Remarks by Secretary of the Treasury at Multilateral Development Banks Evolution Roundtable in Paris, France

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As Prepared for Delivery

Thank you, Minister Le Maire. It’s great to be part of the multilateral development bank evolution roundtable.

Today’s development landscape is challenging. Over the past few years, we have experienced significant macroeconomic shocks. This has impacted the global growth outlook for developing countries.

These effects are compounded by longstanding global challenges, such as climate change, pandemics, and fragility and conflict. These global challenges have had an outsized impact on emerging market and developing countries. And they are increasingly putting at risk our shared goals of poverty eradication and inclusive economic growth.

The MDBs have a special role to play to help reverse these disturbing trends.

The World Bank and the regional development banks have long been integral partners to developing countries, including those without any significant market access. They bring knowledge and technical advice. And, they bring finance when times are tough. They have been able to play this role because these institutions have constantly evolved to meet the challenges of their time.

It is time for them to evolve again. The world has changed. In the 21st century, some of the challenges that are most threatening to the poorest and most vulnerable among us are global.

We have learned the hard way from COVID-19 and other transboundary challenges that countries cannot sustainably bring down poverty rates and invest in their growth if they constantly face shocks from climate change, pandemics, or conflict.

MDBs need to evolve to incorporate addressing these global challenges into their work. This includes reforming their vision, incentives structures, operating model, and financing capacity to help countries fight these challenges and build resilience.
Last October, I called for an evolution of the MDB system to do just that. Since then, a broad and growing coalition of shareholders have been working with management to enact important reforms.

Let me provide three examples of the concrete progress that we’ve made at the World Bank:

First, shareholders recognized the need to better integrate sustainability and resilience into the institution’s Twin Goals.

Second, the World Bank is integrating global challenges into its diagnostic work, country strategies, and corporate scorecard. This means, for example, that new infrastructure will be built to withstand extreme weather events – so that when a typhoon or hurricane strikes, roads will still be open to emergency vehicles and hospitals will still have electricity. There will be less disruption to economic activity.

Third, the Bank is responsibly stretching its balance sheet to unlock up to $50 billion over the next ten years. This represents a nearly 20 percent boost in sustainable annual lending. And it is close to the increase in annual lending that resulted from the 2018 capital package. This is value for money.

It is vital that we continue to adopt additional reforms on a rolling basis. I would like to highlight three planks of action that should be prioritized next.

First, we must continue to pursue ambition on reforms at the World Bank. We have many asks and I’d like to share just a few:

The World Bank should develop a framework and principles for the targeted use of concessional resources – so that financing to address global challenges is deployed to where it has the highest impact.

The Bank should offer borrowers the option to add climate-resilient debt clauses to their loan agreements – so they have a greater buffer if a climate-related event strikes.

The Bank should also strengthen private sector mobilization.

Second, we must leverage opportunities to bring the MDB evolution agenda to the regional development banks. We are seeing important innovations begin to take shape across the African Development Bank, Asian Development Bank, IDB Group, and others.

Third, the MDBs and specialized trust funds should work more closely together. This is particularly important for our climate finance architecture.

We want this Summit to accelerate progress. We intend to build momentum for additional reforms throughout the year – leveraging the G20 Leaders Summit, Marrakech Annual Meetings, and COP28
as major milestones.

Let me end with a clear message: evolving the MDBs is not about displacing the institutions’ core development work and anti-poverty efforts. Rather, it is about equipping the Banks to sustain progress on this work by building resilience to new global shocks.

Thank you again. I look forward to our discussion.

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