

Statement by**Mr. Dirk Niebel
Federal Minister for Economic Cooperation and Development****Germany****88th Meeting of the Development Committee****October 12, 2013
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For the World Bank Group (WBG), the 2013 Annual Meeting is one of the most important ones in recent years. After adopting our ambitious system of goals at the Spring Meeting, we are now discussing and adopting a Strategy for the WBG. The Strategy will provide a framework for the WBG to reach its goals – in an ecologically, financially and socially sustainable manner. So in the Development Committee, we are taking important decisions about the WBG's future course, both in terms of issues and in organizational terms. These decisions will have a decisive influence on the Group's work and capacity in the coming years and on its ability to meet global challenges. The same goes for our first debate on the fundamentals of the WBG's future financial strategy, which we want to adopt at the 2014 Spring Meeting.

The current crisis in Syria, the great challenges arising from the revolutionary change in the Arab world, the volatility of international goods and capital markets and the more and more frequent extreme weather events all show just how important it is for the WBG to be able to strengthen countries' resilience against financial, economic and environmental crises.

The new Strategy provides the basis for a WBG that is able to meet today's challenges. Last year, President Jim Kim already launched bold change at the WBG in order to focus it on the new global agenda. The WBG's initiative on the African Great Lakes region in cooperation with the United Nations and the WBG's leading role on climate issues, e.g. in the drafting of the Turn Down the Heat report and in the Sustainable Energy for All initiative, are evidence of the WBG's great potential.

We want a strong, effective, efficient WBG that has powerful answers to achieve our common goals: reducing poverty and fostering shared prosperity in an environmentally, economically and socially sustainable manner. To that end, we need to stabilize crisis regions and achieve food security. However, we must not lose sight of our planet's natural boundaries. And above all, we must take determined action against climate change. I am pleased that President Kim has assumed a leading role on sustainable development, which has met with international attention. This is an issue of special importance for all political forces within Germany. The WBG can count on Germany's support in this field. So I would like to convey our express recognition and thanks to President Kim for his work.

World Bank Group Strategy

Germany was actively involved in the drafting of the new WBG Strategy. Many questions that we consider crucial to international development are also at the center of the draft WBG Strategy. The Bank's evolving into a global "solutions bank" with a strong focus on private sector development that works to eradicate global poverty and facilitate green and inclusive growth is vital for the WBG to be successful. This especially applies to increased and effective involvement in fragile and conflict-affected situations. In future, the WBG will also need, to a greater extent than before, to speak and work as one WBG. If the WBG makes use of synergies and develops solutions for the entire Group, it will be able to make even

more efficient use of its resources. We have also been campaigning for this in the current IDA 17 replenishment negotiations.

The greatest risks to successful development, poverty reduction and shared prosperity are posed by political, economic and financial crises, the impacts of climate change, and the increasing scarcity of natural resources. These factors are a particularly serious threat for people at the bottom of the income pyramid. We will only be able to attain lasting development achievements if economic growth creates employment that also benefits the poor. So we welcome the fact that the WBG's new goals combine growth and distribution issues. Progress in this field must be measurable so that we can make sure that no individual, no group and no country will be left behind.

But if economic growth takes place at the expense of our world's vital natural resource base, it is not sustainable either. So all our activities need to be in line with environmental sustainability and climate protection requirements. These goals need to be integrated in future country analyses and strategies. They should be monitorable, for instance through sustainability indicators in the Corporate Scorecard and in country-specific results matrices. These core tasks of the WBG must be financed from the WBG's core resources. In Germany, there is a broad consensus within society and among policymakers that everything we do must be sustainable – in social terms but also in ecological terms. This is also a crucial factor when it comes to the mobilization of funds for poorer countries.

In addition, the WBG needs to put a strong focus on preventing global economic crises and environmental disasters. Additional efforts are also needed with a view to mainstreaming gender equality in the WBG's work. We expect that these aspects will be given priority as the new Strategy is implemented, and that related progress will be monitored on a regular basis.

Financial sustainability

The new Strategy needs to be complemented and reinforced by efforts to secure the WBG's financial sustainability. So I welcome the first discussion paper that has been submitted by management for our Annual Meeting.

We support the process for drafting, by the 2014 Annual Meetings, a new financial strategy on this basis. That strategy will rely both on cutting expenditure and on making better use of existing resources and taking action to increase the WBG's income. We are living in a time of multiple development challenges and great global risks. The WBG needs to maintain its room for maneuver and financial capacity to realize its strategic goals.

This includes increased efforts to mobilize private-sector and shareholder resources in order to support vital infrastructure investment in line with the new Strategy. In all these efforts, the WBG must ensure full application of its successful environmental and social safeguards and decision-making structures.

Further tasks in relation to the Strategy's implementation

The world has changed fundamentally over the past 20 years. So the WBG needs to differentiate its work accordingly. It needs to find answers to increasingly diverse challenges in different countries. Greater weight should be given to engagement with fragile states. But other groups of countries, too, continue to be important. The majority of people in absolute poverty are living in middle-income countries. The WBG can, and it must, continue to support these countries. But it also needs to consider itself a catalyst. The focus must not be on providing financial resources but on advisory services and the transfer of knowledge. The Bank's business model as a credit cooperative can only work if graduating countries assume more global responsibility.

The new Strategy will only become significant through implementation. So the focus of our attention must now shift to implementation. We need a clear set of goals and indicators so that we can monitor the results of the Strategy's implementation over the coming months and years and adjust our course in time if necessary. A revised Corporate Scorecard for the entire WBG will be of particular importance in this regard. The WBG's human resource management, too, needs to be aligned with the new Strategy, especially in terms of creating effective incentives in the areas of managing for results, joint work in *one* WBG, exchange of knowledge, selectivity, and cooperation with other development partners. In the course of its reform, the WBG will also need to revise the principles of its procurement policy and its environmental and social safeguards. This needs to be done through a transparent and open process.

Unless the WBG systematically continues its reorganization process, the new Strategy will not be successful. The WBG will only be able to meet the complex challenges it is facing if it adapts its business model and eliminates fragmentation and silo thinking. In this context, the establishment of what is termed Global Practices will be of great importance. The WBG needs to incorporate global knowledge and experience in its operations. It needs to increase the extent to which cross-border challenges such as resource conservation, international security and food security are taken into account in its country operations. And it needs to mainstream private-sector approaches throughout the entire Group's work. This requires new management arrangements and governance structures.

IDA replenishment negotiations

For the WBG goals to be achieved, it is crucial that the International Development Association (IDA) does its work effectively and successfully. So in the current replenishment negotiations, the WBG will need to highlight even more clearly what contribution IDA will be making under the new Strategy. We believe that IDA needs to enhance its support for sustainable and inclusive development in fragile and conflict-affected situations. In order to create scope for that, it is important that IBRD, too, offer transition support to graduating countries. In addition, it is vital that sustainability become an integral part of all operations at IDA, too. As the WBG supports environmental sustainability and takes action against climate change and its consequences, it must not settle for lower standards than those already in use at other institutions. After all, the poorest countries and regions would suffer most under increased global warming.

Systematic implementation of the Strategy and improved financial capacity, as well as a stronger focus on results, systematic use of synergies and more group-wide cooperation will make the WBG more effective and efficient and enhance its role in the international development architecture. In this way, the WBG can become a global "solutions bank."

Germany will continue to be actively involved in the WBG's reform process. We want a strong WBG that uses its abilities and knowledge as assets to play a central role in the development agenda, a WBG that efficiently and effectively delivers on its global responsibility. Germany will be happy to continue to work closely with President Kim and his team in addressing this agenda.