

Development Committee Statement by Secretary Mnuchin

October 13, 2018

Bali – *U.S. Treasury Secretary Steven T. Mnuchin issued the following statement at the Annual Meeting of the Development Committee of the World Bank and International Monetary Fund:*

I want to thank the Government of Indonesia for hosting the Annual Meetings of the World Bank and the International Monetary Fund. I appreciate the warm hospitality that our Indonesian hosts have extended. I offer my sincere condolences to those affected by the recent earthquake and tsunami in Sulawesi, especially to the family members of those tragically lost. The international community, including the World Bank Group, should stand ready to assist Indonesia with both the immediate recovery, as well as long-term rebuilding and investments in disaster preparedness. I ask friends of Indonesia to do what they can, and the United States will continue providing logistical and other assistance as we continue our coordination with Indonesian authorities.

STRENGTHENING GLOBAL GROWTH

Implementation of pro-growth policies has supported continued expansion of the U.S. economy. In turn, the strength of the U.S. economy has contributed to global growth and a brighter outlook for investment and private-sector job creation. This should help raise productivity and growth over the medium term. However, the global expansion is not as widespread as it was when we met six months ago, and some countries face financial volatility resulting from domestic vulnerabilities and external pressures. In order to establish a secure foundation for strong and broad-based growth across the global economy, countries must act decisively to strengthen economic policy frameworks and pursue sound monetary policies to address macroeconomic and financial vulnerabilities. They must also pursue structural reforms that will generate meaningful increases in median household incomes.

I look forward to engaging with my colleagues to promote a strong development agenda that focuses on improving the conditions for private sector growth, prudent macroeconomic management, and the rule-of-law. We note the importance of enhanced energy security and access to boost growth and alleviate poverty. Targeted investments in health and education,

and a greater focus on women's economic empowerment are also critical to strong economic growth. The Women Entrepreneurs Finance Initiative (We-Fi) is a powerful example of the United States' broader efforts to empower women worldwide to fulfill their economic potential, and in doing so, create conditions for increased stability, security, and prosperity. We welcome the successful first round of funding allocations for the We-Fi and look forward to the second call for proposals.

IMPLEMENTATION OF WORLD BANK GROUP REFORMS

The transformative set of reforms decided at the Spring Meeting are aimed at strengthening the financial discipline of the International Bank for Reconstruction and Development (IBRD) and devoting a greater proportion of World Bank Group resources to poorer and more vulnerable countries. The IBRD loan price increases and staff compensation reforms that went into effect in July were important initial steps in implementing the reform and capital package. Going forward, robust implementation of IBRD commitments on the financial sustainability framework and more meaningful application of the graduation policy will be critical. The Board of Directors should ensure that the financial sustainability framework establishes a crisis buffer that is sufficiently large to allow the IBRD to meaningfully respond to regional or systemic shocks without seeking additional shareholder capital or reducing the transfer of IBRD resources to the International Development Association (IDA). On graduation, the IBRD must credibly assess the graduation-readiness of eligible countries and focus engagement on addressing the constraints to graduation per the established policy. For IFC investments in those countries, a higher threshold for determining financial additionality should be applied.

EMERGING AND LOW-INCOME COUNTRY DEBT VULNERABILITIES

High and rising debt levels in emerging and low-income countries continue to be a key risk to global growth and sustaining progress on development outcomes. The World Bank and IMF have key roles to play in addressing these issues by assisting countries with enhancing domestic resource mobilization, improving the efficiency and effectiveness of public expenditure, developing more robust reporting standards, and strengthening countries' institutional capacity for assessing and managing their own debt-related risks. To this end, we strongly support the World Bank and IMF multi-pronged work agenda to enhance public debt transparency and sustainability and look forward to its full implementation. Improving the transparency and comprehensiveness of debt data as it relates to publicly guaranteed and contingent liabilities is

critical for more effective debt sustainability assessments and policy responses to debt-related risks. The United States stands ready to support countries' efforts in this regard.

SECURING IDA COMMITMENTS

IDA-18 included a wide range of reforms. The forthcoming IDA Mid-Term Review is a welcome opportunity to do an initial stocktaking of those reforms and begin work on how we can build on them. Donors should consider how IDA can better ensure debt sustainability among IDA recipients and discuss improvements to the transition process for countries to moving from IDA to IBRD. We will continue to support IDA's prioritization of assistance for states experiencing fragility, conflict, and violence. We also look forward to the upcoming discussions on revising the World Bank's Non-Concessional Borrowing Policy and enhancing the Bank's response to countries taking on potentially unsustainable external debts.

INCREASING ACCOUNTABILITY

As part of the capital increase related reforms and the IDA-18 replenishment, the World Bank Group is scaling up operations in higher-risk environments, including countries experiencing fragility, conflict, and violence. Managing these risks effectively and achieving the desired development impacts will require rigorous implementation of the new safeguards regime, the Environmental and Social Framework, which started on October 1. At the same time, the World Bank Group's independent accountability mechanisms – the Office of the Compliance Advisor Ombudsman (CAO) at the IFC and MIGA, and the Inspection Panel at IBRD and IDA – must also be in the best position possible to fulfill their mandates and provide adequate redress, especially for vulnerable communities. To this end, I look forward to the Executive Board's approval of a range of important reforms to the Inspection Panel later this month, including approval of monitoring and dispute resolution functions, and the launch of an external expert review and reform process of the CAO later this fall. The United States also sees the need to strengthen the system of accountability for contractors further by expanding the list of offenses open to sanction to include acts of gender-based and other forms of violence in World Bank Group financed projects. Given recent high profile cases where gender-based violence occurred in World Bank projects, we would like to see a formal process for developing the new sanction launched as soon as possible.

FINTECH AGENDA

We broadly welcome the IMF and World Bank Group's work to enable responsible financial innovation and increase financial inclusion. We support the Bali Fintech Agenda given its stated purpose as a summary of high-level issues for consideration by member country authorities. In particular, it is important to reiterate that the agenda does not aim to provide specific guidance or policy advice. We urge the World Bank Group and IMF to focus on work that falls within their respective mandates, such as monitoring fintech developments and sharing information, and refrain from duplicating work that falls within the remit of standard-setting bodies or promoting relatively untested regulatory regimes across their membership.

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