development front, significant progress has been made to lift the quality of life of millions of people around the world. The number of poor has fallen, infant mortality rates have declined significantly, and access to education and health has improved. Despite these achievements, many more millions need the collective help of governments, international financial institutions; private sector, civil society organizations and other development partners to ensure the gains in quality of life are entrenched and improved upon. The World Bank Group has a role to help member countries respond to these challenges.

It is in this spirit that the Development Committee endorsed the World Bank Group’s twin goals of ending poverty and promoting shared prosperity, during the last Spring Meeting. We also requested Management for a document articulating the World Bank Group’s Strategy to achieve these twin goals. A well thought out strategy underpinned by a robust implementation plan, supported by adequate resources and appropriate organization structure, is integral to responding to client country needs and also achieving the twin goals.

World Bank Group Strategy

Achieving the twin goals of reducing extreme poverty to 3 percent by 2030 and boosting shared prosperity by fostering income growth of the bottom 40 percent of the population in every country in a sustainable manner is indeed a daunting task. These challenges are clearly recognized in the World Bank Group Strategy. This gives comfort that the diagnostic exercise has been rigorous. The Strategy, going forward, builds around providing solutions to the toughest development challenges, responding to these challenges as one World Bank Group; and recognizing partnerships as a means of maximizing impact. The change agenda associated with the strategy addresses the organizational structure and culture as well as resources (human and capital).
Development Challenges and Client Focus

We fully support the key elements of the strategy that will help shape the operations of the World Bank Group. The twin goals, new strategy and the associated change agenda must have a place within the primary focus on client country needs. The World Bank Group must seek alignment with client country priorities and meet expectations. In addition, the World Bank Group must facilitate conditions for joint ownership of its operations in client countries to ensure timely implementation of programs and projects, including reform efforts. This calls for much more engagement in building and strengthening institutional capacity including for statistical data collection as well as establishing a monitoring and evaluation system to ensure policy and program design are fully supported by evidence. Client countries face numerous development challenges. Large ocean states face challenging constraints to growth and are particularly vulnerable to the threatening impact of climate change. Investment in infrastructure and communications will significantly improve critical development in agriculture, fisheries and tourism sectors and diversify sources of growth. While addressing individual client needs, the development challenges of island nations provide opportunities to take a regional and transformational approach to development.

In having a client focus, I must reiterate that country presence and face time are very important to clients. Having Bank staff in countries gives the World Bank Group a better appreciation of development challenge, build relationships with key stakeholders in a more meaningful manner as well as respond swiftly to client needs. It opens up opportunities for more development impact and knowledge sharing which would otherwise be missed. In this regard, we urge the World Bank Group to strengthen country presence, increase face time and undertake innovative ways of enhancing presence through new financing models.

One World Bank Group

We welcome the One World Bank Group strategy to address development challenges. Taking a consolidated approach provides operational synergies and opportunities for shared resources to increase efficiency. More importantly, we see it as offering unique opportunities to leverage the combined skills and expertise of the World Bank Group and offer holistic solutions to development challenges that are complex and interrelated. A One World Bank Group approach can also ensure that all resources in the group are deployed to support the group goals; provide clarity of purpose to the various entities in the World Bank Group; as well as align accountability towards achieving these goals.

World Bank Group as a Solutions Bank

We welcome the strategy to position the World Bank Group as a “Solutions Bank”. The cornerstone of the solutions bank is the ability to increase the stock and flow of knowledge across the organization and offer appropriate policy advice, provide institutional support and design investment programs for client countries. Organization and incentive structure can be designed to ensure that knowledge sharing takes place. But at the same time, the World Bank Group must take measures to engage client countries to systematically capture successful development experience and draw lessons from failures and intensify the sharing of knowledge through the South-South exchange.

Partnership

We are encouraged that partnership is now a core element of the Strategy. In endorsing the twin goals last spring, we had pointed out that the core mission of ending poverty and boosting shared prosperity is a joint effort with other multilateral institutions and development partners with similar goals. Strengthening
existing collaborations, leveraging comparative advantages and forging new partnerships enable the World Bank Group to have a reach and scale that can make a significant difference in development outcomes. These partnerships are also important to mobilize enormous resources that are needed to address the development challenges. The World Bank Group can be an important conduit to mobilize and channel these resources for development through innovative financing solutions.

**Operationalizing the Strategies**

There must be a clear process for change and an implementation plan to operationalize the strategies. We take note that the change agenda is still work in progress. This change agenda covers several areas, notably internal organization reforms including organizational structure, financial model, and knowledge and talent management as well as inculcating a culture that embraces change and ability to work in environments that are increasingly uncertain.

The process must start with rigorous country diagnostics and prioritizing development goals jointly with client countries which are reflected in the Country Partnership Framework. Prioritization and customization of solutions must also be a joint World Bank Group and client country decision. Effective engagement at all phases of World Bank Group operations in a client country requires a more decentralized organization to better understand development challenges, respond quickly and jointly develop customized solutions. The solutions or interventions must be impactful, sustainable and able to build capacity for resilience and self-help consistent with the World Bank Group as a solutions bank. The key to successful World Bank Group operations and development impact is client capacity and ownership.

Leadership and talent for the Global Workforce are prerequisites for delivering the development impact. We concur with the approach proposed to strengthen World Bank Group leadership, attract and retain talent, provide incentives for performance and integrating it with a work environment that promotes knowledge flow, innovation and risk taking. The overall aim should be to better deliver a development impact to the clients; make tangible difference to the way Staff operate and interact with the client; and ensure they are incentivized to contribute to the twin goals of the World Bank Group. The Staff represent the World Bank Group’s most important asset. The global character of the World Bank Group must be fully reflected in the diversity of staff at all levels. Every effort must be made to source for global talent with top notch knowledge, skills and fresh development perspectives grounded on sound academic training. We fully support measures to create a performance based culture which is aligned with accountability for results.

**World Bank Group Finance and Risk Framework**

The World Bank Group financial model must be realigned to support the twin goals and implement the strategies. The discussion note on the subject was presented during the Development Committee Informal Ministerial Lunch today. We take note of the broad direction of the realignment of World Bank Group finances which aim to increase its financial capacity and resilience to deliver more to client countries. The thrust of the realignment is focused on reducing costs, increasing revenues and leveraging on external resources. In principle, we can agree to the approach. We are all for reducing costs through efficiency gains. However, this cost reduction strategies must be carefully considered so as not to compromise the quality of operations and services rendered to clients. In the same vein, boosting revenue can be supported but the real issue is how and what instruments would be used to ‘grow profitable fee-based businesses across the group’. Granted there are opportunities to seek fee-based business but we believe that boosting revenue must take into account client affordability. Profitability as a strategy would be inimical to an institution which has a development agenda with a goal of eradicating extreme poverty. We support the
move to explore new and innovative sources of funding. The realignment of World Bank Group finances is very much work in progress and we hope to have more details.

In addition, the World Bank Group’s financial strategy must be developed in the context of effective utilization of resources. It is also crucial to enhance collaborative efforts and partnerships among multilateral development banks and donor communities. We encourage Management to be more innovative in order to maximize the use of the existing mechanisms and support the proposed new financial strategies, which will complement and provide flexibility in mobilizing World Bank Group’s resources. We therefore reiterate our call for Management to continue to explore and discuss all options to enhance financial sustainability of the World Bank Group.

**Gender Equality Agenda Update**

We welcome the update on the implementation of the Gender Equality Agenda since the last update in September 2012. We note the progress made so far in meeting the key targets of the World Bank Group’s corporate commitments. The progress made should motivate the World Bank Group to do more. While tremendous progress has been made in designing programs that are gender informed, the real impact of these policies must be systematically measured and captured. We look forward to further updates on this cross cutting issue which needs to be addressed comprehensively as it will contribute significantly to achievement of the World Bank Group goals.

**Conclusion**

The Strategy paper articulates well the approach to achieve the twin goals of the World Bank Group. We are happy to endorse the broad contours of the strategy and have confidence that Management will make the necessary organizational, financial and human resources realignment to support its implementation. The real test of the impact of these changes is when client countries see increased operational and quality of engagement, as well as deeper impact and sustainability of results. This is a long journey. The goal is ambitious and the process challenging. The World Bank Group is moving in the right direction. However, we need measurable targets as well as a monitoring and reporting mechanism to track progress or lack of it and make mid-term corrections. We look forward for the progress report on this initiative at the next Development Committee Meeting in Spring 2014.