DEVELOPMENT COMMITTEE
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of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

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Statement by

Janet Yellen
Secretary of the Treasury

United States

U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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109th Meeting of the Development Committee

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This Spring, the shareholders of the World Bank Development Committee convene in Washington D.C. at a time of great consequence. President Biden's agenda has led to strong growth in the United States, inflation has come down, and the labor market is robust, with unemployment rates at near historic lows. Strong economic performance in the United States has helped lift the world economy, increasing the prospects for a soft landing globally. But those prospects are not felt equally everywhere. Challenges associated with debt vulnerabilities and distress, climate change, risks of future pandemics, fragility and conflict, and food and water insecurity abound. These risks are most acute for the poorest countries; countries with the least resources and institutional capacity to prepare for, mitigate and manage these very risks. Moreover, Russia's brutal war against Ukraine continues to present a substantial risk to global growth, causing price volatility in various commodities and forcing time, resources, and attention to be focused on a war that should not have happened. The United States firmly supports Ukraine's fight to preserve its freedom, sovereignty, and territorial integrity, and we must act swiftly to resupply Ukrainian forces and continue supporting Ukraine's economy. The ongoing conflict in the Middle East is also a risk to growth. In Gaza, the United States has been deeply engaged in efforts to get lifesaving humanitarian aid into the region to alleviate the suffering of over two million people who are facing acute food insecurity and have been displaced because of the conflict. We appreciate the efforts of the World Bank and other international organizations to provide emergency relief for the affected people of Gaza. The United States also condemns the unprecedented attack on Israel this past weekend by Iran and its proxies. We will continue to work with our allies to stabilize the situation and call for de-escalation. Against this backdrop of complex and compounding challenges—and other instances of conflict and violence that only make the global news fleetingly, if at all—the work undertaken by the World Bank and other multilateral development banks (MDBs) has never been more critical.

It is precisely because they are so critical that it is right that shareholders have asked the MDBs to evolve to be fit for purpose for the new challenges of the 21st century. And we have made great strides since we first called on the MDBs, starting with the World Bank, to evolve their vision, incentive structures, operational approaches, and financial capacity to better respond to global challenges like climate change, pandemics, and fragility and conflict. We made this call recognizing that unless countries address these challenges, we will not achieve our poverty reduction and shared prosperity goals, particularly against the backdrop of rising debt distress and debt servicing burdens that risk crowding out development priorities. We are pleased to see that MDB Evolution is now a central element of the development agenda, including at the G20. We are also pleased to see how the regional development banks (RDBs) are also taking up the Evolution agenda.

Since the first call to action, strong collaboration between World Bank shareholders and Management have resulted in a slate of reforms and innovations, including an updated mission statement, creation of a financial incentives framework, an updated operational model that integrates global challenges in country engagement, and financial reforms that are boosting lending capacity. The new financial incentives framework will provide countries with volume, price and tenor incentives to pursue projects with the highest positive cross-border externalities and better link operations with existing pools of concessional finance. We look forward to working closely with the Bank on the new World Bank Corporate Scorecard aligned with the updated mission and vision. We applaud the Bank's pursuit of a more ambitious climate finance goal of 45 percent of its operations and appreciate the Bank's ongoing leadership in seeking to go beyond measuring climate inputs to developing mechanisms for tracking outcome metrics so that countries can make informed choices about how to best address the climate crisis. It is critical that the Bank continue to increase effectiveness, streamline processes, reduce bureaucracy, focus on stronger implementation of environment and social safeguards, and make use of rigorous and transparent data and analysis. We hope that the new World Bank Group Academy will improve the quality of country engagement. We are encouraged by progress made on callable capital, the release of additional Global Emerging Market Risks Database data, and complementary IBRD and IFC data, and IFC's planned pilot of its Warehouse-Enabled Securitization Platform (WESP) by the end of the calendar year.

The work is far from over, however. Sustained political momentum, technical work, and leadership will be required across the broad coalition of shareholders, MDB leaders, and stakeholders, including civil society organizations and private sector leaders, that is vested in Evolution's success. The United States reaffirms our staunch commitment to helping translate the aspirations of MDB Evolution into tangible benefits for emerging markets and developing countries. We call on the World Bank to enact reforms to increase private capital mobilization for development- and climate-aligned investments, align staff incentives with the updated mission and vision and the need to dramatically expand private capital mobilization, and further strengthen operational effectiveness—including improving speed and agility without sacrificing quality—on issues of fragility and conflict, pandemics, and climate change.

We cannot meet our shared development goals with public money alone. We need to move from rhetoric to action by developing and implementing measures to crowd-in private investment. We need to see bolder action on private capital mobilization incentives in the form of staff rewards, ambitious targets, and transparent reporting. We also need incentives for public and private sector clients to use guarantee products and for staff to deploy them in operations to facilitate country access to lower-cost, longer-duration private financing flows and help alleviate debt financing pressures. To this end, we welcome the new World Bank Group Guarantee Platform, which will promote synergies across IBRD, IDA, IFC, and MIGA guarantee products. To complement this new platform, we call on MIGA to create a liquidity facility to increase the utility of its political risk insurance and to increase its risk appetite. For IFC, we urge a greater focus on the use of de-risking instruments and risk sharing with the private sector, alongside increased project preparation work, and better data sharing with the private sector. We also need to see greater success in providing clients with currency risk mitigation pricing and availability wherever possible. Foundational to all the above, and perhaps where the greatest pay-off will be, is for all arms of the World Bank to further scale and focus on the quality of their work to strengthen local enabling environments, developing capital markets, and mobilize domestic resources through policy reform and technical assistance.

Transboundary challenges disproportionately affect the poorest and most vulnerable countries and people. This is why it is critical that the Bank focus its attention on delivering maximum impact for the countries and people who rely on IDA the most. As the largest contributor to IDA-20, the United States looks forward to a successful IDA-21 replenishment this year. We urge IDA to deliver solutions to address the growing fragility and conflict, pandemics, and climate challenges its borrowers face, and leverage its tools and knowledge to help inform more effective operational approaches related to prevention, better preparedness, and stronger response. Ever-growing debt vulnerabilities across IDA clients also warrant a strong focus on debt sustainability and transparency, and sustainable financing in IDA-21.

With determination, creativity, partnership, and iterative learning, much can be accomplished in fragile and conflict-affected situations. We commend the World Bank for its commitment to make addressing fragility even more central to its core work, though significantly more needs to be done. We would like to see the Bank develop ambitious reform proposals that galvanize momentum across the institution, including incentives for countries to address fragility and incentives and professional development opportunities for staff to support this work. We recommend the Bank explore a more strategic approach to partnerships, including through country and context-specific partner mapping and expanded partnership with the private sector, including local small and medium enterprises. An intentional and strategic approach to partnerships along the humanitarian-development nexus will be especially crucial, given the need to protect and promote development gains in fragile and conflict affected states. The Bank should also strengthen knowledge and learning on fragility—including through improved diagnostics, digitalization, and monitoring and evaluation systems—to better deliver in these heterogenous environments. Prioritizing support for local governments and institutions is also crucial to promoting sustainability and building confidence in the state's ability to deliver services even in fragile circumstances.

Food insecurity is interlinked with other global challenges, often exacerbating—and exacerbated by—climate change, pandemics, and fragility and conflict. Advancing food security is a core U.S. priority. We commend the World Bank's surge in food security-related financing and enhanced coordination with its peers, aligned with the International Financial Institution (IFI) Action Plan to Address Food Insecurity. We look to the World Bank and other IFIs to deepen and advance their support for climate-smart agriculture, accelerate progress towards food systems transformation, and further enhance coordination and systemic coherence on the climate-food nexus, knowledge generation, and private capital mobilization.

The World Bank and other MDBs are vital providers of public climate finance, mobilizers of private finance towards greenhouse gas emissions mitigation and climate change adaptation, and supporters of innovative financing tools that accelerate the transition to net-zero emissions, reduce reliance on fossil fuels, and align climate priorities with debt sustainability objectives. We welcome ambitious climate finance targets, but they are not enough. Quality climate interventions must yield equally ambitious and effective outcomes, particularly as the Bank's climate work is grounded in the recognition that while all countries need to step up their efforts, the route to a resilient net-zero future will look different across countries, and the balance of mitigation and adaptation will depend on country circumstances. The Bank's work, including policy-based lending, should be informed by robust Country Climate and Development Reports (CCDRs), and all of the Bank's investments should be climate resilient. The Bank must assume a leadership role on climate finance for adaptation and mitigation through convening, financing, serving as a knowledge partner, and championing transparency with outcome and impact metrics, including for assistance provided through financial intermediaries. The July 2023 launch of the Joint MDB Approach on Paris Alignment and the CCDRs are two examples of the World Bank's climate efforts. We encourage the Bank to contribute its expertise and convening power to important partnerships like the Just Energy Transition Partnerships (JETPs) and develop other models of country platforms to foster collaboration on energy transition and climate change. We would also like to see the Bank assume a greater leadership role to promote efforts to strengthen and mainstream biodiversity- and nature-positive investments and address plastic pollution. We likewise would like to see climate and biodiversity considerations incorporated into ongoing efforts around the Low-Income Countries' Debt Sustainability Framework comprehensive review.

While we may feel the urgency of COVID-19 is behind us, the risk of pandemics remains—as do the risks they pose to both health outcomes and to financial and debt distress. We would like to see the Bank further enhance its unique role, capacity, and performance to strengthen pandemic prevention and preparedness and deliver timely responses to pandemics, reflecting lessons learned during the COVID-19 crisis. Establishing an ambitious Global Challenge Program on health emergencies, with a robust focus on pandemic prevention and preparedness, will be instrumental to this effort. We urge the World Bank to develop a rigorous diagnostic that can help client countries—and their development partners—assess key gaps in their pandemic preparedness and prioritize actions to close these gaps. We encourage the World Bank to explore how it can strengthen partnerships with global and regional actors and employ instruments to enable coordinated and right-timed financing in the event of a pandemic. We call on the Bank and the IMF to formalize principles of collaboration with the World Health Organization to support operationalizing the pandemic-preparedness component of the Resilience and Sustainability Trust (RST).

To carry this work into the future and across the globe, we expect the World Bank to be a leader and convener in helping improve linkages, cohesion, and coordination with the RDBs so that the MDB system works better. Priority opportunities for optimizing the system include promoting mutual reliance on standards and processes, where feasible; programmatic collaboration, for example agreement on models and initial pilots for country platforms; and financial innovations derived from collective action like the ongoing work on callable capital. We welcome Management's leadership in developing a cross-MDB collaborative co-financing platform and forum, its commitment to increase alignment of policies and procedures, and its fostering of jointly financed programs and deeper co-financing between institutions. We encourage the World Bank to collaborate with governments, other MDBs and development finance institutions, the International Monetary Fund, international development organizations, national development banks, donors, civil society organizations, and private sector leaders that are pursuing common goals at the country or regional level.

To maximize development impact and effectiveness, accountability and transparency must be fully integrated in MDB projects. The World Bank must have strong independent accountability mechanisms that can effectively investigate allegations of project-related harms, provide recommendations for remedial actions and institutional reforms, and provide lessons learned to support improved operational performance. The United States places great value on the Compliance Advisor Ombudsman. Any threats to the CAO's independence, real or perceived, are unacceptable, and the United States will pursue necessary reforms to support the CAO's effectiveness. We also expect IFC and MIGA to take action, including through the use of existing and new contractual provisions and financial instruments, to strengthen incentives for clients to fully implement safeguard requirements and to prepare clients to provide appropriate remedy when projects lead to harms.

It is only by being broadly inclusive of our entire society, in projects and protections, that we will be able to alleviate poverty in a way that leaves no group behind. This is why the Bank should further enhance inclusion of marginalized groups in World Bank operations. We encourage the World Bank to develop a deeper understanding of inclusion and exclusion in the work it does, and to be proactive in addressing these issues to achieve positive development outcomes for all. The economic inclusion of all people who are marginalized on the basis of their gender, gender identity, sexual orientation or sex characteristics, and prevention of gender-based violence remain core U.S. objectives. We welcome the draft 2024 Gender Strategy Update, which includes a strong recognition of the importance of broad inclusion goals. Leadership on these issues must start with the example the World Bank itself provides. A more diverse workforce provides a broader range of perspectives, enables more constructive debate, improves the quality of decision-making, and leads to better outcomes. For this reason, we should identify concrete avenues to promote the appointment of a more substantial number of women and other members of diverse populations to the Executive Board.

We appreciate the work undertaken by staff across the World Bank, senior Management, and President Banga to set us on the road to transformational change. Together with Evolution at the regional development banks, we are confident this movement will result in MDBs that are better, bigger, and more effective in achieving the intricately intertwined goals of reducing poverty, accelerating sustainable and inclusive growth, and addressing global challenges like climate change, pandemics, and fragility and conflict.