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)

ONE HUNDRED AND NINTH MEETING
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Statement by

Rt. Hon. Andrew Mitchell, MP
Deputy Foreign Secretary

and

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

United Kingdom of Great Britain
and Northern Ireland

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109th Meeting of the Development Committee

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Global development co-operation has never been more difficult, nor more important, than it is now. As the UK's White Paper on International Development set out, the IFIs and particularly the World Bank Group, play a central role in putting us back on track to the SDGs in 2030, and tackling the most pressing global challenges we face.

It is clear that progress on poverty has stalled and risks continue to grow. Over half of low-income countries are in or at high risk of debt distress and are unable to access affordable finance to grow their economies. Global hunger has worsened since the pandemic and is set to increase significantly in Africa by 2030. The number of people in need of humanitarian assistance has doubled since 2018. That makes it even more important that we take steps now to deliver an ambitious IDA21, a bigger PRGT, a bigger IBRD and get much more private finance flowing. With all of this underpinned by a reformed WBG that is more effective and more focused on impact.

We must also do so in the face of an increasingly contested and volatile world, with fragility and conflict increasing in many parts of the globe, and with Russia's illegal invasion of Ukraine and the conflict in Gaza at the front of our minds. Our guarantees partnership with the Bank will unlock $3bn of additional financing for Ukraine to support essential public services, building on the $2bn already disbursed, ensuring the authorities have the domestic resources sitting alongside their support to the armed forces. We welcome the Bank's recently approved Growth Foundations Development Policy Loan, which we jointly guaranteed with Japan.

We welcome the Bank's leadership on the needs assessment for Gaza. The reconstruction costs are staggering – an estimated $18.5bn, which was 97% of the GDP of the West Bank and Gaza in 2022. The Bank will need to play a central role in those efforts and will need to act boldly and creatively when that time comes. We call on management to explore all options for scaling up its support to the West Bank and Gaza.

Yet in this 80th year of the Bretton Woods institutions we must acknowledge the critical role that the Bank and the IFI system is playing – and recognise good progress when we see it. From the completion of Zambia's debt restructuring under the Common Framework to countries taking tough decisions on economic reforms from Nigeria to Egypt. With humanitarian risks only continuing to grow, particularly in Sudan and Ethiopia, we all must step up. We welcome the Bank's significantly increased commitments to Ethiopia this year and the UK is playing its part too - including through the pledging conference for Ethiopia that we co-hosted this week. We welcome the focus on MDB reform in both the Brazilian and Italian Presidencies, and we have high ambitions for the Summit of the Future later this year.

We welcome the impressive progress made under Ajay Banga's leadership to progress the 'better' Bank agenda, in the face of these global challenges and compound crises. Since Marrakech, the Bank has launched a new crisis toolkit (including Climate Resilient Debt Clauses that the UK has championed). It has committed to allocate 45% of its annual financing to climate related projects by 2025 and has also committed to host the Loss and Damage Fund for an initial four-year period. We also welcome the focus on outcomes under the new corporate scorecard, and the ambition to streamline the Bank's delivery – with two months already shaved off disbursement timelines.

Alongside this, progress has been made on the Global Challenges agenda. We welcome the Bank's new Framework for Financial Incentives, which will incentivise borrowers to invest in activities that have important global public good elements, such as climate mitigation. We welcome the inclusion of longer tenor loans within the Framework, which the UK pushed strongly for. We expect the Global Challenge Programmes (with progress already made on energy and forestry) to take us further in incentivising country demand and supporting pipeline development, working more closely with IFC and MIGA. We also want the Bank to play a central role in country platforms for energy transition, to speed up progress and make the system more efficient and collaborative. Across all of this, we recognise that the Bank will need to learn by doing, and by piloting new approaches, and we welcome the commitment to regular review points, thorough evaluation, and sharing that learning across the other MDBs. More broadly, we encourage the MDBs to work together to come forward ahead of Annuals in October with an ambitious and robust figure on the scale of longer-term MDB climate finance.

We welcome the progress made and will be watching implementation closely. It is also clear that further reform is still needed. We want to see a strong focus on simplifying and speeding up processes, investments in staffing capability (particularly in FCV), stronger partnership working, an ambitious roll out of the Bank's new crisis toolkit, scaling of adaptation finance to close the several hundreds of billions financing gap per year, and much greater mobilisation of private sector investment.

Looking at 2024, we are focused on delivering greater scale and impact – across IDA21, IBRD, the private capital mobilisation agenda, and the IMF's Poverty Reduction and Growth Trust (PRGT).

First, it is critical that we all deliver on the expectation of an ambitious replenishment of IDA21. It is important that IDA21 responds both to the immediate needs of IDA's borrowers, while also shoring up IDA's balance sheet for the future. We call on Bank management to explore all options for stretching IDA's balance sheet as far as possible, alongside higher contributions from other donors. The UK could consider increasing our pledge to IDA21 subject to the Bank committing to a comprehensive reform package, including further CAF and operational reforms – particularly in how IDA operates in and on fragile and conflict settings. Linked to this we also want to see IFC and MIGA ramp up investments in these more challenging geographies using both their own balance sheets and driving innovative blended finance approaches, including with IDA's Private Sector Window. Beyond this we want to see shifts in approach on crisis preparedness, health, climate adaptation and nature, and economic transformation to respond to the global challenges IDA's clients are facing. The Bank also needs to continue to make the clear link between investment and results – we agree that IDA can be simplified, but this should not be at the cost of losing our ability to drive ambition and measure results.

Second, we know that shifting the dial on the SDGs and Global Challenges, such as climate change, will require significantly higher volumes of finance. So, for IBRD, we continue to call for further measures to stretch the balance sheet – including considering further reductions in the IBRD E/L ratio, maximising the leverage we get from existing callable capital, and an ambitious review of its capital adequacy framework in 2025. Alongside this, we are calling for a process to assess how big the Bank should be to match our ambition for its role in delivering on the SDGs. To that end, and conditional on a package of reforms agreed alongside, we support a General Capital Increase to bolster the financial capacity of IBRD. Our pledge of £100m for Hybrid Capital, which could unlock up to £1bn of additional IBRD financing capacity over the next decade, is a downpayment on this, recognising the need for urgent action to deliver real impact. This is in addition to our existing guarantees which are expanding IBRD lending by $2bn and expanding lending to Ukraine by an additional $5bn.

Third, mobilising greater volumes of private capital for investment in emerging markets will be critical. We recognise the good progress made here, with the establishment of MIGA's guarantee platform to drive greater coherence across the WBG, as well as the recent publication of default and recovery rates through the GEMS initiative. Looking ahead, we want the WBG to continue making good progress establishing a new and potentially transformative PCM vehicle (WESP) and innovative approaches to FX risk, adapting its processes to better support PCM (improved and more strategic analytics), and disseminating more detailed investment data (through the GEMS initiative). We want these strands of work to be drawn together into a more strategic PCM approach, assessing whether IFC's current business model is fit for purpose. As part of the International Development White Paper, British International Investment (BII) has committed to boost its mobilisation of private capital by taking forward a stronger approach to sharing risk with private investors. The UK is keen for other development finance institutions - including the IFC - to continue to raise their level of ambition for private mobilisation.

Fourth, it is also important that the IMF continues to deliver for LICs. Support to LICs from the IMF's PRGT and support from IDA should be a comprehensive and consistent package. Financing for the PRGT needs to be sustainable, whilst also meeting the increased needs of its members. The UK is a strong supporter of the PRGT: our SDR 1.5bn loan ($2bn) generates at least SDR 250m ($330m) in implicit subsidy resources according to IMF staff. This helps ensure that the PRGT can offer the volume and concessionality of finance the LICs needs. We call on other countries with the means and capacity to play their part in meeting the PRGT financing need. We also look forward to IMF proposals on how they will deploy internal resources to support its most vulnerable members.

We also welcome continued collaboration between the Fund and Bank to prioritise tackling growing global debt vulnerabilities, strengthen debt management capacity and increase debt transparency; including through the WBG-IMF LIC Debt Sustainability Framework and supporting the effective implementation of the Common Framework to ensure timely and effective debt restructurings.
We also want to see continued efforts to strengthen impact and effectiveness across the whole World Bank Group.

The Bank's core business, if it is to deliver its mission of ending extreme poverty and boost shared prosperity on a liveable planet, will increasingly be centred around its ability to deliver in fragile contexts. We are calling on the Bank to take more strategic look at how it delivers in and on fragility. This needs to: focus on systematising the approach to remaining engaged through third party implementation, placing resources where they are needed, engaging upstream to prevent conflict, reinventing the business model to keep pace with fragility, and re-energising private sector investment.

The Bank must continue in its efforts to become much faster and more agile – across all its arms – ensuring that simplification and quicker processes help countries to access the finance that they need. We also want it to become a better partner, working more collaboratively with others, especially thematic funds, such as those on health and climate. We also expect the Bank to play a leadership role in better aligning rules and processes across MDBs and the wider development finance system, ensuring that the whole financing architecture is delivering for developing countries.

The WBG should also continue its leadership on crisis preparedness and shock response: by rolling out its new toolkit, including CRDCs, extensively – including in fragile contexts; by supporting countries to understand their risks and choose the most appropriate crisis response tools, even when these are outside the Bank; and ensuring that we do not forget the lessons of the pandemic, by exploring surge finance mechanisms for procuring medical countermeasures such as vaccines in future pandemics.

This is a major year for SIDS with the UN 4th SIDS Conference in May. The Bank has an important role to play in supporting vulnerable islands, particularly in accessing the essential finance they need. We also welcome the expansion of the Small Island Economies Exception equally to Small States. The Bank should continue to tailor and enhance its operations to Small State systems, recognising their uniquely limited country capacity. We will be closely watching the Bank's progress on Disaster Risk Finance, including its piloting of CRDCs in Small States.

We are facing the worst food security crisis in a generation. The Bank has stepped up its efforts, committing more than $49bn, and is planning to deliver a Global Challenge Programme focused on Food and Nutrition Security. Going forward, we want the Bank to strengthen its approach to preparedness, resilience, and prevention of crises, including by allowing the international system to act before a food crisis through Food Security Country Preparedness Plans. We are also working with the Bank to strengthen its social protection work in conflict contexts.

The Bank must also be a stronger leader on tackling illicit finance and corruption, making these issues a core part of its development work. We want to see better and more targeted technical assistance that supports countries to address vulnerabilities, including stronger implementation of Beneficial Ownership Transparency reforms. To support this, the UK is contributing £2m to Bank and IMF trust funds established to tackle corruption and support anti-money laundering systems. Additionally, the UK is announcing a Global Call to Action to drive greater transparency about who really owns companies. We need both developing and developed countries, especially those with financial centres, to take swift action, because illicit finance from developing countries is too often moved through or hidden in global financial centres, using anonymous shell companies. We hope that others will join us in this endeavour, and, over the next three months, we will work together to set out our commitments so that more people can access better information about who really owns companies.

The WBG must also play a central role in delivering a fairer international financial system too – one which better meets the needs of all developing countries. On that basis, the UK will continue to champion greater voice for the lowest income and most vulnerable countries on the World Bank and IMF Boards – alongside longstanding support for the African and Caribbean Banks where countries from those regions own more than 55% of the shares.