Statement by

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We come together at an important moment in the history of the World Bank. The transition in the leadership of this institution is occurring at a time of tremendous gains in living standards around the world, the depth and breadth of which we have not witnessed in decades. Yet the challenges before us, particularly with respect to Sub-Saharan Africa, have never been clearer. The reports provided to the Development Committee this year, in particular the Global Monitoring Report, reflect the enormity, complexity and profundity of the road ahead.

**The Primacy of Growth**

Economic growth, led by the private sector, is the most effective means of promoting sustainable development and reducing poverty. Therefore, with the United States and China leading the way, 2004 was enormously important to the development aspirations of the world’s poor, with growth of 5.1%. Moreover, world economic growth continues to be strong overall and the outlook for this year and next is very positive. We are particularly pleased to see the strong results in emerging market and sub-Saharan African economies and a strong recovery in Latin America led by private consumption and business investment. We note that while increased growth rates in sub-Saharan Africa are welcome, high and sustained growth rates are needed over an extended period of time to reduce poverty significantly.

**The Role of ODA**

We recognize that official development assistance can play a critical role in economic and social development, particularly in assisting those who have shown the capacity and willingness to use aid effectively. The Monterrey Consensus exemplifies this approach for it recognizes that aid can complement other sources of financing for development, especially in those countries with the least capacity to attract private direct investment and other sources of financing.

The United States has already followed through on our Monterrey promise to increase official development assistance by 50 percent over the 2000 levels by 2006. This commitment was met in 2003, three years ahead of schedule. In 2004, our ODA increased another $2.7 billion to reach $19 billion, a near doubling since 2000. These dramatic increases illustrate that we do not need to resort to innovative financing mechanisms to deliver critical resources to developing countries. Moreover, our assistance to sub-Saharan Africa has tripled over this period and it is on track to increase even further. The first Millennium Challenge Corporation compact, with Madagascar, has been approved and another seven of the other 16 eligible countries are from sub-Saharan Africa. With respect to HIV/AIDS, President Bush has requested nearly $3.2
billion in FY06 from our Congress, which would represent the third year of steadily increasing funding toward the President’s pledge of $15 billion in 5 years. We are committed to reach our goals of preventing 7 million new infections, supporting treatment for 2 million people, and caring for 10 million people, including orphans and vulnerable children.

With respect to the multilateral development banks, we are pleased to have participated in the successful conclusions to the IDA-14, AsDF-9 and AfDF-10 replenishments. We are particularly pleased with donors’ leadership in: improving transparency and accountability at the World Bank; implementing a robust measurable results system; and substantially increasing grant financing for poor countries which will have lasting effects. In this manner, these replenishments will strengthen the institutions not just in terms of financial capacity, but also in terms of delivering effective assistance on the ground.

Aid is most effective when it is aligned with recipients’ priorities, when it reduces transaction costs through harmonized procedures and donor coordination, and when there is a clearer focus on managing for results. The Paris High Level Forum was a significant step toward action on harmonization and alignment, and we look forward to further progress on aid effectiveness as donors implement the Paris Declaration. We also welcome the IDA-14 results measurement framework and believe it can serve as a model for bilateral and multilateral donors alike.

Other Financial Flows

While ODA can play a critical role in advancing efforts to attain our common development goals, it is just one part of the total picture. In fact, private sector resources – both domestic and international - dwarf traditional development assistance. From an international policy perspective, two areas in particular hold great promise for developing countries, trade and remittances.

The U.S. government strongly supports multilateral, reciprocal trade liberalization under the Doha Development Agenda and is working toward that goal. An ambitious result to liberalize agriculture, industrial and consumer goods, and services would promote growth and development. We believe the Bank and the Fund should continue to emphasize the gains from liberalizing trade, not only with respect to the policies and practices of developed countries, but also the benefits accruing to developing countries from taking action to liberalizing their own barriers. In today’s global economy, an internationally competitive services sector, including financial services, is essential. A World Bank study found that countries with fully open financial services sectors grow 1.0% faster, on average, than other countries. Another study suggests that financial development alleviates poverty beyond its affect on aggregate growth. Thus, financial sector liberalization can have a disproportionately positive effect on the poor and should be a primary component of national development strategies. There is also an urgent need for greater support for trade capacity building. The U.S. has provided substantial bilateral assistance for trade-related capacity building, and we would like to
see more mainstreaming of such support by the World Bank and other international organizations.

As we have noted before, remittance flows can be a critical contributor to poverty reduction and locally-driven private sector-led growth. Global remittances have grown dramatically in recent years, climbing to an estimated $126 billion in 2004. Despite technological advances, the vast majority of remittance flows continue to travel through slow and/or expensive formal channels or informal networks. The World Bank has been leading the international effort to improve remittance statistics, identify barriers to the provision of competitive remittance services, develop strategies to address those impediments, and enhance the development impact of remittance flows. We urge the Bank to continue its leading role and work closely with member clients, other MDBs and the private sector on this important cross-cutting issue.

Policy Reform

From a domestic perspective, financial flows, official or private, will provide little benefit without the proper foundation for economic growth and prosperity. It is private sector investment, both domestic and foreign, that has historically been the factor that has ensured sustainable growth in developing countries. Firms create jobs, provide goods and services, and contribute to the tax revenues that provide public funding for health and education. The Bank’s 2005 World Development Report provided clear evidence that the lack of a conducive climate has been the main impediment to investment in most parts of the developing world. We are pleased that the World Bank is giving increased attention to this issue through its analytical work such as the Doing Business series, and its lending and policy advice. We urge that this issue be given even greater priority in the future.

A number of recent reports have stressed the importance of improved public sector management to development in general, and Sub-Saharan Africa’s development in particular. As we have repeatedly stressed in terms of the Bank’s internal operations, increased transparency with respect to both fiscal revenues and expenditures, when coupled with increased participation, can help to make institutions more accountable and public spending more responsive to public demand. More attention to this issue is needed. In addition to further information on measurable development results, we suggest a sharply focused Global Monitoring Report for next year devoted to public sector financial management and combating corruption.

Debt Forgiveness

We believe the international community needs to take prudent and appropriate steps to ensure long term debt sustainability for low-income countries. The shift to greater use of grant financing by IDA and the AfDF will help to reduce the continued accumulation of unsustainable debts. However, the existing debt burdens in Heavily Indebted Poor Countries (HIPC) remain high and will continue to act as a constraint on economic growth for years to come. Consequently, the international community needs to go further by providing up to 100 percent debt stock relief of IDA and AfDF obligations for HIPCs.
In addition, those bilateral creditors not providing 100 percent relief on pre-Cologne Summit (June 20, 1999) debt should take steps immediately to do so.

These actions, combined with the new increases in grants going forward, will put these poor countries on a sustainable path immediately. Our proposal not only drops the debt of yesterday, but prevents debt from burdening countries again well into the future. Furthermore, it does so without risking the IFIs’ capacity to provide net resource transfers to deserving countries going forward. However, in providing this much needed relief, we must be careful not to divert resources that would otherwise have gone to increase direct aid flows. We must also be careful not to subvert the performance based allocation of resources, which would reduce the delivery of resources to countries where they could be used most effectively.

**Sub-Saharan Africa**

We strongly support the increased focus of the international development community on the challenges faced in sub-Saharan Africa. This region typifies many of the development challenges that the international community is seeking to remedy. We recognize and support the commendable recent strides made by many of Africa’s countries. The average of 5% growth, represents an eight-year high, and 2005 is expected to be at a similar level. Single digit inflation across the continent is another welcome accomplishment which will help create a more stable macro-environment. These results are the product of improved policies, but also exogenous impacts such as high commodity prices. Given that growth rates higher than 5% are needed to make the desired significant impact in poverty, we urge countries to further deepen reforms and continue efforts underway at macroeconomic stabilization so that higher rates can be achieved in coming years.

Regarding some of the specific changes needed for Africa’s growth to accelerate and poverty levels to fall significantly, we strongly support the attention the Global Monitoring Report and the International Financial Institutions have directed towards fiscal management improvements and the structure and quality of public spending, improvements in the enabling business environment – Africa’s economic output could increase by more than $70 billion over the next ten years if the average African country’s quality of business regulations equaled that of the average OECD country -- and public sector governance. We also welcome the increased attention being paid by a number of African countries to managing for results.

The African Peer Review Mechanism is an important effort designed to catalyze an ownership and accountability culture in all of Africa. Its success depends on all countries taking it seriously. Africa’s recent improved growth is also the result of a decrease in conflicts on the continent. The overall trend in reduction in conflict means that businesses can restart, governments should have more funds available for social services and donors will be more inclined to provide assistance. While the trend is positive, continued progress is still needed to make Africa conflict-free. While some of the news in Africa is very positive, it remains a very poor continent, very vulnerable to many types
of shocks. While we all would like change in Africa to be as rapid as possible, as the Commission for Africa report states, donors must recognize that in most African countries change will be long, slow and complicated.

**Voice and Participation**

Governance of the IFIs is a very important issue. The United States attaches a high priority to preserving the global character of these institutions. Careful consideration and consultation is needed to address the complex issues involved and we believe the time is ripe.

**Transition**

In closing, I would like to praise President Wolfensohn for his extraordinary service during his tenure as President of the World Bank. His many accomplishments – from dealing early-on and forcefully with corruption to his steadfast interest in increasing the focus on the results of the Bank’s operations – will have a lasting and positive impact. We look forward to working with President-designate Wolfowitz as he leads the institution in the fight against poverty through economic growth in furtherance of our common development goals.