Statement by

H.E. Arkhom Termpittayapaisith
Minister of Finance

Thailand

Representing the Constituency of Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam
Statement by
H.E. Arkhom Termpittayapaisith
Minister of Finance
Thailand
Representing the Constituency of Brunei Darussalam, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam
107th Meeting of the Development Committee
April 12, 2023
Washington, DC

Thank you, Chair. I am thankful of the work of the World Bank Group and IMF to improve lives around the world, especially in times like these. Today’s conversation could not be more relevant or timely. Speaking on behalf of 11 countries in Asia and the Pacific, I will focus my remarks on our region’s vision for development and how we can strengthen the international financial architecture.

Global Economic Outlook

Let me first say a few words about the global context. As we step into the post-COVID new normal, we are stepping into a new era. Several important shifts have taken place. The first is geopolitical. For the last 30 years, the world has benefited from economic integration and global commerce. But today geopolitical tensions threaten to give way to entrenched divisions, splitting supply chains, technological pathways, and even financial systems. The second is economic. In the short term, countries are facing the highest interest rates and inflation we have seen in a long time, and debt levels reaching crisis point. In the longer term, to cite the Bank’s own research, “nearly all the economic forces that powered progress and prosperity over the last three decades are fading”. The third is the erosion of the global commons, shared global goods, such as the environment, public health and peace. With 8 billion people on the planet, everything that each of us does greatly affects the others. Most concerning is the acceleration of the impacts of climate change, which will hit the poor the hardest, who have done the least to cause the crisis.

Evolution of MDBs

These shifts call us to action. The next 30 years will be a different world, and our global financial system must evolve to meet the challenge. I am very glad to see the Global North and the Global South acting together to reinvigorate the MDB system and build a more sustainable, resilient, and inclusive world. Let me make four reflections in response to the 4 questions for Governors’ guidance.

First, in considering both the Mission statement and operating model, economic growth must be among the core goals of the reforms. Growth is the engine that developing countries need to end poverty and promote shared prosperity. Only growth can generate the resources needed to invest in resilience and sustainability. Some of the weakening of long-term growth is due to global commons issues. But much of it is the result of stubborn structural impediments: a lack of access to energy, food and water, infrastructure and human capital, and private investment. That so many people today still live without access to clean water or energy is a great injustice, and completely fixable. Yet, the Bank’s own estimates suggest that it will fall short of its 2030 target. Clearly, it cannot be business as usual. While the Evolution process must include a deep, thorough analysis of what changes are needed to ensure the Bank can address the root causes of poverty and promote growth more effectively at a national level. Practically, this means new instruments, ways of working, staff capacity, and corporate targets that allow the Bank to play a greater role in promoting
business and private investment. It also means adopting a definition and principles for prioritization for the Bank’s “global challenges” which addresses the impediments to growth which countries face.

**Second, the Evolution must move the World Bank’s operating model beyond its reliance on its core lending products.** Within the Bank’s established model, the Bank faces difficulties when it must deliver knowledge, coordinate global and regional partners, and mobilize private capital, because it still relies on lending as its primary lever. But client countries are looking for more. On knowledge, global challenges are often areas where national governments lack capacity. The Bank should take the lead in providing expertise and tying this back into the country engagement model. Knowledge should be a core deliverable of the Bank, not a side product. On partnership, the Bank’s Evolution should give it the mandate and levers to improve national ownership in the development architecture. The Bank should be encouraged to initiate, support, and participate more systematically in country platforms. Beyond the country level, the World Bank must also play a leadership role, convening players to achieve consensus around definitions, harmonize policy across borders, and promote interoperable policy frameworks. On PCM, there must be formal structures, commitments, and dedicated financing to encourage the Bank to focus on PCM as a mainstream deliverable.

**Third, shareholders must do more to scale up the WBG’s financial capacity for the SDGs.** I am concerned that the additional resources may not match with the extra responsibilities we taking on. We must be very careful that Evolution does not result in the redirection of financing from traditional development aid toward climate-earmarked facilities, which would be tantamount to transferring the burden of climate change onto the world’s poorest. The best way to do that is to ensure the MDB system is well capitalized. Balance sheet optimization is a good start. But looking ahead to Annual Meetings, we would like to see much more innovation, taking care to avoid options which increase the Bank’s cost of borrowing. These innovations will require strong shareholder support, and I encourage all members, especially those who bear the most historical responsibility for the climate crisis, to step up when the time comes.

**Fourth, in reforming the Bank’s financial model, we must pay careful attention to debt sustainability.** This means making sure that new financing for global challenges has a significant grant component, but my point is bigger than that. Like climate change, the threat of a global debt crisis is a collective action problem, in which individual actors have incentives at odds with the global common good. For instance, creditors may include non-transparent debt clauses or hold out on restructuring until others make concessions, leading to avoidable debt crises. Hence this is a global challenge which requires a collection action solution. The IMF and the World Bank must work closely together on ambitious and creative solutions that go beyond short-term debt restructuring. Going forward, I hope to see a concrete and innovative proposal on debt as a central piece of the Evolution process.

**Conclusion**

In closing, let me again express my sincere appreciation to the Management and Staff of the Bank and Fund.