Statement by

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Statement by Secretary Tim Geithner at the
International Monetary Fund and World Bank Group Development Committee Meeting

Since we last met six months ago, the economic crisis has begun to ease. Private capital flows are recovering and global growth is resuming. But even as early signs of recovery emerge globally, there is significant risk that the world’s poorest will continue to feel the effects of the crisis long after the rest of the world has recovered. As a result of the global economic downturn, an additional 90 million people risk being forced into extreme poverty, jeopardizing the hard won progress toward meeting the Millennium Development Goals. It is critical that we respond directly to the needs of the most vulnerable at this time. The international financial institutions are central to this effort.

Over the past year, the World Bank, the regional development banks, and the IMF have played a vital role in cushioning the impact of this crisis on poor and middle income countries. Lending programs have been robust and timely, providing critically needed resources as other sources of revenues have diminished. Collectively, the development banks have increased their lending targets by over $100 billion above planned pre-crisis levels, fulfilling their London commitment of at least $100 billion in new resources.

In their crisis response, the multilateral development banks have once again demonstrated their central importance to the developing world. As such, we also believe that they must be at the center of global efforts to address the development challenges of the 21st century. The Obama Administration is strongly committed to a renewed focus on multilateralism in the delivery of development assistance and will be working to ensure that the multilateral development banks (MDBs) have adequate resources, sound policies, and good governance, so that they are well positioned to meet current and future development needs.

Looking forward, we believe that the World Bank, working with the regional development banks, should give greater attention to challenges that are global in nature and require globally coordinated action. We see four particular challenges on food security, climate change, private sector led growth and meeting the needs of the poorest.

- On food security, we welcome a strong role for the World Bank in furthering the implementation of commitments made in L’Aquila and look forward to working with the Bank in developing a multi-donor trust fund that supports comprehensive, country-led agriculture development plans. The fund should help coordinate financing and implementation of country plans and complement the activities of bilateral donors, with a focus on results and development effectiveness.
On climate change, efficient and effective financing must be integrated with development planning, policies and investments. This implies a critical role for the World Bank as we scale up resources. In turn, climate change will be part of a broader architecture that accommodates financing from a variety of public and private sector channels as well as expanded and improved carbon markets. To succeed in this effort, we need to encourage low income countries to pursue cleaner development strategies through renewable energy, as is being piloted by the Scaling up Renewable Energy Program.

Supporting private sector led growth strategies is vital to achieving sustained growth and enhancing opportunities for the poorest in developing countries. The MDBs should focus on innovative financing mechanisms for small business creation, expanded access to finance for the poor, and technical assistance focused on legal and regulatory impediments.

A top priority for all of the MDBs must be support for the poorest, which requires that the MDBs focus on the most vulnerable populations both in their concessional lending and in their support for countries with access to the hard loan windows. It also means they should increase their overall support for their concessional windows through internal resources, when possible.

The success of the World Bank in meeting each of these global challenges will depend critically on the institution’s global legitimacy. For this reason, the United States remains committed to supporting governance reforms that will strengthen the credibility and legitimacy of the international financial institutions by recognizing the increasing importance of emerging market countries in the global economy. The G20 Summit in Pittsburgh marked a major breakthrough on this front for the World Bank, setting the stage for a successful outcome by the time of the Spring Meetings.

In Pittsburgh, we also reaffirmed our commitment to ensure that the MDBs and concessional windows are adequately funded. Replenishment negotiations for IDA and the African Development Fund will soon get underway, and we view the timely and successful conclusion of these discussions as a critical component of the Leaders’ commitment to avoid a disruption in financing for the concessional facilities.

In addition, several MDBs, including the World Bank, are seeking new infusions of capital for their hard loan windows. We are carefully reviewing the financial capacity of all the MDBs and expect to complete their capital reviews by the first half of 2010. Because donor countries are facing severe fiscal constraints at home, we must be fully confident that additional capital for the MDBs’ hard loan windows is needed and that any new resources will be managed well and used effectively. To this end, we will be seeking critical institutional reforms in any consideration of additional resources.

Sound resource management requires that the MDBs commit to rigorous budgetary discipline to ensure that loan pricing is linked to administrative costs. Budget processes should be designed to ensure that resource allocations reflect institutional priorities. The MDBs should also commit to strengthening transparency, accountability, and good corporate governance, as well as build capacity to innovate and achieve demonstrable results.

We look forward to working with the World Bank and Regional Development Banks to implement these critical reforms and to making progress toward meeting these challenges in the months ahead through support for an ambitious development agenda.