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> Governor's Statement No. 6 October 12, 2018

Statement by the Hon. **PETTERI ORPO**, Governor of the Fund and the Bank for **FINLAND** on behalf of the Bank Nordic-Baltic Constituency

## Statement by the Hon. Petteri Orpo,

Governor of the Fund and the Bank for Finland

We extend our warm expression of gratitude to the Indonesian government and the people of Bali for hosting the Annual Meetings on this beautiful island. During the past weeks, Indonesian people have been suffering from the devastating impact of the earthquake and tsunami on the island of Sulawesi. We express our deepest sympathies to those affected. We stand united with you as you recover from this tragedy.

The WBG capital package is a testimony to our enduring commitment to finding the cooperative multilateral solutions that benefit us all, and that we all need. The capital increase brings with it an unprecedented level of ambition: we need to start on the right path to deliver on that ambition as quickly as possible. With this package, we call on the Bank Group to show strong leadership in addressing global challenges, i.e. in ending poverty, tackling climate change and in closing the gender gap.

Implementing a comprehensive financial sustainability framework with a new governance and management framework will be crucial in supporting the long-term financial sustainability of the IBRD, as part of the achievement of the 2030 agenda. We look forward to a proposal on the new IBRD financial sustainability framework for establishing sustainable lending levels. We welcome the implementation of the IBRD loan pricing measure and the Single Borrower Limit, as well as its commitment towards operational improvements across the World Bank Group. We also welcome shifting more resources to areas of the world that most need financing. We strongly support all measures to improve organizational effectiveness, governance and the business model of the WBG.

The WBG must continuously work in close partnerships with other international organizations, particularly the other IFIs, the EU, the United Nations and other financing partners to address these challenges. We would like to highlight some of the key issues for the constituency in terms of what we expect from the Bank Group with the capital increase.

Addressing inequality and gender disparities is of vital importance in achieving the WBG Twin Goals of eradicating extreme poverty and boosting shared prosperity. Building human capital is the best way to reduce inequality and promote inclusive growth. While moving more resources to poor countries and situations of fragility, conflict and violence, it is important to address gender disparities in these difficult contexts.

The World Bank Group must also strengthen action to fight climate change. More ambitious targets are relevant for both mitigation and adaptation investment in the Bank Group's portfolio. As a co-operative we need to push for policy reforms such as eliminating fossil fuel subsidies, as subsidy reform is most significant from both an emissions reduction and a macroeconomic perspective.

Transforming the tax systems and combating illicit financial flows in developing countries is a key area in engagement with clients. Systematic country diagnostics and country partnership frameworks should systematically address domestic resource mobilization and illicit financial flows issues and management should provide regular updates on progress at the country level.

Meeting the Sustainable Development Goals requires vast amounts of resources that the multilateral organizations cannot provide alone. Even with the capital increase, the resources the Bank Group can provide are only a fraction of the amount that emerging and developing countries need. Mobilizing private capital is therefore the only viable option, and requires coordinated effort among multinational lenders. In this context, we commend the IFC on the progress it has made in transforming its business model with a view to prioritizing development impact and engagement in LICs, and underline our support for the reforms going on within IFC to deliver even more strongly in this respect.

Just as important as capital, is the quality of policies and institutions. As a trusted advisor to partner governments, we expect the Bank together with the IMF to play an active role in helping countries build the institutions needed for a well-functioning market economy. We also stress the importance of the World Bank and the IMF to step-up efforts to tackle the arising debt sustainability problems in timely manner. We expect the World Bank in collaboration with the IMF to deepen outreach to all creditors to promote debt transparency and, if needed, orderly debt restructuring to ensure debt sustainability.

To conclude, we want to congratulate the Bank on the recent capital increase, which gives it firepower to deal with emerging challenges and answer the calls outlined above.