DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
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
Hon. Jacob J. Lew
Secretary of the Treasury
United States
The United States would like to congratulate Jim Yong Kim on his reappointment as president of the World Bank. Under his leadership, the World Bank has moved decisively to address the most pressing development challenges—from ending extreme poverty and reducing inequality, to combating climate change, and better preparing for and responding to crises such as the Ebola pandemic and the Syrian refugee crisis. The United States reaffirms our commitment to working with President Kim, World Bank management and staff, and other shareholders in reinforcing the World Bank’s role as the leading, global, multilateral development bank.

We have a consequential agenda ahead of us over the next year as we conclude negotiations for the eighteenth replenishment of the International Development Association (IDA-18) and review the capital position of the World Bank Group. We welcome the main messages from the Report to Governors on the Forward Look: A Vision for the World Bank Group in 2030, which will inform our discussions. We are confident that President Kim will continue to proactively evolve the World Bank’s role and business model in light of changing global needs, while consolidating organizational reforms and upholding standards for risk management, governance, and diversity.

**Innovating and Delivering for the Poorest**

Over its 56-year history, IDA has been a premier source of development finance and expertise for the poorest countries, with a strong emphasis on country ownership and results. We laud the proposal to—for the first time—leverage IDA’s equity by borrowing from the markets. This will enable IDA to stretch scarce donor resources even further in support of the poorest countries.

Collectively, we must lay the groundwork for the successful implementation of the IDA-18 package, including managing the risks of the new model well, so that higher volumes and new products deliver a
step-change in IDA’s impact. The significant reforms must first and foremost benefit the poorest and most fragile IDA countries, and non-concessional IDA resources must be directed only to countries with a track record of sound debt management. We strongly support the proposed increase in resources for fragile and conflict-affected states, which must go hand in hand with efforts to strengthen outcomes, including robust supervision and evaluation, and appropriate incentives and support to World Bank staff working in these often difficult environments.

We welcome the proposal to establish a new private sector window for IDA countries and the enhanced collaboration it will engender among IDA, the International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA). Pioneering innovative approaches to foster private sector growth in IDA countries is critical to advancing the jobs, climate change, gender, and poverty alleviation agendas of the World Bank.

Translating the World Bank’s gender strategy into concrete policy actions to close gender gaps in IDA countries is a top priority. Through greater attention to education, skills development, and access to safe transport for women and girls, IDA countries can enable them to reach their full potential, which in turn can reap enormous economic and social returns.

We support IDA’s enhanced focus on governance and institution-building. Improving public administration, public financial management, domestic resource mobilization, and citizen engagement is core to building trust between governments and their citizens. Without strong institutions capable of delivering basic services, progress in IDA countries to support private sector growth, foster climate resilient development, advance gender equality, and address fragility and conflict will be stymied.

**Tackling Global Challenges**

Global challenges—forced displacement, climate change, or pandemics—are too vast and complex for any one country to manage alone. The World Bank has the global reach and convening power to bring together a broad set of stakeholders to address them effectively. We applaud the recent establishment of the World Bank’s Global Crisis Response Platform, which will expand and harmonize the Bank’s mechanisms to help both low- and middle-income countries cope with external shocks.

As President Obama affirmed last month at the Leaders’ Summit on Refugees, the refugee crisis is one of the most urgent tests of our time, requiring strong collective action. The Global Concessional Financing Facility and the new IDA window for refugees together help provide basic social services and economic opportunities to refugees and their host communities. As part of these efforts, the United States has pledged at least $50 million to the Facility, subject to the availability of appropriations, to help middle-income countries, and we look forward to the launch of the IDA window so that refugees and their host communities in all parts of the globe are given the opportunity to thrive. We commend Denmark, Sweden, and Japan for their recent generous pledges and encourage others to join us in supporting this initiative. We also look to the World Bank to identify how it can better provide this support to the Facility as part of its core business model.

Climate change threatens the durability of development gains and puts the poorest especially at risk. With its role in country policy dialogues, support across key sectors (ranging from transportation to social protection) and analytical resources, the World Bank is uniquely positioned to help countries implement national climate plans. We welcome the adoption of the World Bank’s own climate action plan this year, and applaud the Bank’s commitment to increase the climate-related share of its portfolio to 28 percent by 2020. We also encourage the World Bank to develop a strong, mutually beneficial partnership with the Green Climate Fund.
**Evolving the Business Model**

As we look towards 2030, we anticipate — and welcome — a significant shift of countries up the income ladder, including increased country graduations from IDA to the International Bank for Reconstruction and Development (IBRD). We recognize that the needs of countries differ according to income level, creditworthiness, and country context, and that the role of the World Bank should reflect these differences. We encourage the World Bank to develop a framework to guide the evolution of its role as countries move through different stages of development. This includes helping countries through a smooth transition from IDA to IBRD. We endorse the commitment in the Report to Governors on the Forward Look to increase IBRD lending to lower middle-income countries and recent IDA graduates. For higher income countries, this also includes shifting to a relationship based more on knowledge and technical advice, rather than traditional development finance. To facilitate these transitions, the World Bank has a critical role in helping countries leverage private sector resources and increase domestic resource mobilization, both of which are key to diversifying sources of development finance beyond official resources. This approach will enable the World Bank to shift sustainably to a well-balanced portfolio that is targeted to where the needs are highest.

We recognize that global economic headwinds are contributing to strong country demand, straining the World Bank’s available capital. Going forward, we believe that the World Bank could better manage the impact of this demand on its balance sheet through selectivity and greater discipline in adhering to sustainable lending levels.

Measures to enhance the financial sustainability of the IBRD and IFC must also be at core of discussions on their capital position, which will begin next year. This will require creative thinking about price differentiation and fee for service. Certain areas may not generate income under the current model, yet are important to the overall goals of the World Bank, including data and research, investment in certain global public goods, and technical assistance to help countries curb illicit finance. We urge the World Bank to develop options to ensure sustainable financing for work in these areas. The Pandemic Emergency Facility is an example of an innovative pilot that could demonstrate how to develop a market and leverage private resources towards the provision of global public goods.

**Upholding High Standards and Fostering Sustainability**

The World Bank must continue to set the bar high — for itself and for all countries. Effective management of environmental and social risks is essential to achieving sustainable economic and social outcomes. It is at the heart of the World Bank’s value proposition to the countries and communities that it serves. We welcome the approval of the World Bank’s new Environmental and Social Framework (ESF), which will take into account a greater range of impacts on project-affected people and the environment, promote non-discrimination, improve accountability — all of which are central to sustainable development. It is critical that the World Bank move forward purposefully with preparations for the new ESF, including securing necessary resources for effective implementation. We expect the World Bank to actively reinforce the centrality of the framework to achieving sustainability, which will entail a shift in mindsets. This will also require training staff on the framework and providing capacity-building for client countries.

**Supporting Effective Stewardship of the Institution**

Social inclusion is central to achieving the World Bank’s twin goals of ending extreme poverty and promoting shared prosperity. Yet to have credibility with its clients on this agenda, the World Bank must redouble its efforts at home. We urge the World Bank Board of Directors to develop a strategy to markedly improve female representation. We also strongly support the goal of further improving the regional, gender, and educational diversity of the World Bank’s staff.
We welcome the approval of the dynamic shareholding formula, which will enable the World Bank’s governance to better reflect the global realities of today and tomorrow, while creating the right incentives for shareholders to support the poorest countries. We look forward to discussions next year regarding the possibility of a realignment in shareholding.

Lastly, we express our gratitude to the staff of the World Bank for their unwavering commitment day in, day out to work with countries to build more prosperous, equitable, and inclusive societies.