Statement by

Mr. John W. Snow
Secretary of the Treasury
United States of America
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Development Committee Statement for the Record  
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This meeting of the Development Committee takes place at a time of considerable focus on the conditions necessary for meeting the international goals set out in the Millennium Declaration. Significant progress in meeting some of these international goals has been made — approximately 70% of the developing world lives in countries on track to meet the reduction in poverty and hunger goal -- but gaps clearly remain.

The Monterrey compact agreed to two years ago sets out a mutually reinforcing set of commitments. Developing countries agreed to strengthen policies, governance and institutions to generate growth and create an enabling environment for development. Developed countries pledged to provide additional resources to those countries that demonstrate a commitment to such actions. And the international institutions were called upon to complement and catalyze national efforts through financial support and technical assistance.

The United States has already followed through on the promise we made at Monterrey to substantially increase aid to those taking needed steps to promote lasting, inclusive development progress. The U.S. pledged to increased official development assistance by 50 percent over the 2000 levels by 2006. We met this commitment in 2003 and by 2006 U.S. ODA is projected to be roughly 70 percent above fiscal year 2001 levels. This includes pledges to substantially increase our funding for the multilateral development banks, including IDA; implementation of the Millennium Challenge Account, and a plan to provide $15 billion for HIV/AIDS over the next five years.

U.S. assistance is based on the concepts of transparency and measurable and monitorable development results on the ground. It is real money that is being provided now and will continue to be provided in a sustainable and predictable manner. It is assistance coming directly from the United States to the countries or institutions that can use it most effectively, as opposed to recent proposals to put in place complex global taxation schemes that would not be democratically accountable to the American people.

The U.S. contributes to development in other ways as well. U.S. growth for this year is strong and demand from the U.S. has been a major factor in growth in many other parts of the world. The U.S. is also a major source of remittances that fuel growth of incomes and small businesses throughout the developing world. Virtually all economies in the world are now growing, emerging market bond spreads are decreasing, and emerging stock markets have risen by around 40% since the beginning of 2002. But we realize more must be done to build on this success, particularly when it comes to trade. We are firmly committed to a successful outcome of the Doha Development Round and worked hard with other countries to reach an agreed framework that should lead to successful completion of the trade talks.
Role of Developing Countries and the World Bank

Increased resources from the United States and other donors are not enough. It is critical that developing countries put in place the policy frameworks that will allow them to use these and other resources effectively and to set the basis for sustainable financing for development needs over the longer run, in particular from private domestic and foreign resources. This includes putting in place transparent fiscal systems that can account for the receipt and expenditure of donor flows and other public revenues. The World Bank has a role to play in helping countries improve their own systems with a goal of bringing them up to world class standards.

This will also require policies that promote a stable, growing economy and a sound business environment. The World Bank and other MDBs can play an important role in helping countries adopt such policies. The World Bank has a wealth of expertise and information that it can utilize to help countries address barriers to both domestic and foreign investment. The Doing Business Report and Investment Climate Assessments are excellent tools for highlighting key barriers to private investment. The challenge is to coordinate with other donors on practical follow-up action to help individual countries undertake the necessary reforms.

The World Bank can also play a role in catalyzing private sector investment more directly. Its loans, grants, guarantees and other innovative programs can create successful public private partnerships that will create the missing infrastructure that is a major barrier to strong growth in many countries. The U.S. and other G-7 countries have urged the Bank to ramp up its programs that support small and medium enterprises, which are a major source of employment and which face barriers that are in many cases different than those faced by larger enterprises.

Improving remittances services directly benefits households and small businesses. The World Bank has played a critical role in examining remittance corridors in APEC economies, and more broadly, identifying barriers to the competitive provision of remittance services and developing strategies to address those impediments. To meet the Sea Island Summit goal to ‘lower the cost of remittance services through competition, expand the use of and access to remittances services, and enhance the development potential of the flows’, the US and the G7 have encouraged the World Bank to lead efforts, with the appropriate experts, to improve statistical reporting of remittance data. The World Bank can also expand its country work by designing and funding projects aimed to increase access and minimize barriers to competitive remittance services.

The World Bank needs to continue to improve its system of internal and external accountability. A transparent and comprehensive internal governance structure is critical to maintaining the ongoing support of its shareholders and to verify that its funds are used for the purposes envisaged. Similarly, a strong results measurement framework for its operations ensures that they lead to concrete outcomes that raise incomes and growth. This includes a transparent system for monitoring project and
program results during implementation so that citizens in borrowing countries can hold their own officials and the Bank accountable for results.

Over time, the world economy has evolved, and the Bank’s governance should evolve accordingly so that countries’ positions better reflect their global weights and so the Board can continue to discharge its duties effectively. Already, change has outpaced that at the Bank. Many fast growing emerging markets clearly are playing roles in the world economy, which far exceed their current IFI weights. Many parts of Europe have joined a currency union, while European representation accounts for roughly one-third of the Board’s seats, and we are all watching moves toward further European integration. And, while many emerging markets are a now a much larger share of the global economy, other countries have fallen behind. We will need to consider how to address these interrelated issues in the coming years.

**Debt Sustainability and Grants – Correcting the Past and Ensuring the Future**

The international community needs to take prudent and appropriate steps to ensure long-term debt sustainability for low-income countries, which is essential for economic growth and poverty alleviation. The G-8 Leaders emphasized this issue in Sea Island and pledged to consider measures that can further help the poorest countries address the sustainability of their debt. To break the ongoing “lend-and-forgive” cycle, grants and debt relief must be significantly increased. We urge the international community to consider more options to do so, including those that would provide up to 100 percent debt relief from the international financial institutions. Employing both grants and debt relief together would give the poorest countries a chance to reach the International Development Goals of the Millennium Declaration, without adding to debt burdens. The IDA-14 replenishment negotiation currently underway provides a timely opportunity to discuss the merits of these objectives.

The low-income country debt sustainability framework as currently proposed by the Bank and Fund is inadequate to address the ongoing debt problem. The proposed debt thresholds guiding lending decisions are alarmingly high suggesting that poor countries can sustain debt-to-exports ratios of up to 300 percent or devote up to 40% of revenues to debt service. Instead of weighing developing countries down with unsustainable debt loads, the international community should move ahead with an approach that is conducive to economic growth and poverty reduction. Cumulatively, the effects of additional debt relief and increased grants, coupled with sound development policies should give the developing countries that are committed to reform a stronger basis for achieving needed economic growth and a better chance of achieving the international development goals by 2015.