Statement by

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On behalf of Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey
Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries

A year ago, we endorsed the vision for the World Bank Group (WBG) on a strategy to achieve the goals of eradicating extreme poverty and promoting shared prosperity in a sustainable manner. Last October, we approved the new WBG Strategy and gave guidance for its timely implementation. It is now time to focus on implementation and on translating our inward looking endeavors into outward looking solutions.

The document submitted for discussion provides a solid analysis of the world’s economic development trends and a set of policy recommendations to ensure sustainable high economic growth as a basis for reaching the World Bank Group goals. It appears that, despite modest improvements, the post-crisis outlook remains precarious and current growth patterns are not just unsustainable, they are inefficient. Many developing countries remain trapped in low productivity while structural deficiencies are holding back growth and make them increasingly crisis-prone. Financial outflows, deleveraging, sporadic conflicts, and persistent exposure to natural and man-triggered disasters complicate prospects further. In this unsettled environment, delivering quality social services while reconciling high growth rates with environmental sustainability and macroeconomic stability will be an extremely complex, if not inextricable, endeavor. Moreover, growth should not be an end in itself, and the key downside risk is that overly accommodative economic stimulus could boost growth in the short run but may result in overheating and reignite imbalances thereafter.

We concur that a combination of consistent and prudent macroeconomic policies, better social protection programs and redistributive policies, and deep structural reform to boost productivity and competitiveness would reduce external and domestic vulnerabilities and raise medium-term growth. Still, the question of whether growth will translate into tangible improvements and be sufficient to reach our targets by 2030, needs to be answered.

In light of these challenges, we had expected that broad country-specific and regional solutions as well as detailed plans on what the WBG should and is able to do – or do differently - to help countries address the challenges would have been made more prominent in the document before us. This could have stimulated a productive discussion on how the strategy better positions the Bank to help countries to address the challenges they will face to revive growth in the post-crisis global economy and to support the policy changes that they will have to undertake in order to meet these challenges.
Unfortunately, the role of the Bank as described in the document seems to lack precision in that respect. There is an urgent need for a better definition of policies and operations that the WBG will deploy to maximize the impact on achieving the goals.

To achieve significant progress towards the twin goals:

- developing countries must realign their economic and social policies to ensure and sustain progress in poverty reduction and shared prosperity, both within and outside the WBG’s Country Partnership Frameworks. Priority should be given to raising productivity and competitiveness in key sectors through structural transformations and reform packages that are conducive to development oriented foreign investments and private initiative, in particular in LDCs. Prudent government policies and socially and environmentally responsible private sector are pre-requisites to ensuring sustainable growth rates and creation of decent jobs that are also good for development.

- our institution – acting as one-WBG – must recalibrate its business model to ensure that each operation in each country fully serve this objective, focusing firmly and selectively on eliminating principal impediments to sustainable and inclusive growth at the country level. The WBG analytical capacity should be embedded in its internal structure to enable early detection of vulnerabilities and timely provision of tailored policy advice and remedial actions. The new Systematic Country Diagnostic should function as an all-embracing platform for identifying these obstacles, elaborating policy responses, and measuring the resources needed to support development.

- the WBG must expeditiously complete the change process to ensure that the new structure is fully operational by the new fiscal year. We welcome the plans to considerably increase IBRD lending and are encouraged by the recently adopted measures to improve the Bank’s margins for manoeuver. However, ramping up lending alone will not get us closer to the goals unless the Bank’s financial support is targeted at areas of greatest impact on the twin goals and unless the capacity on the ground is strong enough to absorb such support in a timely and efficient manner.

- the WBG must enhance the quality of its operations and strengthen its environmental, social and fiduciary standards, especially in light of the announced heavier emphasis on projects in energy and infrastructure. In this regard, we strongly welcome President Kim’s commitment that the Bank’s Safeguards review will not lead to any dilution of the applied standards. We further expect that the ongoing safeguards review will harmonize social and environmental standards across the Group, giving due consideration to human rights, and that the resulting framework will encompass all pertinent social and environmental issues. We also anticipate that the new framework will enable broad participation of civil society, social groups and communities in project design and implementation. In addition, we encourage the Bank to extend the application of the social and environmental standards to other lending instruments. The WBG should also maintain its leading role in promoting good governance in its client countries and enhance its focus on corruption prevention under WBG-financed projects.

- the WBG must leverage its convening power to forge partnerships and mobilize resources for truly concerted action by international and bilateral donors. We encourage the WBG to engage with other MDBs and bilateral donors on a new footing moving from a mere division-of-labor approach to fully joint transformative country-specific actions.

We continue to rely on President Kim’s leadership in steering the WBG through these turbulent waters and are looking forward to having a detailed and sequenced Strategy implementation plan which is free from uncertainties, which is the subject of adequate communication and which includes priority measures,
realistic timelines, estimated budgetary, financial and human resources, and measurable outcomes along the lines we described.

Mainstreaming Disaster Risk Management in World Bank Group Operations

We welcome and continue to support the alignment of Disaster Risk Management with climate change adaptation. We believe that significant progress has been achieved with regard to decreasing the fragmentation of financial resources and staffing. We reiterate our plea that disaster risk management measures should be also integrated in social protection programs, investments in agriculture and other climate sensitive sectors, as well as in the development of financial markets to create comprehensive DRM systems.

We recognize the efforts deployed in incorporating Disaster Risk Management into the new Country Partnership Framework model, thereby better informing policy and investment decisions. We would also like to stress that disasters are not confined to the national borders of a country and, therefore, urge Management to reflect the Disaster Risk Management agenda in regional strategies.