

Remarks by Under Secretary for International Affairs Jay Shambaugh at the Society for International Development Annual Conference

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I. Global Outlook for Development

Thank you Leland, and thank you to the Society for International Development for welcoming me today to this conference.

You represent the diversity and broad scope of professionals working on international development, and I know that we share a common commitment to working more effectively and impactfully on the development challenges confronting the world now and in the years to come.

The theme of the conference this year, Defining the Next Decade of Development, is well-chosen, and I would like to start by offering Treasury's perspective on the recent challenges that have hit the world economy – which have thrown into stark relief the urgent development needs that will define our next decade.

We've faced successive shocks over the past two and a half years – including the loss of life and economic disruption from the COVID-19 pandemic; the destruction, elevated energy and food prices, and other spillovers from Russia's illegal invasion of Ukraine, which have exacerbated global inflation; and the increasingly frequent and severe impacts of climate change and climate events.

In these cases, the economic impact is not the main story. COVID has caused a massive loss of life, Russia's war is an immoral violation of a nation's sovereignty, and climate change impacts the lives and livelihoods of the most vulnerable people most directly. But the economic shock from each was consequential as well.

The pandemic had an immediate impact and unprecedented effect on the global economy and the global financial system. Low-income countries had less fiscal space and fewer resources to deal with this challenge and we've seen backsliding in global poverty and development.

Only two years later in February 2022, as a nascent recovery was taking hold, Russia's war on Ukraine sent a new shock reverberating around the world. This invasion was not only an affront to the world's conscience and an assault on our collective right to peace and stability, but it was also a shock to the global economy. The global economy was hit by sharp commodity shortages, which exacerbated inflation and debt dynamics, and also created widespread risks to food and energy security for many around the world.

And, as many have noted, the effects of climate change are no longer something talked about in the future tense. We've increasingly seen major climate driven events that are causing substantial damages in a number of countries, with effects more often than not more severe in poorer countries.

II. SDGs and 2030 Agenda

Altogether, these global shocks have taken a terrible toll in terms of lives lost, livelihoods disrupted, rising poverty, and slower economic growth.

Today, it is clearer than ever that transboundary challenges—such as climate change, pandemics, and fragility and conflict—are disproportionately affecting the poorest and most vulnerable people. Put simply, it is no longer possible to fully deliver on our development goals without addressing global challenges with the urgency and scale required.

The United States strongly supports the 2030 Agenda and the bold action needed to address global challenges that threaten to set back progress towards reducing poverty and achieving the Sustainable Development Goal, or SDGs.

To achieve all these goals, we are making changes to the system.

III. MDB Evolution and Global Challenges

The Multilateral Development Banks have much of the know-how to address crises like the ones we have been facing. And yet, there is a lot of work to be done to make these institutions fit for purpose for such cross-cutting, modern challenges.

They have deep expertise on a wide range of development challenges, and they have the capacity to innovate. They spread policy knowledge and innovative tools as they engage partner countries and promote high-standards investment.

Crucially, these organizations lend at rates below what Low-Income Countries could find on their own in the market, and unlike any other lender, when times get tough, they increase lending and

grants.

These institutions provide countries a critical lifeline during times of crisis and transition. They are firefighters – rushing to increase lending when trouble starts.

The United States is the largest or a major shareholder across many of these institutions, and we at the Treasury view it as one of our most important roles to help the MDBs act as a key bulwark in the fight against poverty and for development.

Our focus now is on equipping the MDBs to deliver solutions to the ever more complex global challenges with greater speed, agility, and focus – as well as encouraging the Banks to innovate and work better together.

Secretary Yellen launched a call to action six months ago for the MDBs to evolve, and we have made good initial progress since then at the World Bank on the mission, the model, and the money.

Examples of ongoing progress at the World Bank include:

Modernizing the mission to integrate building resilience into the Twin Goals of reducing poverty and boosting shared prosperity;

Strengthening the Bank's operational model to integrate global challenges into its analytical work, country strategies and results framework, and strengthening efforts to mobilize private capital and domestic resources;

and Increasing the Bank's financing capacity by implementing the recommendations of the G20 Capital Adequacy Framework review.

The initial steps taken to implement those recommendations are expected to add up to \$50 billion in additional financing over the next decade by stretching existing resources and pursuing innovative measures while maintaining the Bank's financial sustainability and AAA rating.

Compare that roughly \$5 billion a year in new lending capacity over the next decade to the roughly \$6 billion a year increase in the Bank's lending as a result of the last capital increase.

But this evolution agenda is about far more than providing money to continue the status quo. Countries around the world need these institutions to work and to work well.

So, we have made a lot of progress so far, we have still more to do.

Let me now briefly delve into some of the key challenges we face: climate, health, food security, and debt.

IV. Climate

The United States continues to work through multilateral and bilateral financial institutions to meet President Biden's commitment to provide more than \$11 billion in climate finance by 2024, and to deliver on developed countries' collective \$100-billion annual climate-finance mobilization goal.

Treasury is working to scale, mobilize, and align global financial flows to meet the goals of the Paris Agreement. I will highlight a few areas:

First, the administration is delivering on climate goals through the Inflation Reduction Act. The IRA aims to increase the production of clean energy and building resilient, clean supply chains. And investments in new technologies in the U.S. will help spark and accelerate the adoption of these new technologies in emerging markets as well.

Second, Treasury is working with the World Bank and regional MDBs as they begin aligning financial operations with the Paris Agreement. We are also working to reimagine the climate finance architecture to promote greater coherence, better linkages, and less fragmentation.

Third, our work to deliver on the Just Energy Transition Partnerships is essential. Through these JETPs with high-emitting emerging markets we seek to bring together different players in support of ambitious partner country energy-transition commitments.

Fourth, we are committed to scaling up effective climate finance for developing countries to help both with adaptation to a changing climate and mitigation to stave off the worst outcomes.

Fifth, we are helping the private sector play its crucial role by working on net zero commitments as well as private sector mobilization via venues like the sustainable finance working group at the G20.

And lastly, we are looking at climate-related financial risks. Governments, regulators, and private companies all must coordinate to better understand and manage climate-related risks as part of their core work.

By no means is this an exhaustive list of all our climate work. But as the urgency to address climate builds, so do Treasury's efforts.

V. Health/Pandemics

As COVID-19 painfully demonstrated, we all bear the costs of not addressing major global health challenges that pose significant risk. We must do more to strengthen the global health

architecture today to avoid future human suffering and economic backsliding.

This is why the United States early on called for a dedicated financing mechanism to help address gaps in pandemic preparedness and response.

After nearly a year of working with our international partners in the G20, the Pandemic Fund was launched to help fill these gaps. This was a major accomplishment, and by many standards the most significant new global health initiative in the last twenty years.

The United States has contributed \$450 million to the Pandemic Fund, which has helped unlock \$1.6 billion in total investments.

But more is needed to meet the \$10 billion per year target that experts say is needed from international partners. This is why President Biden announced another \$250 million contribution at the G7 Leaders' Summit, and why his FY2024 budget requests an additional \$500 million for the Pandemic Fund.

VI. Food security

As you well know, we are also facing both long-standing and modern challenges to food security. Climate change and regional conflicts have strained global food systems for some time. More recently, COVID-19's economic disruptions and Russia's illegal war on Ukraine have further exacerbated the strain on food systems and the level of food insecurity is truly alarming.

Secretary Yellen has highlighted the urgent need to leverage the global food security architecture to address both acute humanitarian needs immediately and to accelerate medium and long-term investment in food system transformation.

Scaling up investment in sustainable food and agriculture systems, with a focus on the nexus of food security and climate change, will help build resilience to future shocks and hopefully reduce future humanitarian needs.

We have made important progress under the International Financial Institution Action Plan to Address Food Insecurity that was announced last year, alongside the IMF's Food Shock Window, including the World Bank's swift implementation of its \$30 billion commitment. The United States has complemented these efforts with a commitment of more than \$13 billion to address humanitarian and longer-term food security needs.

Working closely with counterparts to find new solutions will be essential to our success.

Our Strategic Partnership with the African Union is advancing food security goals through a focus on soil management, food system resilience, and logistics and infrastructure—so that Africa can not only grow and cultivate food effectively, but also store and transport it efficiently.

And we will continue working through the international financial institutions in which we are a shareholder.

The United States is a proud supporter of the International Fund for Agricultural Development, and we look forward to a successful replenishment this year.

The Global Agriculture and Food Security Program will also continue to be an important part of our collective response.

VII. Debt

I would like to now turn to debt vulnerabilities, which present a major hurdle to the economic recovery of developing and emerging market economies.

More than half of low-income countries are near or in debt distress.

Debt crises have devastating economic, social, and humanitarian impacts, underscoring the importance that all creditors expedite the completion of the outstanding debt restructuring cases and that borrowers in debt distress have the means to secure timely and adequate debt treatments.

At the forefront of our agenda is to durably tackle debt distress in low- and middle-income countries to help borrowers restore debt sustainability and achieve economic recovery.

Through our engagement in the G20 and Paris Club, we have been actively working with creditor and debtor countries to complete the outstanding Common Framework and non-Common Framework restructurings as quickly as possible.

We know that implementation of the Common Framework has been too slow, and we are pushing hard to improve the speed and predictability of the framework and bring much-needed clarity to how the process works.

We also seek to strengthen multilateral coordination for restructurings of middle-income countries.

It is in everyone's collective interests to durably address debt sustainability risks. Helping debtor countries achieve their development and economic goals supports the health of the global economy, and matters for our own economy.

VIII. Development Effectiveness

Finally, we will continue leading the charge, in partnership with all of you, for greater accountability and transparency in the multilateral institutions of which we are a shareholder.

We all need MDB projects to be successful. For that to happen, the MDBs must prepare projects transparently, with robust stakeholder engagement, and in an inclusive manner.

We have used our role within these institutions to advocate for greater access to and disclosure of information, including information related to procurement; for stronger environmental, social and governance safeguards to avoid, minimize, and mitigate negative impacts from lending; and to encourage a culture of learning and accountability.

We see this work to increase transparency, including advocating for robust and independent accountability mechanisms, as fundamental to our efforts to promote greater development impact and effectiveness.

IX. Conclusion

I'd like to close by reiterating a note of support for the vital work that you all and these multilateral institutions do.

These institutions provide essential expertise on challenging, complex, long-term problems and their solutions.

They provide funds that are much less expensive than countries can access from global capital markets – and in a transparent and accountable manner.

They are creative and innovative and essential to the world, and our work to better equip them with tools for today's challenges is an investment in their continued and future success.

We have many new challenges to face, but we will also not lose sight of the over-riding goals of this work: to eradicate extreme poverty and bring opportunity and hope to people trapped in situations with little of either, driving forward sustainable development.

It is, in part, in all of your hands to push for the innovations we need to do this work in the face of the multiple global shocks our partners in emerging markets are facing.

Thank you for the opportunity to speak with you all today.

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