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Governor of the Bank for **DENMARK**

**Statement by the Hon. Ulla Tørnæs,
Governor of the Bank for Denmark**

The global economy is turning the corner with growing trade, booming equity markets and recovering commodity prices. But the rate of global growth is lower than before the crisis and economic activity is weaker in several regions compared to recent growth spells. In major developing regions such as MENA and Sub-Saharan Africa growth continues to be subdued, providing a weaker economic push for countries to catch up.

Government debt and deficits are rising in emerging markets and developing countries accompanied by credit rating downgrades. This is a cause of concern and we call on the Bank and the IMF to pay particular attention to the pace at which domestic and external public debt is growing in low-income countries, including in formerly heavily indebted countries and commodity exporters. The risk of debt distress in these countries is underscored by three factors: 1. The likelihood of interest rate hikes; 2. The shift in the composition of debt from concessional sources of borrowing to the capital market, particularly for countries in Sub-Saharan Africa; 3 The shift from Paris Club creditors to other creditors.

This situation underscores the need to improve fiscal balances and crowd in more private finance and investment for development. With the more limited ability of governments to provide direct leverage, improvements in the quality of policies and institutions in a broad sense are the main levers for attracting financing for development from both domestic and foreign sources. They are also the keys to enhancing the efficiency and effectiveness with which resources are spent.

We strongly support the Bank's call to act now to take advantage of the cyclical upturn. The global economic upswing must be used to improve fiscal, monetary and financial policies and build buffers. Institutions and the business environment must be strengthened and investments made in both human and physical capital formation. The downside risks associated with geopolitical tensions, financial market stress, protectionism as well as climate change, conflicts and natural disasters, emphasize the need for global policy coordination.

We encourage the World Bank to continue exploring ways of using its balance sheets and standing to help de-risk investment in developing countries. And we call on the Bank to step up its effort to assist countries to improve their policies and institutions with a view to leverage both internal and external resources and enhance the development impact of spending. We fully support the approach launched by the Bank under the name of the "Cascade", which promises to address both these aspects of leverage.

By 2030, about half of the global poor are likely to live in only 35 countries characterized by fragility, conflict and violence. We therefore strongly support the Bank's focus on creating sustainable development solutions for countries affected by fragility, conflict, and violence. The Bank has a key role in strengthening the nexus between humanitarian efforts and development

The World Development Report 2018 *Learning to realize education's promise* documents that the remarkable advances made in getting children to school over the last 20 years have not been matched by comparable progress in their learning. Because learning is the key to enabling people to influence their own lives and that of their societies, the report rightly talks about a learning crisis.

From a national wealth perspective, human capital is overall the largest component of wealth in all but low-income countries, as President Kim has rightly pointed out. The Fourth Industrial Revolution is set to eliminate many of today's low-skill jobs. And remaining occupations will require new and more advanced skills. Investment in effective learning is simply a must if low-income countries wish to become more prosperous, seizing the opportunities and avoiding the pitfalls created by technological change. Education is also the most effective way to provide poor people the means to put poverty behind them. And in the context of human capital formation, girls' and women's rights, choice and empowerment is key. "When improving learning becomes a priority, great progress is possible".

We call on the Bank to use its convening power and large presence in education to take the lead in helping countries to address this crisis. As the Bank points out, education is complex and poor learning outcomes are often caused by a misalignment of incentives amongst the key actors. Because of this, we encourage the Bank to carry on with the idea of setting up an international reference for countries' performance in learning and other human development dimensions. We are convinced that this kind of peer pressure can lead to better learning outcomes. "Any country can do better, if it acts as if learning really matters".

With the vision outlined in the Forward Look, the World Bank Group has the policy backing to act as a key force in the accomplishment of the goals on the 2030 Agenda. To deliver on this and related issues of global concern we need to seek solutions multilaterally – and the Bank is center stage to this ambition.

We need a stronger IBRD and IFC, capable of stepping up to these challenges alongside IDA and MIGA. We – the countries in Nordic-Baltic constituency – call on the World Bank Group to further intensify its work on gender equality, climate change and the need to build resilience through better integration of humanitarian and development work.

We look forwards to engaging in discussions with management and shareholders between now and the Spring Meetings to settle outstanding questions related to securing the financial strength needed by the IBRD and IFC.

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