

**INTERNATIONAL MONETARY FUND • THE WORLD BANK GROUP •
BOARDS OF GOVERNORS • 2018 ANNUAL MEETINGS • BALI, INDONESIA**



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Report to the Boards of Governors of the International Monetary Fund and World Bank Group by
Hon. Sri Mulyani Indrawati, Chairwoman of the Joint Ministerial Committee of the Boards of Governors
on the Transfer of Real Resources to Developing Countries (Development Committee).



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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Bali, Indonesia, October 13, 2018

1. The Development Committee met today, October 13, in Bali, Indonesia.
2. Global economic growth remains strong, but uneven, while manufacturing and trade growth have moderated. Downside risks to global growth have intensified for multiple reasons. These include policy uncertainty, geopolitical developments, the gradual tightening of global financing conditions, as well as rising debt levels and currency volatility. We underline the crucial role of international trade for economic growth, job creation and sustainable development. We call on member countries, with support from the World Bank Group (WBG) and the International Monetary Fund (IMF), to implement policies that ensure robust and inclusive economic growth, reduce risks, and foster competitiveness, while strengthening fiscal sustainability and financial resilience.
3. We remain concerned about the rise of debt vulnerabilities in some emerging markets and low-income countries, which risks reversing the benefits of earlier debt relief initiatives. Deteriorating debt outlooks are increasing these countries' vulnerabilities as global economic risks mount. This necessitates solid policy frameworks, adequate fiscal and external buffers, and sustainable and transparent lending practices. We ask the WBG and IMF, based on their respective mandates, to help member countries strengthen their fiscal positions by improving debt management capacity, increasing domestic resource mobilization and deepening local capital markets. We support the WBG-IMF multipronged approach to work with borrowers and creditors to improve the recording, monitoring, and transparent reporting of public and private debt obligations, as well as efforts to strengthen creditor coordination in debt restructuring situations, drawing on existing fora.
4. Our meetings had a strong focus on building human capital, particularly given the implications of technological advances on jobs, the financial sector, and other aspects of development. New jobs are being created that did not exist a decade ago, while some skills that were formerly relevant are becoming obsolete. We discussed the need to ensure that all individuals have access to the skills and capabilities to adapt and prosper in the face of digital disruption. Given the strains on public finance systems, new approaches will be required.
5. We welcome the *World Development Report 2019: The Changing Nature of Work* and its approach to facilitate policymakers' understanding of near- and long-term challenges. Building human capital demands significant investment and evidence-based policymaking, which will require new and effective revenue mobilization strategies and approaches, including for social protection, health and education systems with universal coverage. We urge the WBG to provide targeted financing and advice to help clients address these challenges while also building incentives for work. To help countries prioritize investing in people, we call on the WBG and IMF to provide tailored support and capacity building to increase domestic resource mobilization, combat illicit financial flows, fight against tax avoidance and evasion, encourage investors, and create innovative financing tools for development.
6. We support the WBG emphasis on the need for increased and more effective and inclusive investments in better learning and health outcomes. We welcome the Human Capital Project (HCP) and the launch of the Human Capital Index (HCI), with the supporting program of country engagement. These can provide a platform to support clients' long-term efforts to invest in national and global health and learning systems, helping them prepare for an economic future that will be transformed in profound ways by technological change. We call on the WBG to continue this work, recognizing the potential for further methodological refinements, including through the development of comprehensive disaggregated data on health and education, in cooperation with relevant multilateral agencies.
7. Technology offers new opportunities to accelerate progress towards the twin goals of eradicating extreme poverty and boosting shared prosperity. At the same time, it introduces new risks, including increased inequality within and between countries. Urgent action is needed to maximize potential benefits and mitigate risks. We support the role the WBG can play in helping countries find new pathways to sustainable, inclusive growth by building the foundations of the digital economy;

boosting the capacity of people, firms and institutions; and brokering technology solutions. We ask that WBG management prepare an approach to mainstream the agenda by Spring 2019, taking into account the need to work strategically with client countries and relevant partners, including the private sector and multilateral development banks (MDBs).

8. Financial technology (Fintech) is a key pillar in the WBG's larger engagement on disruptive technologies. Fintech can support inclusive sustainable growth and poverty reduction by strengthening financial development and inclusion for households and firms, as well as improving efficiency and competition in the financial sector. However, Fintech may also pose risks to financial stability, integrity, and consumer and investor protection. We welcome development of the Bali Fintech Agenda by the WBG and the IMF, which brings together key considerations for policymakers and the international community. Working within their respective mandates, and in close collaboration with other partners, the institutions should help harness the potential of Fintech to deepen financial markets, enhance responsible access to financial services, facilitate cross-border payments, strengthen remittance systems, and better manage risks associated with use of these technologies. A focus should be placed on low-income countries, small states, and marginalized communities, especially to close gaps in access to finance for women and for Micro, Small and Medium Enterprises (MSMEs).

9. The private sector is especially critical to creating jobs and well-functioning economies, including in IDA countries and in fragile and conflict-affected states. We urge the WBG to continue efforts to operationalize Maximizing Finance for Development (MFD) through the "cascade" approach. The cascade entails the World Bank, IFC, and MIGA working jointly to level the playing field and pursue private sector solutions to help achieve development goals, while reserving public finance for projects that the private sector cannot support. We commend IFC for its strategic efforts to create markets, support pioneering investments, and provide opportunities where they are most needed. IFC can help investments succeed through its due diligence, mobilization, capacity building and advisory services. We also commend MIGA's contributions to increasing investment in developing countries through access to long-term financing at lower cost and anticipate MIGA playing a greater role in MFD.

10. We reiterate our support for IDA and acknowledge its central role in achieving the WBG's twin goals as well as its contribution to the Sustainable Development Goals. We welcome the strong progress on IDA18 implementation including regional programs, support to refugees, the launch of the new Private Sector Window, and the first IDA bond issuance. We call on IDA to continue to innovate, focus on development outcomes, and prioritize the IDA18 themes: jobs and economic transformation; gender; climate; fragility, conflict and violence; and governance and institutions. We look forward to the outcomes of the IDA Midterm Review.

11. The most vulnerable people are disproportionately affected by fragility, pandemics, natural disasters, and climate change. At the same time, they often lack access to basic infrastructure for food, energy and water. We call on the WBG, in cooperation with partners across the public and private sectors, to continue exploring innovative solutions, applying evolving technologies, and broadening South-South cooperation on crisis risk management. We also urge the WBG to continue mainstreaming crisis preparedness, prevention, response and resilience, working at the humanitarian-development nexus. It should also deliver financing and policy advice that enables clients, especially low-income countries and small states, to make greater use of risk financing instruments and develop quality climate- and disaster-resilient infrastructure and investments.

12. We thank the WBG Boards and management for submitting the draft resolutions on the IBRD and IFC capital increases to Governors. We welcome the adoption of the IBRD capital increase resolutions, which is a critical first step towards effective implementation. We are encouraged by the rapid pace of approvals of the IFC resolutions and we welcome the ongoing efforts by shareholders to secure outstanding adoptions. We look forward to an update at the Spring Meetings 2019 on implementation of the capital package commitments.

13. The Committee would like to express its appreciation to the Government of Indonesia for hosting the Annual Meetings. We also express our condolences for the tragic loss of lives and devastation in Central Sulawesi and Lombok. We thank Ms. Sri Mulyani Indrawati, Minister of Finance of Indonesia, for her invaluable guidance and leadership as Chair of the Committee during the past two years. We welcome her successor, Mr. Ken Ofori-Atta, Minister of Finance of Ghana.

14. The next meeting of the Development Committee is scheduled for April 13, 2019 in Washington, DC.