

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Statement by Secretary Timothy F. Geithner at the Development Committee (DC) Meeting

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Last spring, at an exceptionally dark time for the global economy, President Obama came together with other G20 leaders in London to ask the World Bank and the regional development banks to help cushion the poorest from the worst impacts of the crisis and restore liquidity for world trade flows.

We asked the development banks to stretch their balance sheets, and they acted with exceptional speed and force, providing an additional \$222 billion in financing above baseline levels to more than 130 countries representing 44 percent of the world economy. The World Bank surpassed its \$100 billion target for crisis response lending, a remarkable achievement befitting this flagship development institution.

I would like to thank President Zoellick for his strong leadership of the World Bank in galvanizing the forceful multilateral effort that helped underwrite the global recovery, which is gaining strength by the day.

As President Obama noted in his State of the Union address, America's destiny is tied to the welfare and security of those beyond our shores. Now more than ever, the World Bank is an indispensable partner in advancing our development goals around the globe.

We see this in the World Bank's work in frontline fragile states like Afghanistan and Pakistan. In Afghanistan, the World Bank is working at the center of international efforts to lay a strong foundation for Afghan livelihoods and economic growth, crucial to securing a lasting peace.

We see it in the World Bank's response to devastating natural disasters like the recent earthquake in Haiti. The Bank is playing a leadership role in mobilizing and coordinating donor resources for the massive and complex effort to build a brighter future for the people of Haiti.

I commend the Bank for its leadership in supporting the successful negotiation of a debt relief package for Haiti under which all International Development Association (IDA) debt will be forgiven. With the support of our Congress, we are prepared to contribute to this vital initiative.

We see the World Bank's indispensability in its foundational efforts to confront new global challenges that require worldwide collective action. By aligning new trust funds with core programs and employing innovative financing, governance, and implementation models, the Bank will advance our shared efforts on the critical challenges of climate change and food security. I am proud to affirm our commitment to work with Congress to seek \$635 million for the Climate Investment Funds and \$475 million for the launch of the Global Agriculture and Food Security Program this year.

And we see it in the World Bank's catalytic investments in private sector-led growth. From investing in infrastructure to supporting the rule of law, from improving access to financial markets to building the capacity of entrepreneurs, these efforts help fuel sustained growth in developing economies and globally. That is why we are particularly pleased that the International Finance Corporation will increase its focus on the poorest countries, with those activities now representing more than 40 percent of its portfolio.

It is now our turn to ensure the World Bank and the regional development banks are well equipped to fulfill their central missions of lifting the lives of the poor, promoting security, addressing climate change and other global challenges, and underwriting global growth – as agreed by President Obama and other G20 Leaders in Pittsburgh last fall.

Today, we can feel proud that we have concluded agreements on a transformative financial and governance reform agenda, along with new capital for the World Bank and a new and more representative shareholding formula.

I am particularly pleased that I will be able to report to President Obama and to our Congress that the World Bank and its Governors have committed to a transformative reform agenda. There are four key pillars:

First, to ensure that capital is used in the most effective manner, the Bank has agreed to a unified financial framework that will align financial decisions with the Bank's strategic priorities for the first time, enhance budgetary discipline, ensure loan prices cover costs, and

create clear rules for transfers to IDA. The International Bank for Reconstruction and Development's (IBRD) lending portfolio, while important in its own right, will also provide an unprecedented level of support on a sustainable basis for the world's poorest countries through IDA.

Second, the Bank has committed to a new disclosure policy. With a presumption in favor of disclosure, this new policy will set the standard of best practice among global development institutions and help ensure the World Bank is transparent and accountable to all the world's citizens.

Third, the World Bank has agreed to develop a bank-wide results framework that will facilitate the measurement and aggregation of project impacts and related country development outcomes, promoting Bank policies that reward the quality rather than the quantity of lending. These reforms will contribute to more effective investments and generate a critical knowledge base that will inform development policy.

Last, the World Bank's new strategic framework will focus the institution's efforts on our five core priorities— supporting economic growth, lifting the lives of the poorest, strengthening governance, promoting global solutions to address climate change and other transnational challenges, and fostering our collective security.

In the past months, the World Bank made a strong and compelling case for a new \$3.5 billion capital infusion for the IBRD, and we have agreed this week to seek our share of this funding from our Congress.

The additional capital we have agreed to seek will enable the Bank to sustain its critical work on its four core missions. But we must take care that our investments in the World Bank yield the highest returns, especially during this time of constrained resources at home and unacceptably high unemployment.

We are particularly mindful in this fiscal environment of the financial value that our World Bank investments provide us. For every dollar the United States contributes to paid-in capital for the World Bank, \$26 worth of assistance is delivered.

But leverage alone is not sufficient to justify a substantial new financial commitment. We will continue to work with World Bank management and other countries to achieve full implementation of the bold reform agenda agreed to here today, so that the world's leading development institution is vital and fully effective in meeting the challenges of the 21st century.

Alongside strengthened capital and far-reaching reforms, we have reached agreement on a new shareholding arrangement for the World Bank, which represents a major step towards improving the Bank's governance structure.

The new formula will better reflect the weight of the developing and transition countries in the global economy, while protecting the voice of the smallest and poorest countries. Because we believe this overall outcome merits our strong endorsement, the United States agreed not to take up its full shareholding in this new arrangement.

The World Bank will be more indispensable and effective than ever as our development partner with a stronger capital base, clear focus on core missions, unified financial framework, enhanced disclosure, greater accountability for performance, and more representative shareholding. I wish to thank fellow Governors and Bank management for the intensive and sustained efforts that have enabled this far-reaching agreement.

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