



DEVELOPMENT COMMITTEE
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of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

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Statement by

H.E. Gudlaugur Thór Thórdarson
Minister for Foreign Affairs

Iceland

**on behalf of Denmark, Estonia, Finland, Iceland, Latvia,
Lithuania, Norway and Sweden**

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99th Meeting of the Development Committee

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At the outset I wish to congratulate the new president of the World Bank Group, David Malpass, on his appointment to this important position. I would also like to thank Dr. Jim Kim for his service and leadership during his tenure and Ms. Kristalina Georgieva for stepping in as interim-president at such a critical time. Your work for the WBG is highly appreciated.

The world is witnessing slower economic growth and rising debt levels. Furthermore, we are experiencing the highest levels of refugees, displacement and migration on record and challenges related to climate change are becoming more pressing each day. At the same time, we have seen great progress in terms of reducing extreme poverty and promoting shared prosperity although results remain mixed within and among countries and regions. In my remarks, I want to touch upon the importance of multilateralism, climate change, human capital, human rights, gender equality, domestic resource mobilization, debt sustainability and disruptive technologies. The capital package and the Forward Look are critical elements to make progress in all these areas.

Four years ago, we jointly set the Sustainable Development Agenda and made the blueprint for a better and more sustainable future for all by 2030. We need to address poverty, climate change and environmental degradation as we seek increased prosperity. Building on the core principle of leaving no-one behind we need to tackle inequality and exclusion and strive for peace and justice. Adequate financing in line with the Addis Ababa Action Agenda is required to deliver the SDGs, particularly in low-income and fragile states. What happens in one part of the world affects the other and all of us must own up to the agenda and take shared responsibility. This applies to all individuals, each and every day, but governments must take the lead and implement policies to support Agenda 2030. The private sector, the local community, the civil society and the academia share the responsibility for implementing these policies. Multilateralism is key.

If we make the right policy choices at the national, regional and global levels, including decisions to help finance development where countries' own resources are inadequate, we can make substantial progress towards achieving the SDGs. However, we must stay engaged, constantly monitor what extra efforts are needed, take appropriate action and follow through on results. We expect the World Bank Group to be in the forefront – as a leader, knowledge hub and a financial power house.

Partnerships and Multilateralism

In our view, the World Bank is a central institution in the world of partnerships and multilateralism. With its unique dialogue with governments, its broad perspective, long term and multisectoral engagement the Bank has a unique role to play.

Global Trade has historically brought countries and regions out of poverty, including the countries of the Nordic-Baltic Constituency. It is therefore worrying to see the rise of global trade tensions. We should be focusing on making the global trade systems stronger and fairer with mutual accountability at the forefront. Global policy action is paramount for reaching the goals of the 2030 Agenda, the AAAA and the Paris Agenda, ranging from addressing climate change, environmental hazards, to governance, taxation and migration. We therefore call on Governors and the World Bank Group to make collective efforts to this end, so all countries can enjoy the fruits of multilateral cooperation.

Climate change

There is no doubt that climate change has become the single most serious threat to global peace and to the achievement of the SDGs. The Idai catastrophe, and the suffering in its trace, is the latest example. Yet, building climate smart and climate resilient economies also holds great potential for growth and jobs, and hence poverty reduction. We have made commitments on shared goals through the SDGs and the Paris Agreement, but progress is far from satisfactory. The threat of climate change can only be solved when global goals and multilateral efforts are complemented with strong country level actions. The Bank needs to increase its engagement in adaptation measures, but also continue its good work in the field of mitigation. Such efforts include transition towards sustainable energy access and coordinated efforts to ensure healthy oceans.

Human capital

Human capital must be strengthened and harnessed if we are to reach our goals. We are witnessing huge gaps in human capital which need to be addressed and closed, to allow both men and women in developing countries to reap the benefits of technological transformation and thus increase productivity. It can be said without reservation that the three pillars of the Human Capital Project: survival, school and health, are the next generation's building blocks. We specifically want to stress the importance of closing gender gaps in human capital development and including marginalized groups into the agenda. The challenges are the greatest for the low-income countries, but results generated by the efforts under the early adopters, are highly promising, and we support the World Bank efforts for continued investment in people.

Human rights and gender equality

Human rights, including gender equality, SRHR and women's empowerment, underpin and sustain economic and social development. Advancing the dignity and equality of all human beings must be our fundamental goal. At the same time, the advancement of gender equality and women's empowerment is a

driver of inclusive growth and a prerequisite for reaching the SDGs and for the World Bank Group to reach the twin goals. We need to close persistent gender gaps to reap the benefits of gender equality and women's empowerment and to improve economic growth prospects. Furthermore, it is critical to uphold Sexual and Reproductive Health and Rights, not only for human capital development but also as a necessary factor to address demographic challenges of the least developed countries. In addition, we welcome the update from the Executive Board Gender Diversity Working Group and strongly support the Working Group's encouragement to Governors to "*continue to recognize the importance of gender diversity when considering candidates for Executive Director and other Board staff positions*". We, as Governors, share the responsibility to close the significant gender gap at the Board, and we should make every effort to reach gender balance through our appointments of Executive Directors. This applies to the Board as whole as well as within our respective constituencies.

Mainstreaming the Approach to Disruptive and Transformative Technologies at the World Bank Group

Rapid technological change – often dubbed the Fourth Industrial Revolution - is taking place globally regardless of whether countries are ready or not. It will bring about significant changes and will require adjustments to the specifics of the growth path developing countries can take to reach the next rung on the ladder to inclusive growth and generalized welfare. Digitalization is a driving force of the 4IR, and it is imperative that it is harnessed to build an inclusive and human-driven digital society. While the 4IR, as the Bank has shown, will not fundamentally alter the basic rationale of passing from agriculture, through manufacture to services for most developing countries, it will allow countries to leapfrog specific technologies and thereby creating new opportunities for growth and jobs. This does not only relate to the large investments needs but also new entrepreneurial opportunities in the SME segment of the economy. Forecasting and adjusting to the 4IR must be an integral part of IDA19.

We agree with the five proposed areas of work. The Bank is uniquely situated to assist client countries in reaping the benefits and mitigating emerging risks of the 4IR. From the earliest diagnostic stages, through the build-up of human capital to the piloting and mass-scale use of new technologies in relevant spheres of society. The Bank should have the necessary capacities to provide assistance in developing and implementing adequate regulatory frameworks and taxation that support inclusive economic growth. We stress the necessity to support basic, higher order and technical skills through education and life-long learning to ensure that everyone, both men and women, can participate in the new economy and that productivity increases. We see strong prospects in E-government as a way to build more effective government for better service delivery and anti-corruption. We stand ready to share our own experiences in this regard.

We look forward to a clear implementation plan on how the World Bank Group will proceed in this area in order to bring digital transformation into full use in client countries for the benefit of reaching the SDGs. Digital transformation also requires the WBG to modernize its own internal operations to ensure that it is fit-for-purpose to deliver on this new agenda. We urge the bank to make its internal working system more digitalized.

Debt Sustainability

An increasing number of countries are once again facing debt problems, many of which have received massive debt forgiveness through the HIPC and MDRI initiatives. If ever there was a time for responsible borrowing and lending, the time is now. We believe that institutions with universal membership should take the lead in developing global principles or guidelines on sustainable borrowing and lending, and then monitor their implementation. We encourage the World Bank and the IMF, in cooperation, to step up to this task.

Domestic resource mobilization and illicit financial flows

The importance of increasing Domestic Resource Mobilisation and combatting illicit financial flows cannot be overstated, as developing countries are deprived of tax revenues of around US\$170bn per year by tax avoidance and evasion. It is problematic that the poorest citizens carry the highest tax burden. For us this means that the World Bank needs to redouble its efforts. With its near universal membership, it is well placed to help with capacity building efforts and the re-design of tax systems, including corporate taxation and combatting illicit financial flows which in turn will provide vital resources towards achieving the SDGs. We want to see more ambitious policy commitments and targets on combating illicit financial flows and increasing tax revenue in IDA19.

Implementing the Forward Look: IBRD-IFC Capital Package Update

To make progress in all these areas, the Forward Look and the Capital Package policy commitments for IBRD and IFC provide us with an extensive framework for our goals and how to attain them. We therefore welcome the progress that has been made in implementing the commitments and look forward to further updates in due time. We would urge the bank to be clearer on whether previous commitments are sufficient or if more work must be done to reach the goals in upcoming updates.

The comparative advantages of the World Bank Group are its leveraging ability, convening power, and capacity to work with countries in establishing policy frameworks and strengthening institutions so that private sector engagement can be fostered. The Cascade approach and the mainstreaming of Maximising Finance for Development in the Bank's work will be an instrumental factor in going forward. Private sector led growth remains one of the most important drivers of sustainable development and green transformation given the right policy environment and regulatory framework. We fully support the work of the IFC and remain eager to witness further developments of IFC 3.0 with increased engagement of IFC in low income and fragile countries.

The World Bank Group in Going forward

Together we have built an extraordinary institution – the World Bank Group. We have built a global leader that is instrumental in setting the development agenda; producing evidence-based knowledge and partnering with countries in implementing crucial programs and reform agendas.

The Capital Package underscores our support for the World Bank, but through the increased capital we

have tasked IBRD and IFC with doing more and doing it better. We expect the work with the implementation of these commitments to continue and the resolutions for the IFC to pass majority as soon as possible. We will continue to be fully engaged in the IDA19 negotiations to bring about a successful conclusion in the fall.

In closing, we would again like to congratulate our new President and welcome him to the World Bank Group. We look forward to fruitful cooperation and his leadership in working towards our shared goals. We have an important task ahead. Our success will be measured by our achievements – not our aspirations.