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Statement by **AJAY BANGA**,
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2024 Annual Meetings
Address by Ajay Banga,
President of the World Bank,
to the Board of Governors of the World Bank,
at the Joint Annual Discussion

As Prepared for Delivery

It is a privilege to stand before you at the convergence of two important moments for the World Bank Group:

- A moment to celebrate what we have achieved in 80 years and reflect on the lessons we have learned;
- And, a moment to memorialize a year of change, hard work and progress; and prepare for the next generation of challenges.

The World Bank was born in a moment of global upheaval. Established in 1944 during the Bretton Woods Conference, it emerged as a response to the widespread devastation caused by World War II. Its original purpose, as the International Bank for Reconstruction and Development, was focused squarely on helping war-torn nations rebuild.

However, even in those early discussions, a spirited debate emerged: should the World Bank focus solely on reconstruction, or could it play a broader role in fostering global development?

Since then, the world's needs have continued to evolve, and the World Bank has evolved with them.

Again, we find ourselves at a similar crossroads, where reconstruction is at the forefront due to wars in Europe, the Middle East, and Africa. The lessons from the past have uniquely equipped us to rebuild from today's conflicts.

While reconstruction is essential, our focus has increasingly turned toward development.

This is where the World Bank's heart lies: helping nations emerge from less fortunate circumstances to enable people to reach their full potential.

Today, we face a world of unparalleled complexity—poverty, climate change, conflict, and pandemics are intertwined. The modern requirements of reconstruction and development call for an institution that is faster, simpler, and more impactful; capable of addressing the challenges of our time at an unprecedented scale.

It is a call that was echoed by our shareholders and clients when I joined 16 months ago—a mandate to work with the dedicated people of the Bank to engineer the

institution's evolution. Together, we have embarked on this journey to build a better bank and bring that vision to life.

We have achieved meaningful improvements across the institution and progressed toward that promise. I am encouraged that we are moving in the right direction, marked by measurable milestones—*streamlined operations, a more impact-oriented institution, and increased lending capacity.*

First, we are faster.

Because development delayed, is development denied.

By streamlining our processes, we can move from planning to action more quickly, reducing the time it takes to deliver for the countries we serve.

- We've reduced project approval from an average of 19 months to 16. Our goal is to get to 12 months by June 2025.
- This is manifesting in reality. Using a platform approach, we approved a set of health projects with similar characteristics in five African countries, each in under 100 days, some as fast as 30. In the Pacific region, we approved a correspondent banking support project with seven countries in 10 months.

Second, we are simpler.

Because process should never overtake substance.

Simplifying our processes helps us work more efficiently and makes it easier for clients, especially those with limited capacity, to access our services.

- We are delivering a unified Country Partnership Framework and have appointed 21 joint country heads representing the entire group—IBRD, IDA, MIGA, and IFC. While it's still early, we see a shift and new level of collaboration among our management and staff. The initial feedback from countries has been encouraging—so we are in the process of expanding to 20 more countries by early next year.
- Meanwhile, we have implemented a series of changes you won't see, but our clients and partners will feel. By unifying many back-office functions—budget, corporate procurement, and real estate—we can deliver services faster and better function as a Group.
- Also, we are working to be a better partner and collaborator with other multilateral development banks. Over the last year, the World Bank has formalized partnerships with five other institutions. Working together on everything from the Amazon with IDB to cross border trade with ISDB to strengthening health services with AIIB. Looking ahead, we will soon finalize an agreement with the Asian Development Bank that will deliver new efficiencies for our clients.

- And, as a constellation of MDBs, we have produced an online platform that allows development institutions to share projects for co-financing, and discuss them securely and transparently. This new platform results in reduced administrative burden and transaction costs, better-coordinated financing, and ultimately greater development impact. In just six months, we have 100 projects in the pipeline and some are starting to be financed.

Third, we are more impact-oriented.

Because results matter.

By prioritizing measurable outcomes, we enhance accountability, focus efforts across the Bank, and ensure our projects drive real change.

- Our overhauled Knowledge Bank now has the right people in place leading each vertical for the entire institution. They are focused on bringing our expertise to the creation of Country Partnership Frameworks, and helping countries overcome capacity challenges to develop bankable projects.
- We've rebuilt our corporate scorecard—moving from 150 items to 22. This simplified set of indicators feeds the cultural shift we are driving, reinforcing our institution-wide effort to maximize impact. Last week, we published the baseline results for 20 metrics and shared our measurement formulas. In doing so, we are allowing shareholders, clients, and taxpayers to see the impact we are delivering—and where we need to do more.

Fourth, we are better optimized with more lending capacity.

By leveraging our financial tools strategically, we can extend our reach and deepen our impact without compromising our financial sustainability.

We aggressively pursued the Capital Adequacy measures and have stretched our existing balance sheet by securing additional lending capacity at IBRD of \$150 billion over the next 10 years. A combination of new tools and shareholder generosity achieved this result. It includes Hybrid Capital, Portfolio Guarantees, and two equity-to-loan ratio reductions in two years.

We built on that foundation by offering new instruments and scaling other known solutions.

- For example, we introduced 50-year financing for global public goods at no additional cost. And, to respond to a spectrum of needs, we began offering shorter maturity loans of seven years with lower pricing.
- We are looking for ways to scale our various financing instruments that pay for results. These tools create a powerful incentive for outcomes and form a real part of our toolkit. Taken together, they added up to nearly half of IBRD and IDA loans last year.

- Financing the pay for results approach and adding the incentive of lower interest rates for global public goods projects led to the launch of the Livable Planet Fund. We capitalized the fund with \$200 million from our income, alongside early support from Denmark, Germany, Iceland, and Japan. We are looking to other governments and philanthropies to chip in. Before the end of the year, we will launch a project preparation facility, funding it from IBRD income, to help countries with capacity challenges and take ideas to bankability.
- We developed a new mechanism to enhance the value of callable capital that is ready for shareholders to bring to life.
- We have taken substantial action on the pricing of IBRD loans to ensure middle-income countries can borrow from us on better terms. Part of this pricing adjustment allows small states that are already eligible for Climate Resilient Debt Clauses to borrow at our lowest pricing tier.

These elements are all part of a sustained effort. Whenever and wherever we see an opportunity to improve our balance sheet and optimize its use, we will pursue it. Because when more affordable financing is paired with our knowledge, it creates a powerful engine for development.

This same spirit of doing all we can is engrained in our IDA replenishment campaign.

Over six decades, 36 countries have graduated from IDA. Many are now generous donors. They all know three things:

- First, the power of IDA's grants and deeply concessional loans.
- Second, IDA's knowledge gained over the years that builds capacity for other countries.
- Third, IDA's unique capability to multiply every donated dollar 3.5 to 4 times gives donors more impact per dollar and clients the ability to take on bigger development projects. This has helped IDA deploy \$270 billion in the last 10 years

IDA is the best deal in development. More than the funds we deploy are the benefits people derive.

Over the past decade, IDA has helped deliver health services to nearly 900 million people around the world, connected 117 million to reliable electricity, and delivered clean water to 94 million others. And helped more than 18 million farmers grow more, waste less, and improve their bottom line.

Meanwhile, IDA is a lifeline for the world's 78 poorest countries that will spend close to half of their revenues on debt service this year, and more than they spend on health, education, and infrastructure combined. In this difficult environment, IDA has provided

\$16 billion over the last four years to the four countries in the common framework for development and liquidity. Of those funds, half were pure grants and half concessional.

We are doing all we can to ensure that IDA has the resources it needs to be effective. We also believe that a focused, simpler IDA provides the best opportunity to breed stability, security, and advance development.

Over time, IDA's required measurements have swelled to nearly 1,100. We are working to reduce that number to under 400, giving clients more freedom to prioritize and shape their development to suit their country circumstances.

We hope at the IDA Pledging Summit that South Korea will host in December, we will be able to tell the 78 countries that rely on IDA that a well-resourced and simpler IDA has arrived.

Even with the improvements of the better bank and additional capital, we need to incentivize the private sector to come in as a force multiplier.

To help, we published proprietary investment data to inspire investor confidence in two ways:

- First, through GEMS, we published private sector default and recovery rates broken down by country and sector; and shared sovereign default and recovery rate statistics dating back 40 years. This data is now available on Bloomberg Terminals.
- Second, IFC published private sector default metrics broken down by credit rating of the borrowers.

Data alone will not get us far enough.

The UN estimates \$4 trillion more is needed annually for the development goals. Those resources do not exist between public finances, multilateral banks, and philanthropies. We need the private sector. And to engage them, they must see clear opportunities for a return on their investments.

Our Private Sector Investment Lab, which was created to address the imbalance for renewable energy, has identified five areas of focus. We are advancing each and looking to deploy lessons to other areas of work.

- First, regulatory and policy certainty. We're testing our capacity to help governments with this, along with the IMF and the African Development Bank, through our initiative to connect 300 million people in Africa to electricity.
- Second, political risk insurance. We've simplified our guarantees business and are being more purposeful about employing it. Already this fiscal year, we've issued three times more guarantees than at this point last year and will be able to go even further once the platform is fully realized.

- Third, foreign currency risk. We know that developing local capital markets with enough depth and width is the best way to help investors manage this risk. We are helping several countries navigate this challenge who are at varying stages of progress.

Meanwhile, we're pursuing other ideas such as a multi-layer FX Risk Sharing Facility to spread the risk across the private sector, governments and the World Bank for longer term projects. And, we are working on using surplus local currency deposits in commercial banks to lend more in local currency. Separately, IFC has found success lending in local currency, which accounts for about a third of its loans.

- Fourth, first loss and junior equity. We are developing and will announce in a matter of weeks the Frontier Opportunities Fund that will incentivize the private sector by taking some of the risk off the table. The initial pool of funding will come from IFC's net income. But to have the kind of scale we desire, we need donors and philanthropies.
- Fifth, creating an asset class—in other words, originate-to-distribute. We are expanding our securitization efforts by forming a new group, led by Doug Peterson, CEO of S&P. This group will include key players like BlackRock, commercial banks, and other institutional investors. Our goal is to move from offering small, bespoke loans to larger, packaged securities. Among other things, this will require us to standardize loans and documents, both from our side and the receiving countries. It has the greatest potential to unlock large sums of money from investors—pension funds, insurance companies, sovereign wealth funds.

Attracting more private investment is challenging.

It will take time.

But we're committed to getting this done.

With the reforms we have implemented and others in motion, the World Bank Group is positioned to take on bigger, more ambitious projects, accelerating our mission to create a world free of poverty on a livable planet.

That is evident in M300, our goal to deliver electricity to 300 million Africans by 2030 with the African Development Bank. The Rockefeller Foundation joined the effort, and together, we are working to recruit other philanthropies and investors.

Meanwhile, our teams on the ground are developing country-by-country analyses of the barriers facing each. It's clear that a mix of distributed mini-grids, better transmission and distribution systems, and properly financed utilities will be important. We anticipate at least \$30 billion of public sector investment will be needed, of which IDA will be critical.

This work will be done early next year for the Heads of State Summit in Tanzania. At the Summit, 15 leaders will join our team, along with representatives from the IMF,

development banks, philanthropies, and private sector investors, to commit to bespoke action plans – an example of country platforms that work.

Our commitment to scale is also clear in our objective to support countries in delivering quality, affordable health services to 1.5 billion people by 2030.

As part of this initiative, we're expanding our focus to help people stay healthy from birth to old age, working to reach them in remote places, and partnering with governments to make healthcare more affordable.

An effort that will be aided by our collaboration with the World Health Organization and Japanese government via the Universal Health Coverage Knowledge Hub, which will be launched next year.

We have other goals—like those we announced at COP28—that are moving forward.

- We committed 45% of total financing to climate, with half going to adaptation by 2025. We're at 44% but need to keep pushing on adaptation.
- We promised to launch 15 country-led programs to cut methane emissions, all are online with monitoring systems now being set up to track progress.
- We launched Climate Resilient Debt Clauses, allowing a two-year pause in debt payments. So far, 12 countries, mainly in the Caribbean and Pacific, have signed up, with more in discussions. Complementing CRDC's, we introduced a rapid response option, which allows countries to immediately reallocate a portion of undisbursed funds in times of crisis.

And just this week, we set out on other journeys in agriculture and to empower women.

In the coming decades, the world will need 60% more food to feed 10 billion people. With new tools, roadblocks of the past—like fragmentation—are giving way to the opportunities of tomorrow.

To take advantage, we are launching an ecosystem approach for agribusiness that brings together the World Bank and partners to help smallholder farmers move beyond subsistence farming and integrate into commercial value chains.

Underpinning this system is a link from our public sector experience building farmer associations, and government capacity to our private sector financing and access. We are combining this new way of working with a new level of investment—doubling our agri-finance and agribusiness commitments to \$9 billion annually that aims to mobilize billions more from the private sector.

Together, we can reshape the future of food security, nutrition, growth—and employment.

We are also working toward a world where women have the power to shape their own destinies.

A world where they are not limited by societal expectations or economic constraints.

Our job is to build a ladder of opportunity, where each rung represents a step towards greater empowerment. To help women climb this ladder, we must provide support at every level.

Our goal is to build a foundation that provides a social safety net to 250 million women, a middle step that connects 300 million women to broadband, and the top to provide access to capital for 80 million women-led businesses by 2030.

These goals will be achieved with a comprehensive action plan that pulls together regulatory reform, skilling, digital affordability, and partnerships.

Our work is far from finished...

Ultimately, our focus must be directed toward development projects and tackling the root causes of poverty.

Poverty is a state of mind, not only a state of being. The most effective way to defeat poverty is by creating jobs.

So, let us turn the page and look to the future.

The World Bank Group is poised to embark on the next phase of our mission: Ensuring job creation—and employment—are not the byproduct of our projects but an explicit aim of them.

Throughout the history of development, jobs have proven time and again to be the surest and most lasting panacea for poverty.

A job is more than a source of income; it brings dignity, a sense of purpose, and uplifts the human spirit and condition. Jobs are the key to unlocking potential. They provide a pathway out of poverty, empower women, give hope to younger generations, and build stronger communities.

In the heart of the world's emerging economies, a silent revolution is taking place. A vast generation of 1.2 billion young people, eager and brimming with potential, is poised to enter the workforce. Yet, the landscape of opportunity is not expanding at the same pace—projected to produce 420 million jobs....

The specter of unemployment looms large, potentially leaving 800 million young people without meaningful employment, and threatening to destabilize societies and hinder economic growth. The gravity of this challenge cannot be overstated any more than the potential of this generation to change the world for good.

But forecasts are not destiny.

To that end, we've launched a dedicated initiative aimed at generating jobs for young people. Presidents Tharman of Singapore and Michelle Bachelet of Chile are leading the

effort with a group of business leaders, civil society, and academics – who met for the first time this week.

Such a focus is required because jobs are not generated in isolation.

They require a marriage between preparing people, and preparing opportunities—because while talent is everywhere, opportunities are not.

This marriage is supported by foundational building blocks that the World Bank is deeply committed to supporting: healthcare, infrastructure, education and skilling, food security, clean air, and clean water.

We can help build a public sector that employs people and fosters private sector growth, especially for small businesses, which account for 70% of global employment. This work requires collaboration with partners like the IMF, MDBs, and governments, with our B-Ready Report serving as a resource for evidence-based discussions.

In practice, this means leveraging many of the tools available to the World Bank Group.

Our Knowledge Bank experts can help governments and businesses identify and capitalize on opportunities. With a focus on capacity building, we offer tailored solutions, from developing local capital markets to enhancing education and skilling.

Our new Knowledge Academy utilizes best practices to give public officials the skills they need to support the development of their people and private sector.

Our capital and guarantees work in tandem to catalyze investment. This is where each element of the Private Sector Investment Lab workplan will be critical.

The result is magnified by embracing digital technology.

Digital public infrastructure allows us to reach more people with essential services like healthcare, education, and financial inclusion.

Digital technologies can break down barriers and reduce incumbent players' advantages, creating new opportunities for innovation and entrepreneurship.

Enhanced with AI and the data revolution, we have a powerful tailwind. To maximize its potential, we must harness it strategically and use it wisely.

This is the beginning of a long journey.... We are committed to giving the young people growing up today the best chance of a life of dignity.

We are not naïve to the challenge.... But, because we are faster, simpler, and more impact-oriented, the World Bank Group, and our people, are better able to respond.

Through innovative financing and partnerships, we can pursue more ambitious programs like connecting 300 million Africans to electricity or developing agribusiness in a way that feeds the world and economies.

With our knowledge and private sector focus, we can help defeat poverty with jobs.

Of course, we can only run as fast and as far as our capital allows....

We are building the bigger bank and pushing to make good on the G20 call for an ambitious IDA, but at some point, we would require an enhanced capital base for IBRD, IFC and MIGA.

From the better bank to our bigger ambition to our commitment to young people and women, the progress we aspire to achieve demands more from us all.

It requires that we do not succumb to the tyranny of small things.

Most importantly, it requires that this constellation of willing partners—those of us in this room and around the world—work together as collaborators.

Our mission demands unwavering endurance—an insatiable will to keep pushing forward through time, setbacks, and challenges.

I hope that as we move forward, our ideas will lead to action, which in turn will change lives. That is why we are here.

Thank you for your time and for joining us on this journey.