

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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Telephone: (202) 458-0388 Washington DC, October 19, 2019

- 1. The Development Committee met today, October 19, in Washington, DC.
- 2. Global growth remains subdued, reflecting the softening pace of investment and trade. Downside risks persist due to continued policy uncertainty, trade tensions, financial volatility, and rising debt. We call on the World Bank Group (WBG) and International Monetary Fund (IMF) to continue cooperating and work with countries to bolster potential growth, increase resilience to shocks, boost domestic revenues and continue building policy buffers. They should also consolidate the multi-pronged approach with borrowers and creditors to address the increase in debt vulnerabilities in emerging and low-income economies, as well as promote sustainable and transparent borrowing and lending practices. We ask the Bank Group and IMF to promote effective regulatory and operational measures for fostering tax transparency and combatting illegal tax avoidance, money laundering, illicit financial flows and other challenges to the integrity of the international financial system, including tackling corruption. Efforts should also protect the most vulnerable, enable private sector solutions, spur job creation and strengthen public sector efficiency.
- 3. We welcome the 2020 World Development Report Trading for Development in the Age of Global Value Chains. The positive effects of the expansion of trade and value chains are evident in their impact on economic growth and income gains, jobs, productivity, technology transfer, and most importantly, poverty reduction. At the same time, trade gains remain unevenly distributed within and across countries. We call on the Bank Group to work with member countries to strive to realize free, fair, non-discriminatory, transparent, predictable and stable trade and investment, while protecting the environment and ensuring that the gains from participation are equitably distributed.
- 4. We appreciate the progress reported in the *Human Capital Project Update*, particularly the concrete institutional and policy reforms of participating countries. We encourage the Bank Group to continue working with public and private sector partners to prioritize analytics and strengthen systems, interventions and investments that improve human capital outcomes, with continued refinement of the Human Capital Index methodology. The outcomes include: improving revenue mobilization and public expenditure management, making progress toward universal health coverage in developing countries, ensuring quality education as well as lifelong learning to prepare workers for current and future job market needs, investing in and empowering women, expanding the coverage of social safety nets and improving service delivery. These actions are essential to achieving the twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner.
- 5. We welcome the paper on *Jobs and Economic Transformation: Drivers, Policy Implications and World Bank Group Support.* We appreciate Bank Group support of country-specific priorities that bring together analytics, policy advice, and tools to support jobs and economic transformation, while de-risking and catalyzing private investments. We support coordination and urgent action within the Bank Group to support institutional development and governance reforms, create markets and jobs, spur private investment, reduce barriers to creating businesses, address labor demand and supply constraints, enhance opportunities for women and youth, expand regional projects and collaboration as well as leverage regional integration and south-south cooperation. We urge management to mainstream and operationalize this agenda, drawing on lessons from past successes and on the framework provided in the paper, customized to country contexts, and ask that the Board be updated on this approach by Spring 2020.
- 6. Countries affected by fragility, conflict, and violence (FCV) face a complex landscape exacerbated by, among other issues, natural disasters, climate change, weak governance, inequalities, exclusion and poor access to energy. They have high numbers of vulnerable people, demographic and migration pressures and forced displacement. These factors create risks and challenges, and to overcome them requires innovation and increased support. Fighting poverty and promoting shared prosperity in FCV situations is key to furthering progress toward the twin goals and the SDGs. The Bank Group and the IMF must remain engaged, with strong local teams in place, to prevent, mitigate, and build resilience to crises while strengthening institutions, developing quality infrastructure, and partnering with the private sector. We look forward to the Bank Group's new FCV strategy that aims to address the drivers of FCV in affected countries, including fragile small island states, and their impact on vulnerable populations. We also expect the strategy to guide context-specific and regional interventions, policy dialogue, and operational partnerships via country programs and country platforms with key bilateral and multilateral partners, including the UN.

- 7. It is critical that accountability mechanisms for Bank Group projects remain strong and effective, especially as the organization intensifies its work in more challenging environments. We reiterate the importance of the World Bank Inspection Panel and the IFC and MIGA Compliance Advisor Ombudsman in enhancing development outcomes.
- 8. The private sector is crucial to generating jobs and raising living standards. We appreciate the role of the Bank Group, including IFC and MIGA, in continuing to provide upstream advisory services, facilitate and expand investments and create markets by engaging with all clients, while prioritizing IDA and FCV countries. We support their efforts to build opportunities for private sector solutions while maximizing development impact, including through the upcoming MIGA strategy. We encourage IFC and MIGA to continue to be proactive and innovate to increase private sector investments and support entrepreneurship, including SMEs.
- 9. We agree on the critical role of IDA, the Bank's fund for the poorest countries, in helping to tackle the most important development challenges facing the global community. We welcome the strong implementation of IDA18 and ask that lessons learned be captured and applied to IDA19. The overall direction of IDA19, with its special themes and cross-cutting issues, represents an ambitious agenda. To deliver on this, we look forward to a successful IDA19 replenishment, with strong support from existing and new donors. We ask IDA to continue to focus on delivering results on the ground through its core financing and dedicated windows. We also welcome the one-third increase in IMF concessional financing available to low-income countries approved in May 2019, which provides more room for the IMF to support its poorest and most vulnerable members.
- 10. Gender equality is a priority for the Bank Group, and we are encouraged by the implementation of its Gender Strategy, reinforced by commitments related to IDA and the capital increase. Going forward, it will be critical to further deepen this implementation. We also welcome the enhanced focus given to gender equality issues by the IMF, including in its country work.
- 11. We commend the progress in implementing the IBRD and IFC capital package and delivering on the Forward Look commitments of (i) serving all clients, (ii) leading on global public goods, (iii) creating markets and (iv) continually improving the business and operational model. IBRD should continue to engage clients across the income spectrum, while prioritizing additional financing towards countries below the graduation discussion income, in line with the commitments of the capital package. The Bank Group is uniquely placed to address global development challenges, and we encourage it to help implement country platforms to make better use of development resources and mobilize private sector solutions. We call for intensified engagement with clients to advance on the global issues identified in the capital package, namely crisis management and FCV, climate change, gender, knowledge and convening, and regional integration, and other specific issues such as energy security, biodiversity, illicit financial flows and pandemics. The Bank Group engaged on many of these issues at the recent UN General Assembly. The Bank Group should also continue to deliver on its Climate Change Action Plan.
- 12. We look forward to the adoption of the IFC capital resolutions by March 18, 2020, and we encourage ongoing work toward subscriptions and payment for the IBRD capital increase launched on October 2, 2018.
- 13. We welcome the *IDA Voting Rights Review: Report to Governors* and endorse the proposed review, including its guiding principles and scope. We request that the IDA Board of Directors lead the review, and we look forward to an update by the 2020 Annual Meetings, with an agreed timeline for concluding the discussions.
- 14. The next Shareholding Review will take place in 2020. Reviews are an opportunity to take stock of shareholders' representation relative to the agreed Dynamic Formula and in line with shareholding principles.
- 15. We call on the Bank Group to work with members to lay the foundation for a proactive and orderly LIBOR transition, preserving the integrity of the financial model of the Bank Group, while applying principles of fairness and transparency.
- 16. We thank Christine Lagarde for her strong leadership of the IMF over the past 8 years. We also congratulate Kristalina Georgieva on her selection as Managing Director of the IMF.
- 17. The next meeting of the Development Committee is scheduled for April 18, 2020, in Washington, DC.