

Statement by Secretary of the U.S. Treasury Steven T. Mnuchin

October 19, 2019

Washington, D.C. – *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 extend warm greetings to the delegates gathered here in Washington, D.C., for the Annual Meetings of the World Bank Group and International Monetary Fund (IMF). These meetings provide us an opportunity to focus on the world's most pressing development challenges.

I want to thank Dr. Kristalina Georgieva for her service as Chief Executive Officer of the World Bank. We look forward to working with her in the same spirit of close cooperation in her new, well-deserved role as Managing Director of the IMF.

GLOBAL MACRO CONDITIONS AND DEVELOPING COUNTRIES

The U.S. economy continues to benefit from pro-growth policies and is a bright spot in the overall global outlook. But growth abroad has softened materially with risks of a further slowdown if countries do not take action to reinvigorate growth and bolster confidence. In countries where growth is weak and fiscal space available, fiscal policy can proactively support both near-term activity and medium-term prospects by reducing tax burdens and promoting investment. Structural reforms to boost private sector-led growth, sustained efforts to proactively address economic and financial vulnerabilities, along with continued investment in human capital, would help return the global economy to strong and broad-based growth.

CONTINUED ACTION TO ADDRESS DEBT VULNERABILITIES

Increasing debt levels among many emerging and low-income countries continue to be a primary concern. Unsustainable and opaque lending and borrowing practices undermine good governance and macroeconomic stability, ultimately weakening growth and poverty reduction. We welcome the progress to reduce debt vulnerabilities through the World Bank Group/IMF

multi-pronged work agenda. Appropriate fiscal management and debt disclosure are central to good governance and reducing the frequency and severity of debt crises. It is therefore critical that the World Bank Group, IMF, other multilateral and bilateral development institutions, and all borrowers and creditors work together to implement robust debt transparency and management practices.

THE NINETEENTH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA-19)

The United States views IDA as a key instrument for promoting prosperity and lifting people who live in the poorest countries out of poverty. Our goal is to ensure that IDA-19 is structured to best support borrowing countries and address their most pressing development challenges. Over the past year, IDA Deputies and World Bank Management have made progress developing an ambitious set of policy commitments for the upcoming IDA-19 replenishment. IDA-19 must remain focused on restoring stability in some of the most fragile countries, increasing women's economic participation, promoting economic transformation and private sector job creation, and encouraging good governance and accountability. We welcome the review of the Non-Concessional Borrowing Policy and the creation of the new Sustainable Development Finance Policy (SDFP) in an effort to enhance incentives for countries to improve their debt management and transparency policies. Given IDA's central position as the largest source of concessional development finance, and its contribution to achieving important development goals, we remain committed to supporting IDA. We also encourage emerging donors to recognize their increased responsibility to help the poorest countries.

ENHANCING THE ACCOUNTABILITY OF THE WORLD BANK GROUP

The United States has long been a strong advocate of independent accountability mechanisms, including pushing for the creation of the World Bank's Inspection Panel in the early 1990s. The Inspection Panel and the International Finance Corporation (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 World Bank Group projects may negatively impact. The World Bank Group has traditionally been a leader on accountability issues. However, as other multilateral development banks have evolved, and the World Bank has become increasingly active in more complicated and fragile environments, the accountability processes need to keep pace. We support providing the Inspection Panel with a

complete set of tools, including monitoring and dispute resolution, so that it can provide appropriate solutions to problems. 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 adequately resourced, proportionate to the risks and to the demands they face.

TRANSFORMING THE WORLD BANK GROUP

We look forward to continued progress implementing the capital package reforms to enhance the World Bank Group's focus on its core mission of reducing poverty and promoting shared growth. We welcome the development of the International Bank for Reconstruction and Development (IBRD) financial model, including establishment of a capital buffer, to ensure the sustainability of the capital package. We reiterate the importance of shifting resources towards poorer countries. We expect to see clear elaboration of how the World Bank Group will help move borrowers with per capita incomes above the IBRD graduation discussion threshold along the path to graduation in upcoming country partnership frameworks for those countries, especially those with significant access to other sources of development financing. We welcome the World Bank Group's continued restraint over budget and salary growth. The United States remains supportive of the capital package, and we are committed to securing the necessary legislative approvals for both the IBRD and IFC.