Statement by

Rt. Hon. Andrew Mitchell, MP
Minister of State for Development and Africa

and

Rt. Hon. Jeremy Hunt, MP
Chancellor of the Exchequer

United Kingdom of Great Britain
and Northern Ireland
Statement by
Rt. Hon. Andrew Mitchell, MP
Minister of State for Development and Africa

and

Rt. Hon. Jeremy Hunt, MP
Chancellor of the Exchequer

United Kingdom of Great Britain
and Northern Ireland

107th Meeting of the Development Committee

April 12, 2023
Washington, DC

Over a year has passed since Russia launched its brutal and illegal invasion of Ukraine. The world, already grappling with the effects of the pandemic and other shocks, has experienced a series of further negative impacts. It is the most vulnerable that are affected the worst.

After decades of progress, extreme poverty is on the rise. We are facing the most serious food security crisis in a generation with 345 million people suffering from acute food insecurity. More than 200 million children are out of school. Countries are caught in a vicious cycle of high climate vulnerability and low investment in climate adaptation. The IPCC Sixth Assessment Report makes clear that the window to keep 1.5 degrees alive is closing alarmingly fast.

Last year, the World Bank Group acted quickly to create the Global Crisis Response Framework (GCRF). The UK strongly supported this at the time, and we thank WBG management and staff for their efforts to deliver the surge of lending under the GCRF. Those actions demonstrated the role which the WBG can play in a world of more severe and more frequent shocks – acting with agility to provide urgent support. In addition, as part of COP26 in 2021, the WBG committed to align its WB operations with the goals of the Paris Agreement by 1 July 2023 – we are pleased with the substantial progress made on this and look forward to full implementation.

We thank David Malpass for his leadership of the WBG through these crises. We wish him the very best for the future.

The scale of the challenges facing the international system is unprecedented. That is why the system urgently needs reforming, to unlock finance at scale and better respond to increasing complexity and multiple overlapping shocks. That is the spirit of the Bridgetown Initiative, which Prime Minister Mia Mottley has championed this last year.

At the 2022 Annual Meetings, the UK with other chairs called for an urgent and serious look at reform of the International Financial System including the World Bank Group.

Significant progress has been made since October. The proposals presented at these Spring Meetings are a positive first step. We look forward to a clear work plan setting out further high ambition in time for decisions at the Annual Meetings in Marrakesh.

First, we support the proposed changes to the Bank’s Vision and Mission. We know that the current Twin Goals – to end extreme poverty and boost shared prosperity – are off-track. This is the moment to double-down on achieving them, with fresh ambition and innovation. Business as usual will leave millions in
poverty. From the pandemic to gender inequality to climate change, we know that global challenges can derail progress in individual countries. It is right that the Bank step up its efforts to tackle these challenges. Not at the expense of the Twin Goals, but to deliver them.

Second, on the operating model, reform of the toolkit is essential. We want to the Bank to emerge from the Evolution process as a modern and agile operation, delivering at greater pace and scale for clients, including by exploring a more risk-based and proportionate approach to safeguards and increasing use of programmatic support. We want to see further innovation for effective working in fragile and conflict-affected areas. We also expect the Bank to better reflect vulnerability in its allocations in IBRD, particularly taking into account the unique risks many Small Island Developing States (SIDS) face from climate change.

When it comes to tackling global public goods, the WBG should explore the full range of incentives, including non-financial options, to support greater action, including knowledge, staff incentives, and the cascade approach. Concessionality should be prioritised for the most vulnerable. We welcome the proposal to explore longer-maturity loans, allocated on a competitive basis, as one route to achieving this. However, we have not yet seen the evidence to justify a change to IBRD’s target that 70% of financing should be used for countries below the graduation threshold, as was agreed in the 2018 Capital Increase; and we do not yet see a case for new Trust Funds, instead preferring to make best use of the funds that already exist, particularly the Climate Investment Funds.

We also support proposals for new global priority programs, hoping lessons can be learned from similar experiences, such as the Just Energy Transition Partnerships and Task Force on Access to Climate Finance; CCDR operationalisation; a new corporate scorecard; ability to use pooled procurement; and greater regional work, including for FCV.

The WBG should do more to support countries prepare for crises so that they can deal with more severe and more frequent shocks. We welcome the WBG’s commitment to help deliver the Global Shield Financing Facility and agreement to use Deferred Drawdown Operations for Investment Lending and the growing support for shock responsive social protection. We now want to see a clear and robust framework for crisis preparedness and response that brings the WBG toolkit together and identifies gaps. We are calling on the WBG to offer climate resilient debt clauses to vulnerable countries. We should also learn the lessons of the pandemic and explore options to procure globally without the need for a sovereign guarantee.

The WBG must help mobilise much larger volumes of private capital. To do that, the MDBs must come together to help upgrade the entire investment cycle, from upstream policies to downstream investors and move from individual transactions to platforms and programmes. We call on management to develop a new higher ambition approach for scaling private capital mobilisation, covering all arms of the WBG. This should include specific proposals for transferring more risk to the private sector, especially by IFC, in line with G20 CAF Review recommendations. We also call on IFC to bring forward proposals to revisit its business model, including exploring its risk and return thresholds, so that they can recycle capital faster and reduce risks for others. We also call for the IFC to play a leadership role in transforming GEMS into an independent entity as quickly as possible.

The World Bank Group also needs to work more effectively and productively across its individual parts as well as with the other development banks, the IMF, the UN, the private sector, civil society, and partner governments. We hope to see the Bank increasingly become a convenor and enabler of others to support greater coherence and impact in the international effort on the SDGs.

Third, on financing, we recognize that to deliver the ambitious priorities shareholders are setting out, greater volumes of finance, including private capital, will be needed. The WBG has made big strides on climate finance, but we see potential to do more at scale, especially to assist with adaptation. We welcome the initial steps taken by the WBG to implement the recommendations of the G20’s CAF Review. The package agreed for Springs is a good start, but we want to see further bold action taken. We support the proposal to amend the Articles of Agreement to remove the Statutory Lending Limit. This is only the fourth time we are
amending the Articles in the Bank’s nearly 80-year history. This reflects a more modern approach and we look forward to further proposals in line with the spirit of the CAF Review.

We strongly support the proposed first step to lower the Equity to Loan ratio from 20% to 19% and welcome the additional $40 billion of lending this will release. We would also like to see options for further reductions in this ratio. We also welcome the proposal to pilot hybrid capital as it is important for the Bank to consider innovative options to expand its financing capacity and meet the needs of clients. And we support the increase to the bilateral guarantee headroom – having seen this as a very useful tool, especially where countries are facing risk or single borrower limits. Looking ahead we expect to see a comprehensive response from across the whole World Bank Group to all of the CAF recommendations and a clear timetable for implementation, particularly undertaking a full review of its capital adequacy framework and of the potential to systematically recognise the uplift from callable capital to its credit rating. The WBG will need to work closely with other multilateral development banks to achieve this.

We also want to see proposals for stretching IDA’s balance sheet further and for it to be used in a more countercyclical way. IDA’s clients face a $10bn drop in volumes next year, despite the compound shocks which the poorest countries continue to face. IDA’s hybrid model and $180bn of equity should allow it to continue to provide elevated financing volumes to the poorest and most vulnerable, particularly through continuing crises. We strongly support the continuation of IBRD transfers to IDA.

The UK strongly commends the World Bank Group’s support to Ukraine since the invasion, which the UK has supported through c.$2 billion of loan guarantees. We also welcome the IMF’s dedicated support to Ukraine, culminating in the approval of a $15.6 billion Extended Fund Facility. This is a crucial milestone that demonstrates the international community’s deep commitment to support Ukraine in the years to come. The UK will support Ukraine and the IMF in the implementation of this programme. At the Ukraine Recovery Conference this June, the UK will bring together international partners to unlock the investment and expertise needed to support Ukraine’s repair, recovery, and reconstruction.

We also welcome the Bank’s steadfast support to crisis-hit countries: Sri Lanka, Pakistan, Somalia, Malawi and Türkiye to name a few.

World Bank Evolution is happening in the context of wider reform of the international financial institutions, including the International Monetary Fund.

We warmly welcome work undertaken at the IMF Executive Board to sharpen the Fund’s lending toolkit. This includes the approval of increased access limits for regular (GRA) IMF lending, and an important change to the Fund’s policies for lending into exceptional uncertainty. However, it was disappointing that PRGT access limits were not increased at the same time as GRA access. The Fund must be able to offer full and timely support to its poorest members when needed, in accordance with its mandate. We are pleased the Board will revisit the issue of PRGT access limits should further fundraising to the PRGT materialize.

The IMF must expedite consideration of using internal resources to support the PRGT’s critical subsidy needs. Proposals must be brought before the IMF Executive Board in a timely fashion to consider a transfer of GRA lending income or a targeted sale of IMF gold to ensure the PRGT has a sustainable resource envelope in the long-term.

We must collectively seize this unique moment to transform our international system including the World Bank Group. That is the only way we can get back on track with our development and climate goals.