

WORLD BANK GROUP

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INTERNATIONAL DEVELOPMENT ASSOCIATION
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Address by **PAUL WOLFOWITZ**,
President of the World Bank Group,
to the Board of Governors of the World Bank Group,
at the Joint Annual Discussion

Charting a Way Ahead: The Results Agenda

Final Version Checked Against Delivery

2005 Annual Meetings Address
by
Paul D. Wolfowitz
President
The World Bank Group
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I. Call for Action

Mr. Chairman, Governors and Distinguished Guests,

I am very pleased to welcome you to Washington for the Annual Meetings of the World Bank Group and the International Monetary Fund. It is an honor to address you, for the first time, as President of the World Bank Group.

And it is also with an enormous sense of responsibility that I assume this leadership role in an institution that stands at the heart of global efforts to give the poorest people of the world the opportunity for a better future.

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And I would like to express my gratitude to my colleague Rodrigo de Rato at the International Monetary Fund, and to my own Board of Directors—they have provided close and valuable support during the last few months.

I would especially like to thank Jim Wolfensohn who could not be here today. I know we all wish him well and a speedy recovery. His leadership over the last 10 years did so much to build the morale and the image of this institution and to focus us on our central mission of poverty reduction. Jim also brought crucial issues—such as corruption and the role of civil society—to the forefront of the development agenda. The World Bank Group is much stronger today thanks to his leadership.

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We meet today at an extraordinary moment in history. There has never been a more urgent need for results in the fight against poverty. And there has never been a stronger call for action from the global community.

The night before the G-8 Summit in Gleneagles, I joined 50,000 young people gathered on a soccer field in Edinburgh for the last of the Live 8 Concerts. The weather was gloomy, but the rain did not dampen the enthusiasm of the crowd.

All eyes were riveted on the man who appeared on the giant video screen—the father of South Africa’s freedom. And the crowd roared with approval when Nelson Mandela summoned us to a new struggle—the calling of our time—to “make poverty history.”

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Anyone who faces the facts agrees that there is an urgent need for action.

Every day, thousands of people living in extreme poverty, many of them children, die from preventable diseases.

The scale of death and deprivation in Africa is particularly alarming. Since 1981, the number of Africans living on less than \$1 a day has nearly doubled from 164 million to 314 million.

But much can be done to help people escape from poverty, to save lives and to create hope.

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The call to end poverty reaches across generations, continents and nationalities. It spans religions, gender and politics.

From concert stadiums to street demonstrations to high profile summits—citizens and leaders—from rich and poor countries alike—have been moved by the suffering. They demand action.

At Gleneagles this July, a landmark agreement was reached. The G-8 leaders pledged to double aid to Africa and to cancel the debt of the poorest countries.

So we are at a turning point and there are grounds for hope. The last few decades, in fact, have witnessed dramatic improvements in conditions of the world’s poorest people.

In the last twenty five years, the number of people living on less than \$1-a-day decreased by some 400 million—the largest drop in centuries.

People in developing countries are living longer—on average nearly fifteen years longer—than they did forty years ago.

Thirty years ago, 50 percent of the population in developing countries was illiterate. Today, that proportion has been cut in half.

Much progress has been made—and more is possible. The achievements we have seen in large parts of Asia and Latin America can transform other parts of the world.

A few weeks ago, I met with a poor Pakistani woman from the village of Dhok Tabarak who was participating in a rural development project sponsored by the Pakistan Poverty Alleviation Fund with help from the World Bank.

I asked her whether the success of her project could be reproduced elsewhere in Pakistan. With passionate conviction she said, “Why not? The Japanese have done it. The Chinese have done it. Why can’t Pakistan do it?”

What a difference forty years makes. I recall reading pessimistic analyses in the mid-1960s that said South Korea was doomed to failure because it lacked the ingredients deemed necessary for successful development. Yet in the span of a few decades, Korea and East Asia have experienced the greatest increase in wealth for the largest number of people in the shortest time in the history of humanity.

If we can liberate the energies of the African people and unleash the potential of the private sector to create jobs, Africa will not only become a continent of hope, but a continent of accomplishment.

When Africa’s challenges seem overwhelming and the statistics staggering, let us remember—for every Afro-pessimist today, there was an Oriental fatalist forty years ago.

II. Evolution of Development Thinking

We have also come a long way in the last 40 years in our understanding of how development works. We know it can be a complex and—in some ways—mysterious process.

Forty years ago, scholars sought to explain economic growth primarily in terms of inputs of labor and capital. When a third variable—technology—was introduced, that was considered a remarkable innovation.

Today, we have a much broader and better understanding of what drives development and growth.

We know that sustained economic growth is essential for development and reducing poverty. And, we also know that many of the drivers are not measurable in numerical terms. Because they are harder to measure, harder to predict and often harder to influence, there is a tendency to discount these factors as “soft”.

That would be a mistake—because sustainable development depends as much on leadership and accountability, on civil society and women, on the private sector and on the rule of law, as it does on labor or capital.

Let me speak briefly about each of these four factors.

Leadership and Accountability

Perhaps the most important determinant for reducing poverty is leadership.

But, development is a team sport, so the leadership we’re talking about is not a matter of individual performance; it must stand on a bedrock of trust, respect and teamwork. As Nelson Mandela told me—real leadership requires understanding, that you’re not acting as an individual, that—in his words—you’re representing the collective.

Or, as he also put it plainly many years ago, “There’s no limit to what you can achieve as long as you don’t give a damn who gets the credit.”

Effective leaders also recognize that they are accountable to their people. Effective leaders listen. Institutions of accountability like civil society and a free press can help leaders listen, help hold them accountable for results and expose corruption.

Corruption drains resources and discourages investments. It benefits the privileged and deprives the poor. It threatens their hope for a better quality of life and a more promising future.

Accountable and sound governance, on the other hand, nurtures the soil in which a robust civil society and an energetic private sector can flourish.

Civil Society and Women

A second key factor is civil society, and particularly its role with respect to women.

Civil society organizations contribute to accountability by providing an important bridge between citizens and their governments. But, they are more than that. CSOs are engines

of growth and instruments of opportunity. In every country I have visited, they offered a wealth of experience in learning, adapting, sharing knowledge and contributing to growth in their local communities.

And civil society organizations are particularly important for empowering women, who are a key factor for successful growth. As one poor woman told me in Pakistan, “Development is like a cart with two wheels—one man and one woman. If one of the wheels isn’t moving, the cart won’t go very far.”

Millions of women have benefited from vigorous CSOs like the Bangladesh Rural Advancement Committee and the Grameen Bank that provide small loans to help them start businesses. The profits from these businesses are being used to send children, and especially daughters, to school.

A third important factor is the private sector. A vibrant private sector is the most important engine of growth and job creation.

One of the biggest obstacles to the growth of small and medium businesses is lack of credit. The Bank Group has provided sound policy advice to support micro-lending, but we need to explore innovative ways to expand access to financial services, including both local and regional needs and approaches.

MIGA and the IFC offer vital resources and advice to address risk, credit and equity needs. One of the IFC’s and the Bank’s most important contributions to fostering an investment-friendly climate is the Doing Business Report which evaluates conditions in 155 countries.

That report points out that in many African countries, the costs to register a business are so prohibitive, that most entrepreneurs are forced to operate outside the formal economy.

The report is a critical tool for developing countries to determine where more reforms are needed.

Rule of Law

And finally, we cannot make headway in the fight against poverty without supporting equality before the law and the legal empowerment of the poor. These are essential components to unleash the social and economic energy of poor communities.

Knowing that laws can be upheld—that rights are protected—that contracts will be enforced—encourages people to invest in their future.

And a sound legal framework also needs to be complemented by a regulatory environment that is consistent, coherent and applied with fairness.

As one African businessman said to me, “Bribery isn’t the issue. I just wish there was less room for bureaucrats to interpret the rules.”

III. Focus on Making a Difference

As we continue to work closely with our partners in 184 countries, we in the World Bank Group must recognize that we cannot be all things to all people. Just as our partners have unique concerns, the Bank Group has unique capabilities. If we try to be experts at everything, we risk being successful at nothing.

To learn—to develop expertise, we need to listen to our partners. As a Governor of a State in Nigeria said to me, “I don’t need one more PhD coming here to tell me what my problems are. I need help with solutions.”

To find those solutions, we need to strengthen our knowledge and expertise in such areas as education, health, infrastructure, energy and agriculture.

Education

One of the encouraging signs I saw on my trip to South Asia is the premium Pakistan and India are now placing on girls’ education. It seems that Pakistani men increasingly agree that their daughters need to be educated as well. Through the Education for All Fast Track Initiative, the Bank plans to join other donors to double the enrollment of girls in 60 countries over the next five years. We have a plan. Now we need the resources. We will need to raise at least \$2.5 billion per year to fulfill the dreams of thousands of school children eager for a brighter future.

Health

And like education, the health problems of the poorest people pose a human tragedy, impedes growth and obstructs opportunity.

In the last five years, the Bank has invested nearly \$2 billion to roll back the tide of HIV/AIDS and to restore hope and opportunity for victims. I pledge to remain deeply engaged in this fight for life and human dignity.

But it is also clear to me that the Bank needs to increase its commitment to fighting malaria.

When nearly 2,000 African children die of malaria every day, we must act.

We must fight malaria with the same urgency as HIV/AIDS. And the experience of Vietnam proves that with focus, great results can be achieved. Facing a malaria epidemic in 1991 that affected a million people, the Government of Vietnam targeted its assistance at the village level, distributing bed-nets, drugs and insecticides. Within five years, outbreaks ended and mortality dropped by 97 percent—97 percent.

In more than a dozen countries in Africa, the World Bank will commit \$600 million over the next three years to a new “Booster Program” to control malaria. We have set clear targets for ourselves: we will make bed-nets available so that 60 percent of the populations will be covered; and so that within 24 hours of symptoms, 60 percent of the populations will have access to treatment.

Infrastructure

One of the most persistent messages I have heard during the past few months from people in developing countries, poor and rich, citizens and leaders alike, was the need to restore our role in infrastructure investment.

Infrastructure is the lifeline to many other things: to health care, to education, to jobs, to trade.

We will not see an end to poverty when 90 percent of businesses in Nigeria rely on backyard generators for power. We will not see incomes grow when poor Latin American farmers have no roads to transport their produce to markets. And we will not see improvements in health as long as more than 2 billion people lack access to safe sanitation.

But in addressing these infrastructure challenges, we need to learn the right lessons from past mistakes. Intelligent management of a country’s natural resources is essential to ensure that short term gains are not made at the expense of long term health of the poor and their environment.

Energy and Sustainable Development

So intelligent management of resources and the environment contributes to growth. The international community as a whole needs to make a more concerted effort to mitigate and adapt to climate change, while meeting the energy needs of the developing world.

The mandate from Gleneagles gives us the opportunity to think outside the box. We are advancing the energy and development dialogue as we seek innovative ways to use new technologies. We will strengthen our cooperation with middle income partners like Brazil China, India, Mexico and South Africa who face growing demand for energy. The goal is to achieve a new, more climate-friendly development path, that meets the energy needs of the developing world.

Agriculture

Forty years ago as a management intern at the U.S. Bureau of the Budget, I wrote a paper attempting to demonstrate why the U.S. should provide subsidized fertilizer to Pakistan rather than dumping wheat and destroying the local markets.

Forty years later, it seems we are still doing something similar in Africa—supporting emergency famine relief instead of improving agricultural production to prevent famine.

In Asia and Latin America, the Green Revolution of the 70s and 80s played a vital role in reducing poverty and hunger and fostering economic growth. Yet, total aid to that sector declined dramatically during the 1990s. We have begun to reverse the trend and it is producing important results.

Latin American and African researchers have collaborated to increase cassava productivity by more than 40 percent. And, there is hope that more research will lead to improvements in the nutritional value of basic crops.

But investments in agriculture alone will not improve farm incomes. Rich countries must end agricultural subsidies that distort prices and restrict market access for poor farmers.

Successful liberalization of trade in the next Doha round is as important for enabling people to escape from poverty as are increases in aid or debt relief.

IV. Africa

So, what does this mean for Africa?

Much of the hardest work ahead for the World Bank Group and other donors lies there, as the Chairman pointed out already. With staggering needs in education, nutrition, clean water and sanitation, healthcare and jobs—the challenges are daunting.

Nonetheless, I am hopeful. As Nigeria's President Obasanjo said to me in June, "Africa is a continent on the move".

Africans are stepping up to their responsibilities and taking charge of their future.

In Nigeria, senior officials have been jailed for corruption. In South Africa, a Deputy President was dismissed because his adviser took a bribe.

A new generation of African leaders is setting examples by stepping down when their terms of office end or when they are voted out.

But let us remember, the responsibility doesn't belong to the developing world alone. At Gleneagles, a partnership was forged between Africa and the G-8 countries—a partnership designed to deliver results. Those partners pledged performance for assistance.

The Millennium Development Goals are an important start in defining the terms for that new compact. They define a vision for lifting millions out of poverty by 2015.

But also, let us remember the MDGs cannot be achieved without growth.

We need to recognize the importance of shared growth and equity to achieve the MDGs. Without sustained growth, real poverty reduction is impossible. But growth alone is not enough. As the World Development Report points out this week, we need to create equality in opportunities for the poor, not only to improve their own lives, but to increase their ability to contribute.

To improve opportunity, accelerate shared growth and help fulfill the MDGs, the Bank launched an Africa Action Plan earlier this month. That plan sets forth 25 initiatives to be led by African countries over three years, with measurable outcomes. This time next year, you can count on getting a progress report.

V. Implications for the World Bank

Whether investing in education, health, infrastructure, agriculture, or the environment, we in the World Bank must be sure that we deliver results.

And by results, let me be clear. I mean results that have a real impact on the daily lives of the poor. We stand accountable to them.

We cannot just count the number of schools, clinics, and businesses that are established. It is also about the quality of the curriculum, the quality of the health care delivery and the quality of the jobs created. We must address both the qualitative as well as the quantitative challenges that deny opportunities for the poor.

And we must remember we are but one player in this global effort—which must be guided and defined at the country level. We must remember that we are part of a team.

In Rwanda, I had the privilege of meeting Dr. Agnes Binagwaho who heads their National AIDS Council. She told me with great pride that if a man shows up alone at a clinic, he is sent home to bring his wife and children before he can receive care.

Dr. Binagwaho stands her ground firmly on another equally important point. She politely but firmly insists that Rwanda’s donors support one integrated health plan—no more special interest spending, she tells them.

By asking us to better coordinate our assistance to improve results, she and her small medical team waste less time with donors and spend more time saving lives.

Expanding country coordination will demand greater participation from World Bank Group staff in the field. So we need to continue efforts to decentralize our team; moving more of the right people to the field to better serve our partners’ development needs.

And our efforts to develop capacity must include our own staff, particularly women and staff from developing countries.

Finally, and importantly, we in the World Bank Group have our own responsibility to fight corruption. Fighting corruption is not just the obligation of developing countries. Think about it. For every bribe-taker, there is a bribe-giver who needs to be called to account.

We are well aware that our own projects can be targets of corruption, and we are taking action.

Among other things, for two years the World Bank Group has been working on a new anti-corruption tool called the “Voluntary Disclosure Program”.

In exchange for reduced sanctions and assurances of confidentiality, this program allows firms to volunteer information about their involvement with fraud or corruption on Bank-financed projects.

The program promises to assure that spending is properly dedicated to the service of the poor and to set the highest standards in this key area.

VI. Beyond the Poorest Countries

Let me conclude with a reminder of the obvious—the world is changing, so we must be able to change also.

As we move forward with our mission to make poverty history, we must be prepared to grow as an institution. We must be ready to graduate with our partners and respond to new and emerging challenges.

Today, in Middle Income Countries, more than 1 billion people still live in poverty. We must not forget them. To help the middle income countries grow and prosper, we need to continue to tailor our knowledge and financing to their specific needs.

With time, and with results, the needs of those partners will evolve. Success will bring new challenges that will require new responses. So innovation and adaptation will be critical if the Bank is to remain relevant in this changing world. Sometimes, the problems of success are as daunting as the problems of challenges.

So let us work today to chart our course for the future—a future in which today's poor become tomorrow's entrepreneurs; a future in which today's disease leads to tomorrow's medical breakthrough; and a future in which today's child will be tomorrow's leader.

Thank you.