

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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INTERNATIONAL MONETARY FUND

Press Release No. 17

September 23–24, 2003

Statement by the Hon. **JOHN W. SNOW**,
Governor of the Bank and the Fund for the **UNITED STATES**,
at the Joint Annual Discussion

U.S. Treasury Secretary John W. Snow
Plenary Statement
2003 Annual Meeting
Dubai, UAE

Chairmen, Governors, Ladies and Gentlemen, Mr. Wolfensohn, Mr. Koehler. To Sheikh Maktoum bin Rashid al Maktoum, Emir of Dubai, and the people of the Emirate of Dubai, I want to express my heartfelt appreciation for your wonderful hospitality.

All our nations, today, have achieved a level of interdependence. Economic performance and financial flows in each of our economies affects all of our economies. This connection reinforces our mutual imperative for economic growth.

In the United States, President Bush has taken significant steps to accelerate economic growth. The President's Jobs and Growth plan, in particular, has made a real difference. A recent Wall Street Journal survey of economists now predicts growth of 4.7% in the second half of this year. This month, President Bush unveiled a six point plan for the economy to further strengthen the recovery.

Other countries have also moved to stimulate growth. We need to work together to build on this progress. And we believe strongly that progress is best achieved in a system incorporating the principles of free trade, free capital flows, and market-based exchange rates among the major economies.

Together, developing and industrialized countries alike should take advantage of the opportunities offered by free trade. The United States commends the willingness of the IMF and the World Bank to support developing countries with adjustment needs related to trade liberalization. This was an important message to WTO members at Cancun, despite the impasse.

The fact is, emerging markets are enjoying improved circumstances today. Borrowing costs have fallen; crises are less numerous and less severe; and more capital is flowing to these economies.

Not coincidentally, we have been making great progress in strengthening the international financial system. Collective action clauses in sovereign debt are now the market standard. The official community has set clear limits on its resources, limiting contagion. Crisis prevention has improved as well.

We can and should go further. We need an IMF that is at the cutting edge in its analysis, resolute in its advice, and forceful in its support for strong economic policies.

The IMF should ensure that its analysis of member economies is thorough and rigorous. This means addressing the issue of currency mismatches. The IMF also needs to focus its lending where it can achieve results – results that will reduce reliance on IMF resources. Moreover, greater transparency in IMF procedures and public disclosure of IMF documents will help the markets and the public at large to understand and support reforms.

Official assistance to developing countries should have the objective of raising productivity growth. Fast growing economies create jobs and opportunities for their entire populations, far more than any external aid program can create.

President Bush's Millennium Challenge Account ties assistance directly to the performance of recipient countries, to make a real difference for their populations. The World Bank, too, is increasing its use of grants, focusing on results, and helping countries foster a vibrant private sector. I want to specifically recognize the IFC and IDA initiatives to expand small business access to credit in Africa. I commend the Bank for a good start. Nonetheless, there is more to be done.

I call on the Bank to integrate the principles of rewarding performance and delivering results throughout its operations. We should fully disclose the performance rating system used to allocate resources to the poorest countries. We should conduct an external performance audit of the IDA-13 results commitment, to which the U.S. has tied its incentive contribution. We should further increase grant financing in the next replenishment of IDA, and IMF should consider transforming its financial assistance to low income countries from loans to grants.

I'd like to conclude by acknowledging our progress fighting terrorist financing, and rebuilding the infrastructure and economies of Afghanistan and Iraq.

We have made important progress protecting our citizens from terrorism by restricting terrorist financing and money laundering. I praise the World Bank, IMF and FATF for their ongoing contributions and look forward to a continuation of their work. In addition to denying terrorists access to the formal financial networks, we must also ensure that the informal sectors are not havens for terrorist funds.

With regard to Iraq, the task of reconstruction and recovery is enormous. Substantial work remains before private sector-led growth can bring greater opportunity to the Iraqi people. I am looking forward to next month's meeting in Madrid where I hope to see the international community demonstrate its sustained commitment to Iraq.

Finally, I have just come from a trip to Kabul. Reconstruction is moving apace. To ensure success, however, the Afghan government needs the full support of the international community. The United States is doubling its commitment to Afghanistan over the next year.

Thank you for your attention, and thanks again to our gracious host, the Emirate of Dubai.

