Statement by

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United States
We have come together in Dubai to address a vital cause, supporting developing countries’ efforts to increase economic growth, raise living standards, and reduce poverty. The United States is committed to meeting this challenge. Our shared objective further reinforces the urgency of increasing global economic growth.

**Increasing Grants**

The World Bank has made some important changes that will help to advance developing countries’ growth more rapidly and effectively. One such reform is the increasing use of grants. For the poorest countries, grants are particularly important in such areas as education and health – investments that increase productivity but do not directly generate the income needed for debt servicing. We must increase grants in IDA 14 and beyond so that strong performers with heavy debt burdens can still access the external resources they need to support real growth-promoting development.

**Mainstreaming Results Measurement**

I commend the World Bank for the ambitious transformation it has launched to orient itself toward producing results. No development endeavor should be considered a success unless it achieves measurable impact on the lives of the poor. The Bank’s work to integrate a results measurement system and evaluation into its operations and strategies must be practical, achievable and transparent. The focus on results should also apply to Bank lending for budget support for recipient countries. Budget support must be designed around a strong results framework, with clear, measurable baselines, indicators and objectives. It should be going to solid performers with the most credible public expenditure management.

Measuring results, rewarding performance, and increasing transparency are all steps intended to bolster program effectiveness and enhance accountability. To advance this agenda, we call on the Bank to:

- Fully disclose the performance rating system it uses to allocate resources to poor countries, including disclosure of individual country performance scores that are used to apportion IDA resources, and the scores of their components;
- Tie staff performance incentives to the quality of development outcomes rather than the quantity of development flows, and;
- Conduct an external performance audit of the IDA-13 results commitment, to which the United States has tied its $200 million incentive contribution.
Supporting Private Sector-Led Growth

The World Bank is engaging more seriously in supporting private sector-led growth, which is essential for poverty reduction. I particularly want to commend the IFC and IDA initiatives to expand small business access to credit in Africa. I welcome the focus of next year’s World Development Report on the links between investment climate improvements, growth and poverty reduction. Investment climate diagnostics must be central to all country programs. Where private finance is unavailable, the Bank must also catalyze infrastructure investments necessary to strengthen markets, productivity and services delivery.

Remittances

Remittances from the developed countries to people in poor countries play a crucial role in economic development, with recorded flows reaching over $70 billion per year and far exceeding official development assistance. These flows reduce poverty and help achieve other development goals in education and health. Actual flows are believed to be significantly higher given that remittances often flow through informal channels. The use of informal channels indicates that there is room for improvement in our formal financial systems and that we can reduce the cost of remittances thereby increasing the flows significantly. It is critical that the IFIs dedicate resources to the systematic analysis of remittance issues. In this vein, we welcome the World Bank’s recent draft report for APEC that creates a framework for estimating the magnitude of remittance flows and examines the incentives for using informal systems.

Reducing Barriers to Trade

Increased trade offers significant potential for developing countries to increase growth and reduce poverty. The World Bank has made commendable efforts to incorporate trade issues into country programs, reducing administrative obstacles to trade and supporting regional integration projects. More operations are needed to improve the legal, administrative, financial and customs/transportation frameworks that can make or break a country’s ability to compete. The most important means of increasing trade, however, is to bring down trade barriers in both developed and developing countries. World Bank studies show that the gains from such reforms for emerging markets alone could be $500-$800 billion annually.

The United States commends the willingness of the World Bank to support developing countries with adjustment needs related to trade liberalization. We must not let the outcome at Cancun become a lost opportunity for global trade liberalization. As governments reflect on next steps, it will be critical for all countries to consider their contributions to reducing barriers to poverty-reducing trade and investment.

Voice of Developing and Emerging Market Countries

The United States has long supported strengthening the voice of developing and emerging market countries in the international financial system. The U.S. was one of the earliest and strongest advocates of the creation of the G-20 and the country-driven PRSP process, and the U.S. has advocated including borrowing country representatives in IDA-13 and African Fund
replenishment negotiations. We supported measures taken last spring to enhance the influence of the borrowing countries with regard to the Bank, including adding resources to the largest constituencies.

**Supporting Iraq and Afghanistan**

It is propitious that we are meeting in Dubai. Our coming together here underscores the vital work that the World Bank and other institutions are doing in this region. As we all know, the task of supporting reconstruction and recovery in Iraq is enormous. The World Bank is already making a tremendous contribution on a needs assessment, and we look forward to its continuing active engagement. In particular, the World Bank should work with the Iraqi Governing Council and relevant Iraqi ministries to provide substantial financial support to Iraq as soon as possible.

I believe that we have already achieved important successes in Iraq, especially in the economic and financial areas. While these achievements are helping to underpin economic stability in Iraq, substantial work is needed to lay the foundation for private sector-led growth and to bring lasting and meaningful improvements to the Iraqi people. Helping Iraqis achieve these objectives will require a sustained commitment by the international community, and I look forward to next month’s meeting in Madrid as an opportunity for donors to pledge their support.

In Afghanistan, reconstruction is moving forward with the help of the international community. Substantial progress has been made on crucial infrastructure projects, and I commend the contributions that the World Bank and Asian Development Bank are making in this area. The Afghan government deserves credit for its efforts to provide the basis for a working economy.

Afghanistan is at a critical juncture. To ensure success, the United States will increase its assistance to Afghanistan this year and accelerate projects to provide concrete, visible results to the Afghan people. To be successful, however, this must be a united effort with the full support of the Afghan government and the international community. I urge donors to increase and expedite their assistance.

**Combating Terrorist Financing/Anti-Money Laundering**

We are making progress in protecting people from terrorism by combating terrorist financing and money laundering, but much remains to be done. The World Bank has contributed to this effort and I look forward to further work. A high priority is the joint World Bank, IMF and Financial Action Task Force (FATF) pilot project for assessing country compliance with standards for combating terrorism financing and money laundering. This should become a permanent part of the IFIs’ oversight and surveillance of financial systems. It will be critical to the war on terrorism and will help to anchor the foundations of sustainable growth and development.
World Bank Budget

To ensure the ability of the World Bank to deliver its assistance more effectively and achieve its objectives, its administrative budget must be more transparent and focused on the strategic priorities of the Bank. The US will work with other shareholders in the World Bank and the other international financial institutions to propose changes in the way their budgets are structured, with a view to implementing these changes over the next year.

Conclusion

I want to share a longer-term vision reflecting on the ambitious goals that we have set for reducing poverty. As these goals are met, we can add another target that we should all want to achieve, and that is for the development institutions – bilateral and multilateral – to work themselves out of business. While it may seem like a strange measure of success, such an achievement would mean that people’s lives have improved and countries are relying on investment, private capital, and entrepreneurship instead of pledges, concessions, and debt relief. It would mean that the people of developing countries will have governments that deliver basic services and provide for the rule of law; it will mean that they will have a chance to better their lives and see their children educated; and it will mean that they will know freedom and human dignity.

Thank you.