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(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDRED AND THIRTEENTH MEETING
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Statement by
Scott Bessent
Secretary of the Treasury
United States



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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113th Meeting of the Development Committee

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This year's Spring Meetings of the International Monetary Fund (IMF) and World Bank provide an important opportunity to engage on current global economic challenges as well as our work with partners and the international financial institutions to support a pro-growth agenda, macroeconomic and financial stability, and poverty reduction.

In the United States, President Trump's America First economic agenda is promoting robust economic growth and job creation, fiscal prudence, energy abundance, deregulation, and regulatory modernization. As G20 host, the United States is also championing a more balanced global economy. When focused on their core mandates, the IMF and World Bank can be well-placed to help advance these objectives.

In recent years, the IMF has suffered from mission creep. Its work has too often extended into areas such as international development, climate change, gender, and social issues, which are disconnected from the institution's core mandate. To restore its relevance and impact, the Fund must drop these extraneous items and focus on the critical economic work at hand.

As part of the ongoing Comprehensive Surveillance Review (CSR), the IMF is taking important steps to better calibrate the scope of its surveillance and reverse these concerning trends. We also welcome the CSR as an opportunity to reinvigorate the IMF's analysis of external sector issues, notably imbalances and cross-border spillovers, as part of broader efforts to bring the institution's surveillance back to basics. The IMF's work on imbalances must consider industrial and other policies that restrict domestic demand. To conduct surveillance effectively, the IMF must prioritize greater depth and policy relevance of analysis and make greater use of scenario-based analysis in response to contingencies, rather than expanding its breadth.

The IMF's lending function must also remain disciplined and focused. Strong programs are built on meaningful policy conditionality that address the root causes of balance of payments problems, incorporate

credible macroeconomic projections, and ground themselves in rigorous debt sustainability analyses. Through the ongoing Review of Program Design and Conditionality, we expect the IMF to reemphasize a culture focused on achieving successful program outcomes rather than prioritizing inputs, such as the volume of financing provided. IMF lending must be temporary and focused on resolving balance of payments problems through macroeconomic stabilization and the rebuilding of external buffers. The United States also expects the IMF to advance reforms and structural benchmarks that strengthen borrower accountability in program implementation. In a more constrained external financing environment, the IMF should promote domestic revenue mobilization, better governance, and policies that support durable, private sector-led growth.

The United States is committed to a strong, quota-based, and adequately resourced IMF that plays a critical role in the Global Financial Safety Net. We remain committed to securing congressional approval for the 16th General Review of Quotas, which will reinforce the IMF's status as a quota-based institution. The case for future quota reviews must be firmly established on the basis of resource adequacy needs. IMF shareholding should reflect members' relative position in the world economy, and any future quota realignment must be underpinned by a new quota formula.

Moreover, the IMF, together with the World Bank, must continue its efforts to improve debt data reporting, help build debt management capacity for borrowing countries, restore momentum in debt-restructuring processes, and advance progress under the Common Framework. Lending arrangements are undermined when critical IMF resources are diverted to make official creditors whole, unfairly increasing the burden of adjustment on borrower countries and jeopardizing prospects for restoring medium-term external viability. As part of these efforts, we look forward to a revised Debt Sustainability Framework for Low-Income Countries that better assesses risks to debt sustainability so that borrowers, creditors, and key stakeholders can make disciplined financing and policy decisions, including supporting timely restructuring when needed.

The World Bank must maintain focus on its core mission of reducing poverty and increasing economic growth. This means promoting a stronger development agenda focused on country self-reliance by directing resources to the countries most in need for foundational investments that increase productivity and growth and graduating countries from Bank support; delivering access to all technologies which can provide abundant, reliable, and affordable energy; promoting prudent macroeconomic management and the rule-of-law; and improving development outcomes by proactively seeking to expand competition in procurement. It also means jettisoning the World Bank Group's 45% climate finance target that breeds inefficiency, distorts economic decision making, and moves the Bank away from its core mission. At the same time, we expect greater efficiency, discipline, and accountability so that every dollar delivers more impact.

The Bank's jobs agenda is a welcome avenue for pursuing its core mission. We look forward to stronger efforts by the public and private sector parts of the World Bank Group to work together in support of the agenda. Jobs are key to economic growth, prosperity, and self-sufficiency, and are also critical to stability and security. We appreciate the Bank's prioritizing support for human capital development especially in numeracy and literacy, physical infrastructure, and policy and regulatory reforms as pillars of its jobs strategy. We are supportive in principle of the third pillar – private capital mobilization – but stress that stronger mobilization efforts must be consistent with strong support for poorer, less creditworthy countries, and not be an avenue for pursuing business that the private sector could do on its own. In this regard, we call on the International Finance Corporation (IFC) to redouble efforts to meet its 2018 capital increase pledge to make 40% of new commitments in the poorest and most fragile countries. The IFC's rate of progress towards this commitment has fallen unacceptably short, underscoring the need to align the institution more closely with its core mandate and to refocus on delivering results in the poorest and most fragile countries where the private sector can best serve as a catalyst for growth and improve livelihoods.

To better promote country self-reliance, the International Bank for Reconstruction and Development (IBRD) must devote a greater proportion of its resources to the countries that need it most, which will require prioritizing the implementation of its graduation policy. Robust implementation of this longstanding policy is essential to advancing the Bank's core mission by redirecting resources to the poorer, less creditworthy countries where those resources have the greatest development impact, and away from countries with per capita incomes well above the graduation threshold that are able to self-finance. Graduation should be celebrated, not avoided, as it represents both a key development milestone for the country and the clearest measure of the Bank's success. We support new efforts to enhance the implementation of the IBRD Graduation Policy, including the development of a Graduation Outlook to assess countries' progress against the graduation policy criteria, and we expect continued progress on this agenda. There are several countries that have long since met the graduation policy criteria, and it is past time that they celebrate having met this important milestone in their development. Additionally, countries that have long exceeded the graduation policy criteria should conclude IBRD lending, allowing additional lending capacity for poorer countries with greater development financing needs.

Similarly, the International Development Association (IDA) plays an important role in strengthening countries' self-reliance. It supports poverty reduction in the poorest countries with investments in critical infrastructure and by encouraging debt sustainability and transparency, enhanced domestic resource mobilization, and strong public financial management. Facilitating graduation to IBRD concentrates scarce donor resources and IDA attention on the economies with the greatest needs.

Together, both the IBRD and IDA must also focus and prioritize those investments that have the greatest potential development impact, and not those that simply move the most money.

The Bank must do more to advance developing country access to abundant, affordable, and reliable energy to support economic growth and poverty reduction. Energy abundance sparks economic abundance, and the World Bank should support an all-of-the-above approach to energy technologies—including fossil fuels such as gas, oil, and coal, rather than restrict borrower choice. We call on the Bank to further expand its support for affordable, reliable energy by removing constraints on its support for natural gas and increasing the number of gas projects in the pipeline. We continue to welcome the Bank's removal of the prohibition on financing nuclear power generation last year. We further welcome the Bank's leadership in a working group on nuclear energy development with other multilateral development banks. Financing that delivers energy abundance will provide a strong boost to growth, which will also support debt sustainability.

We also expect more from the Bank on critical minerals, which are central to economic growth, technological leadership, and countries' economic security. Building on the recent adoption of a critical minerals strategy, we expect to see all parts of the Bank move quickly to support the policies, projects, and associated infrastructure needed to unlock more deals that will help diversify critical minerals supply chains and increase domestic value capture across the supply chain.

Increasing competition and quality in Bank-financed procurement is necessary to deliver the strongest development results. We acknowledge the Bank's recent efforts to more frequently employ quality-based procurement approaches, require the use of more local labor, and improve outreach to industry. However, significantly more is needed across a range of areas. This includes increased scrutiny of state-owned enterprise participation in Bank-financed procurement to avoid the competitive distortions these entities can introduce, as well as proactive steps to address anti-competitive practices among bidders more generally. It also includes the Bank doing more to build the capacity of countries and staff to pursue quality procurement approaches. And we expect the Bank to expand the mandatory use of quality approaches beyond most international procurement, improve its collection and dissemination of procurement data, and

improve accountability for reform implementation. The Bank must waste no time in pursuing these reforms.

Focusing on the Bank's core mission also means abandoning its distortionary 45% climate finance target, which impedes market efficiency, distorts incentives, and undermines efforts to reduce poverty and spur economic growth. We welcome the coming expiration of the Climate Change Action Plan, and upon its long-overdue expiration, expect the Bank to immediately shift its myopic focus on climate and financing volumes to one that emphasizes high-quality, durable projects rather than shaping and selecting projects to chase arbitrary financing targets that do little to lift people out of poverty. The Bank should turn its attention to whether its investments and the countries they support are resilient to a multitude of shocks, rather than to meeting nonsensical arbitrary targets.

We welcome the conclusion of the 2025 Shareholding Review. We support practical, low-cost efforts to strengthen the voice of low-income countries by calling on Governors to maximize those countries' ability to subscribe to the shares allocated under the 2018 capital increases for low-income countries and small states. We also encourage Bank Management to explore ways to reduce administrative burdens and facilitate these countries completing the subscription process.

As public institutions, the World Bank and IMF can most clearly demonstrate accountability to their shareholders by ensuring that a sharper focus on their respective core missions is also reflected by restrained budgets. In service of this goal, we are pleased that both institutions have proposed flat real administrative budget growth for the upcoming fiscal year alongside streamlining efforts that will help reverse the mission creep of recent years. At the IMF, we are encouraged by amended proposals for a relatively more conservative capital investment plan as well as the steps being taken by Management to sell the Concordia hotel property in Washington, DC. At the World Bank, we appreciate plans for maintaining flat real budget growth on a Bank Group-wide basis over the next few years by harnessing efficiency gains to offset increased costs stemming from increases in business volumes. Both the Bank and Fund could do even better by freezing Board budgets and salaries. At both institutions, we remain concerned about salary increases that consistently exceed inflation, particularly in the context of overall compensation packages that are already extremely generous relative to both public and private sector organizations, not just for staff but for the Boards of Directors and their staffs as well.

More than eight decades after their creation at Bretton Woods, we must ensure that the international financial institutions remain true to their mandates and fit for purpose. Streamlining policy priorities will allow both the World Bank and IMF to focus limited public resources on effectively fulfilling their core mandates while nimbly responding to crises. The United States will continue to work with Management and staff, as well as other shareholders, to advance these priorities.