

Statement of Steven T. Mnuchin for the Development Committee

April 21, 2017

Development Committee Statement

I look forward to productive Spring Meetings of the World Bank and the International Monetary Fund. I hope these Meetings will enable us to advance our common goals of creating the conditions for stronger global growth that helps reduce poverty around the world.

We meet during a period when the U.S. economy continues to expand at a steady pace, and forecasts suggest stronger growth this year and next. Nevertheless, we recognize that the U.S. economy continues to face both internal and external challenges, and in response are undertaking an ambitious policy agenda that includes tax reform, deregulation, and infrastructure investment to sustainably raise U.S. economic output and employment. A faster growing United States will be a boost for the global economy.

While there have been encouraging signs recently that global growth is strengthening, the recovery is not yet firmly enough entrenched to ensure a self-sustaining cycle of global demand growth and reflation. And other challenges remain, reiterating the urgency of concerted action to achieve strong, balanced, and more inclusive growth. In particular, the risks in Sub-Saharan Africa are acute, as evidenced by the growing number of food crises. Through its convening power and financing, the Bank is enabling decisive humanitarian action to address the devastating famines in Africa and the Middle East. We also welcome the Bank's leadership in exploring, consistent with its mandate and comparative advantage, how to alleviate the short-term impact of the current crisis and strengthen resilience through targeted investments over the medium- to long-term.

The Eighteenth Replenishment of the International Development Association (IDA-18)

The United States is committed to remaining a top donor to IDA. Despite a highly constrained budget environment, President Trump plans to submit a robust request to Congress to support the landmark IDA-18 replenishment. IDA's innovative financing framework will help to ensure that adequate resources, including those generated by the Bank's own balance sheet, are available for the world's poorest and most vulnerable.

We welcome the reform commitments that underpin this IDA replenishment, especially greater attention to fragile and conflict-affected states. The World Bank is well positioned to address some of the underlying causes of instability and lay the groundwork for stronger and more resilient economies that attract private investment to create much-needed jobs and opportunity for youth across the developing world.

We also commend IDA's focus on conflict prevention through more effective risk assessments, earlier interventions, and stronger cooperation across the spectrum of state and non-state institutions. These efforts should have positive benefits beyond conflict prevention, such as reducing the threat of conflict-induced food crises.

Private Sector Development

We applaud the World Bank's emphasis on the private sector as the engine of growth and the launch of a bold strategy intended to unleash private investment in the world's poorest countries. We welcome the ambitious scale of the endeavor – to actually create markets in poor economies – and hope that the new joint International Finance Corporation (IFC)-Multilateral Investment Guarantee Agency (MIGA)-IDA private sector window proves catalytic in furthering this objective. Private sector development that actually boosts growths and improves livelihoods in the world's poorest nations is a difficult task. By leveraging private investment and systemically addressing risks, the private sector window and the Bank as a whole are positioned to support job creation and create opportunities in the most difficult environments.

More inclusive growth, a focus of discussions this week, means creating opportunities across the breadth and depth of our societies. Critically, this includes boosting women's economic empowerment, especially through entrepreneurship, an aim shared by this Administration. We look forward to collaborating closely with the World Bank and other shareholders to deliver on this exciting agenda.

As we seek to appropriately stimulate private sector growth as a means to foster investment and create jobs and opportunity, we need to be extremely judicious in the use of public resources. This is particularly true when it comes to financing state-owned enterprises, especially in projects intended to support cross-border expansion.

Business Model

We take note of the rich discussion among shareholders and Management on the collective vision for the World Bank Group. In this context, we would like to underscore three points.

First, continued high lending to countries above the Bank's own graduation threshold is problematic since it diverts limited Bank resources to countries with substantial access to other sources of finance; we therefore endorse the proposed shift in allocation to lower middle-income countries that have more difficulty accessing the financing needed to fund their development.

Second, we believe that more can be done to optimize the World Bank's balance sheet to avoid a precipitous decline in lending, and we look forward to discussing a full suite of options at a later date. For this reason, we do not view the original schedule for considering the Bank's capital position as necessary or realistic.

Finally, we believe that the Bank must continue to strengthen its focus on outcomes, results, and accountability. Strengthening project design, monitoring, evaluation, and supervision are crucial to effective delivery. Adequate resources and incentives need to be dedicated to these activities – including to implement fully the new environmental and social framework approved last year – so that we can measure the Bank's success based on development outcomes, not just the dollar value of projects. Strong accountability also requires mechanisms that are independent and able to identify weaknesses in project design and delivery. In this vein, the modernization of the Bank's Inspection Panel is necessary to keep pace with best practices.

We look forward to continuing our strong and effective partnership with the Bank and other shareholders.