



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-NINTH MEETING  
WASHINGTON, D.C. – APRIL 25, 2004**

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**Statement by**

**John W. Snow  
Secretary of the Treasury  
United States of America**



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**Development Committee Statement**  
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This meeting takes place at a time of great opportunity for the global community, as we witness an improvement of economic growth and stability. Nonetheless, there remain considerable challenges, particularly with regard to the need to undertake the actions necessary to achieve lasting growth and poverty reduction in areas such as Sub-Saharan Africa.

The United States is implementing policies which have led to a strengthening recovery in our own country. We are implementing the commitments of the Monterrey Consensus through a substantial increase in our development assistance, most notably through the newly established Millennium Challenge Corporation and President Bush's Emergency Plan for AIDS relief. And as the chair of the G-7 this year, we are leading an ambitious international agenda that will help promote growth beyond our own economies.

**PRIVATE SECTOR-LED GROWTH**

Economic growth, led by the private sector, is the most effective means of promoting sustainable development and reducing poverty. We commend the increased emphasis that the World Bank Group has placed on private sector development – through analytical work, policy dialogue and direct lending. Innovative programs such as the IDA/IFC initiative to promote small and medium enterprise development in Africa help create jobs and a more robust financial sector. They should be replicated in other parts of the world. As we seek to improve the environment for private sector development, it is important to have the views of the private sector. The recent meeting that Development Committee ministers had with private entrepreneurs was an important new step in this process.

**Grants**

The IDA grants program is becoming well established and strongly welcomed by the recipient countries. The immediate need for grant assistance is highlighted by the continued debt sustainability challenges of many poor countries that are unable to take on even highly concessional IDA debt. The welcome emergence of several countries from years of conflict poses a further challenge – let us ensure that they do not start the process of consolidating peace, handicapped by new debt. And the continuing threat of HIV/AIDS and other diseases is but one of the critical needs best addressed by grants. For all these reasons, the IDA grant program can and must be expanded significantly.

**Remittances**

Remittance flows can be a critical contributor to poverty reduction and enable more locally-driven private sector-led growth, yet most remittance channels are expensive to use and difficult to access in developing countries. The World Bank Group can and should continue to lead efforts to address the impediments in this area through (1)

promoting greater competition in and transparency of financial services to better inform consumers, (2) working with member clients to understand specific impediments to cross-border financial transfers, (3) promoting more efficient financial intermediation, and (4) funding projects that are designed to extend financial services and financial literacy in underserved communities. The World Bank has already accomplished much, and we urge it to continue to work closely with member clients, other MDBs and the private sector on this important cross-cutting issue.

### **Results Measurement/Performance Allocation/Transparency**

Strong results management systems are critical to the effectiveness of loans and grants. More importantly, results are important to achieve real development outcomes. The World Bank has made considerable progress in establishing such systems at the project, country, and institutional levels. More progress is needed to ensure that all projects and programs, including country assistance strategies, have concrete, monitorable and measurable output and outcome goals.

A strong and transparent performance allocation system is a necessary corollary to a robust results management system. It is essential that the CPIA be made fully transparent by next year. We urge the Bank to be more ambitious in making transparent other aspects of its operations, including the Board's own deliberations and progress on projects during implementation. Greater transparency will go a long way in promoting greater public trust in the Bank and ensuring shareholder financial support.

### **Trade**

We must get the Doha Development Agenda back on track again, and to do this we should focus on the areas that have the greatest potential to promote economic growth – agriculture, industrial and consumer goods, services and trade facilitation. We welcome the concrete steps undertaken by the international financial institutions to address the effects of adjusting to multilateral trade liberalization, including the Trade Integration Mechanism recently approved by the IMF. The continued World Bank commitment to “behind the border” trade-related assistance will help developing countries realize the benefits of trade liberalization. To attain these benefits, however, developing countries need to reduce their own trade barriers substantially. The efficiency gains from trade liberalization in financial services would also be beneficial for many emerging markets.

### **Combating Terrorist Financing/Anti-Money Laundering**

We applaud the decisions by the World Bank (and IMF) to make comprehensive assessments of countries' compliance with the anti-money laundering and terrorist financing standards a permanent part of their work. This very positive step reflects the close collaboration and hard work of the World Bank, the IMF and the Financial Action Task Force (FATF). The next step is to move forward in implementing the program to assess country compliance and help countries identify and address shortcomings in their terrorist financing and money laundering regimes. This is critical to winning the war

against terrorism and to help anchor the foundations of sustainable growth and development. The United States is ready to join international efforts to provide further technical assistance to help countries build capacity in the areas identified.

### **MIDDLE EAST**

The Greater Middle East Initiative will be a key component of the Sea Island Summit in June. My colleagues and I will be working with our partners in the region to develop a common approach to support economic reform, growth and job creation. We took a big step in that process in a meeting I hosted this week of the finance ministers from the region and Europe, Japan and North America. Much is already underway; the task is to create a cohesive framework of engagement to enhance existing efforts. A key emphasis should be on attracting investment to the region, through transforming the investment climate, strengthening financial sectors and promoting financing for small and medium enterprises.

### **IRAQ**

We welcome the progress made by Iraq in laying the foundation for economic growth, guided by principles of openness, transparency and private sector development. The World Bank has played a key role in supporting Iraq through its leadership of the International Reconstruction Fund Facility (IRFF) and successful donors conferences in October and February. The Bank has also been working diligently and creatively to build Iraqi institutional capacity, preparing and beginning to implement emergency operations under the IRFF to address urgent needs, and to lay the groundwork for a medium term program in Iraq once sovereignty has been transferred. We also commend the IFC's work to establish a Small Business Financing Facility, which will make it possible for small businesses in Iraq to establish or grow, supporting critically needed job creation.

### **AFGHANISTAN**

Afghanistan continues to make progress, with the support of the Bank and the rest of the international community. Most recently Afghanistan has adopted a new constitution, with elections to come in September and is building infrastructure that will lay the foundations for a market economy. By any measure, the recent Berlin donors' conference was a success, although the hard work – making sure that pledges are disbursed and projects implemented successfully – is yet to come. There will be a key role for the Bank and the rest of the international community to play for a long time.

### **ADMINISTRATIVE BUDGET**

The staff and administrative budget of the bank have increased significantly during the last two years. In order to ensure that as many development dollars as possible actually reach the world's poor, and to ensure the domestic political support in donor countries necessary for adequate financing of development, it is important that the Bank

demonstrate efficiency, discipline and prudence in its own operations. For that reason, we commend the recent budgetary discipline demonstrated by the IMF and propose that the Bank's administrative budget follow a similar course.