Statement of Steven T. Mnuchin for the Development Committee

October 31, 2017

I am delighted to welcome fellow delegates to Washington, DC, for the Annual Meetings of the World Bank and the International Monetary Fund. The global economy continues to strengthen but remains below potential. The current period of currency stability and absence of financial crises provides an ideal opportunity to implement policies and reforms that will lead to stronger, more sustainable, and better balanced global growth.

Achieving stronger growth requires concerted policy action, both individually and collectively. Each of us should be reassessing our optimal policy mix, which will vary across member countries. We believe every country should comprehensively revisit its regulatory regime and find ways to reduce barriers that stymie private sector investment. Indeed, with a surfeit of capital available globally, greater focus is needed on developing the policy and regulatory environment needed to attract private investment. Countries should also assess whether their tax systems provide sufficient incentives to the private sector to mobilize capital and labor. And we should all be evaluating public sector spending policies to improve expenditure efficiency. Concurrently, each of us should focus on fostering sound economic fundamentals that can support more stable exchange rates; greater stability of exchange rates will reduce business uncertainty and lead to more investment and stronger economic growth. At the same time, we need to work to mitigate threats to our global prosperity.

I look forward to engaging with my colleagues on strategies for boosting inclusive growth. I believe that the World Bank — through its role in crisis response, support for entrepreneurship and the private sector, and a greater emphasis on development impact, including promoting stronger business environments and enhanced energy security and access, which are critical for growth and poverty reduction — could serve as an important partner in this endeavor.

RESPONDING TO NATURAL DISASTERS IN THE CARIBBEAN AND MEXICO

Our deepest sympathies are with the communities throughout the Caribbean affected by Hurricanes Irma, Harvey, and Maria, and with the victims of the earthquakes in Mexico. We welcome the World Bank's offer to provide support, and for its leadership and speed in mobilizing resources to help devastated island nations rebuild and restore livelihoods. We believe a key objective of these Annual Meetings should be to reflect upon and identify whether there are options to further strengthen our toolkit in disaster risk management and recovery, especially for the most vulnerable members of the global community.

SUPPORTING WOMEN ENTREPRENEURS

We welcome the approval of the Women Entrepreneurs Finance Initiative, and applaud the leadership of President Kim in facilitating its swift development and securing robust donor support. By creating a holistic public and private sector approach to addressing the constraints faced by female entrepreneurs, this facility will help fill a major gap in women's access to finance. The United States has pledged $50 million to the facility, subject to the availability of appropriations, and we encourage other donors who have not stepped forward to do so.

MAXIMIZING THE DEVELOPMENT IMPACT OF WORLD BANK CAPITAL

We recognize the interest among many shareholders in growing the World Bank's capital base. We have also observed that much of the discussion has focused on the desire to provide more capital, rather than assessing the need for capital or the steps to maximize its effectiveness. More capital is not the solution when existing capital is not allocated effectively. Demand for cheap capital will invariably exceed its supply—the key is to ensure that these resources are deployed where they are needed most and can achieve effective and sustainable results. In this context, strong frameworks for project design, monitoring, evaluation, and robust and timely supervision are critical. Strong environmental and social safeguards are key to ensuring that World Bank projects protect people and mitigate risks to the environment. We look forward to the launch of the new Environmental and Social Framework (ESF) in 2018 and the adoption of the recommendations from the Task Force on Gender-Based Violence, which will enable the World Bank to further improve upon its procedures to protect people and the environment. Moreover, we welcome efforts underway to strengthen and modernize the World Bank's independent accountability mechanism so that communities and affected people have a strong voice and an avenue to express grievance.

We expect significant progress on several key issues in the context of developing a menu of options to strengthen the capital base of the International Bank for Reconstruction and Development (IBRD). Specifically, we want to see a significant shift in allocation of funding to support countries most in need of development finance, including through a credible application of the World Bank's graduation policy. We recognize that the World Bank has a role to play among its wealthier and more creditworthy borrowers, but in our view this role should focus on knowledge transfer, and engagement should be tailored to help fully transition these borrowers off donor assistance.

In addition, we want the Bank to put forward a framework that can create a financially self-sustaining World Bank in which organic capital accumulation is sufficient to support future lending targets.

While we appreciate the Bank's effort to curtail spending through its expenditure review, we see scope for further budget discipline, especially with respect to compensation and the Executive Board budget.

And lastly, we are looking to the World Bank to take steps to better calibrate its lending levels with financial sustainability.

CATALYZING PRIVATE SECTOR DEVELOPMENT

We welcome the International Finance Corporation's (IFC's) strategic commitment to create markets, increase efforts to mobilize private capital through the World Bank Group's "cascade" approach to financing, and better ensure that IFC projects achieve meaningful development impact. We are particularly supportive of IFC efforts to partner with the World Bank on identifying constraints to private sector investment in borrowing countries, and addressing those constraints through the full range of World Bank Group (WBG) programs.

We welcome the key pillar of this approach — that the WBG will not provide financing if the private sector is able to do so. Nevertheless, projects continue to come forward where this test is not met. We encourage robust application of IFC's new tool for assessing the additionality of its proposed investments and enhanced efforts, including cooperation with other multilateral development banks, to measure the additionality that IFC brought to completed investments.

With respect to IFC's concerns about the scope for increased lending volumes absent a capital increase, especially to fragile and conflict-affected states and International Development

Association (IDA) countries, we note that we have been responsive in two ways: first, the decision under IDA-18 to channel $2 billion through the IFC represented a major shift in IDA's financial model and is enabling greater IFC engagement in risky markets; second, the significant reduction in IFC transfers to IDA is helping to shore up IFC's capital base. We look forward to seeing how these capacity enhancements translate into results and effective private sector development through the IFC's updated business approach.

ENSURING PRUDENT DEBT MANAGEMENT

The United States remains committed to IDA as the premier source of development finance for the world's poorest countries. We welcome the launch of IDA-18—with its ambition, new tools, and facilities, in addition to renewed focus on IDA's poorest borrowers, we are confident that IDA-18 will generate significant and lasting development gains. That said, we want to highlight one potential risk factor, which is the accumulation of debt among IDA countries that could hamper medium and long term growth prospects. We strongly endorse the implementation of the new World Bank-International Monetary Fund Debt Sustainability Framework, and urge all shareholders to adhere to the World Bank's Non-Concessional Borrowing Policy, especially non-Paris club creditors whose lending to countries that have completed the Heavily Indebted Poor Countries (HIPC) process has surged in recent years. We also call on IDA borrowing countries to fully disclose to the World Bank and the International Monetary Fund all of their public and external debt and liabilities, including those to private sector entities.