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United States of America
President Bush believes that the United States should and must be a champion of economic growth and development, particularly in those parts of the world where poverty is most acute. The President has called for a new compact for global development, defined by new accountability for both rich and poor nations alike with greater contributions from developed nations linked to greater responsibility from developing nations. The President’s proposal recognizes that sound policies have universal application and that development partnerships with borrowers can only be effective if rooted in a good policy framework. For this reason, the adoption by poor countries of the reforms and policies that make development effective and lasting is integral to the President’s proposed new Millennium Challenge Account.

The concept underlying the Account is clear, that countries that rule justly, invest in their people, and encourage economic freedom will receive more U.S. assistance. Secretary of State Powell and I are exploring ideas for a set of clear, concrete and objective criteria to measure progress in these three areas. We encourage you to share with us the results of your own development experience on the most credible indicators for measuring performance.

**Measurable Results:** The international community has a responsibility to see that the resources it provides make a meaningful improvement in the daily lives of the people in the poorest countries. Unfortunately, this is an area where donors have a long history of being derelict in their responsibilities. No one can be satisfied with the results of the last fifty years of development assistance. It is an area where we can – and must – do a better job.

Aid must be used wisely as part of sound management practices that are well targeted, well coordinated, and rigorous in measuring results. It is important that a solid partnership exist with client countries on priority reforms to drive growth and poverty reduction, while underscoring the need to measure the impact of and accountability for those reforms. Measurable results and policies that increase economic growth should be the hallmark of World Bank operations.

The Bank’s paper on development effectiveness provides a strong reminder of how closely aid effectiveness is linked to country commitment and the quality of their policies and institutions. Unfortunately, the paper provides little guidance on what works and what does not work in generating jobs and the productivity-led growth needed to reduce poverty. We also still need a more informed process for correlating project inputs with outputs, and we strongly encourage the efforts being initiated by IDA in this area. We want to see an enhanced results-oriented focus permeate all levels of operations, with progress tracked against a set of key objectives by investment, by country, and by lending institution.

**Grants:** We would like to see substantially increased use of grants for basic education and health, HIV/AIDS and other infectious diseases, and water and sanitation projects in the poorest countries. The United States has shown a high degree of flexibility on the overall proportion of IDA that should be provided as grants. This reflects our desire for a timely agreement that will provide IDA with a secure policy and financial basis to increase the effectiveness of its assistance. We are convinced that commensurate flexibility by all donors will eventually lead to a satisfactory conclusion of the IDA-13 replenishment that all donors seek.
**Leave No Child Behind**: Education has high value for the poor who must rely on their own human capital skills to generate income to escape poverty. The benefits of education in poor countries, particularly when girls and women are fully included, transform societies in multiple ways. We reaffirm our strong support for countries that demonstrate a sustained political commitment to quality education for all children, youth and adults. This commitment will promote higher living standards and democratic societies and provides the long-term foundation for countries to benefit from globalization. It is crucial that countries devote adequate budgetary resources to education and adopt needed policy and institutional changes. The use of resources must be monitored to ensure that they translate into actual learning outcomes and results. We believe the World Bank and other donors should be prepared to significantly increase funding for basic education in those countries with strong policy and financial commitment to this sector. Bank plans to “fast-track” universal primary completion in some ten countries is a welcome first step as long as countries are selected on the basis of credible performance and donor efforts are well coordinated.

**Anti-Money Laundering Action Plan and Fighting Terrorist Financing**: Strengthening financial systems’ and institutions’ ability to combat money laundering and terrorist financing is essential for financial stability and therefore for sustainable economic growth and poverty reduction, particularly in countries where capacity is weak. Protecting the integrity of the IFIs and taking steps to prevent terrorists from abusing financial systems to support their activities should be a very high priority for the international community, including the Bank and Fund, and should be reflected accordingly in the priority that these institutions ascribe in their country strategies and resource allocations.

**HIPC**: The ultimate success of HIPC will be determined by the extent to which debt relief contributes to economic growth and human development. Priorities in this area for HIPC countries should be on high quality development strategies that increase productivity and the effective use of freed resources. Donors also need to address the projected financing gap for the HIPC program.