Finance, Development and Jobs
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We cannot deny that unemployment is a global challenge and numbers are growing. The UN estimated that there were over 201 million unemployed in 2014; a disproportionate number of those being women and youth. Global economic growth depends upon those men, women and youth getting work. The World Bank Group plays a critical role in working with emerging markets and developing economies to create jobs, sustainable livelihoods and equitable growth.

Business growth is at the heart of the development process and finance is critical to that growth. Consider for a moment the shift that we are experiencing in today's financing model: a new regulatory framework where we need to encompass everybody; development banks recognize their limits; and commercial banks pull back from long-term finance. The Bank Group recognizes that overseas development assistance will remain central to financing development, but believes it can be used more strategically to unlock, leverage and catalyze private flows and domestic resources. Indeed it must – if we are to meet the needs of the 1 billion people still living in extreme poverty.

Despite the perception that the years leading up to the global crisis were years of significant bank credit growth, this was not the case when it comes to the majority of developing countries. In these countries, private credit to GDP has been relatively stagnant over time since the 1990s. Furthermore, as shown in the World Bank Group's forthcoming publication, the Global Financial Development Report on Long Term Finance, most bank financing in developing countries continues to be short-term.

While finance is often seen as a problem, there are examples of its value as a solution for development.

The **Global Financing Facility for Every Woman Every Child** (or GFF) is designed in consultation with a wide array of development partners. It will help mobilize additional domestic and international financing from public and private sources. GFF will support country plans to scale up and sustain essential, quality health services for women, children, and adolescents and end preventable deaths by 2030.

The **Pandemic Emergency Financing Facility** (or PEF), jointly developed by the Bank Group, WHO and other partners, aims to channel funds swiftly to finance efforts to contain dangerous epidemic outbreaks and help prevent costly pandemics. The PEF will be designed to promote better coordinated and more efficient national and global preparedness efforts and incentivize country

investments in pandemic preparedness and prevention. It will leverage private resources and help create a new market for pandemic insurance in developing countries.
These two examples reflect new financial tools that can be used and diffused for the global common good.

At the country level, it is important to get the fundamentals right to foster financial deepening and to lengthen the maturity of bank finance. This means pursuing policies that yield macro stability, adopting a strong property and creditor rights framework, promoting bank competition, and having the required financial infrastructure, such as credit information systems and movable collateral registries. In many countries, bank credit has not always grown following these reforms. Moreover, even in countries that have exhibited credit growth, this has been primarily in consumer or housing finance but not in business finance.

Small and medium enterprises and young firms are especially critical for job growth. The IFC estimates that more than 200 million formal and informal micro, small and medium enterprises (MSMEs) in developing economies are either unserved or underserved in terms of their financing needs. **But, because these tend to be risky and opaque, obtaining financing for them is more challenging than for larger, more established firms.** While promoting the flow of finance to these businesses is important, we cannot ignore other initiatives. For microenterprises, access to other financial services such as savings and insurance might be more important than credit. For young firms, private equity, venture capital or angel financing might be key.

For individuals, access to finance can literally mean life or death. Aside from purchase power, access to savings products can have important benefits. It can help empower women, increase productive investment and consumption, raise productivity and incomes, and increase expenditures on preventive health. Today, 73% of poor people are unbanked because of costs, travel distances and the often-burdensome requirements involved in opening a financial account. The Bank Group and partners have set an ambitious goal to achieve **Universal Financial Access** (UFA) for working-age adults by 2020. The goal envisions that adults worldwide will be able to have access to an account or an electronic instrument to store money, send payments and receive deposits. The introduction of new technologies, transformative business models and ambitious reforms will make this achievable.

There are still many challenges in business finance. And structural reforms might still be required in many countries. However, for others the growth of business finance might hinge on developing new sources of finance distinct from bank credit and providing a more complete range of financial services to enterprises.

Technological progress can be a significant driving force behind economic growth, citizen engagement and job creation. The internet is changing how we work, how managers access talent and extend jobs and allowing individuals to perform work from anywhere in the world. Yet digital entrepreneurship requires a technical infrastructure that meets business needs. Just as importantly, digital entrepreneurs need access to finance.

A fundamental cycle indeed.