"ADJUSTMENT WITH GROWTH IN THE DEVELOPING COUNTRIES: 
A CHALLENGE FOR THE INTERNATIONAL COMMUNITY"

Remarks
As Prepared for Delivery
By

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at the
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Mr. Secretary-General;
Your Excellencies;
Ladies and Gentlemen:

Thank you for your kind words of introduction. It is a great privilege for me to be your guest here today, and to have this opportunity to share some thoughts with you on economic adjustment and growth in the developing nations. Forty-five of those more than one hundred and twenty developing nations are members of the Commonwealth, and almost all of those forty-five are borrowing members of our World Bank institutions.

On the other side of the coin, we at The World Bank have always been able to look to your Commonwealth family, celebrating its 60th anniversary as a family this year, for support and encouragement in our work, and your response has been very gratifying. Meetings of the Commonwealth Heads of Government and the annual gatherings of Commonwealth Finance Ministers have always been most forthcoming in support for our institutions. You have consistently encouraged a more active role for The World Bank in tackling the vast development problems of our contemporary world; and you have been unswerving in your support for the strengthening of the resources of the International Development Association, IDA, our concessional lending arm.

Believe me, such support is as welcome as it is needed. For today, the international community faces formidable challenges in its efforts to help revive sustained economic growth in the developing nations. In my remarks, therefore, I intend to focus on how we can help the developing nations in an economic adjustment process that is truly a growth-oriented process. And in doing so, I want to explain what role The World Bank has in this process.

Let me say right away that The World Bank has a very important role to play in this process. In the aftermath of the severe economic shocks of the 1970s and early 1980s, we could see the growing need for support for policy reform and institutional change in many of our developing member countries. And we could see that the need would be there for some years to come. We responded then, and we continue to respond today, with an operational strategy resting on twin pillars: assisting our borrowers in formulating satisfactory programs of adjustment and more rapid growth, and helping mobilize the external resources necessary to sustain that program.
The overriding objective of this response is the alleviation of poverty and the acceleration of social progress. But this objective is simply unattainable in developing nations where the securing of sustained economic growth remains but an illusion. And so it is imperative that The World Bank do all it can to help our developing member countries secure that economic growth through a process of growth-oriented adjustment.

That is the role which our member countries want us to play, and which we are playing in helping the adjustment process. Further, we are expanding our already substantial lending in support of these growth-oriented programs. And, together with bilateral and multilateral partners, and, when appropriate, the commercial banks, we are working to enhance the effectiveness of the coordination necessary for their success.

The issue is not now, and never has been, whether adjustment is necessary for development. The two are inseparably linked. Development has always implied adjustment — adjustment to new economic realities, to changing technologies, to the introduction of new knowledge, to different incentives and policies. It is the nature of the adjustment which is the issue; its scope and its pace; who pays the costs and who reaps the benefits.

Today the global community of nations is having to face the consequences of an accumulation of overdue adjustments. And we are having to do so at a difficult moment when the world economy is increasingly volatile and its future increasingly uncertain.

The costs that must now be met are the unintended results of the deliberate policies of developed and developing countries alike, who have for various reasons sought to insulate entirely, or at a minimum buffer, their economies against adjustments which they saw as politically inconvenient.

Let me give just four examples:

1. Some of the proceeds of the unprecedentedly large-scale borrowing by middle-income countries in the 1970s was put to effective use. But too much was used to support consumption, substitute for domestic savings, and underpin unsustainable exchange rates.

2. Aid flows were allowed to continue to sustain obviously flawed development strategies and exchange rate practices well beyond the point where they could have been sustained without that aid.
3. Development strategies were pursued which caused high prices through the prohibition of competition; which produced stagnation by refusing remunerative incomes to farmers; and which promoted the inefficient use of scarce capital; all this in an effort to avoid the consequence of changes.

4. Many countries have been adjusting to the profound economic and social implications of the dramatic changes in population dynamics which advances in medicine and health delivery have brought about. But still far too many have not. As a consequence the world environment faces major, and perhaps irreversible degradation, not just in Africa, but throughout the developing world. Moreover, savings, domestic and foreign, are needed in increasing volumes merely to maintain inadequate incomes.

The lessons we clearly have to draw from this experience are first that the failure to adjust on a timely basis can carry an appalling price tag, and second that a development effort that seeks to avoid adjustment cannot be sustained.

There is a third, and no less important, lesson to be drawn too. And that is that while a measure of economic growth can result purely from internal adjustment, sustained and larger economic growth depends on the measure of adjustment undertaken in OECD economies, in the world trading system and in international institutions. The concomitant of that is that external adjustment alone will not produce growth in developing countries that avoid necessary internal adjustments. The two must go hand in hand.

The broader realization that adjustment, both within and outside the developing countries, is, together with adequate capital flows and an open trading system, essential to their growth and to the progressive alleviation of their poverty, is one of the more encouraging developments of recent times. A strong consensus on this emerged last October at the 1985 World Bank and IMF Annual Meetings in Seoul, Korea. And with it emerged explicit agreement that all the participants in the process — developed and developing countries, international lending institutions, and commercial sources of finance — had to collaborate actively if current threats were to be removed and sustained growth restored. The growth-oriented development strategy of each developing country was a challenge, around which all the participants should rally in support.

That, at least, was what everybody was saying. It is not, however, what everybody is doing. For example:
protectionism continues to threaten the ability of the developing nations to secure the export revenues they so desperately need to help service their debts and finance their development;

although the costs of adjustment and growth are well recognized, flows of official development assistance to help meet those costs in the poorer countries are virtually stagnant, and flows of commercial finance to the middle-income developing countries have actually declined;

the implementation of sound adjustment programs is being jeopardized by inadequate financial support, while scarce funds flow to easier but lower priority investments.

These are serious obstacles to the successful implementation of growth-oriented adjustment programs. Let us look, then, to see what responsibilities must be shouldered by the parties to the process to ensure that adjustment does not exclude growth.

One has only to look at the experience of, for example, the heavily indebted middle-income countries, mostly in Latin America, to see that adjustment does not automatically bring growth. The debt crisis called for an initial response from those countries which was unavoidably painful. There were very sharp cut-backs in imports, accompanied by reductions in public expenditure programs, which necessarily depressed domestic income levels. Inevitably, rates of growth of output, inputs and investment dropped precipitously as these indebted countries launched their macroeconomic adjustments. The resulting reduction in current account deficits was a remarkable achievement. But the region's economy experienced negligible per capita growth during 1984 and failed to regain the ground lost since the outbreak of the debt crisis.

For the people, the price has been very high. Domestic austerity measures have not permitted economic activity to keep pace with the expanding labor force. As a result, unemployment has risen, and, on a per capita basis, output has declined in over two-thirds of the countries of the region. Per capita gross national income has declined to the level of the early 1970s. These increases in unemployment, accompanied by still high rates of inflation in most countries of the region, and a general decline in the standard of living are very uncomfortable reminders that a major adjustment effort does not automatically bring growth.
As I said at the outset, adjustment is an external as well as an internal process. The adjustment efforts of a developing nation may well correct some ills and help towards the rebuilding of lost creditworthiness. But if the external environment is unhelpful, the prospects for a resumption of sustained growth are bound to be diminished.

At the top of our list of priority actions, then, we are compelled to place the maintenance of a steady rate of real growth in the GNP of the industrial nations. To do that, and to permit a return to lower real interest rates which is crucial to the debt-servicing capacity of the heavily indebted countries, these nations must move to restore monetary and fiscal balance. They must also act to ease rigidities in their labor markets to reduce high unemployment and help stimulate new industrial capacity. In short, the OECD countries need to carry out their own adjustments.

Stronger economic growth will help the industrial countries to resist protectionist pressures. And resist they must.

I think we can all agree that for the developing countries' own growth prospects, an open, multilateral, international trading system is essential. The period from 1950 to 1973 was, as you recall, the golden era of trade liberalization and expansion. It provided an extremely favorable environment for growth in the developing economies. In the Fifties, however, many developing countries followed inward-oriented, highly protectionist policies, and failed to take advantage of the expanding international market. By the Sixties a number of countries, particularly in East Asia, were shifting to an outward-looking policy. And the huge benefits they then reaped from that shift gave a clear signal to those who had not shifted: with internal markets too small for them to develop successfully, international trade had to be the key to their growth. That in turn called for reasonably open trade regimes and appropriate incentives for exporting. And the greater the access to markets, the higher the pay-off of an outward-looking trade policy.

Those lessons learned in the Sixties hold true today. But an open trading system is crucial not just to the growth prospects of these countries; it is also crucial to the heavily indebted countries whose hopes of restoring their creditworthiness will be dashed if they cannot expand their exports. There must be an increase in their export earnings if there is to be a gradual reduction in their debt-service ratio, and thus an ultimate restoration of their creditworthiness. The debt-service ratio is the ratio of interest obligations to export earnings. For that ratio to decline to more normal levels, export earnings must grow at a rate sufficiently in excess of the nominal interest rate to permit both some growth in imports and to lower the debt-service ratio.
Against this background, one cannot but be alarmed both by the current decline in the growth of developing countries' export receipts and by the continuing deterioration in the overall trading environment. Developing countries' export volume increased by only 2.3 percent in 1985 compared to 10.8 percent in 1984. Their export receipts grew by only 1 percent in 1985. Since 1980, non-oil commodity prices have fallen by 26 percent in dollar terms and by 23 percent relative to the price of manufactures. In addition to supply conditions that have affected the prices of individual commodities, dollar-denominated commodity prices were falling while the U.S. dollar was appreciating, and are still being affected by a reduced demand from industrial countries suffering from a growth slow-down, and because of high real interest rates which increase the cost of holding inventories.

Recent analyses presented by Data Resources, Inc., suggest that sluggish demand and the large increase in real interest rates since 1980 have been the factors most responsible for the reduction in the real price of non-oil commodities. If that is indeed so, then accelerating growth in the industrial countries and lowering real interest rates are indeed crucial to the revival of the non-oil developing countries' export receipts.

But that still leaves the persistent and serious problem of protectionist trends. And very serious it is because the steep rate of decline in the growth of developing country exports to industrial countries just cannot be explained solely in terms of factors such as exchange rate movements, the phase of industrial country recovery, or supply factors. The rate of decline strongly suggests that protectionist measures are indeed curbing developing countries' exports to the industrial world.

Unless this trend can be halted and reversed, severe global macroeconomic problems of both debt-servicing and growth lie ahead. In broadest terms, the principles underlying the GATT and the multilateral trading system must be reaffirmed and adhered to. As you reminded us, Mr. Secretary-General, in your excellent introduction to the Secretariat's 1985 Report, commitments to a standstill in protectionism and to support for trade liberalization have been made by the industrial powers, again and again. Yet, despite these commitments, the continuing erosion of the GATT system threatens to eliminate the last vestiges of order in world trading arrangements. Why is it that governments will not live up to their commitments?

Protectionism must be rolled back, and access to markets must be assured. With regard to specific measures, may I point to four areas where action is urgently needed.
1. Agricultural exports are of vast importance for many developing countries, especially among the crisis-ridden countries of Sub-Saharan Africa. Yet hardly a day goes by without new calls in the industrial countries for more import restrictions on these developing country commodities. It is true of the United States, the biggest agricultural exporter in the world. It is true of the European Economic Community, whose price supports and import controls greatly harm the interests of agricultural commodity exporters of the Third World, not to mention the interests of consumers of all nations. We absolutely must restore freer trade in those commodities.

2. The proliferation of non-tariff barriers to trade, such as voluntary export restraints and quotas, has had a generally deleterious effect, but its impact on the developing countries has usually been worse than on the industrial countries.

3. The highly restrictive Multifibre Arrangement expires at the end of June 1986. It has been harmful to all, to both consumers and producers. If, as there are now grounds for fearing, the renewed Arrangement is to be even more restrictive than its predecessor, developing countries will correctly question whether their interests are being served at all.

4. Permit me to repeat something I have urged in almost every speech I have made since coming to The World Bank. We have long needed a new round of multilateral trade negotiations under the aegis of the GATT, so I am greatly relieved that such negotiations are now on the international calendar. This new round is essential to the rolling back of protection, and it will need to take into proper account the legitimate concerns of the developing countries, such as I have just outlined, and the developing countries own interests will be best served if they are integrally involved in the process. But let us not delude ourselves. GATT rounds are long drawn-out proceedings taking maybe years to complete and implement. The concerns of the developing countries need to be addressed much more quickly. Commitments to halt protectionism and support trade liberalization should not be regarded as something to be kept locked in the closet between infrequent GATT negotiations.
Even if we were to assume that nations were going to live up to their commitments to fight protectionism and support trade liberalization, rising export revenues will not alone provide developing nations embarked upon growth-oriented adjustment programs with the level of resource flows required to make the transition to sustained growth. One of the areas of firm agreement in our Seoul Meetings was that growth-oriented adjustment required net additional external capital. A major lesson of the past quarter century of development effort is that capital, though crucial, cannot solve all problems and can be misused. But sustainable growth requires additional investment, and few countries have been able to mount effective programs of development designed to secure growth where their domestic savings efforts were not supplemented by external capital. And yet we continue to ignore this basic proposition in the hope that it is easier to change the relationship rather than increase external flows.

The adjustments which create the conditions for sustainable growth themselves cost money. Governments will not be willing, or politically able, to incur the costs of undertaking policy reforms unless they can at the same time count on there being adequate capital resources to take advantage of the conditions that adjustment creates. If resources are inadequate to fuel effective programs, then the effort to resume growth is thwarted. Some highly indebted middle-income countries, having already undertaken painful adjustment measures, now have productive investment opportunities which would permit export expansion, a rising growth rate, a reduction in their debt-service ratio, and a gradual restoration of creditworthiness. Must they be denied the external capital necessary to take advantage of these opportunities?

In Sub-Saharan Africa, many governments have been demonstrating an increased willingness to undertake difficult structural and sectoral policy and institutional measures. Is their willingness to be dampened, even extinguished, by a lack of concessional external capital to help them undertake these measures?

These are questions we need urgently to confront, because traditional sources of finance are no longer expanding. Commercial bank exposure in the middle-income developing countries has been severely cut back. The small increase in the developing countries' current account deficit in 1985 came from a rise of $2.6 billion in long-term loans from private sources. This increase, however, reflects new money provided under rescheduling agreements and the conversion of short-term into long-term obligations. Remove those factors from the equation, and net private long-term flows would have been zero or slightly negative in 1985.
While no one believes that private capital flows can or should reattain the levels or rates of growth of the late Seventies, the continued participation of commercial banks in expanding the overall flow of new capital to the heavily indebted countries in support of their programs of adjustments for growth is indispensable. Suppliers of external capital to the heavily indebted countries need to recognize the restoration of the creditworthiness of these countries as a product of their continued lending, not the precondition for it.

The multilateral financial institutions are not in a position even to begin to offset the shortfall in private capital flows, although we at The World Bank, and the regional development banks, are planning substantial increases in lending. And an increase in direct private investment can provide only a partial offset. But increases from all sources there must be, not just for the sake of adding to capital flows, but increases directly supporting growth-oriented adjustment programs that will lead to improved creditworthiness. The message is clear: in this interdependent world, the commercial banks, like national governments, must recognize where their broader interests lie—in a healthy global economy. They must remain partners in the international cooperative effort to secure that healthy economy.

No less a demand can be made of official sources of finance. Official flows, including both official development assistance (ODA), i.e. concessional money, and non-concessional lending, declined slightly in 1985 from the 1984 level. ODA in fact increased by $2.3 billion, possibly more when all the emergency funds provided to Africa during the drought are taken into account. But reported receipts of ODA have changed little in dollar terms in recent years, from $23.3 billion in 1980 to $23.2 billion in 1985. Bilateral aid flows from OECD grew most rapidly, the net flows increasing by over 17 percent in real terms between 1980 and 1984 (the 1985 figure is not yet in). On the other hand, ODA flows from OPEC countries were more than halved over the same period.

Official non-concessional flows fell by some $3.5 billion in 1985, most likely reflecting a slowdown in lending by official export credit agencies due to concern over their exposure in countries with debt problems. Meanwhile, net lending from multilateral institutions stagnated last year, reflecting the lack of increase in commitments over the past few years. We at The World Bank were not alone in being affected by the continuing economic stagnation in many developing countries. The difficult economic environment, and with it the attendant difficulties for the Bank in designing and bringing to fruition adjustment programs, and, for many of our borrowers, in generating domestic resources for new investments, were bound to constrain lending.
This should not be the case in the future, as we assist our borrowers in formulating and implementing satisfactory programs of adjustment. Nevertheless, we are bound to be concerned by the lack of real growth in the availability of concessional finance to meet the expanding and urgent needs of the poorest countries. Just as an increase in net commercial lending is vital to the growth of the heavily indebted middle-income countries, so is a net increase in financing from official sources vital to the growth of the low-income countries.

Africa's relentless economic decline is a grim reminder of the need to maintain and increase the flow of official resources to the low-income countries of that region. And it points in particular to the need to strengthen IDA, our concessional financing facility. In January of this year, IDA's deputies met to consider for the first time the eighth replenishment of IDA's resources.

These discussions on the size of the replenishment, IDA's lending terms, and the geographical distribution of its lending, produced positive progress and a convergence of views on these matters. And once again, there was strongly expressed recognition of IDA's proven record of effectiveness, and of the need to furnish it fully with the means to continue and expand its effective work.

The deputies were able to establish a strong framework for future rounds of the negotiations, and most importantly, they were all in agreement that they should exert every effort toward achieving a replenishment of $12 billion. The specific figure which will eventually be decided on will depend to a certain degree on the decisions taken on other issues, notably the terms and conditions of IDA credits and their geographical distribution. The needs of Sub-Saharan Africa are great. But large and small poor countries in other corners of the globe, such as China and India, Bangladesh and Nepal, also have legitimate claims to be continuing and substantial beneficiaries of IDA.

We are pleased with the progress achieved at that first meeting, and we must now maintain the momentum. For that we need the firm support of our 34 donor nations. The Commonwealth is a major beneficiary of IDA. Forty-six percent of our last fiscal year's IDA commitments were in favor of fourteen Commonwealth countries, and amounted to some $1.4 billion.

The support of the United Kingdom is especially important to IDA. Over the past five fiscal years the United Kingdom has provided the equivalent of $1.5 billion in regular replenishment and special contributions to IDA. But IDA is also of direct interest to the United Kingdom. Over the same five fiscal years, British suppliers have won the equivalent of $862 million worth of procurement contracts for goods and services being financed under IDA projects. That is the highest share won by any single donor country: more than Japan, more than the United States. IDA is
good business for Britain as well as being a good development partner for so many countries who are its fellow members in the Commonwealth family.

So we look to Britain for continuing support for a strong IDA. It is particularly crucial to the low-income countries of Sub-Saharan Africa. Last year, and on our initiative, some 16 donors established the Special Africa Facility as a response to the deepening crisis on that continent and as a de facto supplement to the disappointingly low level of replenishment of IDA last time round. But the Facility, endowed with $1.5 billion, which makes available fast-disbursing concessional credits in support of economic adjustment and reform, is a one-shot three-year operation. Africa requires special adjustment finance for much longer than that. The continuation of the flow of funds must therefore be assumed by a newly replenished IDA. Thus a high level of replenishment is vital if funds not only for adjustment but also for human resource development, poverty alleviation and basic infrastructure are to be available. The Treasury Secretary of the United States has also outlined ideas for mobilizing additional concessional resources in association with the IMF Trust Fund. We are working hard to develop this very constructive initiative.

Capital flows are crucial to the adjustment with growth process, and we simply cannot allow the effort to fail for lack of adequate financing support. Bilateral donors, multilateral institutions, and commercial banks must work together to ensure that the flow is maintained and expanded.

We at The World Bank have a special catalytic role to play in the mobilization of additional resources. Our aim is to stimulate an increase in the flow of official development assistance, export credits, commercial bank lending, and direct private investment. Through our expanding role as aid coordinator we can help stimulate the flow of official funds by showing that aid is effective when it is made available in a disciplined way and for carefully evaluated purposes. We continue to encourage official agencies to join us in co-financing high priority projects. For example, on the basis of what we have done so far with the Commonwealth Development Corporation, we see promise of further fruitful collaboration in the future.

We have a long history of cooperation with export credit agencies, but co-financing with them has so far involved relatively few projects. Over the past few years, a number of agencies have been indicating interest in a closer association with the Bank. We welcome this and are looking at means of collaborating more systematically with them. At the same time, we are bound to urge donor governments with active export credit programs, to exercise restraint when aspects of those programs are not consistent with the development objectives of recipient countries. This is particularly important in relation to Sub-Saharan Africa.
Through the expanded programs of the International Finance Corporation, our affiliate working in the private sector, we are moving to stimulate a greater flow of direct foreign private investment into our developing member nations. And our recently established Multilateral Investment Guarantee Agency will in time also help to stimulate the flow of investments. We hope that the United Kingdom and all the members of the Commonwealth will be early signatories of the Convention establishing the agency. The sooner it is empowered to operate, the sooner it can contribute to stimulating the flow of investment funds into the developing nations.

We at The World Bank have always been vocal and practical supporters of a healthy private sector. Promotion of the private sector and encouragement of foreign private investment are critically important to the developing countries. That's not an ideological slogan. We recognize the public sector's vast importance and government's fundamental responsibility to protect its citizens' basic interests through the provision of vital services. Our support for the private sector is simply a recognition of the little appreciated fact that almost three-quarters of the Gross Domestic Product of the developing countries is generated by the private sector.

It is a recognition too of the fact that the most rapid economic growth in developing countries has been achieved where private initiative has been given scope and encouragement, and where the role of the state has been relatively restrained. It is also a recognition of the fact that in developing countries plagued by unemployment, strengthening the private sector is the way to create jobs -- jobs, that is, that are truly productive.

Trade and capital flows are essential to the process of adjustment with growth. But I cannot stress too strongly that what the developing countries themselves decide to do is the determining factor. It is the country itself and its policymakers who will in each case make success possible by putting in place the appropriate adjustment programs with realistic growth objectives, and doing what is necessary, with the help provided, to implement them. Help starts at home!

In the heavily indebted countries, this means designing programs that will enable each country to achieve a reasonable rate of growth and substantially reduce the debt-service ratio to a sustainable level by a specific date. Each program should therefore set forth a feasible and attainable time path for the key variables, notably exports, imports, savings, investment and GNP over the medium term. Each program also should estimate the capital flows necessary to follow that path, and specify the policy measures necessary to achieve the objectives.
The magnitude of the actions necessary to achieve these objectives will vary from country to country. But their scope will most likely embrace measures on the pricing and trade policy front to increase the export-orientation of the economy; the review of public sector investment programs to ensure the most efficient use of capital; the planning of investments to restore the productive capacity of existing infrastructure and industry, and the framing of policies to increase domestic savings. To increase those savings, interest and exchange rate policies need to be pursued which not only stimulate that increase, but also encourage the increased savings to stay at home and attract back what has already fled. Capital flight has been an appalling strain on the savings of too many heavily indebted middle-income countries for too long.

We will assist -- we are assisting -- in the formulation of these growth programs and in monitoring their progress. Given the expertise that the IMF has in many of the policy areas, the development of these growth-oriented programs will generally require close coordination between the Bank and the Fund, and that coordination is assured.

We will provide an expanded volume of capital to support the programs. And in our catalytic role, we will help mobilize capital needed from other sources. That is the way to help the indebted countries back on the path to sustained growth and restored creditworthiness. And that is the role we can and we shall play, and which indeed we are already playing.

Our discussions in Seoul, stimulated by Treasury Secretary Baker's thoughtful and positive proposals, put the issue of heavy indebtedness sharply into focus. Without new sources of capital, the heavily indebted countries will indeed fall deeper into the low-investment low-growth trap. But I want to emphasize that The World Bank's sense of urgency on the debt problem did not originate in Seoul. Well before that meeting, we had put together creative lending programs for several of the highly indebted Latin American countries. And we are pressing ahead with others.

But let us not build up naive expectations. We do have the will of the leaders of most of these nations to act swiftly. But political realities demand time for the process of economic analysis, policy formulation, loan negotiation and program completion to unfold. And the countries concerned are the first to acknowledge this. If we push for instant results and swift conclusions, we risk an impasse that will be damaging to all concerned. What we must push for is movement -- movement along the sensible paths that have been and are being mapped out. What we need are determined, measured strides down a known path, not headlong leaps into the unknown.
In our other area of major concern, Africa, we have an equally vigorous and urgent role to play. But here again, success depends on these low-income countries themselves determining to continue the realignment of their policies and their incentive frameworks.

With that determination declared, we, the international community, can provide the help they so badly need to achieve that realignment. The first step is in the formulation of more effective country programs. Development plans need to be based on realistic three-year investment programs, realistic assumptions about recurrent expenditures and revenues, and an appropriate balance between maintenance and new investments. Such programs should contain multi-year financing plans from bilateral and multilateral donors in support of agreed policy reforms.

Well-designed programs of policy reform will contain many of the elements to be found in the programs of the middle-income countries. But in Africa, they will need also to be geared strongly towards building those foundations of long-term growth that are still weak in most of the poorest countries of the region. Policies must be set for strengthening the human resource base, through education, health and family planning programs. And in other sectors basic to Africa's long-term growth prospects, such as agricultural research and resource management, appropriate policies need to be set. The multilateral financial institutions, the United Nations agencies and programs, and the bilateral donors, can help in the formulation of these programs.

But the public sector investment involved will, of course, require external concessional resources. And that is why IDA is so critical to the entire process. If IDA has inadequate resources, we must face the fact that these essential programs could be substantially undermined. Participants in the current IDA replenishment negotiations must take that into serious account.

It is also crucial that aid donors make sufficiently long-term aid commitments. Assurances of commitments and disbursements are vital to confidence building and the effective use of the aid. Then, we must ensure the most efficient coordination of the aid that is to support these medium-term adjustment and investment programs. By helping low-income African countries carry through these programs, with growth as the objective, we shall be helping Africa make the best use of its resources and reverse its decline.
The process of adjustment with growth is an enormous challenge to us all. Sustained growth is the real objective. Not simply growth for growth's sake, but growth which is deliberately designed to alleviate poverty. Growth that will help ease the scourge of high unemployment; growth that will raise the incomes of the rural and urban poor; growth that will arrest the degradation of the environment; growth that will promote food security and spread social services. In other words, growth that will provide better lives for all the peoples of these countries.

And that is what we at The World Bank are striving for. We can help and we are helping governments formulate policies that focus on poverty alleviation, just as we are seeking to ensure that the impact on the poorer segments of the population are a major consideration in the design of each individual lending operation.

You, Mr. Secretary-General, have described the Commonwealth as "an experience in communication: communication in the most fundamental sense of reaching out in fellowship and humanity to others."

I can well understand how you came to see the Commonwealth in that light. It is up to us now to ensure that the international community as a whole reaches out in fellowship and humanity — and might I add — enlightened self-interest — to help the developing world as a whole to adjust to the new economic realities and to secure sustained growth. But the industrial world must adjust to the new economic realities too. If it does not, then the task will be difficult, and maybe impossible to achieve. And for hundreds of millions of people determined to break the chains of poverty, the future will be dark indeed.

That is something that we cannot, must not, allow to happen.

Thank you.