

U.S. DEPARTMENT OF THE TREASURY

Press Center



Statement by Secretary Henry M. Paulson, Jr. at the Development Committee Meeting

10/12/2008

hp-1198

Washington, DC— We meet at a time when the global economic environment is undergoing the most serious stresses in recent memory. Financial market developments are having an acute impact on advanced economies, and we can expect the crisis to have major ramifications for emerging markets and the poorest countries as well. These events will test the ability of the World Bank and the IMF to respond effectively, and it is imperative that they stand ready to deploy their resources to mitigate the impact of this crisis, especially on the poorest and most vulnerable.

Just a few months ago, we focused on the vital role of the international community in responding swiftly to the challenges posed by the large increase in food and fuel prices. The response was gratifying, with bilateral and multilateral donors committing substantial amounts of new assistance, and I commend President Zoellick for leadership in helping coordinate a timely international response.

Now, these same countries are likely to face a host of new pressures stemming from declines in export demand, private investment and remittances. Emerging markets, too, are likely to face difficulty accessing private capital necessary to finance critical priorities, such as infrastructure.

The World Bank Group is well positioned to help respond to these challenges by maintaining or expanding trade lines, taking measures to maintain well-functioning domestic financial systems, and ensuring efficient, well-targeted social safety-net programs. And the role of the IFC may become especially critical in helping to unlock credit.

Across the globe, policymakers will be faced with difficult choices. As with the food price crisis, isolationism and protectionism will not offer a way out. Although we in the United States are taking many extraordinary measures to ease the crisis, we are not pursuing policies that that would limit the flows of goods, services or capital, as such measures which would only intensify the risks of a prolonged crisis. The World Bank and IMF will have a vital role in working with governments to help craft appropriate responses and discouraging inward-looking policies, and we look to their leadership in this critical area.

Environment

The next year will be a critical one for the Bank on issues of environment and climate change as we move toward a climate agreement in Copenhagen. The United States supports the Bank's increasing focus on climate change as it is clear that the issue must be addressed in the context of development financing. We welcome the inaugural meetings of the Climate Investment Funds, including the Clean Technology Fund and the Strategic Climate Fund. These funds will provide critical support to developing countries to help integrate climate mitigation and adaptation activities into their national development plans. We encourage other World Bank members to support these Funds. We welcome the World Bank's Strategic Framework for Development and Climate Change and call on the Bank and its sister agencies to continue their important partnership with the Global Environment Facility.

Reforming the World Bank Group

We welcome the proposed reform package that will enhance the voice and vote of the poorest member countries, especially in Africa. The comprehensive options presented to Governors, including an additional Board representative for sub-Saharan Africa, send a strong message of our commitment to the Bank as a multilateral institution. We also welcome the commitment to continued governance reforms with the aim of increasing accountability to all shareholders. With progress on this important issue the Bank can focus on its core missions.

