New Partnership in Global Development Finance

Welcoming remarks for
Moscow International Conference on

"NEW PARTNERSHIPS IN GLOBAL DEVELOPMENT FINANCE"

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I am delighted to be here to support this excellent Russian initiative.

Moreover, after joining a G-7 meeting in Canada near the Arctic circle, and multiple snow storms in Washington, I thought coming to Moscow in February would offer a welcome respite!

I am personally delighted to join my friend, Deputy Prime Minister Alexei Kudrin. We have worked together over a number of years, in various capacities, and I have continually been impressed by his knowledge, insights, and dedication to the service of his country. Even while he focuses on the interests of Russia and its people, Alexei keeps a close eye on regional and global developments. This conference is a testament to his vision.

I also want to thank Eckhard Deutscher, Chair of the OECD Development Assistance Committee, and former Dean of the World Bank Group board, for his presence and support.

This is the second conference on new partnerships and development finance hosted by the Russian Government. It is a very important -- and timely -- idea. So I would like to thank the Russian Government and Minister Kudrin, in particular, for bringing together a wide range of development partners.

Context: A New, More Globalized World

In the past few years we have seen a changing mix of economic powers assuming new places in the global architecture. Some still face their own major challenges of development, even as their size and influence shapes the global economy. Some are changing patterns of regional and global integration -- whether through trade, remittances, investments, commodities, financial flows -- or other factors. Many have experiences and insights to share with poorer countries, other emerging economies, or older industrialized states. Therefore, the theme of this conference -- New Partnerships -- offers a healthy and dynamic innovation for both development and the World Bank Group itself.

One of the strategic challenges I have posed for the World Bank Group is to contribute to the Modernization of Multilateralism.

At the dawn of today's multilateral system in 1944, 44 countries gathered at Bretton Woods, in the United States to design international institutions to foster finance, trade, reconstruction from wars, and development -- to learn lessons from the isolationist and narrow nationalist mistakes of the early 20th Century. Those architects designed the World Bank, the IMF, and a system for international trade.

At that time, power was concentrated in a small number of states. The great waves of decolonization were just stirring; the few developing countries were seen as marginal players -- not as actors or agents of history. Before long, allies in a war against fascism split apart in a Cold War.

That world is long passed. The new realities of political economy demand a different system. Developing countries and newer market economies now need to be part of the solution to regional and global challenges -- so they must be part of the conversation and processes for making decisions.

This week's discussion in Moscow -- "The Moscow Process" -- can spark a broader international dialogue with new development partners.

Even since Russia hosted the first conference on emerging donors in 2006, the global economic situation has changed dramatically. Following a period of progress in the fight against poverty, we have been hit by a series of global crises that have pushed millions back into extreme poverty.

We hope that the worst of the economic crisis is over, but the recovery is likely to be slow and uneven. We are likely to face a "multi-speed" recovery, which can complicate interactions among national fiscal and monetary policies. Strong growth is resuming in some countries, particularly emerging and developing economies, while others are experiencing a sluggish recovery. We are likely to struggle with persistently high unemployment rates, creating social anxieties and tempting some to take protectionist actions. This year will involve a difficult hand-off from the public sector stimulus to private sector demand.

Given the ample liquidity in financial markets, faster growing countries will face bubbles in some asset prices, posing difficult choices about monetary, credit, and exchange rate policies.

As we have seen in Europe this month, 2010 is likely to involve a reevaluation and repricing of sovereign credit risks. Striking the balance of fiscal and debt policies will be difficult in many countries, as well as in states or provinces and cities, so sovereign credits will be under the microscope of markets everywhere, not just in Europe.

Developed and developing countries must work together if economic recovery is to be sustained. This need for cooperation will pose a challenge for the G-20 and its partners. The G-20 includes a better balance of economic powers and parties of interest than the G-7 or the G-8. But it is one thing to act in concert when an economic cataclysm is staring leaders in the face; it may prove harder when fatigue replaces nervous energy, citizens grow weary, and the hard work of cooperative action stumbles over the inevitable frustrations of economic diplomacy and differences.

Of course, the G-20 leaves many countries outside the room. The World Bank Group and other multilateral institutions can assist. We are a G-186, with much broader membership, working in a cooperative organization. The World Bank Group can bring diverse views together for the G-20, help assess conditions, identify emerging problems, propose common policies, and support follow-up actions through our institutional capabilities.

Similarly, this "Moscow Process" can bring together both long-standing and newer partners in development to share best practices, consider innovations, prompt new means of cooperation, and rigorously assess ways of using aid more effectively to respond to shared global challenges.

A Global Aid Architecture

The new and evolving international aid architecture comprises numerous traditional and new development partners, including in the private sector. Aid from traditional OECD development donors has risen over the past decade, reaching about $121.5 billion in 2008. These donors have committed to increasing their assistance in the coming years and to enhancing aid effectiveness by focusing on country-ownership, inclusive partnership, and managing for results.

Yet it is worth recognizing that new bilateral development partners have contributed an estimated $12-15 billion in 2008. They are also contributing more recent development experience. Some of these countries were, or still are, recipients of aid. Many employ new approaches, for example in the form of South-South and triangular cooperation. They are usefully sparking new interest and ideas about development in fundamental sectors, such as infrastructure and agriculture.

The growing diversity of aid actors offers new opportunities for innovation and scaled up assistance. But it also poses challenges.

There are currently over 260 international organizations, 56 bilateral donors, and several hundred private sector and civil society organizations involved in development efforts. This staggering array of partners can overwhelm recipient countries, especially the poorest, countries coming out of conflict, where human capacity is strained.

Approaches may differ, but all development partners share the common objective of achieving results on the ground. New donors can lessen the load on the world's poorest and increase effectiveness by working together through multilateral channels.

The World Bank and a New Multilateralism

The World Bank Group and other multilateral institutions need to partner with all development actors, traditional and new. We view ourselves as part of a broader network -- not a structure of hierarchy. Our focus is on serving our clients by helping them solve problems. One tool is finance -- through an increasing variety of forms, debt and equity, from public and private sectors -- and mobilizing other investors or donors.

Yet finance is most effective if blended with shared experience -- knowledge and learning -- customized to fit local needs. The funding and learning can be targeted to catalyze the building of markets, supportive institutions, and stronger capacities. Development and growth also depend on good governance -- and effective local ownership.

Since the outbreak of the crisis in the middle of 2008, the World Bank Group has committed a record $89 billion to developing countries to help protect the most vulnerable, spur job creation, and foster economic recovery.

We are using our resources and capital to the fullest. Therefore, the World Bank Group is also now working with shareholders to increase its financial resources.

With more capital, the World Bank Group, including IFC, our private sector arm, can leverage all our shareholders' investments five-fold by borrowing in capital markets. For individual shareholders, the multiplier effect is even greater. A country with 5% of our stock, the size of bigger European partners for example, gains 20 times from other shareholders and then 5 times from our borrowing: so every dollar or Euro invested produces $100 in development assistance. These funds are then used in cooperation with aid partners, new and old.

For the 79 poorest countries, we offer grants and loans without interest, through the International Development Association or IDA. This year we will organize the 16th replenishment, IDA 16. This will be the last full replenishment before the target date for fulfilling the Millennium Development Goals (MDGs).

IDA countries are still reeling from the food and fuel crises, which hit before the financial and global economic crises. These states need to help the poorest with targeted safety nets even while focusing on the foundation for long-term growth, including through private-sector investment.

We hope this year to discuss special and different ways emerging donors -- including some that received IDA assistance -- can help IDA 16. Korea offers a wonderful example. Once a beneficiary of IDA, in 2007 it contributed $285 million over three years to IDA 15.

Russia's Role in Development

Russia is pursuing its own economic reforms and growth strategy while expanding and diversifying its international outlook. This conference is an expression of Russia's active role in forging new partnerships to shape the evolving global aid architecture. Russia perceived earlier than most that newer donors have experiences, ideas, and resources that can help all countries climb the ladder of opportunity.

Russia is providing valuable resources. Despite the global financial crisis, Russia increased its development aid to an estimated $900 million in 2009.

Moreover, Russia and several countries in the region have established a $10 billion Anti-Crisis Fund that will finance budget support as well as country and regional investment programs.

The World Bank is working with Russia at the regional as well as global levels. For example, we have just signed a new $30 million trust fund with Russia to help strengthen public financial management in Russia and neighboring countries in Europe and Central Asia.

Russia is also working with the World Bank Group to test innovations in fields such as financial literacy, combating malaria, infrastructure development, water policy, and saving the 3,500 tigers still left in the wild through our Global Tiger Initiative. I look forward to returning to Russia in September to support the first ever Tiger Summit meeting to be hosted in Vladivostok.

Conclusion

As the world changes, the architecture of international cooperation must be transformed too. Countries have national interests. Yet effective multilateral institutions can help them find mutual interests, and to develop cooperative solutions even while managing inevitable differences.

We are making the World Bank Group into a nimbler and more efficient institution that can better serve all its 186 shareholders. Our shareholders decided to increase the voting share of emerging and developing countries at the IBRD to at least 47%. We have created an additional Board seat for sub-Saharan Africa. The Dean of our board is our Executive Director for Russia.

We are pursuing internal reforms, too. Our new access to information policy sets a new standard for multilateral organizations. We are streamlining lending policies. And we have made our governance and anticorruption (GAC) agenda integral to the Bank's work across all sectors and projects.

IFC, our private sector arm, has almost $2 billion of investments in Russia, targeted towards business sectors and regions most in need.

IFC has done an extraordinary job in drawing in other investors to counter the current crisis: for example with new facilities for trade finance, microfinance, bank capitalization, infrastructure, and restructured business debt. Some of these ventures are being customized to assist Russia's recovery and future growth.

Working with Russia and other partners, we believe we also can be more effective in supporting development in Africa, assisting countries coming out of conflict, and advancing energy efficiency and clean energy as part of larger efforts to counter climate change.

In closing, I want to again thank our Russian hosts -- and all the other participants. It is exciting to see representatives from China, Korea, Turkey, and Poland, Latin America, and the Arab world sharing best practices, coming up with innovations, and identifying ways of using aid more effectively.

We look forward to listening and learning from all of you. As we do so, this "Moscow Process" will contribute to something even bigger: the Modernization of Multilateralism and a healthier world economy.

Thank you.