



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-SEVENTH MEETING  
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Statement by

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## **Development Committee Statement**

The United States is committed to helping the developing world—particularly the poorest countries—increase economic growth, raise living standards, and eliminate poverty. Developed and developing countries, together with the international financial institutions, must redouble their efforts toward achieving these goals.

Last year at Monterrey, President Bush and other world leaders committed to a new partnership between developed and developing countries. This partnership links increased development assistance to the pursuit of sound policies, good governance, and the rule of law in developing countries. It is a partnership designed to realize our common goal of a better life for millions of people around the world.

### Increased Development Assistance

The United States has acted to make good on the Monterrey vision. Last year President Bush proposed the Millennium Challenge Account (MCA). The MCA is based on the principle that aid can succeed in reducing poverty only if coupled with policies and institutions that promote productivity growth and raise living standards. The MCA channels assistance to countries that pursue good governance and the rule of law, invest in their people, encourage innovation and investment, and lay the foundation for a vibrant private sector. The President has requested \$1.3 billion for the MCA this year, and has proposed to increase this to \$5 billion by the third year and thereafter. In addition, to fight two of the world's great scourges, the President has proposed \$10 billion in new money to combat HIV/AIDS over the next five years and \$200 million in new money to address famine and food security worldwide this year.

The United States has also pledged an 18 percent increase in our replenishment allocation to both IDA and the African Development Bank, and asked for a 16 percent increase in resources for the Global Environment Facility. In total, the United States is requesting an increase of over \$2.5 billion this year in development assistance and plans to request roughly an additional \$6 to \$8 billion by the third year.

### Supporting Policies & Projects that Raise Productivity Growth

The United States believes that the MDBs have an essential role to play in supporting policies and projects that increase productivity growth, reduce poverty, and raise living standards. The United States will continue to emphasize the importance of the performance-based allocation systems within the MDBs. And we will continue to press the MDBs to focus on projects that raise productivity by supporting private sector led growth and placing a greater emphasis on the delivery of education, health care and potable water.

Since some human capital investments—although essential for long-run economic growth—provide little direct financial return, poor countries are sometimes reluctant to contemplate borrowing for them. For this reason the United States has placed a high priority on the increased use of grants by the MDBs. In implementing the IDA-13 agreement on grants, it is imperative to keep IDA credits and IDA grants separate. Grants must not simply be used to make loans more

concessional, as history has shown that even highly concessional loans can create debt burdens so heavy that they can never be repaid. Moreover, blending grants and loans makes it impossible to empirically assess the effectiveness of grants versus traditional credits.

Finally, trade liberalization—by both developed and developing countries—is central to economic growth, development and poverty reduction. I commend the World Bank’s increased attention to trade issues in support of the trade negotiations begun at Doha. I urge the Bank to intensify its efforts to increase its operational focus on building both institutional and physical capacity to help developing countries take advantage of new trade opportunities.

### Measurable Results

Building public support for increased development assistance depends on showing that aid is making a difference in the lives of the people it is intended to help. No matter how altruistic our goals, we will not gain our citizens’ support for more aid money unless we can demonstrate that it will be put to good use. And without a system for measuring the results of development activities, it is impossible to channel scarce aid resources to the projects that have the greatest positive impact on the world’s poorest people.

The United States will continue to insist on measurable results in all aspects of MDB activities. Goals, baselines, benchmarks and post-completion evaluations must be embedded in the design and implemented throughout the life of country, sector, and institutional strategies as well as individual projects. Projects must contain clearly defined components with a sound results-based performance measurement plan that will enable mid-course adjustments to maximize success.

The World Bank has made significant strides in developing a results measurement framework. Implementing this successfully will require embedding the focus on results in practices and incentives throughout the Bank’s operations. We look forward to regular reports on this effort. As part of IDA-13, the United States committed to provide an additional \$300 million in contributions if IDA produces a results measurement system, expands essential diagnostics, and achieves progress toward concrete health, education, and private sector goals.

The United States is committed to achieving the goals adopted as part of the UN Millennium Declaration in September 2000. We also recognize that increasing economic growth in the developing world is the *sine qua non* for achieving them, since growth raises the living standards of the poor and produces the resources needed for critical social investments. For this reason, a focus on increasing productivity growth must be the foundation for the World Bank’s work in pursuing all international development goals.

### World Bank Role in Reconstruction

The World Bank has played a vital role in addressing development challenges in many difficult situations. I commend the World Bank on its leadership in rebuilding Afghanistan, particularly in coordinating with the Afghan government and with other donors in administering the Afghanistan Reconstruction Trust Fund. We all look forward to a brighter future for the people of Afghanistan. In Iraq, engagement by the international financial institutions is vital. An assessment by the World Bank of Iraq’s reconstruction needs will help inform the international

community's efforts to mobilize financing for reconstruction. The people of Iraq have waited long enough for the promise of aid and assistance from the international community. We look forward to working with the World Bank and other shareholders to deliver on this promise.

### Combating Terrorist Financing

Maintaining the integrity of the financial system is central to a well-functioning economy. Therefore I commend the World Bank for its significant contributions to the fight against the financing of terrorism and money laundering since we last met in September. I am encouraged by progress at the mid-point of the pilot project launched by the World Bank, IMF and FATF to assess country performance in this crucial area. My hope is that after review, this effort will become a permanent part of the international financial institutions' work to help protect financial systems from abuse by terrorists and money launderers.