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)

SIXTY-THIRD MEETING
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Statement by Paul H. O'Neill
Secretary of Treasury
United States
Effective, accountable and strong international financial institutions remain a very important part of the international financial architecture and a strong national interest. That said, I feel a tremendous sense of responsibility as a shareholder in the institutions and as a custodian of national tax dollars to make the IFIs more effective and more accountable.

When countries have a good policy environment, the IFIs can have an important development impact if assistance is focused on increasing productivity. Raising productivity -- increasing the amount of goods and services that each worker can produce in a day -- is the ultimate driver of higher incomes per capita and reduced poverty. Prioritizing productivity growth in the work of the Bank and the Fund by spurring more and better capital, more and better technology, and more and better social investments to its borrowers -- particularly the poorest -- will be one of this Administration’s goals.

Expansion of world trade is also a leading priority. For the poorest countries, the potential benefits from trade far outweigh any other form of resource transfer. The World Bank and regional development banks have an important role to play in helping developing countries to take advantage of trade opportunities by strengthening their capacity to produce and export goods.

We will also be fighting hard to shift the resources IFIs spend fire-fighting crises to crisis prevention. Preventing financial crises through early and clear diagnoses of problems, and taking the proper, often tough, policy response is critical. In this respect, assessments of country fiduciary and social safeguard policies should be routinely done, particularly prior to IFI lending, with remedial actions incorporated into loans.

We will continue to pursue MDB reform, including better coordination among the MDBs; strengthened efforts to promote good governance and public sector management in borrowers; and improved internal MDB governance to ensure compliance with approved policies and maximize transparency.

In our quest for higher accountability in the use of IFI resources, we will remain vigilant of attempts to shift a higher level of Bank lending to budget support without evidence that it yields higher development effectiveness and without a clear assessment of its operational and fiduciary risks. We will continue to look for concrete, measurable results of IFI engagement.