

Statement by Stefan Koeberle
Director, Strategy, Results, Risk -- Operational Policy and Country Services
World Bank Group

Special Thematic Event
**“Building Synergy and Coherence in the implementation of the Istanbul Programme of Action in
the context of the 2030 Sustainable Development Agenda”**
New York, February 11, 2016

It is a pleasure to participate in this event today to inform the upcoming mid-term review of the 2020 Istanbul Program of Action. The World Bank Group is committed to the Istanbul objective of helping 50% of the Least Developed Countries graduate from that status by 2020. Although only four countries have graduated, many more look to be on their way, which is encouraging, but we can and should do more. The World Bank is committed to the Sustainable Development Goals intended to help end poverty and hunger, improve health and education, make cities more sustainable, mitigate climate change, and protect our oceans and forests by 2030 through significant policy interventions.

We meet today to review the synergy and coherence between the Istanbul 2020 and the SDG 2030 Agendas. Both agendas are in fact central to the achievement of the World Bank Group’s twin goals of ending extreme poverty by 2030 and promoting shared prosperity. The World Bank Group development agenda is intended to progressively reduce the percentage of people living on less than US\$ 1.25 a day from 18% in 2010 to 9% in 2020 and 3% by 2030. Our interventions are also intended to improve the living standards of the bottom 40% of the population in every country. These twin objectives of our institution are not irrelevant to Istanbul 2020 and the SDG 2030.

The 48 LDCs are some of our core clients. The LDCs account for 12% of the world’s population but less than 2% of the global GDP and 1% of the global trade in goods. Many are conflict-affected. A few are small-island states. All suffer from capacity and institutional constraints. The average GNI per capita in 2014 was just US\$ 844. Development interventions in the LDCs, while high-risk, are also high-return. It is clear that the LDCs require a sustained flow of concessional and long-term finance. Let me share my thoughts on how we could perhaps address the resource gap.

The International Development Association (IDA), the arm of the World Bank Group that supports the poorest countries, had provided more than US\$ 22 billion in support for fragile and conflict affected countries, all LDCs, since 2000. IDA in fact had allocated US\$7.5 billion or about 47% of its total resources to LDCs between July 2010 and June 2013. IDA17, which runs until June 2017, prominently addresses key themes in the Istanbul Program, including sustained growth, building human capacities and enhancing resilience. But this in itself is insufficient. One has to also emphasize domestic revenue mobilization.

While the LDCs have recognized that investment in infrastructure and human capital is key to poverty reduction and shared prosperity, they correctly emphasize that growing fiscal pressures and international conditions present challenges to the mobilization of concessional finance. I would like to allude to the fiscal dimensions of resource mobilization for LDCs.

GDP growth in the LDCs was 4.5% in 2015. While this is anticipated to rebound to 5.6% in 2016, it remains short of the SDG target of a minimum 7% annual GDP growth in the near term. On the fiscal front, over the last three years several LDCs introduced fiscal stimulus measures to cushion the impact of

the recent global economic crisis. Several countries, like Cambodia, have created labor intensive public works programs while others, such as Senegal, strengthened or introduced cash transfer programs. The crisis forced several countries to also adopt legislation to improve the efficiency of public expenditure. In countries like Ethiopia, improved subsidy programs were designed to better target the poor and vulnerable at less cost. These counter-cyclical measures served countries well. But as we emerge from the crisis, many of the LDCs no longer have the fiscal space needed to restore growth to pre-crisis levels or accelerate growth. The challenge therefore is for the LDCs to focus on rebuilding fiscal space.

This means strengthening domestic revenue. LDCs need to increase the efficiency of the tax and customs administration offices to collect more from those registered to pay and also broaden the base.

The World Bank strives to support such policy attempts at fiscal stabilization. Mobilization and effective use of public resources are critical for sustainable development. Tax evasion, tax avoidance, and illicit financial flows have become major challenges to efficient resource mobilization. We support LDCs in improving domestic resource mobilization and country tax systems. We have found that if we were to just take action on improved, more efficient and more equitable tax systems while stopping illicit financial flows, it will entail a much larger revenue windfall than ODA. Our research indicates that between 2 to 4 percent of GDP could be raised by just improving tax systems. A 2 percent increase among all developing countries equals three times the annual amount of ODA. The WBG has therefore pledged to provide direct technical support to improve domestic resource mobilization.

We have also committed to increase transparency so that there are no longer safe havens where stolen money can be parked. Transparency pertains to who is paying taxes where. The Base Erosion and Profit Shifting (BEPS) Agenda assumes an importance in this regard to ensure that multinational companies pay relevant taxes in the developing world. In fact, the annual global revenue losses on account of BEPS is estimated to be between US\$ 100 billion and US\$ 240 billion, resources that the developing world can use to good effect.

Poverty fighting efforts have likewise been constrained by a lack of data. 20 of the 48 LDCs had no poverty data or only one data point from 2002 to 2011. These gaps prevent analysts from identifying trends in how and whether countries make progress. There is a pressing need for improved data to both monitor progress and help design the needed policies and programs to meet the target. This includes harnessing the data revolution.

We have committed US\$ 300 million each year to ensure the availability of the Household Income and Expenditure Data in the poorest countries. This will be undertaken in the 79 poorest countries by 2020 and will include every LDC.

We are likewise committed to supporting the Global Partnership for Sustainable Development Data in partnership with the UN, technology companies, governments and private foundations. We support the World Data Forum for 2016. We are working to launch a \$100m TF to support both innovations in technology and how we work to trigger lasting changes in data production, accessibility, and use.

Now, a few remarks on the WBG's support for the 2030 Development Agenda is in order. On climate change and climate finance, the WBG with the support of our members will increase annual financing to \$29 billion. This will boost global efforts to help countries tackle the impact of climate change and move toward low-carbon growth.

World Bank research indicates that Africa, where 34 of the world's 48 LDCs are located, alone will require US\$ 5 to 10 billion a year to adapt to global warming of 2 degrees centigrade. The World Bank and its partner the United Nations Environment Program estimate that the cost of managing climate

resilience in Africa will rise to US\$ 20 to 50 billion by 2050 and closer to US\$ 100 billion in the event of a 4 degree warming.

In this context, the World Bank Group had unveiled a new plan in the run-up to COP 21 that called for US\$ 16 billion in funding to help the African states adapt to climate change and build up the continent's resilience to climate shocks. The plan is intended to boost the resilience of Africa's assets – its people, land, waters and cities as well as moves to boost renewable energy and strengthen early warning systems. If successfully implemented, it will prevent 43 million more Africans from falling into poverty between now and 2030.

Of the US\$ 16 billion that the plan proposes for fast-tracking climate adaptation in Africa, US\$5.7 billion is expected from the IDA. US\$ 2.2 billion is expected from various climate finance instruments, US\$ 2 billion from others in the development community and US\$ 3.5 billion from the private sector.

The MDBs have been similarly tasked with convening an Infrastructure Forum in mid-April to coordinate global efforts to address the infrastructure financing gap.

Small states – which include Small Island Developing States and LDCs - have also called for increased concessional aid flows through a revised multilateral and bilateral allocation. They seek our support in developing mechanisms to better access financial markets in a cost-effective manner, including through the provision of partial guarantees. Vulnerability considerations are particularly important for such states where natural disasters, increasingly magnified by the effects of climate change, routinely because damage equivalent to large fractions of GDP. Cyclone Pam for instance devastated Vanuatu in March 2015 and caused damaged in excess of 60% of that country's GDP.

In this context, the last several IDA replenishments have been very successful in putting in place more favorable conditions for small states. The annual base IDA allocation for small states almost tripled between IDA 15 and IDA 17. Countries whose per capita incomes historically put them well above IDA's operational cut off became IDA eligible under the small states exception, a fact that has contributed to a quadrupling of the Bank's IDA portfolio in the Pacific over the past 5 years. Special instruments such as the IDA Crisis Response Window have allowed many small states to tap into supplemental resources above and beyond their national allocations after major disasters. Finally regional IDA funds above and beyond the national allocation have been particularly useful for small states. The World Bank and the UNDP will conduct technical-level discussions next month to help identify vulnerability criteria that can be used to leverage increased levels of concessional finance for small states.

The WBG is strengthening partnerships at the global, regional and country levels. This includes with the UN and the UN system, MDBs, bilateral agencies, and our member states. We need to continue such efforts and work in partnership which is fundamental to achieving the SDGs. The WBG is now beginning discussions around the IDA 18 replenishment where we hope to make similar progress to meet the special needs of the LDCs.

It will be relevant to conclude my reflections on the 2020 Agenda by quoting the Bank President, Dr. Kim.

‘Our purpose is clear, our voice unwavering. No one should live in the abysmal conditions of extreme poverty, living on a dollar or two a day. Extreme poverty in our world is morally reprehensible, and more painful to witness with each passing day. We must urgently life a billion people from extreme poverty, help them to regain dignity, help them find hope, and help them change their own lives – and the whole world's future – for the better.

This is the defining moral issue of our time. We have an opportunity to bend the arc of history and commit ourselves to do something that other generations have only dreamed of’.