Statement by

Mr. Timothy Geithner
Secretary of the Treasury
United States
WASHINGTON -- We meet at an unprecedented time when a severe global economic slowdown threatens to reverse major progress in poverty reduction. The Multilateral Development Banks, led by the World Bank, have a critical role to play in mitigating the impact of the financial crisis. These institutions are at the forefront of our efforts to eradicate global poverty and promote balanced, sustainable growth. We cannot afford to lose time or lose ground.

At the recent London Summit, Leaders supported MDB plans to expand lending to over $300 billion during the next three years. Several of the MDBs are responding vigorously with higher volumes and new instruments. This includes President Zoellick’s plans to provide up to $100 billion of IBRD funding, the fast tracking of IDA commitments, the IFC’s trade finance programs, as well as facilities to support bank recapitalization and infrastructure financing. Going forward, we encourage the World Bank Group to continue to explore flexible approaches, such as guarantees, to leverage official and private capital to address development needs.

While most MDBs are focusing on mobilizing existing resources, many have completed or are preparing to launch capital reviews collectively for the first time. At the London Summit, Leaders affirmed that the MDBs must have adequate resources, and we are committed to participating actively in their capital resource reviews. These assessments also present a welcome opportunity for all of us, as shareholders, to engage in a systematic review across the MDBs to ensure not only that they have appropriate levels of resources, but also to promote fundamental reform. It is also critical that MDB resources are effectively deployed to achieve the maximum impact on long-term development objectives, including addressing the needs of the poorest. We should ensure that the missions and actions of the MDBs are clearly defined and coordinated with each other, the IMF, and other public and private donors. Let me highlight a few priority areas that I believe should underpin such reviews:

First is a commitment to good governance, which is key to institutional effectiveness. This includes efforts to strengthen institutional risk management capacity and combat fraud and corruption. On this point, I welcome the rigorous implementation of the Volcker Panel recommendations at the World Bank, and look forward to a similar robust adoption of recommendations of the Thornburgh Group at the Inter American Development Bank. The internal controls review of IDA highlighted some important areas for improvement on fraud and corruption controls, and I welcome the World Bank’s action plan for addressing these weaknesses.
Second, we should examine the relative roles of the international financial institutions, both in more normal economic circumstances and in times of crisis. We need a clear division of labor that reflects the comparative strengths of each institution, both in the low income countries, and in those countries with strong external reserves and more developed financial systems. This will include assessing how well the MDBs coordinate with each other to address major development priorities, such as the environment. The World Bank Group is already making an exceptional contribution by leading a coordinated effort through mitigation and adaptation activities to combat the affects of climate change. We applaud the World Bank Group and our international partners for working together to launch the Climate Investment Funds, which will make an immediate impact in addressing climate change.

Third, we should evaluate whether each institution has demonstrated flexibility in its balance sheets to address the crisis, and an ability to leverage both public and private finance. The Asian Development Bank, for example, took steps to maximize its headroom as a part of its capital increase request, and the IDB has agreed to look at ways to further mobilize its balance sheet as a first step in its capital review.

Fourth, we need to examine the capacity of the MDBs to adapt to change in the needs of its members, to demonstrate an ability to innovate and a capacity to achieve results. The growing emphasis on results measurement, rather than lending volumes, represents a commendable and important shift at the MDBs. This focus should continue, even in the face of the crisis, when there is an urgency to get money out the door, for in a time of limited resources it is important to make sure every dollar counts.

A top priority must also be support for the poorest countries, including fragile and post-conflict countries that will disproportionately feel the effects of the crisis. Here, a key test for the MDBs is the extent to which those institutions with concessional windows support the poorest.

Taking a comprehensive approach to MDB resource reviews, we hope, will create a race to the top in achieving results and moving successfully through the crisis. But the MDBs cannot do it alone; ultimately, it is the effective implementation of appropriate financial and economic policies that will determine the scope and pace of recovery among the poorest economies. This must include a commitment to openness and resisting protectionist measures. The drop in trade flows is leading to precipitous declines in export revenues in developing countries, and maintaining access to international markets will be key to a balanced, sustainable global recovery. Moreover, as the recent food crisis made evident, the imposition of trade taxes, quotas and export bans only exacerbated the volatility of commodity prices and prolonged food shortages.

In short, we have a collective responsibility to act. Now that we have achieved unprecedented agreement on the right strategy and the right set of tools, we need to keep the pressure on to execute quickly and achieve a lasting, shared recovery. The United States will sustain action as long as necessary to see growth resume, not just nationally but globally—an objective that is important not just for our shared prosperity but for our national security. In the United States, we have adopted an ambitious and aggressive policy agenda that will strengthen our financial system and lay the foundations for economic recovery. This includes the American Recovery and Reinvestment Act to create three to four million jobs and put resources into the hands of consumers and businesses, the Financial Stability Plan to cleanse and strengthen our financial institutions and restart the flow of credit, and the Making Home Affordable Plan to address our housing crisis and help millions of homeowners take advantage of historically low mortgage rates and avoid foreclosure.

Finally, I want to affirm that the United States is on track to meet its Gleneagles Commitments to double Overseas Development Assistance (ODA) to Sub-Saharan Africa by 2010. U.S. ODA was $7.6 billion in 2008, putting us close to our goal of $8.7 billion by 2010. At the recent Leaders Summit, President Obama pledged to work with our Congress to provide nearly half a billion dollars in immediate assistance
to vulnerable populations and double support for agricultural development to more than 1 billion dollars in 2010, so that we can give people the tools they need to lift themselves out of poverty.

We will work with our partners here and across the world on the vital measures that are necessary. As President Obama has said, we live in a time when our destinies are shared, but will be written by us, not for us.