



DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE

OF THE

BOARDS OF GOVERNORS OF THE BANK AND THE FUND

ON THE

TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES



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Washington DC, April 13, 2019

1. The Development Committee met today, April 13, in Washington, D.C.
2. The global outlook foresees a moderate slowdown in economic activity, while lingering downside risks remain. Global trade growth has weakened, investment prospects have softened, debt vulnerabilities persist, and policy uncertainty weighs on confidence. We reiterate the important role of international trade and investment as engines of growth, productivity, innovation, job creation and sustainable development. We continue to support the World Bank Group (WBG) and the International Monetary Fund (IMF) in their multipronged approach, with borrowers and creditors, to improve the recording, monitoring, and reporting of public and private debt, as well as efforts to strengthen creditor coordination in debt restructuring situations, drawing on existing fora. We stress the importance of adopting growth-enhancing policies while containing risks and protecting the most vulnerable. We call on both institutions to work jointly with policy makers to identify the right balance, given country circumstances, between supporting demand and rebuilding fiscal space; to help countries improve debt management capacity, sustainability, and transparency; and to strengthen domestic resource mobilization.
3. We endorsed a transformative capital package for IBRD and IFC one year ago. This package and the Forward Look guide the WBG's strategic direction to 2030. We welcome the paper *Update: The Forward Look and IBRD-IFC Capital Package Implementation* and the significant policy reforms delivered, including: IBRD loan pricing and Single Borrower Limit differentiation, the IFC additionality framework, the IBRD Financial Sustainability Framework, and the revised methodology for staff compensation. We also note the strong yet selective WBG engagement in countries above the graduation discussion income as reflected in the revised guidance for country partnership frameworks. We encourage the Bank Group to continue implementing and monitoring the agreed efficiency measures. We request management to continue tracking progress against the Forward Look and capital package commitments and to update the Governors in one year.
4. We welcome the ongoing work by shareholders to start the subscription documentation and payment process for the IBRD capital increase launched on October 2, 2018. We urge that all outstanding adoptions of IFC resolutions be secured by September 18, 2019.
5. We remain committed to the twin goals of ending extreme poverty and boosting shared prosperity as well as the WBG's global role and the objectives set out in the Forward Look: (i) serving all clients; (ii) leading on the global public goods agenda, (iii) creating markets, and (iv) continually improving the business and operational model. Effective implementation will require strong country partnership with IBRD and IDA clients with a focus on measurable development outcomes. The capital package will enhance WBG leadership in the key areas of crisis preparedness, prevention and management; situations of fragility, conflict and violence (FCV); climate change; gender equality; knowledge and convening; and regional integration.
6. The Bank's fund for the poorest countries, IDA, is critical to reaching the WBG's goals as well as to achieving the Sustainable Development Goals (SDGs). We welcome the strong delivery of the ambitious and innovative IDA18 package and support recently proposed adjustments, particularly the reallocation across IDA windows. We call on the Bank Group to strengthen emphasis on jobs and economic transformation in IDA countries, one of the IDA19 special themes. We also support the other special themes – governance and institutions, gender, climate change and FCV – as well as the cross-cutting areas of debt, disability, human capital and technology. We observe the rising debt levels in IDA countries and encourage measures to enhance their debt sustainability. We look forward to the outcomes of the upcoming meeting of IDA Deputies and their guidance on strategic directions and the IDA19 Roadmap.
7. We welcome the *Mainstreaming the Approach to Disruptive and Transformative Technologies at the World Bank Group* paper and the WBG's efforts to make these technologies affordable and accessible for developing countries. We encourage the WBG to create opportunities for the poor and mitigate risks associated with technology. We ask the Bank Group

to continue to work with countries as well as private and public sector partners to mainstream this agenda across sectors. We particularly welcome its work on competitiveness, innovation and consumer protection by supporting agile regulations. We also call on the WBG and IMF to continue work on fintech issues, building on the momentum generated by the Bali Fintech Agenda.

8. Investments in human capital that produce better learning and health outcomes are critical to productivity and economic well-being. We welcome the strong start on the Human Capital Project and the fact that close to 60 countries have joined thus far. We request further development of disaggregated data and refinement of indicators under the Human Capital Index and an emphasis on policy reforms that achieve tangible results. We look forward to an update on the Human Capital Project in October 2019.

9. The private sector plays a key role in providing sustainable solutions to development challenges, creating markets, mobilizing investment and generating jobs. We encourage the WBG to foster enabling business environments, leverage capital, and implement the Cascade to maximize finance for development. We support the IFC 3.0 strategy to catalyze private sector investments. We acknowledge IFC and MIGA efforts to increase investments in IDA countries and fragile situations, and we support the use of the IDA Private Sector Window to reach the most vulnerable, recognizing that such projects come with higher risks. We call on the World Bank, IFC and MIGA to be innovative and work together in mobilizing private sector solutions and resources, leveraging sectoral reforms, and mitigating investment risks.

10. Fragility, conflict and violence cause human suffering, vulnerability and displacement, and economic stress, all posing challenges to delivering the 2030 Agenda. In addition, economic crises, natural disasters, and pandemics can test countries' resilience and threaten development gains. Building institutional capacity, developing disaster resilience, and encouraging knowledge sharing and south-south cooperation are also key priorities, particularly for small states. We support strengthening domestic resource mobilization, addressing illicit financial flows and corruption, as well as investing in quality infrastructure and enhancing energy security to improve the response to crises. We reiterate the importance of delivering on the WBG's Climate Change Action Plan. We look forward to the development of a strategy on FCV.

11. As the WBG scales up work in high-risk scenarios, where institutional capacity is often weak, strong environmental and social protections and accountability processes are critical, and we support the WBG's continued commitment in these areas. We acknowledge the important role that the World Bank's Inspection Panel and the IFC and MIGA Compliance Advisor Ombudsman play in accountability, lessons learned, and mitigating risks in an efficient and effective way.

12. We urge the WBG to continue to work closely with public and private partners including international financial institutions and the UN, on the most pressing development challenges. We note that heads of state will gather in September for the UN summit focusing on climate, universal health coverage, SDGs, financing for development, and small island developing states. We also underscore the importance of continued WBG and IMF collaboration in implementing their respective mandates as well as the potential of multilateral development banks working as a system to improve their response to common challenges, including through a coordinated country platform approach.

13. We are encouraged by progress on diversity and inclusion among WBG staff and management, and we continue to support the Board in its work to enhance and promote gender diversity at the WBG Executive Boards. Closing gender gaps is smart economics, while balanced representation and full gender equality are central to the Bank's mission. We urge continued work on this front.

14. We congratulate Mr. David Malpass on his selection as President of the World Bank Group and look forward to working closely with him. We value his strong commitment to the Bank Group, its mission and strategy. We express our appreciation to Dr. Jim Yong Kim for his leadership of the WBG and its significant accomplishments during his tenure. We also thank Ms. Kristalina Georgieva for her leadership and effective management of WBG affairs as Interim President.

15. The next meeting of the Development Committee is scheduled for October 19, 2019, in Washington, DC.



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(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

NINETY-NINTH MEETING
WASHINGTON, D.C. – APRIL 13, 2019

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Statement by

Sigrid Kaag

Minister of Foreign Trade and Development Cooperation

Kingdom of the Netherlands

**Representing the Constituency of Armenia, Bosnia and
Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel,
Macedonia, Moldova, Montenegro, The Netherlands, Romania and
Ukraine**

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99th Meeting of the Development Committee

April 13, 2019

Washington, D.C.

The World Bank Group (WBG), as world's largest, innovative and transformative development actor, plays a central role in delivering on the Sustainable Development Goals, the Paris Agreement on Climate Change, and the Addis Ababa Action Agenda on Financing for Development. The WBG is an important development partner for many countries in terms of funding, knowledge, technical assistance and expertise.

We particularly value the WBG's continued support for countries in the Europe and Central Asia region, including the countries in our constituency. We encourage the bank to deepen its engagement in the region, particularly by promoting private sector-led growth.

Update on the Capital Implementation Package

For our constituency, continuous swift and thorough implementation of the agreed commitments as specified in the Forward Look strategy and in the Capital Package for the IBRD and IFC remains crucial for becoming a bigger, better and braver Bank and for strengthening the Bank's support for delivering the SDG's. We are pleased to note that the Bank has already implemented several of these important commitments, such as pricing measures, a more modest staff compensation policy and the Financial Sustainability Framework (FSF) implementation approach. Our constituency strongly encourages the Bank to continue implementing these commitments, first and foremost by stepping up and deepening its engagement with all clients and to specify how the package will benefit them, including our constituency members as well as countries affected by Fragility, Conflict and Violence (FCV). We also urge the Bank to continue identifying further efficiency measures and together with the Board further implement the FSF, as part of its regular budgetary process.

It is promising to note that the Bank has already embarked on its path towards the agreed objectives and policy targets on a variety of issues including gender, climate, and private sector financing.

We welcome in particular the Bank's enhanced engagement in FCV-countries. This is particularly important against the background of fighting poverty, as extreme poverty is increasingly concentrated in FCV-countries. We would like the Bank to be more explicit and specific on what it will do more and differently with its increased financial capacity in the years ahead. We call on the Bank to make more progress on decentralization, including enhancing its presence in our constituency countries, and develop its performance criteria to monitor progress. More particularly, with approximately 5% of Bank staff working in FCV countries, the footprint of the Bank in FCV-countries remains insufficient for reaching its goals. A crucial aspect will be to provide the right incentives to staff not only to do more in FCV countries in terms of business volume, but also to focus on the often more challenging operations in FCV affected sectors and regions.

With regard to climate, we are pleased to see that the Bank has made much progress towards achieving the agreed targets as well as making these targets more ambitious. At the same time we would like to encourage the Bank to consider to step up its efforts to assist client countries to make their climate strategies (National Determined Contributions) more ambitious, in terms of adaptation and energy transition. We look forward to the successful outcome of the negotiations for the 19th IDA replenishment which several of our members engage in. We encourage IDA management, together with IDA deputies and the Board to make progress with regard to the IDA voting rights.

Finally, let me emphasize the importance of the Bank having strong policies in place to address the issues of Sexual Harassment and Sexual Exploitation and Abuse, both within the World Bank Group itself as in and around its operations in the field. In this context I encourage the bank to continue its important work on further strengthening its policies, including on the issue of reporting, and to help foster a culture of openness and 'speaking up' in the institution.

Report on Mainstreaming Disruptive Technologies

Our constituency supports the WBG's view that disruptive technologies can offer opportunities for sustainable, inclusive economic growth. However, we also see challenges to unlocking the full potential of disruptive technology for developing countries which need to be addressed. These include infrastructural challenges, such as limited access to broadband internet, and human capital challenges, such as (digital) illiteracy. We call on the Bank to take a holistic view of efforts to narrow the 'digital divide'. We emphasize the need for digital access to all, in particular for poorer groups and women.

While our constituency is positive about the mainstreaming agenda and the WBG's commitment to disruptive technology, including the GovTech Initiative and the Digital Moonshot for Africa, we would like to see poverty reduction and inclusiveness better reflected in the Banks operations. An inclusive approach – with specific attention for marginalized groups – is key to make the mainstreaming of disruptive technologies a success. We see much scope for cooperation and information sharing with partners, such as the private sector, that have the institutional and financial capacity and the relevant knowledge and experience, to further develop and implement the digitalization agenda.

Our constituency is specifically interested in discussing the use of digital platforms in education. They can be used as a crucial tool to enhance access to educational programs and online tutoring in less developed areas, with only limited access to quality schools and teachers. Our constituency would like to see better reflected how the WBG will support digital platforms in these countries.

While digital development holds significant potential for development, our constituency encourages the World Bank to further analyze the associated risks, such as those related to cybersecurity, misuse of data, macroeconomic risks, fraud, money laundering and terrorism financing and unemployment, and to work together with client countries on an adequate response.

Global Economic Context Challenges and Policy Options

As pointed out in the report *Global Economic Prospects 2019* and in the Development Committee Lunch note, the expected global slowdown and the downside risks to the outlook present an increasingly challenging environment for emerging market and developing economies, as well as for lower-income countries that face additional challenges because half of them are also considered to be in fragile, conflict and violent situations. Additional efforts are required in order to make progress towards delivering on the Sustainable Development Goals by 2030. We can subscribe to the Bank's observations that these should be aimed at implementing structural reforms strengthening macroeconomic management, improving governance, and fostering enabling business environments.

Especially budgetary resilience and needed investments in human capital and enhanced social protection can only be paid for if governments mobilise substantial revenues. We welcome the Bank's

initiative to focus on improved public finance management and domestic revenue mobilization, particularly in light of the debt vulnerabilities in many countries. This is an issue of special concern for our constituency, particularly in many lower-income countries. The current international standards and policies appear insufficient to prevent the buildup of debt sustainability risks in a considerable number of countries. We therefore welcome the WBG and IMF joint multi-pronged approach to address debt vulnerabilities. Within this approach, we believe the WBG and IMF should also look into reviewing their own policies and operations.

Our constituency also strongly believes that thorough analyses of issue related to debt sustainability and debt transparency should play a central role in WBG policies, country strategies and operations. They should serve not only as background to WBG actions, but also, more importantly, as key determinant to those actions. Therefore, we encourage the Bank to walk the extra mile and to explore possible additional measures, especially with regard to its own financing instruments, aiming at limiting further debt vulnerabilities in client countries as much as possible. Of particular importance is also providing the right support and incentives to countries with debt vulnerabilities with a view to enhancing debt transparency, using the right type of debt instruments in their borrowing and making sure responsible borrowing contributes maximally to boosting inclusive and sustainable growth.

Our constituency expects the Bank to show leadership on related issues, such as local currency financing and technical assistance, particularly in the areas of debt management and domestic resources mobilisation. Regarding the latter, we urge the WBG to show leadership in this area by stepping up technical assistance, by setting an example, and notably by preventing tax evasion through further strengthening its own policies in accordance with the highest international standards. In parallel, a strong approach is needed to step up coordination with creditors on improving information sharing and addressing the lack of data transparency.

In the context of global economic developments, our constituency would like to request special attention from the World Bank for countries affected by Fragility, Conflict and Violence, particularly in the Sahel, Horn of Africa and MENA regions. Although global poverty is declining, extreme poverty will increasingly concentrate in these areas and countries, which are hit relatively hard by the effects of climate change and where socio-economic development is often under pressure due to a sharp increase in population.