

U.S. DEPARTMENT OF THE TREASURY

Press Center



Statement of Secretary Lew for the Development Committee

10/11/2014

WASHINGTON - Seventy years since the first meeting at Bretton Woods, the World Bank remains the premier global development institution, tackling poverty directly, driving growth through its lending and knowledge activities, and setting standards for other development institutions.

President Kim's reform agenda rightly prioritizes the World Bank's ability to continue contributing solutions to the world's development challenges. In our fast-changing and complex times, we welcome both the constancy of the World Bank's global leadership and the dynamism of its thought leadership.

A key test of the World Bank's effectiveness as it evolves will be its response to pressing near-term crises while still making progress on long-term goals like expanding infrastructure financing, addressing state fragility, taking action on climate change and food security, and creating opportunities for all.

World Bank Role in Current Crises

Ongoing crises around the globe underscore the continued value and relevance of the Bank, and the importance of having a trusted and broadly-owned multilateral institution at the service of the world's countries.

For example, the World Bank is playing a crucial role in containing Ebola in West Africa, which threatens economic, social, and governance gains in some of Africa's most fragile economies. The World Bank's leadership in responding to the Ebola outbreak has galvanized others to act and set the bar for the urgency and creative thinking that the crisis requires in both the short and long term. The World Bank has already committed \$400 million to provide essential health services and supplies, bolster the region's capacity to identify and respond to future outbreaks, and counter macroeconomic shocks.

In Ukraine, where violent conflict has killed thousands and pushed the economy into severe crisis, the World Bank has committed over \$2 billion to cushion the impact while supporting needed reforms and infrastructure investments.

In the Northern Triangle of Central America, growth has not been strong enough to provide quality jobs, and insecurity drives emigration and discourages investment. The World Bank has redoubled its work with other development partners and the private sector to build on the governments' ownership of reforms.

Infrastructure Financing

The lack of infrastructure poses a major obstacle to growth, and we welcome the World Bank's attention to this issue, including through the creation of a Global Infrastructure Facility (GIF). We fully endorse the GIF's mission to bring well-structured and bankable projects to the market by providing support at the design and preparation stage. We also welcome the plan for a second phase for the GIF to directly participate in project financing, using innovative instruments to overcome risk perceptions and crowd in private sector financiers. The GIF's partnership platform model promises to bring the know-how and resources from private and public sector actors together in an effective way.

We also welcome the World Bank's support for President Obama's Power Africa initiative, which seeks to increase sub-Saharan Africa's generation capacity by 30,000 MW over the next four years, and has the potential to greatly improve the standard of living for millions across the continent.

We especially value the role of the World Bank in infrastructure financing because of the high standards that it develops and implements. Nowhere is this more central than with the Bank's policies on (1) procurement and (2) environmental and social impacts. The reviews of both of these policies must strengthen their effectiveness and incorporate best practices. In the case of procurement, we are pleased to see the World Bank adopt a "value-for-money" approach that will allow for a more comprehensive costing over the entire project lifecycle. In the case of environmental and social impacts, we welcome the release of a new draft safeguards framework and its focus on monitoring and managing environmental and social impacts over the lifetime of projects. We expect the World Bank to continue to conduct robust consultations, including with project-affected peoples, to better inform the final safeguards policy.

Fragile States

Eliminating extreme poverty by 2030 is a bold objective, especially in fragile and conflict-affected states, where poverty reduction goals have proven especially difficult. The International Development Association (IDA) is taking the lead in addressing the needs of these countries, exploring ways to respond more quickly as conflicts emerge or opportunities to promote peace arise. IDA is also developing a tighter focus on real-time monitoring of results, speeding the World Bank's ability to adjust its approach in fragile states. We see great potential for the International Finance Corporation (IFC) to deepen its engagement in fragile and conflict-affected states and call upon the IFC to redouble its efforts in these countries and seek out investments with the greatest levels of development impact, even if this requires taking more financial risk.

Action on Climate Change and Food Security is Imperative

Climate change threatens to affect the poor disproportionately, setting back progress on both eliminating extreme poverty and increasing shared prosperity. Therefore, investments that boost countries' resilience to climate change and help them shift away from carbon-intensive economies are essential. The World Bank has emerged as a vital partner and leader in supporting developing countries to use existing resources more efficiently and move to cleaner energy sources. We urge the World Bank to include climate change resilience as a fundamental aspect of the design and preparation of every project, as well as to incorporate climate risks into country partnership frameworks. This is particularly important with the increased focus on infrastructure investment and the introduction of the GIF.

Climate change also poses a severe risk to food security, and the World Bank must continue to be a leader in addressing this cross-cutting challenge. We welcome the World Bank's ongoing support of the Global Agriculture and Food Security Program. Given that the majority of the world's poor rely on agriculture for their livelihoods, investing in sustainable agriculture will remain one of the most effective ways to reduce poverty.

Creating Opportunities for All

To be successful in battling extreme poverty, the World Bank must also address the challenges of inequality. Social inclusion is the basis for shared prosperity, as marginalized groups often account for a disproportionate share of the bottom 40 percent of income earners in developing countries. In showing how countries can improve their overall economic prospects by creating opportunities for all members of society, the World Bank can facilitate a shift in the treatment of women and minority groups.

To maximize social inclusion through the World Bank's activities, it must invest sufficient budget and staff resources into developing better data and analysis on the demographics of poverty and project beneficiaries. The Gender Cross-Cutting Solutions Area will have a strong role in mainstreaming gender objectives into all types of projects and all country partnership frameworks, while strengthening the focus on implementation and results. We also look forward to the designation of focal points for LGBTI inclusion within the Global Practices and Cross-Cutting Solutions Areas. These focal points will help identify risks and opportunities across the entire World Bank project portfolio and support deeper knowledge and understanding of the intersection of LGBTI inclusion and reducing poverty and inequality.

With the World Bank's firm commitment to social inclusion already in place, now is the time for the World Bank to also meet its own longstanding, but never achieved, institutional diversity goals. A newly established Talent Desk is helping to build a stronger pipeline of diverse talent, but it is up to managers across the World Bank to embrace this resource. Better data on institutional diversity can also help in monitoring progress in key areas of human resources management.

Reform of the World Bank

Careful and efficient implementation of the reform process is necessary to support the ambitious agenda for achieving the World Bank's corporate goals. An effective budget process must provide appropriate incentives and optimize the use of scarce resources. As the reorganization works to more effectively tap into the best global knowledge, the World Bank must simultaneously reinforce that client countries remain at the heart of all its efforts by retaining strong regional relationships and deepening its understanding of local contexts. We are confident that the World Bank will emerge from this process better positioned to serve its client countries and respond to global challenges. President Kim has our strong support as he continues to implement these important reforms.

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