Statement by
H.E. Kittiratt Na-Ranong
Deputy Prime Minister and Minister of Finance
Thailand

Representing the Constituency of Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam
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We meet today against a backdrop of continued global recovery. There are signs of recovery in high-income countries. Growth is firming up especially in the United States and somewhat stabilizing for European countries. Global growth impetus would emanate from the advanced economies. External demand from advanced economies bodes well for emerging and developing countries. We must note that growth in developing countries and emerging markets has been pivotal in cushioning the impact of the slowdown in advanced economies. Also, despite the cyclical slowdown in emerging markets, growth rates are still relatively high. We wish to see the momentum in these positive developments continue and lift the global economy out of current protracted slowdown. Without sufficient and sustainable growth, global extreme poverty reduction will remain elusive.

Growth in the Post-Crisis Global Economy: Policy Challenges for the Developing Countries

We appreciate the very timely and perceptive Report produced by the World Bank Group (WBG) – “Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries”. It paints a somewhat encouraging picture of the global economy but is realistic enough to acknowledge that growth will not return to pre-crisis levels. More importantly, the Report’s assessment of significant risks and uncertainties merit close attention. Recent geopolitical tensions exacerbate the already tight financial conditions, affecting investor sentiments amid heightened risk aversion. These risks pose critical challenges for global growth. Emerging markets are particularly vulnerable to these risks. Capital flows and exchange rates continue to be volatile largely from ‘tapering’ of quantitative easing. The consequences of such volatility not only pose short term policy challenges but impacts long term investment decisions.

In this regard we agree that, in some circumstances, temporary measures on capital controls may be required by countries facing excessive external volatility to contain the impact from global reflows. Sound economic fundamentals are also critical to mitigate the unfavorable impact from monetary policy signals in advanced economies. Recognizing these external challenges and drawing lessons from past crisis many developing countries have adjusted and continue to undertake reforms by strengthening social safety nets and domestic financial systems, improving fiscal positions, enhancing investment climate, diversifying their economy to strengthen domestic resilience and boost long-term growth. We would like to add that the efforts by developing countries to carry out the structural reforms are necessary but not sufficient. For sustainable and inclusive growth, the promotion of international trade is also critical. In improving investment climate, cross border logistics must be met with free and fair exchange of goods and services without which economic growth will be constrained. The WBG in its October 2013 DC Statement, reiterated that safeguarding and building on the openness and fairness of the international
trading system is vital to global growth. In this regard, we would like to see the WBG take part in assisting the international community in promoting cross border trade to complement and support agreements reached during the WTO’s 9th Ministerial Conference held in Bali. This would enhance economic and development opportunities including opportunities for small and medium sized enterprises to better integrate countries into the global trading system.

In an increasingly interconnected world, domestic policies and reforms alone appear insufficient. Monetary policy in advanced economies needs to balance domestic needs and its global implications. There is still much more that advanced economies can do to support economic activity and boost confidence especially in strengthening bank balance sheets while maintaining accommodative policies. A more coordinated and predictable monetary policy well communicated will go a long way to reduce risks and volatility in markets. An orderly policy withdrawal will help to stabilize developing countries’ external balance.

In this regard, we see a very critical role for the WBG. The Governors had collectively approved the WBG Strategy that calls for coordinated group wide efforts capitalizing on its convening power to work with other MDBs, donors and the private sector to deliver development impact in pursuit of its twin goals. This is the time to clearly demonstrate this strategy into action to assist clients. Therefore, we call on the WBG in collaboration with other multilateral institutions and in consultation with client countries most affected and vulnerable to the post crisis environment to help them make necessary adjustments to cope in the short term as well as undertake structural reforms to build resilience over the medium and long term. The WBG must be attuned to the individual circumstances of each client in offering assistance. More often than not, the WBG’s expertise is required regarding not only the ‘what’ but on ‘how’ reforms or adjustment can be implemented. We also encourage the WBG to work closely with governments and the private sector in the ASEAN region. The region is set to become an ASEAN Economic Community in 2015. It is a dynamic region with young population, abundance of natural resources with huge potential. The WBG can engage in large transformational interventions, crowd in investments in the ASEAN region as well as support intra-regional trade and assist companies in ASEAN to link up with global supply chains. The WBG must be a strong partner in the ASEAN Economic Community.

We would also like to emphasize that economic growth must be inclusive. The benefits of economic growth must be felt by the people. It is insufficient to have policies to boost economic growth and increase GDP per capita but excludes a significant segment of the population. This is a recipe for social and macroeconomic instability and will impede growth too. Recent reports have amply catalogued the pitfalls of income inequality which has become pronounced in recent years. This is an issue that must be addressed in a holistic manner. Growth, equity and sustainability are not mutually exclusive. They must be pursued in a mutually reinforcing manner leading to higher income and better quality of life for all. The WBG’s goal of boosting shared prosperity may be able to address the issue of growing inequality. This is an area ripe to collect and collate evidence on what works and what does not and the various tradeoffs in policies and instruments to address these issues. Evidence and analytics on reforms that contribute to broad based and inclusive growth is much needed. Clients need assistance to strengthen capacity to make policy choices and help them in sequencing and implementation.

We also take the opportunity to reiterate our views on the need for the WBG to pay special attention to small and island states. Small and island states face numerous challenges; small population, nascent private sector, remittance dependent, vulnerable to climate related natural disasters, and logistical challenges due to their remoteness. A radically new mindset is necessary to address issues that are unique to these countries. Country focused interventions are vital and much needed and at the same time there is ample scope for truly transformational activities for the WBG acting in concert with other development partners to take a regional view in its development interventions.
World Bank Group Reforms

We must commend the Management for the significant progress on the reforms to realize the WBG’s twin goals and strategies endorsed by the Governors in 2013. These reforms are wholesome but at the same time challenging. We urge Management to stay the course and move towards an organization that is lean with a stronger financial footing, responsive to the needs of all members and deliver tangible and sustainable impact on the ground.

A revamped WBG must work in unison to meet the needs of the various clients. There must be a difference in the country engagement model that gives primacy to development priorities of the client and deliver the best that the WBG has to offer by itself and in partnership with other MDBs, development partners and donors. We expect the quality of engagement across all stakeholders to increase as well as the development impact of its interventions. All interventions should keep its line of sight focused on the twin goals of eradicating poverty and boosting shared prosperity. We realize that it would take time. However, we can gauge progress through a well thought out WBG Corporate Scorecard with a few key indicators and relevant targets including intermediate targets. Such a score card is an important communication tool and will provide assurance to all stakeholders that progress is being made and also is useful for Management to undertake midcourse corrections if needed.

A Successful IDA17 Replenishment

We would also like to record our appreciation to Management and to all IDA donors for the record IDA17. It is a significant accomplishment given the very difficult global economic conditions and fiscal constraints faced by many donor countries. It reflects the confidence in IDA and acknowledges its track record of working in some of the poorest countries in the world to bring customized and innovative solutions and make a difference to millions of poor around the globe.

We are also happy to place on record that among the countries that pledged to IDA17 from our constituency four were first time donors. Brunei Darussalam, a non-IDA member, made a one-off contribution and Indonesia, Malaysia and Thailand. At the same time, Singapore an existing donor, reaffirmed its commitment to IDA. These contributions signal that our authorities believe in IDA as an important instrument to achieve the goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. Our authorities look forward to working closely with the IDA team.

Infrastructure Financing

We have been following with much interest WBG led discussions on infrastructure financing. Annual investments in infrastructure in emerging markets and developing economies (EMDEs) is estimated between USD900 billion to USD1 trillion. An additional USD1.2 to USD1.5 trillion is needed to achieve higher economic growth. Institutional investors in OECD alone have USD79 trillion in assets under management with very little in infrastructure and in EMDEs. This gap must be bridged or narrowed. Long term financing is scarce in an environment where government finance is constrained by limited fiscal space, recapitalization of European banks, risk aversion, uncertainty due to monetary policy normalization. There is a need to create conducive investment conditions, adequate instruments and mechanisms and risk mitigation structures to attract a wide segment of investors. The WBG can play a critical role in helping to address some of these issues. We welcome the efforts of the WBG to create a platform to address many of these issues and play a catalytic role in developing bankable infrastructure pipeline and crowding in a wide range of investors including other MDBs, private equity, SWFs, and the private sector. We also welcome efforts made to obtain feedback from a wide range of potential partners and clients. These consultations will help to create a platform that is well structured to deliver on the high demand for infrastructure projects in EMDEs. We look forward to progress in this effort and expect to
have concrete proposals on structures, governance and operational principles to ensure that bankable projects can be prepared and financed.

**Mainstreaming Disaster Risks Management in World Bank Group Operations**

We are pleased to see the WBG is taking the lead in mainstreaming disaster risks management (DRM). The WBG is uniquely positioned, given its global reach, to play a pivotal role in advocating the critical need to integrate disaster and climate risks management in development priorities. Beyond advocacy, we recognize WBG’s advisory role and its global operations that are fully informed and take into account disaster and climate risks. We fully support making disaster and climate risks management a core part of WBG strategy. This effort will help to institutionalize DRM and build up a body of knowledge and experience that can be shared among clients and the development community.

Climate related natural disasters are increasingly frequent and destructive. The WBG has responded very quickly to assist countries affected by such natural calamities and have taken the lead to coordinate among bilateral and multilateral agencies. The Crisis Response Window (CRW) of IDA is a very valuable instrument designed to respond to such calamities. In this regard, we welcome the swift response of the WBG to the catastrophic Tropical Cyclone Ian that struck Ha’apai islands of Tonga on 11 January 2014, and the arrangements to access USD10 million from CRW of IDA for much needed reconstruction work.

On a broader note, we must note that small island states are particularly vulnerable to climate induced disasters. Natural disasters disproportionately affect a large percentage of the population and set back economic progress. The very survival of island states is being threatened by climate induced rising sea level. A longer term risks management, adequate funding and access to climate change funding are urgently required. On this note, we urge the WBG to use its convening power, deep knowledge and experience on disaster and climate risks management to recognize the vulnerability of small and island states and work with development partners to increase access to climate finance funds and intensify ex-ante disaster and climate risk management.

**Conclusion**

The post crisis economy and the challenges it poses provide a real opportunity for the WBG to demonstrate the operationalization of the strategies and effectiveness of the organizational and operational reforms. Clients must see a tangible difference in the quality of engagement, the alignment of intervention to the twin goals and country priorities. We are confident that the Management of the WBG would step up to the high standards and expectations of Governors. We are encouraged that President Kim would seek client feedback systematically on WBG effectiveness. We again reiterate our support for the reform initiatives and look forward to periodic updates.