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Address by **JAMES D. WOLFENSOHN**,
President of the World Bank Group,
to the Board of Governors of the World Bank Group,
at the Joint Annual Discussion

Mr. Chairman, Governors, honored guests; it is my pleasure to welcome you to these Annual Meetings. I would like to extend my appreciation to the United States Authorities for making our meeting in Washington possible and the DC Police Department for all their help.

I also thank my friend, Horst Koehler, for a collegial and cooperative working relationship in the last two years, and for his thoughtful speech this morning. To our newest member country, East Timor, I join Chairman Macki in welcoming you to the Bank. Please accept our best wishes for every success in your efforts to build your nation.

Mr. Chairman,

Two years ago, when we gathered, I spoke of the opportunities and challenges of development.

These have been a tough two years.

In the rich world, collapsing stock markets and corporate scandals have shaken confidence and mutual trust.

In the developing world, people have been badly hit by continuing wars and conflict, by falling commodity prices, a slackening of demand and continuing restrictions on their trade with rich countries. There has been a heavy human toll in Africa and Latin America.

Yet, in the face of these difficulties much of the developing world has shown strong resilience. This is a tribute to the progress that has been made in shaping and implementing policies. Many countries have taken on the problems of dislocation inevitably involved in reform. They have worked to improve institutions and governance.

And through these difficulties and our collective action, we have in many ways, seen the best of people. We have seen a coming together—a recognition that international problems require international responses.

On September 11th last year, the world finally came to recognize that there are not two worlds—rich and poor. There is only one. We are linked by finance, trade, migration, communications, environment, communicable diseases, crime, drugs, and certainly by terror.

Today more and more people are saying poverty anywhere is poverty everywhere—and their voices are getting louder.

Their demand is for a global system based on equity, human rights, and social justice. It must be our demand too. For the quest for a more equal world is the quest for long-term peace—something that military power alone can never achieve.

And the world is beginning to listen.

We have seen a year in which the commitments reached at Doha, Monterrey, and Johannesburg have laid a new basis for a global deal.

The development community has confirmed the Millennium Development Goals as our framework for action.

In pursuit of this goal, we have witnessed the emergence of a global partnership built on a consensus that the world is interdependent. Our thinking and action must be local, regional and global and we must work and act together.

And we have reached a remarkable consensus on what is needed for successful poverty reduction.

First and foremost, developing country leaders have asserted that the responsibility for their future is in their hands. They must drive their development and create a constructive environment to encourage growth that is equitable and just for poor people, indeed for all people.

This must be based on sound social and economic policies—investment in health and education, especially early childhood education; effective legal and judicial systems; clear tax and regulatory frameworks implemented in approaches that fight corruption at all levels; strong and well-regulated financial systems; thereby creating the conditions for entrepreneurship, productivity and jobs. And it must involve empowering poor people so that they can shape their own lives. Poor people are assets, not liabilities.

In Monterrey and Johannesburg, developed countries agreed to work in partnership with the developing countries—to assist them to build capacity, to increase overseas

development assistance where it is effective and well managed, to open markets to trade and to reduce agricultural subsidies. They reaffirmed their commitment to the Millennium Development Goals for poverty and hunger, education and health, gender equality and the environment.

Mr. Chairman, together, we have set 2015 as the deadline for our results. We must now, together, move beyond words and set deadlines for our actions.

We have said we are mutually accountable.

It is time to implement. It is time to deliver.

If the goals of 2015 are to be achieved each of us must act now.

In doing so, we must recognize that development is not about quick fixes. Bringing lasting change requires vision. It requires time and patience. It requires a long-term commitment. It requires focus and discipline. And it requires us to measure effectiveness.

Some may say we need to learn more before we act. To those I would say, of course, we will learn more as we go along, but there is already strong evidence on what works and what does not. We know enough for implementation now.

What must each of us do?

Let me start with the rich countries.

Deliver on the Doha agenda. We know that rich country barriers to trade are too high. Bring down the tariffs and cut back the non-tariff barriers that all too often are covert protectionism. Keep to the Doha timetable. But there is so much that can be done by rich countries without waiting for Doha.

We know that agricultural subsidies in rich countries, at \$1 billion per day, squander resources and profoundly damage opportunities for poor countries to invest in their own development. There should be a fixed timetable for their elimination. Take the opportunity at the World Trade Organization Cancun meeting in 2003 to make firm commitments on subsidies, but I urge you to act sooner.

Deliver on the welcome commitments of increased aid made at Monterrey, and the excellent response to financing shortfall for the HIPC Initiative made at Kananaskis. There appears to be an emerging willingness to increase aid that is productively used.

Untie aid, and move to better co-ordinate and harmonize development programs and policies. The fragmentation of donors' efforts has long plagued the effectiveness of aid. Many of the failures blamed on borrowing countries actually represent the failure of donors to co-ordinate their efforts.

Better development multilateralism will deliver better development results.

What must developing countries do?

They must continue to build capacity, good governance and institutions—to push ahead with legal, judicial, and financial reforms, and to invest in their people.

They too must focus more on results—monitoring outcomes and managing programs so that growth and poverty reduction goals can be achieved. For many countries, the New Partnership for African Development shows the way.

What must the Bank do?

Focus on implementation of our promises to work towards the Millennium Development Goals. Though as an institution we have changed greatly over the last decade, we must do more. We must become more transparent. We must support developing countries to build better their capacity. Although we have been a leader in measuring the results of our projects and programs, we must measure our results more rigorously and, with others, we must be held accountable against broader country goals and the Millennium Development Goals.

We are anxious to move ahead with efforts to harmonize and coordinate our work with the International Monetary Fund, United Nations, Multilateral Development Banks and other donors.

All partners in development must pay special attention to inclusion, participation and empowerment:

- Inclusion, because we cannot expect reforms to be sustained, if poor people are excluded when choices and trade-offs are made.
- Participation, because poor people know best what makes a difference in their lives.
- Empowerment, because we will not have lasting change unless poor people acquire the assets and means to shape their future.

Societies the world over are changing. People demand to know, to be consulted, to have a say, to have a voice. Unless we build on their strengths, we will forgo the most powerful force for implementation.

But actions by governments of developing and developed countries, and international institutions are only part of the solution. We must all do more to enhance the role of civil society and the private sector. The old multilateralism was government to government. The new multilateralism must include the voices of the private sector and civil society. We must all be more accountable. Better partners. Better listeners. Better deliverers.

And we must keep track of our actions.

We have made real progress in reaching broad agreement that development must be addressed comprehensively—with developing country ownership. For most poor countries, this approach is embodied in their Poverty Reduction Strategy, an approach that is transforming strategy and partnership in many countries. Similarly for middle-income countries, the comprehensive development framework is proving effective.

For the first time we have a tool—the Development Gateway—that can enable us to collate and learn more about the projects that are going on in development around the world. As the Development Gateway shows, there are over 63,000 ongoing development projects, not including those programs undertaken by civil society or church groups. All too often, projects in the same sector in the same country are run by many varied agencies that are not talking to each other. We must use the Development Gateway to track our actions so that we can better coordinate our efforts.

Mr. Chairman, we have come a long way. We do not have to start from scratch. We already have implementable programs. The Education for All Initiative, for example, would enable us to work together to enroll some 17 million children in school for the first time.

We have programs on HIV/AIDS. As of today, 20 developing and transition economies have developed and are implementing AIDS strategies that build on prevention, care, and treatment.

We have programs for clean water and sanitation.

But we need to scale up these approaches, so that we can have national, regional and global impact. And we need donor support to implement these initiatives.

Let education, AIDS and clean water be a first test of our commitment to partnering for results.

To move implementation forward, we must agree to set deadlines now for our actions if we are to meet the 2015 goals.

But we must go further. 2015 is only a staging post on a much longer journey. Over the next 50 years, we will likely see world population grow from 6 billion to 9 billion with almost 95% of that increase going to the developing world. Food needs will double, annual output of carbon dioxide will triple, and for the first time more people will live in cities than in rural areas, placing an enormous strain on infrastructure and on the environment.

If we are to meet the 2015 goals, and go on reducing poverty effectively, we estimate that we will need an average annual growth rate of the world economy around 3.5 percent—giving us, perhaps, a \$140 trillion world economy by 2050.

Mr. Chairman, if we cannot protect our environment and make such growth ecologically responsible, we will not have sustainable development.

If we retain the current distribution of income in which 15 per cent of the world's population controls 80 per cent of the world's income, we will not have sustainable development.

If we continue to exclude the disenfranchised—women, indigenous people, the disabled, street children—from playing their rightful role in society, and if we ignore their human rights, we will not have sustainable development.

And if we do not have sustainable development, we may not have long-term peace. That is the challenge that together we must meet.

Mr. Chairman, I cannot conclude without saying that I am extremely proud of the staff in the World Bank Group. They are united by a desire to fight poverty with passion. I thank them, from the bottom of my heart, for their hard work and commitment.

My friends, together we have the chance, the responsibility, and the privilege of shaping the planet of the future. We are not hapless bystanders. We can influence whether we have a planet of peace, of social justice, of equity, of growth or a planet of unbridgeable differences between people, a planet of wasted physical resources, of strife, of terror and of war.

Ours can be a time of a new renaissance of values, of justice, of freedom from want and from fear. We must set our horizons high. We must not be distracted.

We must act NOW on our promises. We must deliver with a sense of urgency. This is our responsibility and our destiny.

Thank you.