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Statement by the Hon. **SVEN SESTER**,
Governor of the Bank for **THE REPUBLIC OF ESTONIA**,
on Behalf of the Nordic and Baltic Countries

Statement by the Hon. Sven Sester,
Governor of the Bank for the Republic of Estonia,
on Behalf of the Nordic and Baltic Countries

Ladies and gentlemen,

The Nordic-Baltic constituency, consisting of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden congratulates President Kim on his re-election. We look forward to continued and engaged cooperation with the World Bank Group under his leadership and vision, fully trusting that measures will be taken to build trust and morale within all parts of the organization.

The ambition demonstrated in the “Forward Look – A Vision for the World Bank Group in 2030” is commendable and well founded. We support the intention of the World Bank Group to stay relevant globally and to all clients when targeting the Twin Goals and the Sustainable Development Goals. It is clear that different level and type of support and products should be offered to countries depending on their actual challenges and level of development. It is important that we as shareholders now share a common view about the future of the World Bank Group - and that we would be ready to contribute with necessary means to jointly implement an agreed and ambitious vision, starting with the IDA 18 replenishment. Financial sustainability and the highest rating of the Bank are part of the foundation on which we rely when we are asking the Bank to do more and to do better. We must therefore consider measures to generate adequate income, keep the expenditures under prudent restraint and start the conversation on a possible capital increase on the basis of the Forward Look.

The Nordic Baltic constituency also welcomes the progress achieved in the discussions leading up to the regular shareholding review. The new dynamic formula and the principles for the shareholding review present a good compromise for our cooperative development institution. All shareholders, including the smallest and poorest should feel relevant and the upcoming review process must be kept transparent and rules based.

Over the years the Bank’s relative importance in capital flows to the developing countries has been reduced, but it is still well equipped with vast knowledge and wide array of financial and advisory instruments. It can play a key development role in many client countries, especially when joining efforts and ensuring coordination with other donors, the regional development banks, the UN and the private sector.

To achieve the Twin Goals the Bank must continue supporting inclusive economic growth and investment in human capital. The Nordic and Baltic countries will continue to insist on full integration of gender equality and respect for human rights into the Bank’s regular

business as well as high ambitions on climate change. On both climate and gender, the focus must be on the implementation of commitments. Closing the gender gap in key sectors is smart economics as it benefits countries as a whole and increases growth prospects.

Our constituency welcomes the increased emphasis of the WBG work on fragile, conflict and violence situations. In many countries weak governance and limited institutional capacity are among the main impediments to inclusive growth. The lessons from the 2016 World Development Report on Digital Dividends and the upcoming 2017 report on Governance and the Law are therefore very important and must feed into the Bank's work. These lessons can be particularly valuable in domestic resource mobilization. Improving the flow of taxes and other income into government coffers will be a key factor and source to achieve the Sustainable Development Goals. Many client countries are facing challenges in collecting taxes and spending their limited resources effectively. The Bank Group must prioritize its support to strengthening clients' capacity to develop and implement sound tax policy and back the use of smart digital solutions where possible.

As we all know, illicit financial flows pose an immense challenge to political and economic security, especially in the developing countries. Corruption, illegal exploitation of natural resources, fraud in international trade and tax evasion are as harmful as the diversion of money from public priorities. The Bank Group can use its technical expertise, knowledge and convening power to bring developed and developing countries, international organizations, and standard setting bodies to work together on reducing illicit financial flows and returning illegal assets, to coordinate global activities and individual country work, and to help shape global standards and promote smart and innovative solutions. We call on the Bank to work out a Plan of Action on its role in preventing illicit financial flows, as a follow-up to the Stocktaking Report presented in April.

We encourage the bank to continue the work on Trust Fund reform and a better integration of TF financing with the overall budget process.

Thank you for your attention.