

Statement of Treasury Secretary Mnuchin For the Development Committee

April 13, 2019

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

We welcome the delegates of the Spring Meetings of the World Bank Group and International Monetary Fund to Washington, D.C. We hope that all of the participants have successful and productive meetings as we seek to address many of the consequential issues facing our world today.

ENSURING STRONG LEADERSHIP OF THE WORLD BANK GROUP

The United States congratulates David Malpass on his selection to serve as the next president of the World Bank Group. During his time at the U.S. Treasury Department, Mr. Malpass worked to achieve strong economic growth at home and make necessary reforms to refocus the international system on promoting broad-based growth and shared prosperity. We expect Mr. Malpass to bring the same enthusiasm to his new role.

At the same time, we thank former president Dr. Jim Yong Kim for his service to the World Bank Group. Dr. Kim's focus and leadership on eliminating extreme poverty, boosting shared prosperity, and better tapping into the World Bank's deep knowledge to help countries achieve improved development outcomes have benefited the Bank and shareholders. Importantly, he brought his expertise in the health sector to prioritize human development as a core part of the institution's efforts to reduce poverty and increase growth.

Interim President Kristalina Georgieva has served admirably and proven her commitment to the World Bank's mission. We appreciate Dr. Georgieva's strong leadership and look forward to working with her as CEO of the World Bank.

DETERMINED ACTION CAN REIGNITE STRONG GLOBAL GROWTH

Strong underlying fundamentals and pro-growth policies powered the U.S. economy to its best growth performance in over a decade in 2018. Nonetheless, the global outlook has weakened since we last met, and determined action is needed to return the global economy to strong, broad-based expansion. Countries with muted growth or macroeconomic imbalances need to proactively address economic and financial vulnerabilities and strengthen domestic policy frameworks.

DEBT TRANSPARENCY AND SUSTAINABILITY IN EMERGING & LOW-INCOME COUNTRIES

Emerging and low-income countries need to be vigilant about the risks to growth and financial stability from elevated debt levels, particularly when that debt is denominated in foreign currency. Governments should foster strong economic fundamentals that will support robust growth and reduce the real burden of debt, while also carefully considering the purpose and financial structure of future borrowing. Additionally, the international community needs to strengthen standards around reporting and transparency of debt obligations.

The World Bank and IMF continue to play key roles in helping countries to strengthen institutional capacity for assessing and managing their own debt-related risks. The United States strongly supports the ongoing IMF/World Bank multi-pronged agenda for addressing emerging debt vulnerabilities. We will work with other member governments to track progress to help ensure that the multi-pronged agenda is effective at bolstering debt transparency and sustainability. As a complement to these efforts, during negotiations for the 19th replenishment of the International Development Association (IDA), IDA Deputies should also consider reforming the financial incentives within IDA to encourage governments to make fiscal and borrowing decisions that are more growth-enhancing, prudent, and transparent.

STRUCTURAL REFORMS NEEDED TO SUPPORT GLOBAL GROWTH AND POVERTY REDUCTION

We urge countries to pursue productivity-enhancing structural reforms to durably raise medium-term growth prospects. Improving the business sector climate through simplification of regulations and strengthening bankruptcy protections will support entrepreneurship and job creation. Stronger anti-corruption efforts and better enforcement of the rule of law will

encourage private investment. Investments in infrastructure and energy generation and transmission are necessary to address poor regional connectivity and energy poverty respectively, which constrain development in many countries.

Critically, governments and the private sector must remove the impediments for full participation of women and young adults in the labor force, which will increase productivity and long-term growth. We commend the Governing Committee of the Women Entrepreneurs Finance Initiative (We-Fi) for completing its second round of funding decisions. We-Fi's founding intention to break down systemic barriers for women-owned small and medium enterprises shows commitment globally to these kinds of structural reforms.

CONTINUED REFORM OF THE WORLD BANK GROUP

The reforms included in the capital package for the International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) closely align with U.S. national security, foreign policy, and economic priorities by placing the World Bank Group in a stronger position to support growth and poverty reduction. We are encouraged by the introduction of differentiated loan pricing, with wealthier borrowers now contributing more progressively to IBRD's capital resources. We continue to expect that Country Partnership Frameworks for countries above the graduation income threshold will clearly identify the gaps to graduation and primarily target the development constraints that hinder the country's graduation. We expect the Board of Executive Directors to approve a financial sustainability framework and crisis buffer that is robust and in line with the IBRD's exceptional responses in past crises. In particular, we aim to ensure the World Bank Group can remain financially sound over the long-term and is appropriately equipped to provide support to countries during regional or systemic shocks. Continued restraint over the growth of the administrative budget, including compensation, reflects our priority that development resources must be managed efficiently and effectively. We expect to see additional progress in shifting a greater share of IBRD lending to countries below the graduation threshold. Finally, we are encouraged by the IFC's efforts to increase its investments within IDA-eligible countries and those affected by fragility, conflict, and violence, but IFC must ensure that its engagement truly catalyzes private investments that are growth enhancing and poverty reducing.

IDA'S FOCUS ON THE POOREST

Recognizing the critical role IDA plays in helping the poorest countries, and the depth of reforms and investment needed within the poorest countries, IDA Deputies must develop an ambitious set of policy priorities for the IDA-19 replenishment. In addition to encouraging strengthened incentives around debt management and transparency, we will continue to press for IDA's strong engagement in countries experiencing fragility, conflict, and violence, and we look forward to reviewing the progress made in these priority areas under IDA-18. IDA Deputies should also consider refinements to the Refugee Sub-Window, Crisis Response Window, and Private Sector Window, and build on progress from IDA's work on governance, gender and development, and jobs and economic transformation.

ENHANCING THE ACCOUNTABILITY OF WORLD BANK GROUP

The U.S. has been a strong advocate of independent accountability mechanisms since the early 1990s, when the World Bank first established the Inspection Panel. The Inspection Panel and the IFC Compliance Advisor Ombudsman (CAO) help ensure accountability of the World Bank Group's projects, improve development effectiveness, and provide a voice for those who may be harmed. Nevertheless, the accountability processes are ripe for modernization. The Inspection Panel needs a more complete set of tools, including monitoring and dispute resolution, so that it can offer solutions to problems caused by Bank investments. The IFC's accountability system also faces important challenges and we look forward to an external review to aid us in strengthening the IFC's accountability system as a whole. The CAO and the Inspection Panel should be should be adequately resourced proportionate to the risks and to the demands they face.

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