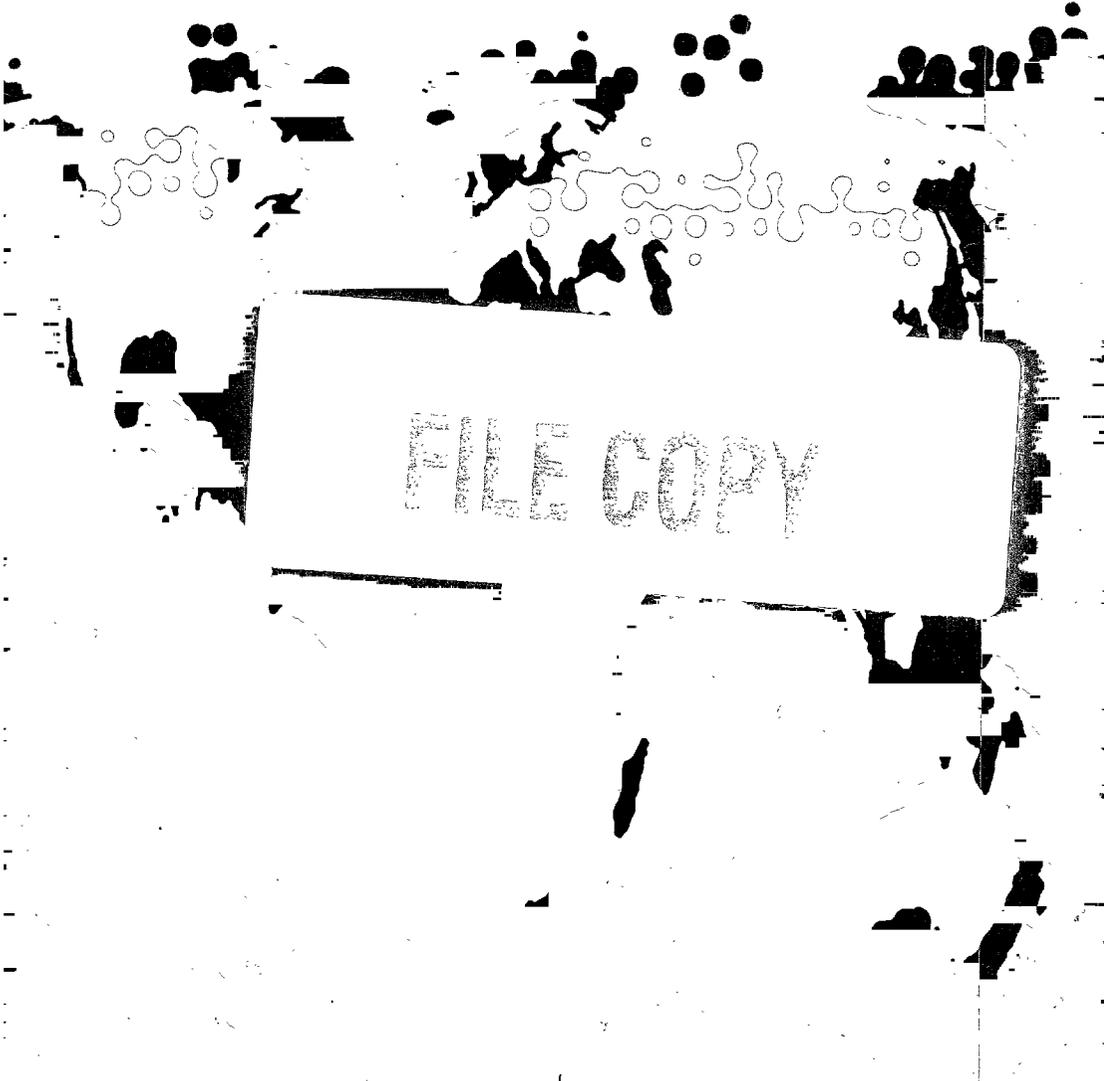


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The Conable Years at the World Bank

Major Policy Addresses
of
Barber B. Conable, 1986-91



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Barber B. Conable, 1986–91*

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Foreword

The Executive Directors of the World Bank commissioned this publication to mark the retirement of Barber B. Conable after five years of dedicated and productive service as President of the World Bank.

This selection from Barber Conable's major addresses reflects the priorities that the Bank adopted under his leadership: the reduction of poverty, protection of the environment, and the integration of women in the development process. Barber Conable believes it is a moral outrage that one-fifth of the world's people still live on less than one dollar a day. He believes development can be sustained only if it respects the natural environment. And he believes that economic development programs can be fully effective only if women are involved in their planning and implementation. Under Barber Conable's leadership these priorities have become central to the Bank's development agenda.

We hope this collection of speeches will enhance public understanding of the Conable years at the World Bank. They reflect both his passionate concern for the poor and his determination to help improve their lives. This spirit is perhaps best expressed in Barber Conable's own words:

When we read statistics, we must see real people. When we confront problems, we must cast them as opportunities. When we doubt our energy or question our faith in development, we must take fresh resolve from the reality that on our work depends the fate of millions.

The Board of Directors

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1. To the Board of Governors

Welcome to these Annual Meetings. Welcome especially to the delegates from our newest member nations: Kiribati and Poland.

I was born in a town named Warsaw. I was educated in Ithaca. I began my legal career in Batavia. For twenty years in the Congress of the United States, I represented the citizens of Lima, Attica, Avon, Castile, Corfu, Bergen, Java, and Greece, as they are generally pronounced.

Those place names in upstate New York are part of my heritage. Those small communities bear witness to the wider world from which America drew its people, culture, and beliefs, including our belief in collective action to solve common problems. Collective action against global poverty is the common purpose that brings us together today. It brought the World Bank into being four decades ago, and it still defines the goals that I intend to serve with all my energy for the next five years.

By training I am a lawyer, a negotiator. I also know the duties of the public servant, who must both lead and respond to constituents. And though I am neither banker nor development technician, I am familiar with the challenges of international economics and trade. Moreover the discipline of the politics of democracy has educated me not only in conciliating conflicting views and interests but also in seeing the impact of grand designs on individual lives and private aspirations.

I come to you and to this great institution, then, ready both to learn and to lead. Having retired from public life, I did not expect such an opportunity for public service. I welcome the challenge with enthusiasm . . . as I will welcome your advice and support in meeting it.

I will also, however, genuinely miss the help of two distinguished colleagues, leaders who have contributed much to strengthening international cooperation in the development field. Ghulam Ishaq Khan is ending his extended term as chairman of the Development Committee. He has guided us wisely and firmly, endowing this committee with lasting

Washington, D.C., September 30, 1986

influence and significance. We owe him our deep thanks. And Jacques de Larosiere will be leaving the helm of the International Monetary Fund (IMF), where he has served the international community with sensitivity and distinction. He has contributed to intensified IMF-World Bank cooperation, and I wish to acknowledge his advice and help to me in recent months. He has been a superbly effective leader of the Fund. We all are grateful for his contribution and regretful at his departure.



The central challenge to the World Bank is the central concern of our world. It is the same in 1986 as in 1946: to mobilize the will and the resources of the affluent and of the afflicted alike in the global battle against poverty.

We have made real progress in that fight. We still have much to do. We have done well. We must, we can do better.

For the Bank to achieve the results of which it is capable, it needs not a new direction but a renewed drive, a reinvigorated dedication to its original and enduring purpose.

That purpose is development. The Bank's role is to lead in that process, and my priority as President will be to ensure resolute leadership for sustained development.

Ortega y Gasset has written: "Nations are formed, are kept alive by the fact that they have a program for tomorrow." The same is true of institutions, and the World Bank family of institutions must have a program for tomorrow, not just to live itself, but to lead in making the lives of millions better, fuller, more promising.

The leadership program for sustained development that I wish to present to you today builds on the experience and expertise the Bank has accumulated—the solid, enormous assets of our dedicated and skillful staff. We do not have to reinvent the wheel of development. Its pioneers and past masters are already here and hard at work.

My program also capitalizes on the Bank's physical assets—the financial strength and high liquidity that enable us to move with speed and decisive impact, to lead where private initiatives and investors can confidently follow in implementing strategies of both adjustment and development.

Finally, I intend to use to the maximum the Bank's unique pivotal position in the development process—our central place in the world of private and governmental finance and our broad and deep political support in the developed and the developing world. Those sources of strength have made the Bank an institution that is larger and more powerful than its parts. We must use this power in a coordinated approach, to take the lead again in the quest for sustained development.

The ingredients of that approach blend the Bank's past accomplishments with its continuing and changing responsibilities. Let me spell out the elements that I believe are basic to leadership for sustained development.

First, let us be clear about our goal. We are a force for development, not primarily an agency for debt management. We will exert our influence

- To shield the development process from the volatility of global financial markets and aid flows
- To encourage freer world trade
- To help reduce the relative burden of Third World debt, so that through a resumption of growth borrowing again can become a stimulus to progress.

In these ways we can make genuine economic growth the healing antidote wherever poverty is poisoning people's lives and their hopes for the future. These efforts must be both a strategy and a goal. They require that we draw deeply on the reservoir of skills and motivations that the exemplary leadership of the past has built up in World Bank institutions.

Second, in development lending, we must maintain on a country-by-country basis a thoughtful mix of project and adjustment lending. The two must support each other, in ways appropriate to each country's needs.

Third, as in the past, we will regard agricultural development in the poorest nations as central and critical in the battle against poverty.

Fourth, we will take account of long-term issues in our development activities—the need to stress population concerns, the need to protect the environment as we promote economic advance, and the need to ensure that women are fully integrated in, contribute to, and benefit from development programs.

Fifth—the final component that is crucial to the success of all the others—we must maintain flexibility both in the design and the management of the Bank's activities. We have new instruments to use and a talented staff. We must make certain that our structure provides the best match between those resources and our requirements.

As Henry David Thoreau observed long ago, "It is not enough to be busy . . . The question is: what are we busy about?" The business of the Bank is development. We are in position to take the lead in that business, to show the way, and to set the pace.

That is why the first element of my program is simply a restatement of our fundamental goal, the primacy of sustained development on the Bank's agenda for leadership.

We are all bitterly aware, of course, that development does not proceed automatically and smoothly on its own. In too many nations too many resources meant for development are being diverted into debt service. Stabilization plans are essential to restore the confidence of domestic and foreign investors. But by themselves they are not enough. The prospect of a healthy and growing economy is the ultimate basis of investor confidence. Lack of coordination in movements of official capital accentuates the volatile movement of private funds, and one result is to deprive long-term programs of timely access to stable credit. New threats of protectionism are shrinking the promise of an expanding global marketplace for developed and developing nations alike.

It is not enough to list these problems or acknowledge the obvious linkage between their resolution and our prospects for progress. We must work for a resumption of growth—growth in credit, growth in trade, growth in the official and private resources committed to the fight against poverty. When nations seek the wellsprings of economic growth, the Bank must be a guide, not a bystander, in their search.

There is no simple remedy or set of cures for destitution and its companions: disease and despair. But without continuing growth in the economies of the developed and developing nations and in the commerce among them, there is no cure at all.

The World Bank is the most influential intermediary between what Cervantes called the "only two families in the world—the Haves and the Have-Nots." In that position we must both mediate and lead. We must be both adviser and catalytic agent in promoting the coordination and cooperation of creditor and debtor, donor and recipient nation.

The Bank is already exercising that constructive influence. While total IBRD lending in the past fiscal year grew by 16 percent, our loans to ten highly indebted countries that have embarked on adjustment programs increased by 47 percent. And our fast-disbursing adjustment lending accounted for more than a third of our programs in middle-income nations.

Adjustment lending and investment financing are not mutually exclusive. They need each other. What good can agricultural reforms do if inadequate irrigation leaves farmland parched or inadequate transport leaves farm produce to rot in storage? On the other side of the coin, how can investments bear fruit, how can investors have confidence in a policy environment hostile to change and enterprise?

The Bank's leadership task in the face of such questions is to ensure that adjustment efforts are synchronized with development work, that official capital flows stimulate and draw private investment with them, and that the hardest cases get urgent attention.

Where debt and its servicing lie heaviest in the path of growth, where—as in Latin America and Sub-Saharan Africa—falling commodity prices have drastically eroded export earnings, there the Bank must be at the forefront in lending and in spurring other lenders both to reschedule debt and to invest anew.

It is not enough to endorse the proposals U.S. Treasury Secretary Baker made this time last year in Seoul. With regard to the middle-income nations, the private financial community must move from approval in principle to action in practice.

Where the World Bank and IMF are at work in helping debtor nations to mount comprehensive adjustment programs, the commercial banks must be promptly, generously, and imaginatively at our side. A waiting game will be a losing game—for creditors as much as for debtors.

Only growth will produce the income to ensure debt repayment. And only new capital flows at spreads as low as possible will promote higher growth. For the very poorest nations, where lack of creditworthiness bars the door to commercial flows, there must be strong and sustained foreign aid available. Here a strong International Development Association (IDA) is an imperative. I am grateful that last week's meeting of IDA delegates left us close to agreement for a larger replenishment of this important program.

Equally important is the issue of trade expansion. With growth rates dropping nearly by half in the heavily indebted countries as a group during the past year, it is clear that their economies must generate export surpluses substantial enough to provide for both continued debt service and for new, growth-enhancing investments.

How can they achieve that vital result if export markets shrink or close? Those who wish, as I do, to see the developing countries liberalize their own trade rules must themselves come to court with clean hands. No nation, however strong, can restrict imports and then expect easier entry for their goods and services to the markets of their trading partners.

Growth and freer trade go together. The responsibility of the industrial countries to invigorate their own lagging economic growth is matched by their need to open and smooth the road for trade expansion. Such movement is clearly in the self-interest of the developed world, but it is also vital to the prospects for sustained development among the poorest and those most deeply in debt.

On their behalf, the World Bank will do its utmost to ease and facilitate the new round of multinational trade negotiations under the auspices of the General Agreement on Tariffs and Trade. As I did at Punta del Este two weeks ago, I again pledge the Bank's urgent support in the effort to reverse protectionist trends and revive trade expansion.

At the same time that the Bank continues and increases its engagement in improving the climate for developmental progress, we will also continue to expand and refine our project lending. By giving so much attention to the complex issues addressed in the first point of my leadership program, I do not mean to leave the impression that the second point is in any way secondary. The Bank has historically developed as a project lender. I intend to see that we go on to do it even better.

We have seen in Asia and Africa, in Latin America, and in parts of Europe, how the foundation for growth is laid in the concrete of dams, in the asphalt of roads, in power and communications lines, and in the fertile soil of educated minds. We have seen as well how—on such foundations—the countries of the Pacific Rim have built the momentum for export growth, and how the world's two most populous nations, India and China, have scored their impressive progress.

Basic investments in development, thus, remain basic to sustained growth. That understanding will continue to direct our lending priorities,

even as we adjust them to mold new coordinated strategies of investment, a related subject that I will discuss shortly.

Before that, however, let me remind you of the third ingredient of sustained development: food. There is a zero-sum fallacy contending that agricultural trade—especially exports from rich to poor—will shrink as subsistence farmers increase their productivity.

The reverse is true. With development most of the extra income earned by the poorest farmers goes to improve their families' diet. So investments in farm equipment and techniques, land reform, fertilizer, seeds, and crop research can be investments in the long-term growth of international commerce as well as in the immediate improvement of human lives.

The Bank will therefore continue to stress agricultural development, from research to production, as a fundamental of sustained development. In response to the fourth leadership concern I outlined, we will strengthen our work in all areas, rural and urban, to reflect new attention to the role of population, of the environment, and of women in the lives and hopes of the world's poor.

These are not peripheral issues to development work. They are not frills hastily added to our design for growth. High population growth rates strain both natural and financial resources. Environmental neglect destroys assets vital not just to the quality of life but to life itself. Women do two-thirds of the world's work. Their work produces 60 to 80 percent of Africa's and Asia's food, 40 percent of Latin America's. Yet they earn only one-tenth of the world's income and own less than 1 percent of the world's property. They are among the poorest of the world's poor.

We cannot provide leadership for sustained development without providing leadership, as well, to restrain overpopulation, to balance growth with environmental protection, and to match the contributions women make with contributions to their welfare. We must integrate these concerns into our overall development strategy or risk the ultimate failure of our finest work.

Fortunately, the Bank has already accumulated much of the experience necessary to weave population, environmental, and women's issues into a tighter fabric of development assistance. Now we must put our knowledge vigorously to work.

We should work on all three fronts at once. It is clear that population pressures are one source of heavy environmental damage, so we must

provide training to give women the skills to determine their productive and reproductive lives. And it makes little sense to fund agricultural extension services and credit programs in Africa that do not reach the real farmers, the women who work the land.

Similarly, where men and women are closer to the earth than they are in many industrial nations, we should need little reminder of Francis Bacon's insight: "Nature, to be commanded, must be obeyed." To keep development in harmony with natural forces and resources, we must apply that lesson on the largest scale—from the planning stage through the execution of every significant project.

We can count on the governments of the developing nations as allies in these endeavors. Many of them have launched efforts of their own to meet these three interlocking concerns. The Bank should build on these beginnings to expand their scale and scope. We can add expertise—whether sophisticated satellite photography to catch the inroads of deforestation or simple, rural health and family clinics—and new funding.

The problems and the paths to their solution are of long standing. It is only our sensitivity to their importance that is new. The time has come to move from that awareness to a concerted, continuing plan of action for sustained development.

In leading that drive—to come now to the final element I have offered for your consideration—the Bank will need a new flexibility, a new impulse to experimentation in many aspects of its work. All institutions—no matter how fresh the challenges they face—grow cautious with age and risk being fettered as well as enriched by tradition.

The World Bank must not become like Eddie Rickenbacker's grandmother who beseeched the would-be aviation pioneer just before he entered pilot training to promise her that he would "always fly slowly and stay close to the ground." Unlike her, we must promise ourselves to be both daring and down to earth, open to innovation in the face of new and familiar challenges. One of the challenges of leadership, which I accept, is to ensure that the Bank's structure is relevant to today's needs and expectations.

I attach particular importance to the International Finance Corporation (IFC) and to its role in promoting new, private sector equity investments in developing nations. The IFC has—and can augment—the flexibility to encourage entrepreneurs and innovators to play leadership roles in

developing economies. It has—and must expand—the means of channeling the energies of business leaders in industrial countries into the development effort. Strengthened by new capacity to ensure domestic as well as foreign investors through the Multilateral Investment Guarantee Agency, we are also acquiring added power to mobilize sources of capital far greater than our own resources.

We will need to develop new techniques to make the most of this promising opportunity and of our central position in the channel of development finance. As an example, we must seek ever closer partnership with public, private, and voluntary institutions.

We have what Archimedes wanted: a place to stand from which to move the earth. At the fulcrum of cooperation, we must be wise and purposeful in moving the levers of coordination. We must also and always remember that the Bank embodies what Barbara Ward called “a community of moral purpose.” The program of leadership for sustained development that I have presented to you today is one guide to my priorities. They are to maintain and strengthen the Bank

- As a central force for development, an arsenal of powerful weapons in the struggle against poverty
- As a major influence for economic adjustment and growth, debt rescheduling, and trade liberalization
- As a steady source of project lending—especially in advancing agriculture beyond subsistence levels
- As a sensitive advocate of the importance of population, environmental, and women’s concerns in the developing world and the development process
- As a responsive institution, quick to adjust to new needs and to adapt its strength to new challenges.

These are priorities for action in the coming years. I hope they also suggest a broader goal—to endow the work of the Bank with the sense of urgency that springs from taking sides in a great and righteous cause.

Our cause is the age-old aspiration of mankind, the goal proclaimed by Pope John XXIII in *Pacem in Terris*: “the common good in human society.”

To achieve that good, we must light the darkness of poverty with the sunshine of hope. We must temper prudence with compassion and adjust the self-interest of nation states to the all-encompassing interest of global well-being.

When we read statistics, we must see real people. When we confront problems, we must cast them as opportunities. When we doubt our energy or question our faith in development, we must take fresh resolve from the reality that on our work depends the fate of millions.



I find, to conclude on a personal note, that it helps me to think of *all* the member countries of the World Bank as developing nations. Relatively advanced as some of us are now, we are still like cyclists; we must go constantly forward to save ourselves from falling.

Coming from a region of America that was wilderness less than two centuries ago, I have profited from an inheritance of development. The earliest settlers, my family among them, benefited from the visionary risk-taking of investors in the Netherlands and from the skills and enterprise of the workers from afar who dug the Erie Canal and thus connected the commerce of the Great Lakes to the Atlantic Ocean.

So as an American and an heir to earlier development, I can look to distant, less fortunate lands, and I can see there my forebears, and with the right help, prospects for a bright future. I can see as well the profound wisdom of an American Indian proverb that declares: "In the beginning God gave to every people a cup of clay, and from that cup they drank their life."

Our common cup is the earth. Let us make from it—for all mankind—a vessel of life, a cornucopia of hope.

As I begin my work toward that end, I am grateful for the tools and the talents at hand, for the strength of the Bank and the counsel I rely on you to provide.

Our institution is mighty in resources and in experience. But its labors will count for nothing if it cannot look at our world through the eyes of the most underprivileged, if we cannot share their hopes and their fears. We are here to serve their needs, to help them realize their strength, their potential, their aspirations.

Let us then rededicate ourselves and our institutions to the pursuit of that great and common good. With your support, we can make the dream of sustained development a sustaining reality.

I count on your unstinting help, and, for it, I thank you all.

2. To the Safe Motherhood Conference

Sometimes we forget that development is the work of women as well as men. We meet today to reaffirm that simple truth and to act on it.

The Safe Motherhood Conference recognizes a reality so basic that it has been easy to overlook. We have come together to remedy that oversight. But we are not here just to publicize a problem. We are here to attack it, to save lives, and to build better ones.

Thanks to the vision and hospitality of our host, the government of Kenya, we can put our shared resources of knowledge and experience to the service of women's health. Thanks to the support of the World Health Organization, the United Nations Fund for Population Activities, the United Nations Development Programme, and all the other donors, we can make this conference the beginning of a new commitment to common decency and common sense.

Common decency tells us that it is intolerable that 1,400 women die every day in the process of carrying or delivering their children. And common sense tells us that those needless deaths waste not only precious lives but precious human resources. All over the world women are the sustaining force of families, communities, nations. In the Third World women must also be full, forceful partners in sustaining development.

It is appropriate that we acknowledge this truth in Africa. For somewhere on this continent, sometime between 140,000 and 280,000 years ago, some biologists believe there lived a woman whom they call Eve and see as a common ancestor of all humanity. If so, her chromosomes are the shared inheritance of everyone living today. They link us each to one another. They make us not just "riders on the earth together, brothers on that bright loveliness in the eternal cold," but brothers and sisters with a single family history and a single destiny.

We can take charge of that destiny. We can take steps today to ensure that millions of women live to see tomorrow and live to make their

Nairobi, Kenya, February 10, 1987

families' futures and their nations' futures more secure. The first step is toward better health for childbearing women, a life-saving step toward safe motherhood, a life-giving step toward sustained human development.

We all know the statistics: almost half a million maternal deaths a year in the developing world, 80 percent of them in South Asia and Sub-Saharan Africa. Women in poorer countries often face 100 times the risk of death in pregnancy that women in developed countries face. They begin childbearing much earlier, end later, and have on average several more pregnancies. We all know how avoidable most maternal deaths are, how small an investment in basic health care and improved nutrition is needed to bring large returns in survival, in strength, in progress.

Those findings can be our guides to action. Those statistics must prompt us to act. For statistics, an English physician has said, only represent people with the tears wiped off. Let us look, dry-eyed, at the people behind the numbers.

The women of the Third World are the poorest of the poor, but their work can make the difference between poverty and hope. It is their backs that are bent in the fields to till and plant, to weed and fertilize and harvest. Their backs are bent at the well to draw water and to carry it home. Their backs are bent under loads of fuelwood and the weight of young children. Their backs are bent over cooking fires and looms and market stalls and sickbeds.

For too long those bent backs have been too little visible to those who plan development in terms of macroeconomic policy, of roads and power lines, of schools and hospitals, of factories and ports and irrigation projects. We have assumed that the benefits of these programs would, in time, flow to men and women alike. But our assumptions have been imperfect, our results uneven. Macroeconomic planners have slighted the growth that comes from the bottom up.

In developing nations—but not in those nations alone—too many women are at the bottom. Their arms hold the family together. Their hands build the foundation of stable, growing communities. But development efforts have not lent enough strength to those arms, have not entrusted enough resources to those hands. And, along with women, development itself has suffered. To sustain itself, development must help women up.

It already has—only not far enough or fast enough. At the end of the United Nations Decade for Women, the World Conference here in Nairobi recorded satisfying advances. But those, like my wife, who attended that meeting, left it conscious of how much remains to be done to equip women to participate effectively in development and share in its rewards.

Female enrollment in schools has quadrupled since 1950, but in the developing nations six out of every ten school-age girls are still at home, not in class. Female literacy has roughly doubled since 1960, but, where more than two-thirds of the men in developing nations are now readers and writers, only half the women have the same skills. And in many of the poorest nations 80 percent of the women over twenty-five years old have had no schooling at all. It is in those regions, as well, that women do the hardest work for the least pay. Often for no pay.

While women all over the world have made significant gains in the job market—in both absolute and qualitative terms—farm and village women in the Third World and the urban poor remain overworked and underrewarded. In Africa women produce as much as 80 percent of the food supply but earn little income and own even less property.

When, as in Bangladesh, credit for small business or agriculture is available to women, they have shown themselves to be excellent risks, with better repayment rates than men. Where, as here in Kenya, they can get agricultural extension services, such women have readily adopted improved farming methods. But the resources they have to invest—in seed, livestock, tools, and household technology, for example—are so minimal that women's productivity remains low. Their earnings may be enough to make the difference between starvation and subsistence, but not to pay the passage from disadvantage to opportunity.

Sustained development must bridge that gap. It must not only create opportunity, but expand access to it.

We who work in development cannot advance far if we leave women significantly behind. Their potential is great. Our efforts on their behalf have been uncertain. Frequently we have not even consulted them or included them in development planning. This makes it difficult to focus on the opportunities and the obstacles women face, to enhance women's productivity, and thus to improve the quality of life for entire families.

The World Bank will do its part. We have already started intensifying staff involvement in issues affecting women. Through the Bank's advi-

sory, lending, and research efforts, we will place far more emphasis on the role of women in development. In cooperation with our member countries, we will make that emphasis operational. Let me mention a few specific steps the Bank will undertake.

- We will prepare action plans on women in development for our lending programs in selected countries, so that our agricultural, industrial, educational, and health programs promote women's progress along with other development goals.
- We will emphasize issues affecting women in our dialogues with member countries.
- We will encourage development policies that provide appropriate incentives for women and ensure that women have the means to respond.
- We will develop program initiatives in agricultural extension and agricultural credit targeted to women, and expand credit and training for women to improve their employment prospects outside agriculture.
- We will help promote both formal and informal education for women and girls.
- And we plan to double our lending for population, health, and nutrition activities. By 1990 we expect to have projects in about fifty countries, with approximately twelve to fourteen new operations a year. Lending for population, health, and nutrition could reach \$500 million a year, about twice our level in 1984–85.

Women's health is basic to women's advance in all fields of endeavor. And as a mother's health is the bulwark of her family, it is the foundation of community and social progress. Working for safe motherhood, we will be working for steady development on all fronts.

Maternal health care—improved nutrition, early warning of likely difficulties in pregnancy, more effective help during childbirth, and improved family planning—is an investment in development. It is an affordable and productive investment. A low-cost system that provides basic health care in communities and timely transportation to more advanced medical help at regional health centers can save thousands of mothers and children. We know that such measures can succeed, particularly in

conjunction with other development programs to improve women's incomes, food supplies, and education.

A few hundred miles from my birthplace, a privileged young American woman set out some fifty years ago to bring health to the impoverished, isolated mothers of backwoods eastern Kentucky. In 1925 Mary Breckinridge, who had lost a child of her own at birth, founded the Frontier Nursing Service, sending midwives on horseback over the hilly trails of one of America's poorest regions. The problems she faced would be familiar to most mothers and to most medical personnel who treat them in developing nations: women too young and too old to have children safely, too poorly fed, too far from hospitals, too vital to the support of their families to die in childbirth. The Frontier Nursing Service faced all those challenges and overcame them. After fifty years and 20,000 births with only eleven maternal deaths, its success also included the counseling that helped cut the area's birth rate dramatically. "The glorious thing about it," Mrs. Breckinridge wrote, "is that it has worked."

Imaginative health care can also work in the Third World. The World Bank believes it is feasible to strengthen basic health systems enough to reduce maternal mortality by about half within a decade. What is required is a three-tiered approach.

First, stronger community-based health care, relying on health workers other than physicians, to screen pregnant women, identify those at high risk, and refer them for help; to provide good prenatal care and ensure safe delivery for women at less risk; to provide family life education and family planning services; and generally to encourage better family health and nutrition.

Second, stronger referral facilities—that is, a few hospitals and health centers to act as a backup network for complicated deliveries and obstetrical emergencies.

Third, an "alarm" and transport system to transfer women with high-risk pregnancies and emergencies from the community to the referral facilities in time to ensure their survival.

Such maternal health care should cost no more than about \$2 per capita a year, compared with an average of \$9 now being spent for all health care purposes in low-income countries. In many countries we can build on existing networks of basic health services that offer such medical support as immunization and child care. We can train and equip more community health workers, add and upgrade referral facilities, and aug-

ment their staff to prevent far more deaths in pregnancy and childbirth. In countries as diverse as China, Costa Rica, and Sri Lanka such health services have already reduced the number of deaths in childbirth and the number of unwanted pregnancies.

We can, in short, be lifesavers, economically and effectively. But development is also a life-giving enterprise, and our maternal health programs must enrich the quality of life, as well as prolong it.

Safe motherhood initiatives should be a means and a spur to the education that fits women to earn an income and improve family well-being—education in work skills, education in nutrition, education in timing and spacing pregnancies, education in family health care. These efforts should express and reinforce the involvement of women in community self-help associations. Example and instruction can come from outside—from local and national leaders; from women's groups and civic organizations; from the news media, schools, and universities; even from the theater. But the effort that poor women make themselves to take charge of their productive and reproductive lives is what will matter the most.

Throughout the developing world women aspire to become full partners with men in creating strong and productive societies. Development programs must help realize this aspiration by supplying the tools to help women help themselves. Education, better opportunities, higher earning capacity, and control over their own earnings can ensure greater dignity and productivity for women, thus fostering sensible decisions about childbearing and health care and guaranteeing that the next generation will be a happier, healthier one.

Unhappily, the reverse is also true. Families where mothers die in childbirth are families that disintegrate. Communities where women are treated as expendable are communities that waste vital resources. Families, communities, and nations that help provide for women's health are providing wisely for their own future.

Almost 200 years ago the great English philosopher and reformer, Mary Wollstonecraft, wrote that "progress in human virtue and improvement in knowledge" depended on women being "more rationally educated." Mary Wollstonecraft, who died in childbirth, would agree that rational education for women begins with the knowledge that gives mothers the strength to bear children safely and to nurture them in hope.

The World Bank wants to help spread that knowledge and the resources to put it to work. That knowledge—its dissemination and application—is our new investment in the strength and progress of women.

To conclude my remarks as I began: development is women's work. Like women's work, it is never done. This conference, indeed, is just the beginning of our work for safe motherhood. It must stimulate not merely thought and rhetoric, but effective action.

The World Bank has presented a program for action. In addition, we plan to help establish a Safe Motherhood Fund under the management of the World Health Organization to undertake operational research that will support the development of country programs and projects in the maternal health field. We plan a contribution of \$1 million toward the proposed three-year budget of \$5 million.

We believe that through the joint efforts of the developing countries, the Bank, other donors, nongovernmental organizations, and private groups, we can reduce by half the number of women who die in pregnancy or childbirth by the year 2000.

We believe that this initiative will advance the health, the dignity, and the productivity of women in the developing world and the coming generations that depend on them. We urge you to join in this campaign to save lives . . . to offer hope.

The goal is modest. We can reach it. Together, let us begin.

3. To the World Resources Institute

It is an honor to address members and supporters of the World Resources Institute. The institute is a global resource itself. Policymakers owe you a lasting debt of thanks for the research you pursue and the admirable balance with which you present it.

What I owe you on this occasion is a report on the World Bank's actions, plans, and progress in matching our fight against global poverty with our commitment to environmental protection. These two goals are not just consistent—they are interdependent. Sustained development depends on managing resources, not exhausting them.

Economic growth based on any other premise is a costly illusion. What is wasted or poisoned today leaves that much less to nourish the world tomorrow. "Environmental neglect," as I said to the governors of the World Bank seven months ago, "destroys assets vital not just to the quality of life but to life itself." Environmental planning, I would add today, can make the most of nature's resources so that human resourcefulness can make the most of the future.

I share the optimism of the recently released report of the World Commission on Environment and Development. With its members I, too, "see ... the possibility for a new era of economic growth . . . based on policies that sustain and expand the environmental resource base." My optimism, like theirs, is tempered by caution.

In environmental affairs, as in many others, science has outdistanced government. Yet many of the problems the world has come to recognize as urgent are still beyond man's technical, as well as political, capacities.

We know that we must stop the advance of the deserts. We do not yet know how.

We know that population control is essential to environmental protection. But, for all the progress of past decades in family health and

Washington, D.C., May 5, 1987

planning, population growth in many of the poorest lands continues to outrun resources.

We know that we must save the tropical rain forests. But neither developing nations nor international institutions have adequate alternatives for hungry people in search of food and the land to grow it on. Researchers are only beginning to discover the potential of the forests to support both domesticated and wildlife together.

Most broadly, we know of the planet-wide threat to the basic resources of air and water on which the survival of earth depends. But common effort to save the global commons requires a degree of institutional coordination and a measure of sustained political resolve that man applies more readily to destroy than to preserve life.

In measuring the influence of the World Bank against the environmental challenge, I see how long a road there is to travel from awakened environmental consciousness to effective environmental action. The Bank has long been at the forefront of that march. Ours was the first international lending institution to set explicit policies on limiting any harmful environmental consequences of development projects it supported. In the early 1970s, for example, a Bank-financed iron ore terminal was built on a Brazilian beach under strict safeguards against pollution and with real respect for the site's natural beauty.

Inevitably, the Bank has also stumbled. For instance a more recent Brazilian project, known as Polonoroeste, was a sobering example of an environmentally sound effort that went wrong. The Bank misread the human, institutional, and physical realities of the jungle and the frontier. In some cases the dynamics of the frontier got out of control. Protective measures to shelter fragile land and tribal people were included; they were not, however, carefully timed or adequately monitored.

Polonoroeste teaches many lessons. One basic truth is that ambitious environmental design requires realistic analysis of the enforcement mechanisms in place and in prospect. When mistakes associated with the Polonoroeste project became obvious in early 1985, the Bank interrupted payments as a way to encourage important corrective measures. What we had learned was not that we should avoid projects with environmental implications, but rather that, where institutional safeguards are weak, the Bank must be a positive force to strengthen them.

Brazil has now made progress in building safeguards for environmental protection. And the Bank is anxious to support Brazil's government in

pursuing a National Environmental Program that can become a model for other nations.

A second basic truth learned from Polonoeste is that where development is taking place, it cannot be halted, only directed. The Bank cannot influence progress from the sidelines. It must be part of the action. With the developing nations, we must go on learning by doing. If the World Bank has been part of the problem in the past, it can and will be a strong force in finding solutions for the future.

“Nothing so needs reforming,” Mark Twain observed, “as other people’s habits.” The Bank will begin by reforming its own.

First, we are creating a top-level Environment Department to help set the direction of Bank policy, planning, and research work. It will take the lead in developing strategies to integrate environmental considerations into our overall lending and policy activities.

At the same time new offices in each of the four regional technical departments will take on a dual role. They will function both as environmental watchdogs over Bank-supported projects and as scouts and advocates for promising advances in resource management. In this process they will consult routinely with environmental officials in developing countries and will work to strengthen local institutions. The establishment of these offices will increase significantly the number of staff directly involved in environmental programs.

These organizational changes do not just add layers of interference to head off errors of commission. The added staff will help define policy and develop initiatives to promote growth and environmental protection together. They will work to ensure that environmental awareness is integral to all the Bank’s activities.

Environmental action adds a new dimension to the fight against global poverty. It recognizes that sound ecology is good economics. Indeed the objectives of sustainable economic growth, poverty alleviation, and environmental protection often are mutually reinforcing.

Population pressure that pushes farmers onto increasingly marginal land is a major cause of ecological problems in many countries, particularly the poorer ones. Curbing population growth is essential for sustainable economic growth; otherwise it will not be possible to introduce policies and programs that steer farmers to the best land, that induce the production of crops that strengthen the soil and stem erosion, that bring

livestock to graze where pasture is rich, and that educate city and country dwellers alike to respect and safeguard the balance of nature.

The World Bank is a force for development and will remain so. We will continue to support major investments in energy and infrastructure, in industrialization and irrigation. Our role in such projects, however, will include greater sensitivity to their long-term environmental effects. We will put new emphasis both on correcting economic policy incentives that promote environmental abuse and on stimulating the small-scale activities that can combat human and environmental deprivation.

Not only will we strengthen the Bank's long-standing policy of scrutinizing development projects for their environmental impact and withholding support for those where safeguards are inadequate, but we will also institutionalize an approach to natural resource management that puts a premium on conservation.

As part of these philosophical and institutional changes, I propose to allocate new resources to a number of new environmental initiatives.

In partnership with member countries and with the rest of the development community, we will begin with an urgent, country-by-country assessment of the most severely threatened environments in developing nations. We will promote a continent-wide initiative against the advance of the desert and the destruction of forests in Africa. We will contribute to a global program to support tropical forest conservation. And we will participate in a cooperative effort by the nations of the Mediterranean and other international agencies to prepare a long-term campaign to protect that sea and its coasts.

As recent events have demonstrated, environmental protection is a subject that warrants increased efforts in industrial as well as in developing countries. But progress is especially hard to achieve in the developing world. So many other priorities demand simultaneous attention. So few skilled personnel are available. And so much must be done to build the institutional capacity to handle complex environmental issues.

Acknowledging those realities, the World Bank also acknowledges its special responsibilities in helping developing nations shape their growth. As an adviser, a source of intellectual as well as financial support, the Bank must be responsive and innovative. As a lender, it must exert new and persuasive influence to integrate better management of natural resources into development planning and investment.

Fortunately, we are far from alone. The Bank can profit from and contribute to the valuable work of our member nations, the expert and dedicated efforts of nongovernmental organizations (NGOs), and the wide, continuing experience of other international agencies such as the United Nations Environment Programme.

We must start, however, with better knowledge of the problems and the opportunities we face. To gain that understanding, the Bank will use its added staff resources in a collaborative effort to assess environmental threats in the thirty most vulnerable developing nations. That five-year process will involve both study and education, not just in the Bank but also with responsible developing-country policymakers.

Our goal will be to develop a new appreciation of the forces at work against environmental balance. Our objective is a sort of natural resources balance sheet, a coherent planning instrument for better management.

I believe we can make ecology and economics mutually reinforcing disciplines. By looking closely at market forces and broadly at all key sectors of development activity, we can identify both the effective and perverse factors shaping and misshaping the environment. I am not proposing make-work research. What I seek from data—much of which is already on hand—is a composite inventory of environmental assets and liabilities.

With such a planning instrument, we could move toward establishing the value of those priceless resources—topsoil and grass cover, water and drainage, human skills and traditional lifestyles—we too often consider insignificant.

Let us show in economic and environmental terms what subsidies to pesticide producers and timber cutters and livestock growers actually cost in ruining the land and driving families from it.

Let us weigh the real price of wilderness resettlement against the expense of health and family planning clinics, of agricultural extension services, new crops, and new farming techniques.

Let us hold pricing policies and currency values up to the light of environmental analysis to see if and how they encourage overexploitation of natural resources.

And let us acknowledge that, while we must exercise increasing care with large-scale development projects, small is not necessarily beautiful. It is

time we recognize that individual practices driven by poverty and ignorance and unexamined economic policies have cumulative effects that are just as environmentally destructive as any badly planned wilderness road or hydroelectric project.

We must reshape not just the Bank's outlook and activities but also the customs and ingrained attitudes of hundreds of millions of individuals and of their leaders. In doing so we must remember another piece of Mark Twain's wisdom: "Habit is habit, and not to be flung out of the window, but coaxed downstairs a step at a time."

Our environmental assessment surveys will move us one big step forward. They will assemble the knowledge we need to move further and faster toward environmental rationality in our lending programs.

In Africa, while country assessments proceed, the Bank will lay the ground for action that crosses national boundaries and tackles regional environmental dangers. Africa's needs are critical. During the past fifteen years, despite the best efforts of African governments and the international community, per capita income and per capita food production in most of Sub-Saharan Africa have declined. At the same time and in the same areas, deserts have spread, forests have dwindled, soil has washed away.

With population projected to rise from 380 million to 690 million in the last two decades of the century, the pressures of urbanization, fuelwood consumption, and slash-and-burn farming are stripping West Africa alone of 3.6 million hectares of forest a year. Continued over three years, that tempo of deforestation would denude an area the size of Greece; over ten years, an area the size of Côte d'Ivoire. The rate of forest loss in five West African nations is seven times the world average, and desertification in just one country—Mali—has drawn the Sahara 350 kilometers farther south in the past twenty years. The Congo River carries an average of 65 million metric tons of soil into the ocean each year.

Against these natural and man-made forces, I believe we must mount an international environmental rescue and development effort in Sub-Saharan Africa. I will ask World Bank staff experts to draw up a special program of technical studies to identify and assess urgent, promising environmental protection projects, regional, not just national, in their scope.

Environmental threats do not respect political lines of demarcation. Environmental solutions must generate political and technical responses as broad as the challenge.

Our work should point the way for action by donor and recipient nations and NGOs. The latter have a particularly important role to play, in that problems of deforestation and natural resource degradation are development problems and can best be solved with the active participation of people at the grassroots level. Our common priority should be coordinated intervention against the spread of deserts and for the conservation of forest resources.

We must be bold in both the scope of our enterprise and in testing untried ideas. Unless we reach beyond today's limits and doubts, we cannot truly measure our capacity for progress.

Tropical forests in Africa, Asia, and Latin America also demand priority attention. Tropical deforestation is not only a major environmental problem, it is a critical development problem as well. Deforestation is leading to widespread degradation of the natural resource base, undermining the capacity of the environment to support developing-country economies and populations.

The World Bank is the world's largest single source of financing for tropical forest conservation and development. During the past decade World Bank investments and technical assistance grants in forestry have exceeded 1 billion dollars. We are ready to do more.

The Bank intends to more than double its annual level of funding for environmentally sound forestry projects from \$138 million this year to \$350 million in fiscal 1989. At the July meeting in Bellagio, Italy, sponsored jointly by your institute, the Rockefeller Foundation, the UN Food and Agricultural Organization, the UN Development Programme, and the Bank, we will propose specific strategies for expanding priority work in forest management and reforestation.

Our Tropical Forestry Action Plan is a direct outgrowth of the World Resources Institute's excellent 1985 report, *Tropical Forests: A Call for Action*. That study called for a doubling of forestry investments during the next five years. It redefined the challenge of conservation by making it clear—in cost-benefit terms—how deforestation impoverishes both man and nature. It also recognized that simply providing more funding for forestry is not enough; increased investment in forestry must be accompanied by policy measures designed to ensure sustainability.

We are improving our understanding of the connection between the loss of tree cover in upland watersheds and flood damage downstream, between fuelwood scarcity and fertilizer shortages, and between the

annual destruction of 11 million hectares of tropical rain forest and the loss of plant and animal species of great potential genetic benefit to mankind.

We are becoming increasingly able to define investment programs to correct past mistakes and prevent new ones. We can mobilize resources for agroforestry and sustainable farming systems based on it. We can help nations determine the wooded areas to protect and those to use more intensively. We can help train foresters and farmers in new techniques of tree breeding, in the cultivation of medicinal plants, and in the conservation of wildlands.

We are, in short, better aware of the gravity of the global danger, better equipped to address it. Now we must be prepared to mobilize resources to combat deforestation on a global scale.

Last, in the Mediterranean region the Bank stands ready to assist in an intensified international effort to protect the heritage of beauty and natural resources that eighteen nations and some 400 million people hold in common. The governments of the Mediterranean states have long recognized the danger of pollution to public health and to fishing and tourism industries. The World Bank, the European Investment Bank and Regional Development Fund, and the United Nations Environment Programme, with many other agencies, have been active in providing financial and technical help to alleviate this problem.

Now we are exploring together the possibility of designing a broad, international project to improve the Mediterranean environment and strengthen it with a long-term preservation plan. It is an ambitious political as well as technical undertaking, involving many separate governments and technical support agencies.

The World Bank is well placed to help coordinate this effort. If, with our assistance, the peoples of the Mediterranean can make progress in managing the great resource they share, they will set an example for the whole world of cooperation in protecting the global commons.

I have given you only an introduction to the World Bank's environmental action agenda. Events, not speeches, will test its sweep and its impact. But I cannot end these remarks without a note of combined caution and exhortation.

Although there is much we can do, no one knows better than I do the actual limits of the Bank's influence on the policies and practices of the

developed and developing nations. No one knows better than you do the power of informed and aroused public opinion to command and redirect the attention of decisionmakers.

The World Bank needs the help of environmental activists in every nation, in those where organized groups have already proven their effectiveness and in those where consciousness is only now dawning. We need your advice, your expertise, your influence, and your imagination to make the urgent work of environmental protection a coordinated campaign for a safer, richer, healthier world.

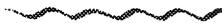
As ours is a common cause—the battle against global poverty is also the fight for a sustainable environment—let us be allies for progress on every front. There is a long campaign ahead. We cannot accept anything less than victory.

4. To The Board of Governors

Welcome to the 1987 Annual Meeting. Today I share the platform with Michel Camdessus with great pleasure. In the short time we have worked together, I have learned to respect his judgment, candor, and commitment to the tasks our institutions jointly face. The International Monetary Fund (IMF) and Bank have a long history of collaboration on which to build. I am confident our productive relationship will intensify in the years ahead, thanks in large part to the qualities of his mind and character.

My purpose today is to outline the Bank's strategy for steady advance toward restored global economic growth and for progress in the fight against poverty. A renewed World Bank is ready with an agenda for a better future.

The Bank's oft-noted reorganization is now completed. This review and change in structure, the first since 1972, was long overdue. No undertaking of this magnitude could be accomplished without some personal disruption, and I want to pay special tribute to the Bank staff for the extraordinary dedication and professionalism they have shown during recent months. The staff is an outstanding collection of highly motivated and uniquely talented individuals. With our improved institutional capacities, these remarkable human resources can now provide more sensitive, effective, and timely support to each of our client countries and to development as a concept.



In looking ahead to the challenges that face us, I confess that I am fundamentally an optimist. I recognize, however, that these are threatening times.

Continued stable growth of the leading industrial nations is uncertain—and that means uncertain growth for the rest of the world as well. The

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debt problem is still very much with us, and its impact on development is severe. Much of Sub-Saharan Africa continues to suffer from acute economic crisis as well as from major long-term development problems. Even in Asia, where most countries have managed their economies to minimize the impact of the world's economic troubles, poverty remains widespread.

The Bank, as the world's principal development agency, must confront these problems with resolve and a clear sense of direction. And we must do so in partnership with the IMF, our member countries, and the international financial community. We all have important responsibilities to discharge.

Developing countries need to sustain demanding reforms to resume growth and make their development strategies effective.

Increases are needed in industrial countries' growth rates and in the elements of their diverse support to developing countries' adjustment and growth. There remains a serious gap between the external resources needed for development and what most industrial nations and commercial creditors are doing.

The alternative—stultified growth, intractable debt burdens, and growing poverty for hundreds of millions of people—is obviously unacceptable. It is unacceptable from a moral and ethical standpoint. But it is also unacceptable from the standpoint of simple self-interest.



The World Bank is ready to play a reinvigorated role in the fundamental tasks of development—to promote economic growth and to combat poverty. We will give strong and reliable support to the adjustment efforts of our member countries. We will work to preserve the open global and financial trading system, which is essential for growth. And we will vigorously promote the market-oriented policies and reforms that best mobilize private capital flows and encourage the creative energies of millions of people for efficient growth.

Restoring and strengthening growth is essential for achieving our ultimate goal—to reduce the poverty, misery, and destitution that blights our world. But growth, by itself, is not enough.

The Bank will increase lending aimed directly at improving the access of the poor to better food, shelter, health care, and schooling. We will

promote policy and institutional changes to direct the benefits of public programs more efficiently to poor people. We will work more closely with the private sector, and with nongovernmental organizations (NGOs) to multiply their effectiveness at the grassroots level.

We will devote more of our staff resources and financial strength to helping borrowers safeguard and improve the environment—by supporting better policies and standards and by specific environmental investments.

I want to focus specifically on how these commitments for the future will affect the role of the World Bank in the heavily indebted middle-income countries, Sub-Saharan Africa, and Asia—countries that illustrate, but by no means exhaust, the rich diversity of our membership.



First, the heavily indebted middle-income countries, most of which are in Latin America. These countries face an easily identified problem—how to resume growth and development while dealing with the burden of debt.

Resolution of their debt problems is crucial if their own development goals are to be achieved. It is also crucial to the healthy growth of the industrial countries. Economic decline in the indebted countries has caused a drop of more than \$100 billion in their imports between 1980 and 1985. The result has been foregone exports, jobs, and profits for the industrial world.

Despite major adjustment efforts in these nations, recent global economic trends have created great difficulties. The burden of debt has risen, not declined, since the onset of the debt crisis five years ago, and incomes have fallen by about 20 percent in this decade. The consequence has been an alarming growth in absolute poverty, worsening unemployment, and deteriorating social welfare.

There is no alternative to adjustment and the correction of past policy mistakes. But the adjustment process and the resumption of sustained growth are proving more difficult than we had hoped. At the same time it is becoming harder for heavily indebted countries to obtain timely new financing.

As President Reagan said in his statement this morning, there is no quick solution for these linked debt and development problems. But learning

from our past experience, we need to agree on feasible growth and development objectives and work together to find the necessary solutions. An annual growth rate of 2 percent per capita and the early restoration of creditworthiness should be the objectives we all agree to support as key elements of every adjustment program.

The World Bank is an active partner of many heavily indebted countries, and we expect to play an even more vigorous role in the future. Together with the Fund, we will help to assemble specially designed debt restructuring and financing packages, including the development of a broader range of instruments to facilitate the reduction of debt and to supplement direct new lending.

These solutions will be designed to benefit both debtors and creditors and will be consistent with the prudent management of the Bank's own financing. Innovative, market-based approaches will include the wider and more creative use of debt conversion, to turn debt into equity or working capital. This will not be as quickly achieved as generally believed.

Increased use of more market-based instruments requires a strong and sophisticated domestic financial structure. Thus the Bank and International Finance Corporation (IFC) will provide special help to countries to strengthen their financial sectors and, particularly, their capital markets.

I believe other approaches that simplify negotiation, and reduce outstanding debt and annual interest payments—such as realistically designed exit bonds—can also play a valuable role.

We will work with the commercial banks and export credit agencies to ensure that external financing is available expeditiously, after agreement has been reached on a satisfactory growth-oriented adjustment program. This necessity is suggested by the reality that for the past several years the Bank has been the leading source of net funds for the heavily indebted middle-income countries. Last year the Bank provided more than 80 percent of total net lending to the fifteen countries that are central to the debt strategy. The Bank was prepared to accept this increased exposure to help ensure a resumption of growth and development.

Where countries persist in appropriate reforms, the Bank will continue to support their programs with substantial new lending. We cannot shirk this responsibility. We do not wish to do so. But we cannot stand alone.

We will not give comfort to risks that properly belong in the private sector, but we will energetically develop our relationships with commercial banks and build confidence in these countries' prospects. We will not assume the debts of others, but we are prepared to maintain substantial disbursements as long as we see credible adjustment efforts and appropriate participation by other official and private creditors.

We should all seek to restore the stronger debtor countries to spontaneous access to the world's credit markets in five to seven years. This will demand sustained effort by both creditors and debtors. For such countries the right approach remains one of strong adjustment programs together with imaginative packages based on new borrowing from private and public sources, as well as on other types of financing.

For some less resilient middle-income countries pursuing adjustment, however, there may be legitimate concerns about financing solutions that *rely significantly on increased commercial indebtedness*. Their return to normal credit status is likely to be more protracted and their growth and debt servicing capacity more limited, while financing on appropriate terms is increasingly difficult to arrange.

Such differences—which underline the wisdom of the case-by-case approach—may require extension of the present range of financing options. These may include greater reliance on official sources of finance and understandings between banks and debtor governments on ways to avoid increasing the stock of debt on commercial terms and the unmanageable buildup of arrears. These are areas that need further exploration in the search for individually tailored arrangements to restore growth and creditworthiness as rapidly as possible.



Next, Africa: in Africa long-term recovery must start from a determined effort to contain and manage the present crisis, while maintaining long-term adjustment programs to liberate the entrepreneurial and productive potential of Africa's economies and people. Africans, as Nigeria's former head of state, Olusegun Obasanjo, has so eloquently written, "must seriously organize and mobilize their societies for a more sustained development process, predicated on the conviction that they cannot have development without sacrifice. . . . development means hard work, sweat, forbearance, and discipline."

Here, as elsewhere, structural adjustment is fundamental to the Bank's assistance strategy and is not in any sense separate from our development role in that continent. We will continue to concentrate the resources of the International Development Association (IDA) on the growing number of African countries that are making determined and realistic adjustment efforts.

These courageous reform efforts are being hampered by an overall lack of resources. For this reason the Bank has proposed an ambitious but realistic international program of special assistance to a group of low-income, especially debt-distressed countries undertaking significant adjustment programs.

The initial response of the donor community to this initiative is encouraging. But there is not yet sufficient tangible progress to make the program a reality. I urge donor countries to support these efforts now by undertaking concessional debt relief, completing IDA-8, approving an enlarged structural adjustment facility, and directing their own development assistance more rapidly to these special cases.

The process of recovery will inevitably be painful and prolonged. In the meantime Africa's 450 million people, the vast majority of them very poor, will continue to be vulnerable to the pangs of austerity and to the natural calamities that have blighted the continent in recent years. They must be protected while growth gradually resumes.

The availability of adequate supplies of food in all countries must be ensured, while strong efforts are made to increase food production. Food security, then, is a key aspect of our African agenda. We expect to work in close collaboration with African governments and other donors to achieve food security.

- First, African countries need to concentrate their efforts on important food crops that they can efficiently produce, rather than adopt expensive and wasteful policies of self-sufficiency in all foods.
- Second, fluctuations in the food supply must be reduced and production and purchasing power within food-deficit areas increased.
- Third, food distribution systems and markets need to be improved.
- Last, environmental degradation and the loss of valuable food-producing land must be reversed.

The Bank will expand lending to help meet these objectives and to assist governments establish policies and incentives to encourage farmers to produce and sell more. At the same time we will pay careful attention to the need for safeguards for groups whose food security may be threatened during the process of adjustment.

Well-tested pilot agricultural extension programs indicate that the production of small African landholdings can be sharply increased. The Bank will support new national programs to bring research results, technology, and agricultural services to small farmers, especially the women who produce the bulk of the continent's food but whose role in food production has too long been ignored. These programs will soon be under way in fourteen African countries.

Norman Borlaug has described agriculture as "the mother of science . . . the science which makes life possible." Africa's farmers must also benefit from the great strides made elsewhere in recent years in biology and genetics. We will therefore continue to support the special program for African agricultural research, which is focusing international efforts to develop effective technical solutions for the special problems of African agriculture.

Food security will also require a major environmental rescue and development effort. Closing land frontiers and increasing population pressures are turning three-quarters of a billion hectares of land to desert, while almost 4 million hectares of forest and woodland are disappearing annually.

Poverty breeds environmental neglect and abuse, and resource degradation deepens the disaster of poverty. We must break this vicious cycle. This is a top Bank priority.

Far from increasing the incentives for environmental degradation, our development effort must bring about a synergy between food production and the renewal of Africa's natural resources. Among other initiatives, we will treble lending for forestry, much of it concentrated in Sub-Saharan Africa, because forests preserve the rainfall and soils essential to food.

We will complement these efforts by expanded lending to build Africa's human resources, male and female, and especially to make all levels of education more efficient and more widely accessible. We will continue support for safe motherhood and other programs aimed particularly at female and child well-being. And we will double lending to Sub-Saharan

Africa for population, health, and nutrition programs by 1990. We will support the World Health Organization's worldwide effort to combat AIDS, a disease that has potentially grave consequences for some countries in Africa.

Too much of Africa's recent history has been written in spurts of beneficence, too little in steady attention to deep-rooted problems that preclude simple, speedy remedy. The challenge Africans face is to salvage the gains of the past in order to bolster the foundation for future recovery. The Bank will do everything possible to help Africa meet this challenge.



In Asia we will build on our enduring partnerships with countries that together comprise the most diverse, dynamic, and fastest-growing region on earth. We place particular importance on facilitating the process of market-oriented reform in major Asian countries. The private sector in Asia is vigorous but could play a larger role in promoting economic growth and technological advance, if it is given the freedom to do so.

The dynamism of Asian economies requires sustained investment for large-scale projects in infrastructure, energy, and communications. The Bank will support these investment and institution-building needs, providing as much room as possible for associating private and official cofinancing with the Bank's funds.

These are essential programs to promote growth. But today I want to highlight another major objective of our work in Asia. Despite the great progress that mankind has made in the past few decades, millions of people continue to live in abject poverty—500 million of them in Asia. Rapid economic growth for some and advances in modern technology seem of tragically little consequence if so many people do not have enough food, clean water, or shelter.

In the large, poor countries of Asia we will support government strategies to eliminate the worst aspects of absolute poverty by the year 2000. This is a bold objective but not an impossible one. Low-income Asia has tripled its gross domestic product and almost doubled its per capita income during the past twenty years. We believe there is every prospect that most of these countries can double their per capita income again by the turn of the century.

Future growth alone will not achieve the progress against poverty that it has failed to secure in the past. But we can and will target an increased

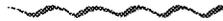
proportion of our IDA lending in these countries to help tackle the poverty that has remained largely impervious to the benefits of growth: among the landless and assetless rural poor, among vulnerable social groups such as rural women and children, and in distant or backward areas of the large countries.

Our strategy will concentrate on the delivery of basic services to ensure adequate food, shelter, and health care, and on conserving the often fragile environment of rural areas. We will support education, nutrition, and family planning programs and increased attention to rural employment and income generation for landless labor in ways conducive to economic efficiency and growth.

Many of the technologies to combat this entrenched poverty are cheap, simple, and effective: village handpumps to draw clean and safe water, oral rehydration tablets costing a few cents that save the lives of thousands of children, contraceptives that can provide poor people with the family choice from which some of Asia already benefits.

But the institutions to deliver these services to poor people and to inaccessible areas are often ineffective. We will work with governments to find new ways to involve voluntary, NGOs and the private sector in poverty eradication efforts and to remove the barriers that inhibit the development of fair markets and better incentives for the poor.

Together with our Asian partners we can ensure that continued rapid development is more widely and equitably shared, so that these countries enter a new century free of the terrible poverty that has stained every century before.



There has been a dramatic decline in the resources flowing to developing countries in recent years—in a period when their needs have been very pressing. The program of growth and development I have outlined today depends not just on the World Bank acting in partnership with developing countries. A substantial expansion in the flow of all types of resources to the developing world is essential. The World Bank's role in helping to mobilize these resources is of particular significance, and I close my address today with some remarks on our own needs.

The Bank can lead the way in helping borrowers harness the energies and resources of the private sector. Adjustment efforts are creating promising new climates for investment, encouraging openings for entre-

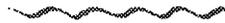
preneurship, and private forces should rise to the opportunity. In this task the IFC offers vital backing to private initiative and help in strengthening the infrastructure essential to the workings of market forces. I promise you that the IFC will continue to expand, in thoughtful coordination with the private sector initiatives of the rest of the World Bank family.

The Multilateral Investment Guarantee Agency (MIGA) is poised to back up Bank and IFC efforts through programs to help improve investment conditions, attract capital, and facilitate joint ventures. I am hopeful that more industrial countries will ratify its convention so that MIGA can become a reality soon. Given the momentum already behind MIGA, we can easily extend the deadline for effectiveness if that becomes necessary.

For the poorest countries IDA is fundamental to the whole structure of international action. The ratification of IDA-8 must now be swiftly followed by governments notifying the association of commitments and initial payments into the replenishment. I especially wish to thank those donor countries—among them, Canada, Denmark, Japan, Kuwait, Sweden, and Turkey—which have already done so. It is also critical that Bank and Fund initiatives to raise resources for the most distressed debtors be translated into concrete action with all possible speed.

For the highly indebted middle-income countries the Bank is currently the main source of net funds. Others must do more and so must the Bank. I have pledged to you today that we will continue our greatly expanded support for the recovery efforts of our heavily indebted members, on the basis of thoroughgoing and sustained programs of economic and institutional reform.

To achieve this while maintaining and increasing our essential commitments to the growth and poverty alleviation programs of all our borrowers, we must move forward now with a substantial general capital increase for the Bank sufficient to support our expanding lending program well into the 1990s. Following the recent U.S. announcement, I am confident that your strong general support for a substantial increase in our capital can be translated into a specific agreement later this year.



I have set out today a challenging agenda of action for the World Bank. I have rededicated a reorganized and renewed World Bank to economic growth and to the fight against poverty. In pursuit of these goals I have pledged strong action on debt, firm support for economic reform and

adjustment, new initiatives to promote the private sector, and renewed and innovative programs to safeguard the human environment.

I realize that the Bank is putting a demanding load on its members. The burden of a positive response, however, is lighter than the weight history would attach to our failure.

With so many lives, so much past progress and future potential at risk, the international development community must now put new effort and added resources into the work of recovery and renewed progress.

With all of us working together, I am confident we can succeed.

5. To the World Affairs Council of Northern California

The very name of your admirable organization reflects your commitment to the proposition that world affairs are urgent matters for Americans. And it is of world affairs that I intend to speak, of the needs of the developing world and of the rewards in store for all who help in the work of development.

More than 125 years ago a civil engineer named Theodore Judah spoke to a much smaller audience of influential San Franciscans about his dream of developing a transcontinental railroad with its western terminus in central California. According to reliable historians, however, Judah "made the tactical error of including an appeal to their public spirit and long-range vision." The San Franciscans turned him down.

When Mr. Judah presented his idea to Mark Hopkins, Leland Stanford, Collis Huntington, and Charles Crocker in Sacramento, the scholars record, "he put all the emphasis on the possibilities of large and early returns on very modest initial investments." Their support changed America's economy. Their success, enshrined on Nob Hill, gave San Francisco a landmark.

I am here to offer another broad vision. Profiting from history, I will put it in both practical and moral terms as a matter of common sense and common decency.

I will explain briefly what the World Bank is and does. Against that background I intend to make the case that an institution that is already the single strongest, most resourceful, most efficient force for international development has to increase its resources to meet a new set of challenges.

I will be frank. The World Bank needs not just your understanding of its mission but your backing for plans to increase its capital.

San Francisco, California, March 21, 1988

In a strained and shifting world economy the Bank's role is changing and expanding. As a lending institution the Bank invests for development, stimulates others to do likewise, and increasingly promotes economic policy reforms.

Although we still provide the loans that build roads and irrigation systems, that train farmers, and that supply modern technology to industry, the World Bank also conducts a constant, far-ranging dialogue with policymakers in developing countries.

As a result of this extended discourse—a “feast of reason and flow of soul”—many of our borrowers are reexamining the ways they have used their resources and are moving toward greater efficiency. Their domestic economic changes, in turn, are building more favorable business environments. Priorities are shifting from government control to free enterprise, from closed markets to freer trade, from public investment to private entrepreneurship.

The burden of Third World debt has made reform more urgent. Our borrowers—whose commodity earnings have dropped, whose manufactured exports encounter increasing protectionism, whose former creditors are increasingly less forthcoming—have recognized that they can no longer afford not to change. But the debt overhang has also increased the need for outside financing at a time when private lenders are hanging back. Thus, the debt crisis brings both new demands and new opportunities to the World Bank. We require new capital to meet our added responsibilities.

The Bank seeks new funds so that it can invest more and more effectively in making the shared future of the developed and the developing nations safer, fuller, and fairer.

That mutual dependence of rich and poor nations is the reason the World Bank opened for business in June 1946 and made its first loan of \$250 million to France nine months later. For a brief period before the Marshall Plan began to operate, the Bank acted to aid postwar reconstruction “as one of the lifelines to a sinking Europe.” In short order, however, the Bank shifted its lending from the old world to the new, from the Netherlands, Germany, and Japan to Mexico, Indonesia, and Senegal.

Since 1946 the Bank and its twenty-eight-year-old affiliate, the International Development Association (IDA), have provided a total of \$183.5 billion in loans and credits to 138 nations from Argentina to Zimbabwe,

from giants such as China and India to island states like the Seychelles and Fiji.

We have been a major contributor to Pacific Rim growth. Japan, Australia, New Zealand, and Singapore long ago graduated from the ranks of World Bank clients, and the Republic of Korea and Indonesia now borrow to spur progress in broad sectors of their economies.

And China, which I will be visiting this week, has become a major borrower from both the Bank and IDA, a major force in our institution. We and the Chinese are now discussing, for instance, a substantial rural sector adjustment loan to support far-reaching agricultural reforms.

From a worldwide lending volume of less than half a billion dollars annually forty years ago, approved Bank loans grew to over \$14 billion in the past fiscal year, more than twice the level in 1978. And from initial authorized capital of \$10 billion, the Bank's resources have risen to \$96 billion.

As a result the Bank and IDA—our arm for providing financing on concessional terms to the poorest countries, mainly in Africa and South Asia—have become together the major promoters of development in the Third World.

As development bankers, we are nation builders, policy shapers, poverty fighters, job creators, family planners, lifesavers, and more. But as the name implies, the World Bank is also a bank.

Because our portfolio has always been—and always will be—prudently managed, we are able to issue Triple-A-rated bonds that allow us to borrow at the lowest possible commercial rates and pass the savings to our own borrowers.

Because our loans are approved only after exhaustive analysis and consultation with our member clients, we provide invaluable technical assistance along with essential funding.

Because the Bank acts as a credit catalyst, its loans often work as a magnet for other resources. Government and commercial lenders regularly join in cofinancing Bank-supported projects, multiplying the impact of our investments.

And because the World Bank is a bank, not a charity, it makes a profit on its operations—\$1.1 billion last year, an amount close to its initial paid-in capital.

Given such success, you might ask, why does the Bank need more funds? The short answer is that we need more to do better. A longer answer is that the general capital increase of \$75 billion in callable capital the Bank's directors have agreed to seek from all of our 151 shareholding members is essential for three related reasons.

First, the Bank must lend more to build the confidence and the contributions of other lenders. As needs have grown in the Third World, the resources to meet them have not kept pace.

Indeed, developing nations are transferring far more money back to the industrial world than they receive in new financing. To appreciate its magnitude, you must contrast the net outflow—\$100 billion from 1983 through 1987 just from the highly indebted countries—with the net inflow to them of \$65 billion during the preceding five years.

The reversal amounts to a crisis for development, one that puts a duty on the World Bank to be even more vigorous as an honest broker between rich and poor, even more energetic as a leader and a partner in stimulating lending for investment.

Second, the Bank needs more capital to give it the legal basis for expansion. Its basic charter prudently requires that every dollar of outstanding loans be backed by a dollar of capital or reserves. The existing capital is almost fully committed, so the Bank is now approaching the upper limit of those resources.

New capital will signal the financial markets that our shareholders stand firmly behind the expanded role we intend to play. Their support, in turn, is perhaps the single most important factor in investor appraisal of the Bank's strong credit standing.

And our strength with investors is a crucial consideration in our maintaining the borrowing advantage we pass on to the developing nations. Upward of 85 percent of the resources the Bank lends comes not from government budgets but rather from borrowings in the marketplace. Most of the rest—about 10 percent—comes from the profits we plough back into the Bank and only about 5 percent from governments through paid-in capital subscriptions.

Finally, but most important, we must increase our lending—and the capital behind it—to advance the twin causes of reform and growth in the middle-income developing nations. Too many Third World econo-

mies have stagnated in this decade. Too often real per capita income has fallen.

The fact is that for many of our borrowers the fight for growth is the fight of their lives. It is in large measure the fight for the future of the developed world as well.

In a different time and context, a great Californian recognized that compelling truth.

A. P. Giannini was a giant in San Francisco and American banking history. When he opened the then Bank of Italy's first branch in Fresno in 1916 and announced that it would offer farm mortgages at 1 percent below the prevailing rate, he put the case for interdependence this way: "We believe that in having a prosperous surrounding country, the city will prosper, and we also think that high rates of interest are ruinous to farmers. We are here to make good times. . . ."

His wisdom—put in modern terms, in terms of money and jobs and the future prosperity of the industrial nations—is echoed in recent findings of the Overseas Development Council. As it reported, Third World nations that were buying 41 percent of all U.S. exports in 1981—a bigger share than Europe and Japan combined—accounted for less than 35 percent of American sales abroad five years later.

Part of that loss was due to the high price of the dollar and of goods priced in dollars in those years. But it is also true that as Third World growth stalled, exporters here—farmers and manufacturers alike—suffered related losses.

The council's persuasive recent study found that U.S. exports to developing nations fell from \$88 billion to \$77 billion between 1980 and 1985. Its authors estimate that if Third World growth had continued in this decade at the pace it kept in the 1970s, American export earnings from developing nations would have risen to \$150 billion. The \$73 billion difference between performance and potential, they judge, meant a loss of 1.7 million jobs in the United States, just over a fifth of this nation's total 1986 joblessness.

In short, Americans—and Californians in particular as America's leading exporters—will not prosper unless their customers in the developing nations prosper as well. A. P. Giannini's insight is just as valid a description of the ties that bind the globe today as it was of San Francisco's link with the Valley seventy-two years ago.

Few have put the reality better than the past and present head of the Bank of America, my predecessor at the World Bank, your neighbor and my friend. "Helping others to help themselves," Tom Clausen has said, "helps everyone. Helping the developing countries to expand their economies is a plus for the entire global economy. Every country benefits—developed and developing—and standards of living of all peoples increase in the process."

Time has shrunk distance so much that San Francisco's backyard now lies across the Pacific and below the Rio Grande. The Bank is a bridge-builder to that backyard, an institution that can help defuse tensions and cement cooperation among neighbors. Its operations, moreover, have been and will be crucial to sustained growth and, hence, to U.S. prosperity.

To be specific, Mexico is both America's third largest trading partner and the World Bank's third largest borrower. It is also California's fourth biggest customer. Korea, which ranks in seventh place in trade with the United States, is the Bank's sixth largest client and California's third largest market.

Effective lending for sustained development builds Third World investment, income, and consumption levels. It helps create, in turn, demand for goods and services from the industrial nations. Last year, for example, procurement for World Bank-financed projects brought \$1.6 billion in contracts to the United States, an amount roughly equal to all the capital this country has actually paid into the Bank during the past forty-two years.

But the World Bank is far more than a builder of markets. It helps build nations, helps free their people from poverty and political upheaval, and helps their leaders find the right policy tools to change course and sustain progress.

Early development theory emphasized public investment—where private resources were initially inadequate—as the most effective agent of growth. That emphasis bred legions of state enterprises that often grew too large and stuck around too long. Some of them have been productive, but many others are overstaffed, poorly managed, and more responsive to political pressure than economic incentives.

Other legacies of the past include pricing policies and subsidies that can drown out market signals and turn what should be a level playing field into a maze of trade barriers. Such practices have acquired strong con-

stituencies in many Third World countries, but they have also impeded growth by institutionalizing wasteful practices. As advisers to developing nations, we are today winning converts to the cause of efficiency.

Again to cite Mexico, the Bank's dialogue with its leaders has contributed to aiding America's most populous neighbor toward difficult but essential economic reforms. In its efforts to end government monopolies and preferences for publicly owned institutions, Mexico is moving to give the private sector running room and new strength.

Through technical assistance and adjustment lending in this process, the Bank provides support every bit as vital as more visible, traditional investments in health, farming, education, transport, and energy development. The work of reform is crucial to putting promising Third World economies back on their feet. Without determined change for the wiser and better, poor nations and their poorest people will only get poorer.

But unless they are carefully designed, adjustment programs can put burdens that are too heavy on the shoulders of those least fit to carry further sacrifice—the poor. Their resentment can then threaten hard-won progress toward democracy and stability so important to keeping the world at peace.

The costs of austerity in many debt-burdened nations fall also on the farmer, who cannot buy seed and fertilizer his nation cannot afford to import; on the city dweller, whose sewage system the municipality cannot afford to upgrade; and on the family, whose children cannot attend the schools or be treated in the clinics the government cannot afford to build or even maintain.

No one likes belt-tightening. And none of us can with equanimity contemplate tightening belts around people whose diets already leave them malnourished, often too ill to work, too tired to study, too engaged in the struggle for subsistence to look beyond today's hardship to tomorrow's promise.

In the face of such need in so many nations, the World Bank is increasing its efforts to provide social safety nets for the poorest in times of upheaval. Reform that builds up protection for the most vulnerable groups is the reform we will promote in our adjustment lending. For if the early social costs of these vital economic repairs are too high, political resolve will weaken, and sustainable development will lose headway.

While we preach reform to others, we have been reforming the Bank to make it more efficient and to make our project lending more sensitive to environmental concerns, more alert to the potential of women as a force for development, and more responsive to the grassroots savvy of nongovernmental organizations.

Now, however, we are approaching our lending limit. At a time when debt service eats into the funds many Third World nations need to invest at home, when new commercial lending is inadequate, the World Bank must not just maintain but expand its role as catalyst and creditor.

The stock of debt constitutes a serious constraint on development in many countries. Like all other key players on the debt scene, the Bank will have to do more to support collaborative debt workout strategies where such a workout would rely upon credible adjustment programs and adequate financial relief.

Our lending, much of it quick-disbursing, to the seventeen major debtor nations that are also undertaking adjustment has been in excess of \$33 billion during fiscal 1981–87. Worldwide, the total reached \$4.1 billion last year, some 23 percent of total Bank lending. We will continue this approach with those countries where domestic and external ingredients set the stage for significant progress against the debt problem.

We believe that we can play an important catalytic role in the search for market-oriented, negotiated solutions wherever country circumstances warrant our support through various forms of credit enhancement. Our focus in many countries will remain on catalyzing new money, but we are also prepared to give more support to appropriately structured debt reduction schemes as an alternative or a complement to concerted new lending. We will try to facilitate, not force, negotiated agreement between debtors and creditors and will use our credit enhancement capabilities only when they will clearly yield significant benefits to the debtor country and the overall financing plan.

However, we have neither the methods nor the means in sufficient quantity to go it alone. Other longer-term investors must invest new money in the realization that the developing countries, highly indebted now or not, have the potential in time to stimulate and strengthen the world economy.

Looking toward such an active role in collaboration with others, we seek to add \$74.8 billion to our subscribed capital. Such an increase will let us raise our level of lending by 10 percent a year, from just over \$14 billion

last year to above \$20 billion in the early 1990s. Those new commitments can make the difference between stagnation and growth and turn some of the world's most beleaguered economies into promising markets.

The Bank asks all its shareholders to contribute to this general increase by paying in 3 percent of their share of the capital subscription over five to six years. Although America's added obligation will be almost \$14 billion in callable capital, its paid-in share is \$420 million. Of that amount, the Administration is asking Congress to approve an initial appropriation this year of just \$70 million.

But as a former Congressman who well remembers Senator Everett Dirksen's description of the appropriations process as "a billion dollars here, a billion dollars there, and pretty soon you're talking about real money," I do not expect or want automatic approval of this capital increase.

In fact, I hope the request will get serious examination on Capitol Hill and by the American public. For then it will be possible to explain how an annual American investment of \$70 million for six years can ensure worldwide, World Bank commitments of \$20 billion annually four years or less from now.

I look forward to describing how those American millions, added to the contributions of the other shareholders, multiply into new billions the Bank can borrow and in turn lend. And I will welcome more chances like the one you have given me to show Americans—for that matter, the citizens of any industrial democracy—how much their future well-being hangs on restoring and sustaining stable Third World growth.

In a world where the non-oil producing developing countries—even in the depressed conditions of 1986—were absorbing more than 15 percent of global exports, it takes no crystal ball to see the market potential of the nations where three of every four inhabitants of Earth now live. In a world where poverty fuels so much political unrest, it takes no great expertise to see the security all nations stand to gain from steady, effective investments in economic growth.

Finally, I look forward to answering those who worry that increased lending to debt-burdened borrowers will only add to their already-crushing interest bills or simply be recycled to the large commercial banks to which so much of that interest and principal is owed.

I know the cynical wisdom of the First Law of Holes: “When you’re in one, stop digging.” But I also know that without new lending to the debtors—lending led of necessity by the World Bank and coupled with a range of initiatives to develop market-based, country-by-country easing of debt burdens—the Third World will not grow as it should, will not be able to dig its way out of debt.

And that failure would undermine not only the precarious hopes of the poor but the financial institutions on whose solidity the industrial societies depend as well.

The World Bank will not be lending to bail out the world’s banks. It will be investing instead in renewing growth and fighting poverty and in restoring or maintaining the creditworthiness of nations whose needs for many years will be as great as their long-term potential is high.

It took nine years for Theodore Judah and his backers to see America’s two coasts linked by a transcontinental railway. It will be far into the next century before all the tracks are firmly laid and connected on the network that can carry rich and poor nations alike toward greater shared prosperity.

But with such great prospects ahead—even if today they seem far ahead—the wealthy must quicken their pace and all the world its resolution.

In his ninetieth year, a revered French military strategist consulted with his gardener about planting an orchard. The husbandman derided the idea. “It will be ten years,” he said, “before those trees can bear fruit.” “In that case,” replied the old soldier, “start planting this afternoon.”

For more than forty years the World Bank has been planting the seeds of hope in fertile and in rocky soil all over the world. We must go on planting. We must go on building. And we must—because the need for our investments is so high—increase our efforts and our resources. With your help we will meet the new challenges, and, for the mutual good of developed and developing nations, we will master them.

6. To the German Society for the United Nations and the Association of German Chambers of Industry and Commerce

I am honored to be with you under such distinguished auspices.

I want to address two basic issues that are fundamental to all of us interested in a peaceful and prosperous world. First, what actions must be taken to provide a more favorable environment for growth—in both developed and developing nations. And, second, what must be done to halt the resurgence of poverty in developing nations.

I deliberately bring these two issues together, for they represent a massive challenge to all the world: to affluent nations and the economically deprived, to individual citizens and private groups, to sovereign governments and international organizations. Most are represented here today. Each can play an important role in assuring that these challenges are confronted and successfully overcome.

The values on which our society is built demand that we act everywhere in the world against the hunger and malnutrition, illiteracy, and disease that make the lives of the poor wretched beyond our imagination. The universal concept of human dignity is one we must defend by helping our fellow men, women, and children whose lives and dreams are cut short by degrading poverty.

These are the challenges. Let me now take a moment to describe the setting in which these problems must be addressed.

There has been progress since the dangerous period at the beginning of this decade. Inflation has been brought under control. Economic growth in industrial countries, while still below the rates sustained in the 1960s, is edging upward again toward the rates of the 1970s.

Bonn, Germany, May 26, 1988

We are beginning to see the results of major adjustment efforts by many developing countries, whose economies are beginning to grow again. And a breakdown in the international financial system, which would have incalculable consequences for both developed and developing countries, has been avoided.

Problems and risks remain. In industrial countries growth is below its long-term potential, and many structural problems are still to be tackled. Imbalances in international payments persist at levels that simply are not sustainable and that, therefore, continue to pose major dangers to the stability of financial systems.

Here in Europe unemployment is unacceptably high and, in some countries, still growing. Protectionist pressures remain severe. Real interest rates are high, and real commodity prices low.

In some developing countries—notably the heavily indebted, middle-income countries and the low-income countries of Sub-Saharan Africa—recovery from the sharp declines in per capita incomes will be a long and arduous process. As a consequence of their debt overhang, the heavily indebted, middle-income countries are transferring real resources to the rest of the world, at a stage of development when they should be net importers of resources.

And many countries in Africa face a protracted period before orderly debtor-creditor relations can be restored. The problem of poverty, immense though it was before the beginning of this decade, in many poor countries has grown even more desperate since.

There is no substitute for the domestic political will in developing countries to implement policy reforms that foster growth and attack poverty. Robust global growth, open trade, and stronger flows of finance and aid will not automatically restore the momentum of development in the poor nations. Yet without improvements in these external factors, most developing countries can hope for little growth and the improvements in living standards so essential to stable and prosperous societies.

What then can be done?

It is increasingly clear that the continued affluence of industrial countries depends both on their own structural changes to increase productivity and on the growth of markets that greater prosperity in developing countries can bring. Thus industrial nations—for their own sake and for the developing world with which we are now ever more closely linked—

need to take concerted policy actions now to ensure steady, noninflationary growth and to turn back the rising tide of protectionism.

The leaders who meet next month at the Toronto economic summit, which Chancellor Kohl and I discussed today, should not only underline these issues, but initiate concrete steps toward resolving them. The required four-point strategy is clear.

First, the United States must continue to make steady reductions in its twin budget and trade deficits—which reinforce each other as major impediments to sustained world economic growth.

Second, as the American economy reaches a more sustainable tempo, the surplus countries of the European Community must join Japan in speeding up the stimulation of their economies.

Third, the industrial nations must move together to accelerate negotiations in the General Agreement on Tariffs and Trade to bring down barriers to trade in all areas, including the key sectors of services and agriculture. In parallel, they should introduce domestic structural reforms that are the counterpart of trade liberalization.

Fourth, there must be action to stimulate increased resource flows of all types—both public and private—to developing countries. In the middle-income countries, resource flows must come largely from private sources. The policy environment in developing and industrial countries will determine the extent to which these flows can grow. Just as foreign private capital flows played a vital role in my own country's development, so too can they be a vehicle for spreading prosperity more widely across the globe today.

For the low-income countries, increased concessional aid is needed. Sir Douglas Wass, the head of the special United Nations panel on the African crisis has said: "It is no use throwing a rope to a drowning man five minutes after he has drowned." Timely aid can make the difference between success and failure for the process of policy reform and structural change, still a fragile process in many parts of the developing world.

For the countries that have chosen reform, support from abroad is essential to their staying power and stability under the political strains that change generates. But the responsibility of industrial countries, I believe, extends beyond the growth of new aid flows. More must be done to facilitate export credit flows to countries that are undertaking major reforms and to focus these flows on investments that will yield real

benefits to the recipient country. Failure to adopt sufficiently rigorous standards in this respect in the past clearly has contributed to debt service problems in many low-income countries.

And more remains to be done to lighten the burden of debt service on debt-distressed, low-income countries. While some countries, and Germany prominent among them, have converted official loans into grants, others have not.

Thus there clearly is a need for action by the industrial countries, and the Toronto Economic Summit provides another important opportunity for the major powers to demonstrate leadership toward strengthened world growth.

But the burden also is clearly on developing countries to chart the course of their own growth and development. What is it they must do, and how can the World Bank help?

The World Bank, acting on behalf of all its 151 members, is committed to two basic objectives—accelerating economic growth and alleviating poverty. Our entire program is marked by these two interlinked priorities—in increasing agricultural production, in improved health services, and in myriad other ways.

I have recently suggested that the elimination of the worst forms of poverty by the year 2000 is a realistic goal for mankind—but it will require a massive and concerted effort by the community of nations—developed and developing alike. The cycle that captures and holds the impoverished at the bottom of society can be finally broken only by patient, continuous investments in expanding economic opportunity.

Long, hard work will be required by poor countries to develop basic skills, to provide better diets and secure food supplies, to establish primary and preventive health care, and to control population growth. Poor people can become less poor only if they have access to resources—through their own efforts, through government budgets, through credit, through control over assets, through increased participation in decisions that affect their daily lives.

What is at stake is not just economic, but political and social, change. The World Bank is helping develop viable programs that will achieve these goals. We must rightly look to the governments of developing countries to take the lead in this effort. But all partners must play a role.

At the Bank we believe, for example, that nongovernmental organizations—above all, those indigenous to developing countries—have a growing role to play, both in reaching poor people with low-cost services and in helping poor people organize for their own development. We are committed to strengthening our operational collaboration with these organizations, in partnership with the governments concerned.

The adjustment process is an important and controversial part of this overall effort. I have already referred to the central importance of efforts by developing-country governments to promote development and structural change.

The ultimate responsibility for the shape, the scope, and the pace of adjustment lies with the societies that undertake reform, with their leaders and their people. The World Bank seeks to be a helpful partner in this effort and an agent for drawing additional outside support.

Some feel adjustment programs hurt the poor. Indeed there are sometimes harmful effects, which must be mitigated. But I believe this perception that adjustment is the source of growing poverty is not only erroneous, but also harmful. This perception provides comfort to those whose privileged positions are put at risk by courageous reform efforts.

We should not confuse the remedy of structural reform with the illness of economic inefficiency, which frequently can be traced to the efforts of better-off groups to benefit themselves. Remedying inefficient practices, and thus increasing growth, is an essential precondition for long-term success in the attack on poverty.

The evidence suggests major benefits from structural change. A few years ago, for instance, Ghana was suffering from many of the economic distortions that—along with high population growth—had contributed to the decline of per capita income throughout Sub-Saharan Africa. Structural reform has placed resources in the hands of low-income producers and exporters rather than higher-income consumers and importers. Sharp increases in agricultural producer prices have benefited small farmers. The reforms have revived agriculture, brought goods to city stores and greater prosperity to the countryside.

In Mauritius courageous reforms have helped bring about remarkable progress toward industrialization, creating thousands of jobs for low-income people.

In many countries trade liberalization programs have stimulated exports, which are particularly effective in creating employment. It is no accident, we believe, that those countries that have moved with speed to implement pragmatic policies—such as China, the Republic of Korea, Indonesia, and Thailand—have experienced both rapid growth and a waning of the incidence of poverty.

In many countries, reshaping government expenditures to make them more efficient as levers for growth also means shifting resources toward low-income people, where the returns are likely to be the highest.

But we must recognize, too, that under some circumstances in the short term, adjustment programs can impose special burdens on the poor. The shift of resources to agriculture through increased producer prices may hit hardest the urban poor, through higher food prices to consumers. Steps to control public budgets, although essential for improving efficiency and creating a sound framework for growth, may lead to substantial reductions in public employment. Even if public employees are not always among the poorest, they can face traumatic change and be vocal in influencing a government's resolve for reform.

For all these reasons it is extremely important that we work closely with governments in designing adjustment programs that will openly protect the poor during the adjustment process. This often will require special compensatory and complementary activities, as well as changes in design of the programs themselves.

In Bolivia, for instance, the International Development Association (IDA) recently approved a \$27 million credit—its second such support loan—for the Emergency Social Fund. In its first year of operation this innovative Bolivian agency went quickly to one source of grassroots hardship: unemployment.

Backed by \$42 million in pledged international support, the Emergency Social Fund was able to provide at least temporary work for some 30,000 jobless poor. In addition to building or repairing valuable infrastructure in Bolivia, the fund's operations have brought direct health, education, and nutrition aid to nearly 200,000 people affected by the country's economic crisis and its remedial reform measures.

In Ghana the work of adjustment is being complemented by a special program of aid to the poor. The Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD), for which the Bank has helped obtain \$85 million in pledged foreign support, started as a short-term

antipoverty drive, with direct financial relief for civil servants and public sector employees whose jobs were disappearing.

The program also has long-term aims. It will open lines of credit for small businesses, for the construction and renovation of schools and training facilities and for both major and rural roads.

Project lending in India, Brazil, Colombia, and Indonesia has already aided successful, targeted nutrition programs. Colombian officials used health centers to distribute subsidies in the form of food coupons to pregnant women or young children in designated poverty areas.

In parallel with the growing concern for the mitigation of the effects of adjustment on low-income groups, there has been increased concern for the links between poverty and environmental degradation. It is increasingly clear that there is a large degree of complementarity between our growth and poverty alleviation objectives and the basic requirements of sustainable development.

Some may be tempted to rely on direct international action to solve threats to our global environment. *If tropical forests are being destroyed, surely government decrees can stop the loss. If deserts are growing, surely government intervention can halt their advance.*

On the contrary, it is clear that most of the greatest problems of environmental deterioration in developing countries stem directly from over-exploitation of resources by poor people living on the edge of desperation.

Untutored subsistence farmers have neither the knowledge nor the incentive to protect fragile soil against exhaustion and erosion. Householders desperate for scarce fuelwood do not respect forestry conservation practices. Slum dwellers without decent shelter or sanitation do not make patient clients for environmentally sensitive urban planning.

Only if real progress is made in the battle against poverty will protection of the environment in which all of us live be a realistic prospect for future generations.

In the World Bank's emphasis on specific programs of environmental protection, we are working to establish and to reinforce natural resource management programs that will ensure against deprivation—as well as pollution or deforestation—in the future. Above all—and in all our work—we look not only at the issues of immediate survival but also beyond, to the prospects for long-term, sustainable development.

I believe those prospects are steadily, slowly improving. And the World Bank is one of the forces for international cooperation most effective in maintaining that momentum.

We recognize, however, that translating these ideals into reality places great demands on all partners in the development process. I have stressed the importance of actions by both developed and developing countries.

The World Bank can play a major role in helping our members shape the future—in confronting successfully the two challenges of growth and poverty alleviation with which I started this talk.

I have been very encouraged recently by the generous support to the World Bank provided by our shareholders. With the strong participation of the German government, we have recently seen constructive multilateralism at work in a number of ways, including

- Agreement on a \$75 billion increase in the World Bank's authorized capital. At a small budgetary cost, this 80 percent expansion will enable a substantial growth in the IBRD's lending program during the next five years—to more than \$20 billion a year. This also strengthens the Bank's catalytic role in helping bring together other resources for development.
- Establishment of the Multilateral Investment Guarantee Agency (MIGA). Germany was the first European country to ratify the MIGA Convention and the first member to have made its contribution to MIGA's capital. This new institution will strengthen the flow of private investment for development.
- The eighth replenishment of IDA—at about \$12.4 billion. This is a major contribution by donors to the effective direction of official aid resources to stimulate growth and reduce poverty in the world's poorest nations.
- The pledges of more than \$6 billion by aid donors in support of the Bank's special initiative in support of Sub-Saharan Africa's debt-distressed countries.

In all these actions Germany has been imaginative and generous, following President von Weizsacker's words that "development cooperation amounts to help for self-help." We are grateful to all for this vote of confidence, and we shall use these resources wisely in behalf of our common objectives.

I agree with President von Weizsacker's judgment of two years ago:

The want prevailing in the world's developing regions and famine zones constitutes the greatest social challenge of our time. The problems are almost insurmountable, great mistakes and setbacks occur in the efforts to solve them, and the right way of doing so is the subject of fierce controversy.

One needs a great deal of courage continually to start anew and to persevere.

The World Bank, in its work supporting development, has been starting anew for more than forty years. Sometimes we have made mistakes, but we continue to evolve as circumstances change. We have learned and acted on our experience.

Most of all, we will persevere. There is no alternative, if poverty is to be rolled back and the quality of life improved.

7. To the Board of Governors

I welcome you to these Annual Meetings. I am honored to be addressing you here in the heart of Europe, and I especially wish to thank Chancellor Kohl, the government of the Federal Republic of Germany, Mayor Diepgen, and the authorities and the people of West Berlin for their hospitality.

This great continent, the cradle of the modern era, now stands at the threshold of new economic prosperity and peaceful commerce as the largest integrated market in the world. Europe's postwar transformation shows how persistent hope combined with enlightened international cooperation can yield great progress. We must apply the same spirit to our own, even greater, task—to provide rapid growth, rising prosperity, and renewed hope for the poor countries and poor people of the world.

Despite difficult circumstances the majority of the developing countries have not given up on development. In fact some have succeeded in maintaining economic growth. For others, especially the heavily indebted and poverty-stricken Sub-Saharan countries, the road to recovery is long and arduous. Even there, however, resolute and self-confident people are making a fresh start.

Such hope, sustained and reinforced by international cooperation and assistance, can yield miracles. I have seen them. They are as modest as a village well or a rural health clinic, yet as revolutionary in bettering the lives of the poor as electrification or flood control. From small investments—a metal plow, a sack of seed, a biology textbook, a line of credit for a trucking firm, a bulldozer to make a dirt road passable in bad weather—new worlds of opportunity can grow, old burdens of misfortune and despair can ease.

We cannot forego this challenge, nor be passive in the face of the struggles of developing countries against the severe difficulties they have faced in this decade. As Francis Bacon so aptly stated, “. . . in this theatre of man's life it is reserved only for God and angels to be lookers on.”

Berlin (West), Germany, September 27, 1988

We at the World Bank are determined not to be onlookers—we will continue to put all our energies into fighting poverty through sustainable, equitable growth. This is what I want to talk about today—sustainable growth with equity—and about the actions we must take to turn our commitment to development into reality.

Resources for Action

Before doing this, however, I want to outline some of the highlights of the past year. At our past Annual Meetings, I called on you, the members of the Bank, for increased support for our urgent development efforts. In response to that appeal:

- Shareholders approved the general capital increase, which will boost Bank capital to \$170 billion and allow us to increase Bank lending by 10 percent a year through the early 1990s.
- The international community made good its strong commitment to the poorest countries by agreeing to IDA's eighth replenishment.
- Donors boosted their cofinancing support for IDA's adjustment operations in Sub-Saharan Africa and made some progress in reducing the burden of Africa's debt.
- The Multilateral Investment Guarantee Agency (MIGA) became an operational reality.

I am most grateful for your support. This added strength, combined with the continued confidence of the financial markets in which we borrow, will allow us to act resolutely and effectively, in close cooperation with our sister organization, the International Monetary Fund, to strengthen the development efforts of member countries.

The Bank will put these additional resources to work to foster growth and equitable distribution of the fruits of that growth. We will encourage the process of economic policy reform, while helping to protect the poor from added hardships. The Bank will focus fresh effort in the fields of hunger, population, education, and environmental protection. In the crucial area of finance, we will work to mobilize even greater resources—through private sector development, in particular—to ease debt burdens and ensure that growth expands and poverty recedes.

A Central Goal: Reducing Poverty

Let me focus now on the central goal of the Bank: the reduction of poverty. Poverty on today's scale prevents a billion people from having even minimally acceptable standards of living. To allow every fifth human being on our planet to suffer such an existence is a moral outrage. It is more: it is bad economics, a terrible waste of a precious resource. Poverty destroys lives, human dignity, and economic potential. It must be fought with resolution and overcome with sustained and sustainable growth.

The World Bank is dedicated to attacking poverty and beating it back. Our experience makes us confident, but it has also taught us that simplistic solutions will not work. Instead we need determined and sustained action on five major fronts:

- Securing economic growth
- Combating hunger
- Curbing excessive population growth
- Investing in education
- Protecting the interests of the poor during the economic adjustment, which is vital to the success of the whole development effort.

First and foremost we must have growth. No significant progress in reducing poverty is possible without a global economy that fosters growth in individual nations. Growth provides the poor with access to better markets and opportunities. It provides the resources for public and private programs vital to the poor. It helps sustain the broadly based political support the antipoverty effort needs.

Sensible macroeconomic policies that promote efficiency are essential for that growth and for a successful attack on poverty. The Bank supports such growth-oriented policies through lending for adjustment, which now accounts for a quarter of our new commitments. The Bank also finances investment in infrastructure, agriculture, education, and social services, upon which sustained and equitable growth depends.

Second, the impact of economic growth must be strengthened by direct action to combat hunger. Hunger takes many forms and has many specific causes—isolation and economic backwardness in northeast Thailand, pockets of social deprivation in Brazilian favelas, natural disaster in

Bangladesh, to mention a few. Remedial measures must address these differences realistically. In Sub-Saharan Africa the Bank is focusing on pervasive food insecurity. Dramatic emergencies are an all-too-frequent reminder of the silent tragedy of poverty in Africa, where one person in four—more than 100 million people—does not get enough to eat.

The origins of the problem are complex, but, to fight this hunger, African countries need economic growth—especially in agriculture—to produce more food and to raise the incomes of the rural poor. I give the highest importance to our work to help Africa raise agricultural productivity—through helping to expand agricultural research and supporting national programs to bring the results of that research, as well as the needed technology and services, to small farmers. By the end of this year such programs will be under way with Bank support in thirty-one African countries.

The Bank will work persistently with African governments, official and nongovernment donors, and other international institutions over the many years required to make food security a reality. We will work together to bring into the development equation new elements, including more external resources to finance programs, improved capacity to deal with droughts and other food emergencies, better policies to stabilize nominal food prices, and stronger institutions to deal with food problems. Within five years I am confident that this collective action can put in place food security programs across the continent. The Bank will apply similar approaches of collaborative problem-solving and action to the specific problems of hunger faced in other parts of the world where the numbers of absolute poor are even larger.

Third, it is imperative that developing countries renew and expand efforts to limit population growth. Some countries have made great progress, but at today's demographic growth rates many nations will double their already large populations early in the next century.

Allow me to speak plainly. I realize that population policy touches upon sensitive cultural and religious values. But the societies in which population is growing so fast must accept that many—perhaps most—of these new lives will be miserable, malnourished, and brief. In Africa present population increases, if not checked, will virtually wipe out significant real income growth for a generation. In other countries with high rates of increase, badly needed improvements in living standards will not be achieved, public resources for necessary services will be overstretched, and the environment will be severely damaged. By contrast, effective

family planning programs in countries as different as Mexico and Indonesia show large savings over time in public health and education expenditures—to say nothing of the benefits to the families—from providing knowledge and choice about family size and birth spacing.

Given the magnitude and severity of the problem, it is alarming that many developing countries are faltering in their efforts to devise and implement sensible population policies. It is also distressing that international assistance for population activities has been declining. These trends must be reversed. Governments in both developing and industrial countries must accept their responsibility to this and future generations.

A vital part of the Bank's work involves development activities that have a strong impact on population—for instance projects to improve economic security, income, and education for poor people, with a particular emphasis on women and girls. We are financing related health and safe motherhood programs, and we will continue to expand our direct support for population activities. Population issues will be prominent in our dialogue with governments about how we can best support reform of social policies and expenditures.

Fourth among the Bank's antipoverty priorities, we must focus on the most vital of all resources for growth, the limitless capacity of the human mind. Investment in human capital through education pays high returns. The growing productivity of an educated work force is among the most reliable engines of economic growth.

Knowing this, the Bank and its members cannot ignore the disturbing evidence that investment in education has declined as the need for it has risen. The gap in spending per pupil between low-income and industrial countries is now almost four times what it was a generation ago.

Enrollment is lagging, as well. At the primary level alone, 100 million youngsters who should have been attending schools in 1985 were not. Plato told us more than 2000 years ago that education determines a person's future life. Can we afford to cut off so many young people from active, productive futures?

Not nearly enough is being done to confront and correct this incipient crisis. Governments have been slow to respond to the urgent need for education reform. The flow of external assistance for education, although averaging \$4 billion annually in this decade, has been inadequate and often wrongly focused. The insufficient resources spent on primary education and training for needed skills are often used inefficiently, while

excessive amounts are used to subsidize education to which the poor have little access.

Modest investments in education, wisely and steadily made, pay great dividends in fostering growth and reducing poverty. "There is no force," as Jose Marti wrote a century ago, "that will not eventually succumb to trained human intelligence." I intend to give education heightened priority and to ensure that countries that undertake to reform and upgrade their educational systems find the Bank a responsive partner.

Fifth, governments and donors need to do more to protect the poor during the adjustment process. Adjustment is in the best interests of the poor, because distortions and misconceived economic policies do them great harm. Poor people can get hurt, however, in the transitional process of correcting past mistakes in exchange rates, agricultural pricing, or public expenditure policies. Because they often lack voice and influence, we have a special duty to encourage and finance measures that protect them.

Although growth is essential, growth alone cannot overcome these hardships adequately or quickly enough. Deliberate measures must be taken to deal with the social consequences of adjustment during the recovery process.

Adjustment programs must be better designed to reduce the adverse impact on poor people's income and consumption. This is the focus of the Bank-managed multiagency Social Dimensions of Adjustment Program, now under way in a score of African countries. Where fiscal crisis demands that overall public expenditure be reduced, we are encouraging governments to ensure that social safety net measures especially valuable to the poor are protected. Compensatory programs, such as Bolivia's Emergency Social Program and Ghana's Program of Action to Mitigate the Social Costs of Adjustment, also can help in this effort. They provide transitional public works employment and targeted nutrition and bring nongovernmental organizations (NGOs) into the design and execution of the programs.

These five points—securing economic growth, combating hunger, curbing excessive population growth, investing in education, and protecting the poor during adjustment—define priorities that will guide the World Bank's renewed effort to reduce poverty. The Bank is ready to put substantial resources into the long-term implementation and institution-building support that they require. For we know that effective implementation, not noble intention, is the crucial test.

Effective implementation demands that poverty measures focus directly on those in need and that available resources be used more efficiently. Bank lending in the social sectors will give strong support to better design, direction, and delivery of services for the poor. Poverty is not an economic abstract, nor is it homogeneous. In different ways it affects male and female, young and old, families and people alone, rural and urban. It cannot be dealt with effectively in the mass, or with simple formulae, but through realistic programs that acknowledge the diversity of human conditions.

Antipoverty measures cannot be implemented effectively as add-ons or grudging handouts: they must be integral to the drive for growth. Governments need to change the economic policies, investment priorities, and institutions that discriminate against the poor and constrain their ability to improve their lives. Sometimes their own bureaucracies are impeding the course of change.

Government policies and public programs play a critical role. But governments cannot do everything, and they should not try. NGOs in many developing countries have enormous potential for flexible and effective action that is difficult for any bureaucracy to match. This potential can be used by governments to reinforce their own efforts. I have encouraged Bank staff to initiate a broadened dialogue with NGOs, whose strength and competence is growing. As a result of this increased contact, some 150 projects have been identified where we hope NGOs will play a productive role. I hope and fully expect that this collaboration will continue and flourish.

The objectives that I have outlined today are ambitious. We know they depend primarily on the commitment of governments to initiate and sustain change in difficult times. The Bank is prepared—with the organization, the ideas, the resources, and the practical solutions—to act in partnership with member countries willing to make a commitment to growth with equity.

Action for the Environment

Let me turn, now, to another matter that is inextricably linked to poverty alleviation—safeguarding the physical environment. The poor are the least able to escape the consequences of environmental damage caused by others. Their numbers and their need, their desperate quest for food and fuel, sometimes leave them with little choice but to harm their own surroundings. They are likely to be prime victims when loggers clear

tropical forests recklessly or when toxic waste is shipped unregulated to poor countries and dumped without regard to risk—a growing practice that the international community must not tolerate.

We have a collective responsibility to break this vicious cycle of poverty and environmental degradation—and to do so in ways that provide growth, higher productivity, and secure incomes for poor people. I am determined that the Bank take a leading role in this common effort, and I am pleased to report that a major World Bank environment program is well under way.

The Bank's expanded environment staff is active in programs to preserve biological diversity, in air and water pollution control projects, in water and sanitation improvement and urban upgrading, and in helping countries develop the capacity to manage industrial hazards. We also are strengthening our own internal review and awareness of the environmental consequences of the projects we finance.

We currently are preparing projects involving the investment of some \$200 million of Bank and IDA resources in about thirty countries to combat desertification and to conserve the potential of arid lands. We are working with governments to establish broad patterns of land and water use and to involve community groups and traditional users in the management of land and water resources.

Last year I told you of plans to expand Bank support for forest management and to increase significantly lending for forestry. Our forestry lending last fiscal year reached \$193 million and included an innovative forest rehabilitation project in China following the recent massive fires. In Brazil, Indonesia, Madagascar, and the Philippines, we are collaborating with governments on national environmental programs with major forest conservation components, paying careful attention to the linkages between poverty and environmental degradation.

We have come a long way in a short time, although both we and our member governments need to do far more. There is an equally urgent need for the world community, the people in this audience, to move decisively to contain the growing global environmental threats to our common future.

An Agenda for Growth

I have repeatedly stressed the importance of growth, because developing countries can make significant progress in reducing poverty and in

safeguarding the environment only if they are growing healthily. The Bank is, above all, an international partnership for growth. To facilitate growth, however, progress is needed in four major areas:

- First, better international economic policies and more open trade
- Second, deeper and more persevering structural reforms by developing countries
- Third, stronger, more sustained international financing to support economic reform and development efforts
- Fourth, the creation of an environment for vigorous private sector growth in developing countries.

Let me address these four central issues, each one vital to long-term progress.

An Improved World Environment

As we all know, for healthy growth to occur, there must be an expanding global economy. The world economy has, in fact, fared better than many had thought possible during the past year. Encouraging as the short-term gains may be, however, the outlook remains clouded by inflationary trends, by continued uncertainties over financial imbalances and exchange rates, and by unwelcome portents of increasing protectionism in the United States and Europe.

Coordinated, growth-oriented and outward-looking policies in the industrial countries are essential to turn back these threats. The cooperative gains of recent summit agreements must continue. Industrial countries, as their partners, must act with courage in the Uruguay Round discussions, in preparations for the Lomé IV negotiations, and in preparations for 1992 in Europe. The outcome of the Uruguay Round, especially its success in reforming trade in agricultural products, is critical for developing countries; they have a fundamental stake in open trade. Industrial countries must not shirk their special responsibilities for the health and stability of a growing international economy.

Need for Deeper Adjustment

To take advantage of the opportunities for growth, however, developing countries themselves must undertake, and persist with, deeper adjust-

ment than most have so far managed. Our research has established that countries that have undertaken deeper structural reforms, intensively assisted by the Bank and other sources of finance, have had better growth and stronger balance of payments performance than those whose reforms were patchy or short lived.

Successful adjustment takes long and sustained effort. For this reason,

- We will increasingly provide our quick-disbursing finance in a framework of multiyear adjustment programs with member countries
- We and our borrowers will need to pay more attention to the fiscal dimension of adjustment, the management and financing of the public sector
- We will place much stronger emphasis on institutional reform, at macroeconomic, sectoral, and microeconomic levels to ensure that markets do work and evoke the supply response to reform.

External Finance for Growth

The primary responsibility for ensuring growth thus rests with the developing countries. But growth cannot be sustained unless it is adequately financed—and external finance is critical to continuity. Current flows of resources are inadequate to meet developing countries' minimum needs—for economic growth, poverty reduction, structural adjustment, and the resolution of debt difficulties. The international community must find ways to increase the resources essential for these objectives.

The Bank is committed to carrying its share of the burden. In fiscal 1988 new Bank Group commitments to our borrowers topped \$20 billion for the first time. Our gross disbursements also reached an all-time record of more than \$15 billion. The IBRD's net disbursements to its current borrowers exceeded \$4.4 billion.

There must also be further movement to reduce the burden of debt service in low-income countries. The Bank's Special Program of Assistance for Sub-Saharan Africa and the Enhanced Structural Adjustment Facility of the Fund are in place. The Toronto Summit made important progress in offering creditor governments a broad menu of options for granting relief to low-income debtors. The Paris Club is now working out the technicalities of the menu. Speedy action is important.

In this context I am pleased to tell you that our Board has approved the immediate use of IDA reflows to increase IDA's commitment authority by an additional SDR525 million annually starting this fiscal year. In addition to providing more assistance to the debt-distressed IDA-only countries, a portion of the IDA reflows and IDA's net income will be used to supplement adjustment operations in IDA-only countries, taking into account their debt service obligations to the Bank.

In the heavily indebted middle-income countries to which more than half of our lending is being directed, our strategy is to maintain the flexibility of a broad array of potential techniques to facilitate both the flow of new money and debt reduction. Three principles will guide us. First, the basis of our involvement is development—to help our members restore and sustain growth. Second, we will participate in debt reduction schemes when these are voluntary and where we can help bring about negotiated or market solutions. Such schemes must not prejudice the future access of Third World nations to new funding. Third, we will ensure that our involvement does not compromise the Bank's financial standing—we must, and will, keep the Bank strong. We must take advantage of all opportunities for collaborative solutions, so that the international community can move decisively to lower the barrier of debt and smooth the road to growth. I rely on the strong support of both creditor and debtor leaders.

Critical Role for the Private Sector

Open trade, economic reform, and adequate finance can provide essential opportunities for growth. But we must make the most of those opportunities. We must make use of the private sector and create conditions in which entrepreneurs, farmers, and workers can save, invest, and produce efficiently. This is a pragmatic imperative, not an ideological abstraction.

The potential of the private sector has been underestimated in many countries. Governments and the public—increasingly even in centrally planned economies—are recognizing its importance. I am committed to use our institutional strength—the financial and intellectual power of the Bank, the corporate agility of the International Finance Corporation (IFC), and soon the risk coverage of our new affiliate, the Multilateral Investment Guarantee Agency—to leverage our own resources with larger commitments from the international and domestic private sector.

The Bank extends substantial support to the private sector. The greater part of our lending for agriculture and industry directly benefits private producers. The billions that the Bank has lent for infrastructure—for roads, power, telecommunications, ports, and urban development—help provide the physical essentials for private investments.

This support will continue. But we will do more.

- Our adjustment lending and other operations must encourage greater private initiative, help dismantle monopolies and special privileges for any group—private or public—and provide an environment in which enterprises can compete openly and freely.
- We will stress the urgently needed reforms of domestic financial systems to mobilize domestic savings and venture capital.
- We will provide advice, technical services, and finance, through both the Bank and the IFC, to assist in the reform or privatization of state enterprises.
- Through the IFC we will extend stronger support for capital market development—establishing securities markets and new institutions such as securities companies and merchant banks and promoting instruments linking domestic and international capital markets.
- MIGA will offer advice and guarantees to promote private ventures and development.

Private sector involvement is not a panacea. But a competitive private sector is a vital weapon in the struggle for equitable growth. Private entrepreneurs can and must mobilize additional domestic savings and external capital. They command much-needed resources, such as new technologies, management skills, commercial innovation, and market knowledge. No economy can waste such potential.

Conclusion

In closing I want to reiterate that we must work together to support the prime movers—the developing countries themselves—to achieve our ultimate objective: a world economy that brings poor people and poor nations into a future of growing and enduring prosperity.

I have talked today about sustainable growth with equity and about the World Bank's partnership with others to make development happen.

The stubborn fact of the 1980s is that growth is inadequate, poverty is still on the rise, and the environment is poorly protected. Unchanged, these realities would deny our children a peaceful, decent, and livable world. We cannot afford to give up.

We must build, instead, on what has been achieved and what has been learned over four decades of development experience. We will not succeed immediately, and we will not succeed everywhere. But we are entering a period of greater opportunities for partnership and cooperation, an increased recognition of our mutual interests. Let us seize these opportunities pragmatically and urgently. Let us, together, rededicate our energies, our will, our strength to the challenge of growth, the promise of equity, the work of development.

The Bank plays only one part in this common effort. With your continued support, we are determined to carry our mission forward with vision, competence, compassion, and courage.

8. To the Ministerial Meeting of the Trade Negotiations Committee

It is an honor to take part in these important deliberations on the future of the world's trading system. I do not envy you your task. With some 15 negotiating groups and committees and 105 countries, the Uruguay Round is the largest and most complex trade negotiation in history. It is also the most important.

What is now at stake is nothing less than the open, multilaterally agreed trade environment promised by the founders of the Bretton Woods institutions and the signers of the General Agreement on Tariffs and Trade (GATT). A successful round will advance both trade and development. An unsuccessful round could threaten the sustained and efficient growth of both poor and rich nations.

To many this risk may not seem so clear. Last year world trade grew about 5 percent; this year it may grow even faster. Although this growth is still below the rate of the 1960's 8.5 percent, it equals the 1970's average. The U.S. economy is still undergoing a record long expansion; exports and imports are growing strongly. Europe and East Asia have also done well. The most rapidly growing trade during the past ten years has been in East Asia, as you might expect; East Asian trade has grown one-third faster than world trade. Facilitated by the EEC and its agreements with the European Free Trade Association, Western Europe's trade grew 6 percent faster than the world average.

Equally satisfactory has been the surprisingly rapid growth of developing countries' manufactured exports. Many of you will remember the development doctrine of import substitution propagated in the 1950s; a doctrine based on pessimism. Since developing countries could expect to export only raw commodities, which had poorer long-term relative price prospects than manufactures—the theory then went—these countries should produce their own manufactures, even if the cost to them was greater and the prospects of ever exporting them were nil. The theory

Montreal, Canada, December 6, 1988

was proven wrong by those developing countries that did not believe in it. In 1986, for the first time ever, more than half the developing countries' exports were manufactures. They were only 20 percent in 1965.

In spite of this buoyancy, there has been a strong move away from support for an open trading world. Some current statistics disguise this evolving crisis in world trade. It must be addressed by the Uruguay Round.

The Evolving Crisis in World Trade

What are the elements that lead me to such concerns?

First is the disturbing pattern of world trade. Both Africa and Latin America have not only fallen behind, they have lagged when they most needed to accelerate. In 1950 Latin American exports were one-eighth of world exports; in 1985 they were just over one-twentieth. Africa suffers from a somewhat similar problem; last year all of Sub-Saharan Africa's exports were far less than those of the Republic of Korea or Hong Kong. Most of this shift stems from supply and price problems. Prices for some key African export commodities have been low, and Africa's development and exports have been affected by inappropriate policies, poor infrastructure, and limited managerial capacity. Latin America has only recently begun to shift from three decades of import substitution policies.

There are, however, some latent demand problems as well. As the United States adjusts its trade balance to that required of a debtor country, its imports are unlikely to be a future growth factor in world demand. Japanese imports are now growing strongly, and imports from developing countries are growing even faster than those from developed countries. Nevertheless well over half the developing countries' manufactured exports now go to the United States, and future slower growth of U.S. imports could affect some developing-country exporters, particularly the highly indebted Latin American countries.

Second, there is the equally disturbing pattern of trade barriers. The GATT has had outstanding success in tariff reduction. Since the first multilateral tariff reduction in 1948, average tariffs of the Organisation for Economic Co-operation and Development (OECD) have fallen from about 40 percent to 5 to 6 percent today. Yet the tariff rates facing developing countries are not always that low. Almost one-fifth of the United States' and European Communities' tariff lines on manufactured imports equal or exceed 10 percent, and most of them are on products

(clothing, textiles, footwear), in which developing countries have a strong comparative advantage.

Moreover, as tariffs have fallen, other devices have risen. As Professor Charles Kindleberger wrote, "the ingenuity of man in devising replacements for simpler tariffs is lamentably substantial." First, there has been a slow, but steady growth of fiscal subsidies—mostly for production—in both real and relative terms. Since the early 1960s, subsidies—particularly subsidies for agricultural production—have doubled or tripled as a percent of most OECD countries' gross domestic product (GDP).

Although the effect of these subsidies on trade is unknown, they are clearly distortionary. In addition the trade affected by nontariff barriers (NTBs) has almost doubled during the past twenty years. The most restrictive of these barriers cover 18 percent of OECD nonpetroleum imports.

Because NTBs are difficult to measure and their impact on trade is extremely variable, their effect is particularly pernicious. Their opacity is not coincidental, since they are most used to protect politically sensitive products—62 percent of clothing imports are covered by them; 56 percent of iron and steel. But these are exactly the products that developing countries are able to export.

NTBs are also long lived. Thirty-three years ago Japan struck a deal with Italy to limit their auto trade. Japan was then worried over Fiats. Today Italy remains faithful to that bargain and has one of the tightest limits on Japanese auto imports in the world.

Third is the growing turn to bilateralism. Trade preferences are being increasingly granted only to neighbors—in the Antipodes, in Europe, and in America. Many developed countries' generalized systems of preferences are not very general; they are granted only to *some* developing countries and only in *some* products. Bilateral and other preferential "deals" over specific products with specific countries are fast becoming the norm, if not the rule. The result is a growing and massive discrimination against other countries' products.

- Italian and British agreements with former colonies favor banana growers in Somalia and the Caribbean, respectively, over those in Central America.

- Thanks to the Australia-New Zealand Free Trade Agreement, Filipino wood products face higher barriers in Australia than those from New Zealand.
- Barriers to most Israeli exports to the United States are being phased down; to Egypt's and Turkey's exports, they are not.
- Under the framework of the Multifibre Arrangement (MFA), the United States, the European Communities, and Canada together have entered into ninety-five discriminatory bilateral agreements with other countries. Because of the MFA, exports of clothing from Bangladesh to most developed-country markets are restrained; those from Finland or Italy are not.

The United States is the largest trading country in the world; Japan is not far behind, and the EEC in 1992 will be larger than both. They all should have a strong interest in an open, multilateral trading system. It was their leadership that encouraged the development of such a system. But today that vision has changed. We are seeing more often product-by-product, country-by-country deals. Mercantilistic proposals to carefully check trade balances with each trading partner are mooted frequently, as are threats to remove multilaterally agreed benefits if bilateral trade problems are not resolved. In short, in textiles, in clothing, in agriculture, in autos, and in many other products, managed trade is not a threat but a reality.

The fourth element of concern stems from the growing respectability of protectionist policies. Most defend free trade as a concept; no one admits to being protectionist. Nevertheless the shift to "fairer" trade has led to increasingly complex schemes that restrict trade, often in ways that are difficult to understand. The prime example is voluntary export restraints.

These restraints don't violate the GATT, some lawyers say, because the GATT only prohibits *import* constraints. But they surely violate the spirit that led to the GATT. Any constraint on trade usually hurts the consumer, and indirectly the domestic exporter. Voluntary export restraints do that, of course, but they are negotiated in private, they require no legislation, and those affected—the consumer and new or latent exporters—are the least politically organized. It is not surprising that the voluntary export restraint has become the foremost instrument to manage trade. The reported U.S. and EEC restraints—and not all are reported—have almost doubled in their coverage of trade during the 1980s.

Antidumping is another device that is directly designed for the use of a politically powerful group—again, the large producer. Although antidumping began as a favorite U.S. way to enforce its views of fair trade, this tactic is now being exported quite successfully.

Work at the World Bank has shown that the European Communities' antidumping process has proven very effective indeed. It is flexible; little Trinidad and Tobago's urea exports—0.3 percent of the EEC market—were found to be causing "material injury" to one of the largest markets in the world. This decision was made, of course, when the European Communities was dumping \$2 billion worth of sugar and beef on the world market.

The device is effective in deterring free trade; threats of antidumping action led to agreements to restrict imports or raise prices by most of the world's chemical and steel producers. And it can even be used to conduct trade warfare. Only a few months ago Mexico used the same reasoning and process to curtail imports of the very steel products against which the EEC levied dumping duties on Mexico a few years before.

The Effect on Developing Countries

The effect on the developing countries of growing protectionism has been devastating. Some examples:

- In 1980–81 the United States allowed free trade in sugar. Not long thereafter quotas were reimposed and tightened. Since then the Caribbean islands alone have lost three-quarters—more than \$250 million worth—of their annual sugar exports to the United States. About 10 percent of their nonfuel exports to the United States ended as the Caribbean Basin Initiative began.
- Argentina and Uruguay are major exporters of wheat and beef. They are clearly among the world's lowest-cost producers. Yet their share of the world market has dropped from 11 percent to 3 percent during the past fifteen years, while the EEC became the world's largest exporter.
- Japanese protection has pushed the domestic rice price to well over five times corresponding world price levels, thereby closing off sales in its market by such exporters as Thailand and Pakistan.
- Fourteen of the seventeen highly indebted middle-income countries have undertaken major trade reforms since the crisis years of 1982–83 to improve their economic efficiency. Besides major devaluations,

they have reduced import barriers, one of the best ways to ensure greater efficiency in domestic production. Six of them now have trade regimes considerably more open than before the debt crisis hit. But in return some of their creditor countries have tightened the market barriers they face. In 1987, for example, the United States imposed antidumping actions on carnations from Mexico, Costa Rica, Ecuador, and Chile. All four exported only \$16 million worth of cut flowers to the United States; during that same year they paid almost 150 times that amount in interest to U.S. commercial creditors.

- In their trade with developed countries, developing nations confront relatively higher tariffs and more NTBs—especially for manufactures—than do developed countries. About 14 percent of developed countries' trade in manufactures with each other faces ntb, but 50 percent more—21 percent—of developing countries' manufactured exports to developed countries face such NTBs. The actual average tariff rates applied on imports from developing countries by the European Communities' countries, by Canada, Finland, New Zealand, Norway, Sweden, Switzerland, and the United States are higher than the average applied tariffs on imports from developed countries. And this disparity persists even after preferences assured by the Caribbean Basin Initiative, the Lomé Convention, and the Generalized System of Preferences.
- Given the difficulties of measuring the effect of these complex trade barriers, only global modelers have ventured a guess. One researcher has estimated—conservatively—that the effect on developing countries of developed-country trade restrictions is about 3 percent of the developing countries' gross national product (GNP). This is about 0.6 percent of the developed countries' own GNP—almost twice their official development assistance. In sum, developed countries are taking away with one hand twice what they are giving with the other: a poor trade indeed.

Trade: Agent of Change and Reform

Why has the World Bank such a strong interest in global trade? We are convinced that the trade regime is a major instrument to develop more efficient economies.

Many of our borrowers agree. Mexico, for instance, has worked to bring its highest tariff down from 100 to 20 percent and to eliminate most of its nontariff barriers. Authorities in Chile dropped tariffs from 35 to 15

percent. Bolivia is unifying its multiple exchange rate, virtually ending quotas and cutting all tariffs back to a maximum of 20 percent.

Outside Latin America, Kenya, Morocco, Nigeria, the Philippines, and Turkey, among many others, have lowered trade barriers. The World Bank has been proud to support these investments in policy reform—in trade liberalization. In fact, four-fifths of all World Bank structural and sectoral adjustment loans support some elements of a trade reform. We know trade reforms are difficult. It is easy to put on a quota and hard to remove one.

Although our experience has taught us much about the value of trade and about the contribution free trade can make to development and expanded incomes, we have also learned of the negative effects of protection. We all gain from trade when countries produce their relatively cheapest goods for export and import their dearest. This is an accepted truism; the harder problems come with change—or rather, development.

As countries shift in comparative advantage, some industries should begin as others are phased down. Unfortunately, all too many countries are eager—sometimes too eager—to begin new industries, but few are eager to phase them down. Many of our structural adjustment loans support the closure or restructuring of obsolescent industries; but others support similar actions on premature industries. Two desperately poor African countries had to close down airlines; another had to close an engine plant. A middle-income Asian country is now liquidating an aviation company. The reciprocal, of course, is the continued defense of sunset industries long after they are justified. In an effort to defend sunset clothing industries, the developed world has created a managed trade in clothing that would far exceed any central planner's dreams.

Unfortunately, some countries must move away from their best exports because of market restrictions. Uruguay, one of the world's cheapest producers of grains and beef, has found it necessary to concentrate on less-efficient activities. One of the lowest-cost sugar producers in the world, the Dominican Republic, has had to close some mills because its major markets insist on producing their own high-cost sugar.

World prosperity is hurt both when countries defer changes in the product cycle as well as when they try to accelerate them too soon. The increasing rigidity of these deferrals—and that is exactly what the schemes protecting clothing, steel, sugar, and so on are—only underlines

the importance of a successful return to a multilateral discipline that the Uruguay Round promises.

The Uruguay Round

No one can address in a few minutes the four-year agenda of the Uruguay Round, but I would like to point out the implications of only two issues that will be debated in Montreal: agriculture and services. Their importance is clear; together they comprise almost two-thirds of the developing countries' GDPs.

Although both are highly complex, the services negotiation poses special challenges. Not only are the magnitudes involved unknown, the varying multitude of national legislation, regulations, and customs makes the effort to reach multilateral agreement difficult. Various proposals have been made by negotiating countries and groups of countries. It is not my objective to comment on them; that is your job here in Montreal. What I would not want you to forget, however, is the importance of what is at stake.

Today, *agriculture* is the most protected part of trade. In 1966 just over one-third of the industrial countries' imported food products were affected by NTBs. Twenty years later some tariffs have been reduced, but food trade is much more distorted. Almost 90 percent of food imports are now affected by NTBs. The share of agricultural raw material imports affected by NTBs moved from 2 percent to over half.

The cost of agricultural protection has outpaced that of general industrial protection. In the early 1980s the nominal protection offered to major farm products varied from 50 to 90 percent in Europe to well over 100 percent in Japan. This, of course, compares to average nominal tariffs of 5 to 6 percent. In Japan, a net importer, most of the cost of this protection is paid for by the consumer. In the EEC and the United States much of it is a fiscal cost; between \$20 billion to \$30 billion a year apiece, about equal to the annual resource flow from the highly indebted middle-income countries to their creditor countries.

The cost to the world of this massive global distortion can best be illustrated by examples. Nevertheless we can make some estimates:

- A liberalized trade regime in all key agricultural products would provide substantial benefits for net food-exporting countries like Brazil, India, Argentina, and the Philippines. The impact of agricultural trade

liberalization is not only in export receipts and incomes but also in jobs. Since up to thirty times more labor may be used for agricultural production in developing countries, expanding their export agriculture would have a major employment impact.

- The developed world would also gain immensely. A recent study of agricultural protectionism estimated that total employment in Germany would rise by at least 4 percent with free trade in agriculture.

Another study on the four largest members of the European Communities estimated that agricultural free trade could produce 3 million more jobs. In Japan agricultural land prices might fall as much as two-thirds. Since 19 percent of metropolitan Tokyo is agricultural land, Japan's food policies are a major reason for the poor quantity and quality of Japan's urban housing.

- Even most food-importing developing countries could gain over the longer term—in spite of an expected increase in world prices—if they shifted into agricultural production from less-efficient sectors. Some extremely poor countries, however, now highly dependent on food imports, are likely to continue to be so for some time. The rise in world food prices coming with liberalization would affect them. There seems little reason to confuse food aid with protectionism, however. Deserving countries should continue to receive this aid, an aid effort made easier with the fiscal savings stemming from trade liberalization in donor countries.

Services are an even newer, major topic under negotiation at the round. The types of services vary so greatly—in labor intensity, in delivery method, in regulatory needs—that perhaps the only definition of a service is that you cannot drop it on your foot.

Unlike agriculture, this is a topic many developing countries view with some apprehension. They believe the developed world has a strong comparative advantage in virtually all services that will be negotiated. I am not so sure. The record of recent years shows that competition in some services could produce winners in the developing world as well.

- Shipping is an extremely capital-intensive industry. Nevertheless the world's open capital markets have meant that, on the margin, wage costs and management are perhaps more vital. As a result developing

countries' nationals or companies have nearly tripled their ownership share of world shipping during the past decade.

- The rapidly growing informatics field requires both sophisticated hardware and highly skilled and semiskilled labor. Software and data bases are now being prepared and exported by the developing countries. Some have become exporters of their own films, advertisements, and cartoons as well.
- International construction services has long been considered almost a monopoly of developed countries. No longer. In 1973, when they entered the Middle East market, Korean construction firms had virtually no foreign experience, but by 1980 they were the second largest exporter of construction services in the world in terms of new orders received. The Middle East construction market, of course, is one of the most open in the world for foreign contractors.

Our own experience is equally illustrative. The World Bank requires international competitive bidding for construction on the projects it finances. As a result Mexican and Brazilian contractors are building a tunnel in Colombia and a water supply project in Costa Rica, Chinese firms work on a water supply project in Nigeria and a dam in the Central African Republic, Thais and Filipinos are constructing roads and ports in Indonesia. One-third of our loan disbursements for civil works now goes to construction firms from developing countries.

- Consultancy services is another area in which developing countries may have stronger prospects in a more open, competitive environment. The World Bank insists that consultants financed by its loans be chosen through a competitive process. Here, too, we have seen the increasing capacity of developing countries to compete; during the 1980s the share of consultant expenditures going to developing-country consultants has risen from about 20 to more than 30 percent.

Nevertheless the services negotiations are both difficult and complex. Services are not mentioned in the GATT articles; any agreement may need a wholly new code or framework. Freer trade in some services may not be possible without either careful preparations or clear exceptions, because, for example, of the varying regulatory frameworks of countries. African countries may desire doctors to be trained and certified in a different manner than European countries. These diverse certification

standards, based on good reasons, impede free trade in doctors between the two continents.

Banking services, I recognize, may also present problems. Improving the efficiency of the banking system is a major part of modernizing a developing economy and integrating it into the financial mainstream, but the goal can be easier to state than reach.

Since banking systems are particularly subject to macroeconomic disorders, the introduction of foreign competition is not always proof against fiscal imbalances, exchange rate volatility, and abrupt shifts in the terms of trade. The costs of banking systems, moreover, often reflect governmental decisions or portfolio weaknesses. Finally, market segmentation, custom, and usury laws in many countries have often permitted some banks—sometimes the ones from abroad—to skim the lowest-risk borrowers from the market to the disadvantage of local entrepreneurs and banks. Given such problems, full banking liberalization throughout the developing world must await further progress in stabilizing macroeconomic policies and in building stronger, better managed financial institutions.

The Bank's Role

Throughout the Uruguay Round's development, I have emphasized that the World Bank is not a neutral bystander; we support the objectives of the round and will do everything we can to assure its success.

An agreement to phase down or out agricultural barriers would likely assist developing countries even more than a massive increase in foreign aid equal to the price shift. An agreement to phase out such voluntary export restraints as the MFA and those on iron and steel and other products would allow comparative advantage—with its benefits for all—to prevail. Freer and growing trade would not only create a strong environment for development, it would likely accelerate that development if the resources were there to finance it. In this the World Bank is both prepared and eager to play its part.

We are continuing to provide strong technical support for the developing country negotiators. We are now field testing a software system based on GATT and UNCTAD data that will permit developing countries to work out their own multilateral negotiation strategy. We are undertaking research and holding workshops on the key issues at stake, including

agriculture, services, and the MFA. We have published a handbook on these issues, now available in English and French and, soon, in Spanish.

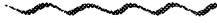
We shall also be revising some of our policies to support the developing countries as they move from unilaterally to multilaterally negotiated trade reforms. Comity, if not equity, would be served, however, if the negotiators were to agree that the many recent unilateral trade reforms undertaken by the developing country Contracting Parties should be acknowledged by their trading partners, with some credit given in the ensuing negotiations.

The Uruguay Round represents a sea change in the GATT. The developing countries are now committed to a multilateral trade approach. They, and we, believe the only internationally "fair" trade agreement is one negotiated multilaterally. Their decision, combined with the Bank's ongoing trade analysis and lending, will require us to work more closely with the GATT. This we will do. Indeed I hope to see forged the link between development, finance, and trade that eluded the founders of the Bretton Woods institutions and the GATT.

That prospect, like the tangible reduction of tariff and nontariff barriers to trade in areas of goods and services, is within your reach. I wish you the strength of will to achieve all our goals.

9. To the Board of Governors

Welcome to these Annual Meetings. I particularly want to welcome the delegation from Angola, the newest and 152nd member of the Bank Group.



Before proceeding with my remarks, I want to say how sad we all are about the tragic loss last week of the Bank Governor for Chad, Soumaila Mahamat, and Ali Abakar, a member of the Chadian delegation. Our sincerest sympathy to their families, friends, and colleagues.



The central issue for all of us at this meeting remains development—working to improve the quality of life for hundreds of millions of people in the Third World. Even though there are constantly changing points of emphasis, our underlying concern remains the same.

The Outlook for Development

The development record of the 1980s has been mixed. Some developing countries have made extraordinary strides. Their rapid growth and new strength in world markets are an inspiring example. The outlook for their peoples, from the Republic of Korea to Indonesia, from Thailand to Mauritius, is one of hope and new achievements.

But the 1980s have also been a painful decade. We have learned the bitter lesson that development can be reversible. More developing countries have suffered reverses in the past decade than have experienced success. The consequences of decline will be felt well into the 1990s—in Sub-Saharan Africa, in the debtor countries of Latin America, in Central Europe.

Washington, D.C., September 26, 1989

Yet, as we begin the new decade, the potential for progress is great. The political and ideological forces that have polarized the world for half a century are diminishing. Political and economic power is becoming less concentrated. There is new recognition of the forces that bind countries together: the need for peace and mutually assured security, the rapid emergence of a truly global economy, and the imperative of managing the world's resources in the interests of people and countries everywhere.

In short, to quote the social philosopher John Gardner, "The prospects never looked brighter and the problems never looked tougher. Anyone who isn't stirred by both of these statements is too tired to be of much use in the days ahead."

A vigorous World Bank, with its corps of extraordinarily skilled and committed staff, is planning to be of use in ways I shall describe.

The State of the Bank

With your support, the World Bank Group has had a strong and active year since we last met. We committed a record \$21 billion in Bank and International Development Association (IDA) resources and mobilized an additional \$9.3 billion in cofinancing. The commitments of the International Finance Corporation (IFC) rose by one-third to \$1.3 billion. Its net income virtually doubled—as it has in each of the past three years—to almost \$200 million. The Bank Group's newest member, the Multilateral Investment Guarantee Agency (MIGA), has put in place operating procedures and has started its business of policy advice and guarantees for private investment.

In the past decade the Bank's development work has continuously evolved to meet the changing needs of its borrowers. Adjustment lending has come into its own. The Bank's commitment to environmentally sound advice is now well established, both internally and externally.

Bank efforts in resource mobilization and aid coordination have grown. And most recently—following announcement of the Brady initiative—the Bank approved its first loans with set-asides to facilitate debt reduction in Mexico and Venezuela. Also the Bank is working on debt reduction initiatives in other countries, such as Chile, Costa Rica, and the Philippines.

Change is the only constant in human endeavor, and the Bank, as a human institution, is no exception. But one thing that has not changed

during the Bank's forty-three-year history is its basic mission—to reduce poverty and accelerate growth.

The Bank spends a great deal of time analyzing economic statistics and worrying about macroeconomic performance. But in the end we know that what we are dealing with is people, not statistics. Unless the quality of life of individual poor people is improved by what we do, no amount of statistical analysis or macroeconomic planning will justify our work.

As we gather on the threshold of a new decade—the one in which the Bank will celebrate its fiftieth anniversary—I am pleased to report that the state of the Bank is good.

Full commitment of IDA-8 funds, however, is rapidly nearing completion. To continue with the fight against poverty in the poorest countries of Sub-Saharan Africa and Asia, a ninth replenishment of IDA is vitally needed.

Negotiations for IDA-9 are under way. I hope they will be brought to a successful conclusion in the near future. The ninth replenishment must be at least as large, in real terms, as was IDA-8. Anything less would let down hundreds of millions of people living in conditions of squalor. Anything less would be a grave disappointment.

The International Monetary Fund, our sister institution, is also seeking a quota increase. I urge our member governments to give quick and favorable consideration to this increase, too, so that the Fund can sustain and expand its own very important work.

The Task Ahead

The task ahead is clear. The development agenda for the 1990s must be to harness growth and use resources creatively in order to make a difference in the lives of the poor in the Third World. In all our efforts of adjustment, of reforms, of investments, we must reach out to achieve this overriding objective.

Priorities for the Next Decade: Using National and International Resources More Efficiently

The development needs in the 1990s will be enormous: to overcome stagnation in Africa, to move beyond debt paralysis in Latin America and elsewhere, to offer growth and hope to Asia's hundreds of millions of poor people, to assist reform and renewal in countries moving away

from centrally planned economies, and to reverse the degradation of developing countries' natural resources.

Developing countries carry the main burden of responsibility for their own future. There is no substitute for good macroeconomic policies and strong adjustment programs in the quest for economic stability and growth. But the industrial world also has a responsibility—to provide external resources, to assure the developing countries of access to their markets, and to conduct their own economic policies in ways that create a global “enabling environment” for growth.

It is clear to any observer of the development scene that the prospects for public and private resource flows during the next decade have changed. But development in the 1990s cannot, and must not, be held hostage to external finance. Governments and the donor community must focus on the creative mobilization and use of domestic and international resources according to the following five priorities.

The first priority for most developing countries must be to raise savings and investment rates. The developing countries that grew fastest and most consistently during the past twenty years were those that managed to sustain savings and investment at high levels—a quarter of gross domestic product or higher.

Second, the financial systems of developing countries often hold the key to economic growth. If financial institutions are undeveloped, mistrusted, or shackled by inappropriate controls, they cannot mobilize savings efficiently and allocate them to the most productive use.

As shown in this year's *World Development Report*, the economic shocks of the 1980s, combined with bad government policies, have undermined national financial systems to a dangerous degree. Governments have weakened banks by controlling the allocation of credit, and they have disguised public sector deficits by recourse to the banking system.

These are not arcane technical problems: they inflict massive human damage. Because of them peoples' savings are rendered worthless, the prices of everyday necessities run wildly out of control, and vital public services—such as schools and health clinics—decay for want of resources. Financial stability is a quality-of-life issue too.

Third, if countries are to grow and to harness that growth to the quality of life, governments must make better use of the resources they claim from the economy. This means sound public finance.

Public sector deficits must not be allowed to continue fueling inflation and to crowd out private investments. Governments need to take a fresh look at the efficiency and equity of taxes—at how to broaden the tax base, reduce excessive burdens on productive people, phase out special exemptions, and rely less on trade taxes, which distort incentives to export. A good tax system, one that does not discourage productivity, is needed.

So, too, are sound spending priorities. Developing countries need to use public funds to build functioning school systems, not white elephant projects in industry. They need essential services to be adequately maintained, not increased public employment that cannot be decently paid and effectively used. Public expenditure must complement and spur private production, not displace it.

Fourth, external finance, public and private, continues to be crucial. Increased public and private flows will require improved performance of recipients and strengthened international confidence. But when governments have the courage to make deep-seated, sustained, and credible changes, the international community should be ready to respond by providing swift, strong, and reliable financial support.

Fifth, an important way to ensure that developing countries get the net external resources they need is to bring their indebtedness—in those cases where it is a binding constraint—down to manageable proportions.

We have seen major breakthroughs in the debt strategy in the past year, from the Toronto Summit agreement to the Brady initiative. These developments are welcome and encouraging. They strengthen our collective ability to respond to each country flexibly, according to need and merit.

Military Expenditure

As we think about the tasks of development in the coming years, we can no longer neglect a sensitive component of the fiscal problem: military spending. All countries have the sovereign right and responsibility to defend themselves. But let us hope that resources are increasingly allocated to more productive purposes, in industrial countries as well as developing countries.

Although there is much variation among developing countries, as a group low-income countries currently allocate around 20 percent of central government budgets to defense. In the mid-1980s military spending in

developing countries exceeded spending on health and education combined. While many components of national budgets have been cut, the \$200 billion that the developing world spends annually on the military has largely been protected. And arms are often a prime source of external debt: military debt accounts for a third or more of total debt service in several large developing countries.

Military spending decisions have fiscal consequences. Developing countries must examine possible tradeoffs more systematically and must explore ways to bring military spending into better balance with development priorities. The human consequences of military expenditure go beyond issues of war and peace.

Priorities for the Next Decade: Environment and Individual Lives

As we think about development priorities, we must dare to be visionaries, even as we strive to be prudent treasurers. This is, perhaps, the hardest challenge of all.

It will be impossible to improve the quality of life in developing and industrial countries alike, unless we do much more to conserve our global environment. We must deal with population problems, with energy needs, and with sustainable agriculture, but not by choking off the hopes of poor people and poor countries. We must protect the environmental quality of life in the fullest sense—by extending economic choice and opportunity, by ensuring strong economic growth, and by reducing mass poverty in the developing world.

Expanded Bank Environment Effort

We are all very much aware of the great environmental challenges facing the world. The Bank is taking new initiatives in what is now a common international effort. We are urgently adding to our skills and knowledge, and we have greatly expanded our lending in support of the environment.

A third of all our projects, half of our energy projects, and 60 percent of our agricultural projects last fiscal year contained specific environmental components. We will lend \$1.3 billion for freestanding environmental projects during the next few years and will triple our forestry lending.

As part of this effort, among other things, we are building the foundations for better management of tropical forests in Ghana and Sri Lanka, for stronger protection from pollution of water supply and coastal waters in Chile and Yugoslavia, and for international collaboration on schemes

such as the Environmental Program for the Mediterranean and the Asian Capital Cities Clean-Up Project.

But my purpose today is not to report on our current programs. Instead I wish to emphasize what I see as the key environmental task for the coming decade: to bring together the world's need for collective environmental security and the need of poor people to be able to choose better lives for themselves and their families.

Population Policy

Nowhere is the connection between poverty, individual potential, and the environment more dramatic than in population policy. Rapid expansion of population endangers growth in individual incomes and improvement of the quality of individual lives.

This is not only, or even primarily, an aggregate problem of "too many people." The real concern is that excessive population growth puts heavy, sometimes intolerable, strain on the pressure points of urban and rural environments that are least able to bear it. The consequence is to further undermine the ability of hundreds of millions of people to escape from poverty.

The solution to this exceptionally difficult and sensitive problem does not lie in attempts at massive social engineering by governments or by the international community. Population figures reflect decisions by millions of individuals and couples as they confront the everyday realities of life—realities such as work, health, the survival chances and economic prospects of prospective children, their own old age. But we can help make available to women, and to men, the ability to make decisions that will meet the needs of individual families and serve the wider society as well.

No single step will provide the answer. Approaches must be adapted to each country's circumstances. Direct support for family planning programs and policies must go hand-in-hand with action to increase productivity and welfare—especially for women—through better access to education and health services, better jobs, and higher incomes.

Greater access to family planning information and services can be provided through many different channels: through governments' primary health care services, through the private sector, and through voluntary organizations. Countries such as Indonesia, Zimbabwe, and Botswana have demonstrated that family planning programs work—not

only as an instrument of population policy, but as a way to improve the welfare of everybody—men, women, and children.

In the past five years the Bank lent a half-billion dollars for population. During the next three years we plan to increase this figure to \$800 million, nearly tripling our lending for this important activity.

Sustainable Agriculture

This brings me to a second fundamental environmental task for the decade ahead: the promotion of sustainable agriculture. Despite the growth of cities, the coming decade will see many more people in the rural areas of Africa and Asia.

We have to find ways of raising farm output—techniques that do not rely too much on chemical inputs and engineering investments. Otherwise the present frightening rates of soil and water depletion will continue, and the livelihoods of millions of people, from the Yangtse River system to the African savannah, will be endangered.

Government policies must play a major role. Underpricing of chemical fertilizers and pesticides can lead to poisonous overuse. Improper pricing of water leads to waste. Subsidized electricity results in overpumping of groundwater aquifers. Unrealistic stumpage rates lead to overcutting, rather than conservation of forests.

In agriculture, as in the population issue, there is a strong link between policy reform, improving the incomes and economic security of poor people, and safeguarding the environment. If we can forge these links effectively and increase attention to nutrition and health, we can in the next decade make great progress toward ending hunger in the world.

The Importance of Education

Development must expand people's horizons. It must expand opportunities—but it must also endow each individual with skills and with knowledge of how the world works, so that those opportunities can be seized. People, as I have said before, are our most precious resource.

In the new century the dividends from knowledge will grow as dramatically as the penalties of ignorance increase. Much of the gulf between misery and opportunity, squalor and hope, can be bridged by education, by investing in the bright inquisitiveness of children and the thirst for knowledge of enterprising adults.

Education, and human resource development more broadly, must be a central focus of the development effort in the 1990s. Education adds to the choices people can make. At the very least we must ensure the availability of primary education for all children, boys and girls alike. In this the World Bank will play an active part.

Global Need for Cleaner Energy

So far I have talked of environmental problems that are essentially national in character: they mainly affect the quality of individual and community life within countries, and their solution lies within the grasp of national authorities. But in the new decade the world must also deal much more effectively with problems that are regional and global in reach—acid rain, ocean pollution, nuclear hazards, ozone depletion, climate change.

At the heart of many of these global problems is energy, a vital issue for developing countries given their vast energy needs. Fossil fuels are the main source of the gases that may produce long-term global warming and changes in the climate. We do not know the precise timing or extent of the threat, but that cannot be an excuse for inaction.

Efficiency in energy use is amply justified on purely economic grounds. Too many countries still subsidize the profligate and environmentally harmful use of energy by industry and by households. Greater use of natural gas, a plentiful and relatively “clean” fuel, must be encouraged. Together increased efficiency and increased use of cleaner fuels could greatly reduce greenhouse gas emissions from developing-country plants—perhaps by as much as a third by the end of the century.

Energy is vital to development. We cannot turn our backs on the needs of the poor countries. Unlike industrial countries, developing countries cannot forego growth or switch to more expensive fuels without help. Poor people cannot switch to cleaner and more efficient means of cooking and heating unless new technologies are brought within their economic grasp.

Industrial countries account for 75 percent of carbon dioxide emissions, the major cause of global warming. They are also responsible for virtually all the chlorofluorocarbons escaping into the atmosphere and depleting the world’s ozone layer. As the major polluters they must take the necessary steps to become credible, facing up to long-neglected responsibilities.

Closer international collaboration is needed to tackle these growing problems of the global environment. Developing countries need to put aside any remaining defensiveness and recognize that determined action is in everyone's interest. The key will be to think globally and act locally. If that can be done, developing countries can avoid repeating the damaging mistakes of the industrialized world.

Shared Responsibilities for the 1990s

My address today has been about the basic goal of development—enhancing the quality of hundreds of millions of individual human lives. No amount of statistical argument will help the cause of development unless individuals find better lives.

Our work, in the words of Pericles, must be “woven into the stuff of other (peoples’) lives.” This is what makes development work challenging and singularly exciting. If the international community can concentrate its effort on that simple and inspiring goal, the 1990s can be a decade of great hope and achievement.

I have argued that we must build on the new atmosphere of reducing international tension to create a more open world economy, in which developing countries can participate as productive and efficient partners.

Despite the scarcity of additional external finance, we must creatively mobilize resources and ensure that they are used for high-priority investments and social services. We must meet the growing environmental challenge through closer international cooperation and by expanding the opportunities and economic freedoms of individuals, particularly the poor.

All this requires action now—on development resources and growth, on population and education, on renewed agricultural development, and on preserving our common global heritage. Otherwise we will return to these meetings year after year for tired exhortation and an ever-worsening picture.

If we do act, I believe we can help developing countries assume fuller responsibility for their own economic destinies. We can reduce poverty and protect the environment in ways that respect the rights and hopes of individual people. We can meet the global environmental challenge, while respecting the sovereignty of poor countries. And we can encourage greater diversity in economic and social institutions, so that the

abilities of every single one of us can flourish to enhance all our lives, and not be stifled or brushed aside.

I believe that effectively working together, we will be able to look back on this time as a turning point. We will have laid the ground for nations and peoples to work together in building an efficient, peaceful, and unpolluted world economy.

In tackling the problems of the coming decade, the World Bank is just one institution—but a powerful and resourceful one. In partnership with other multilateral institutions and with you, our shareholders, we will meet the challenge.

10. To the International Planned Parenthood Federation

It is a pleasure to join my friend, Dr. Halfdan Mahler, on this occasion. From past experience, I know him as an elemental force for good. I congratulate him publicly for accepting the challenge to lead the International Planned Parenthood Federation (IPPF).

I am pleased also to have this opportunity to meet with representatives of so many family planning associations, whose work around the world I have long admired. One of my daughters has worked for Planned Parenthood for eight years. A special thanks also to our Canadian hosts for their warm welcome.

The Population Issue

It is humbling to realize, at the end of each day, how difficult it is to transform the lives of the more than 4 billion people in the developing world, given how many live in abject poverty; how constrained the available resources; and how urgent the need for progress. Yet that is the task before us.

Persistent high fertility rates and rapid population growth frustrate our task in two ways:

- First, they increase the pressure on scarce resources and our natural environment.
- Second, they limit the options available to families, thus making it harder to break the bonds of poverty.

Poverty is our common enemy. Reducing poverty is the World Bank's central mission, but we have learned that to be sustainable it must be done in ways that are sensitive to the environment. There is absolutely

Ottawa, Canada, November 6, 1989

no doubt that to achieve this environmental goal we must come firmly to grips with the population issue.

Of course pressure on scarce resources reflects not only the growth of population, but also the pursuit of wasteful and self-indulgent lifestyles—especially in industrial countries—lifestyles that threaten our natural heritage and our dream of sustainable development. Industrial countries must show bolder leadership on the environment.

Environmental Strains

First, I want to talk to you about population pressures and the environment.

Two-hundred and fifty years ago Reverend Malthus gave his contemporaries a vision of population outrunning its resource base. The sense of urgency I have about population pressures and the environment is not based on his grim calculation, because, at least in this century, we have learned how to frustrate his simple arithmetic. In our time the evidence is clear that economic growth rates in excess of population growth rates can be achieved and maintained by both industrial and developing countries.

My sense of urgency about this derives, instead, from concern about the serious strains that more billions of people will impose on the earth's environment. Our lands can be made to feed our populations, but at what cost to the earth's ability to sustain the livelihood of future generations? Our cities may be able to accommodate added millions, but at what cost to the quality of urban life? Our political, social, and legal institutions can be adapted to accommodate increasing population density, but at what cost to privacy, to personal freedom, to the rights of individuals?

These are not easy issues. There are no great philosophic ponderings about this, no timeless chemistry, no historical precedents to guide how we shape our future. We can, however, pull together some examples of what we should avoid.

We must slow down the massive decline in the capacity of the overflowing cities of the Third World to meet the elemental needs of their populations. We must prevent the deterioration of the tropical soils that underpin slash and burn agriculture. We must end the breakdown of personal privacy and collective discipline that accompany overcrowding. These are just a few examples; there are many more.

In too many developing nations the growth of rural population has exceeded the capacity to create nonrural employment opportunities. The pressure on land has increased with more intensive cultivation, fragmentation of holdings, and often a resulting loss in productivity through soil erosion and a decline in soil structure and soil-plant nutrients. The number of rural people who are landless has increased, adding to problems of poverty and aggravating social tensions.

Those who can no longer be accommodated on family holdings extend their farming into marginal lands unsuited to intensive cultivation. This hastens the degradation of both the farm economy and the resource base upon which it rests. Sustainable agriculture, that is, agriculture that can be practiced from one generation to the next, is impossible in this environment of expanding human population.

I have drawn your attention to rural realities because the agrarian nature of developing countries makes the agricultural sector the first to feel the impact of population growth. But I could have chosen the urban view of the increase in farm-to-urban migration, of the rise of urban slums, of the costs of extending urban services to new migrants, and so on. The rural and urban environments are stretched, folded, and made vulnerable by the rapid growth of population.

Improvement of People's Lives—Increasing Choices

My second point is that high fertility limits the options available to families—and especially to women—making it harder to break the bonds of poverty. Making choices available to individual women and men is the key to improvement for themselves, their families, their communities, and their nations.

Development is not a statistical exercise. The whole purpose of development is to improve the quality of people's lives—increasing their options. Having too many children, too close together, forecloses those options, particularly for women. In the developing world many women spend fifteen to twenty years bearing children. In industrial countries most women bear their children in five to ten years. It is difficult for mothers of young children to seek work or training outside the home.

The cumulative effects of many pregnancies may damage the health of women. In many developing nations where populations double every generation, there may be no practical way to provide the basics of

education, health care, or even decent food. Hard-won savings go largely to sustain more people at living standards barely above subsistence.

Sir Dugald Baird, a British obstetrician, stated in 1965 that freedom from excessive fertility is the fifth freedom. How true!

When we talk of excessive fertility, we are not just talking about numbers—we all know the statistics. What we are talking about is improving the quality of life for individual men and women. We are talking of sick and dying mothers and of neglected and abandoned children. We are talking of poverty, disease, ignorance, and hunger. We are talking of slums, pollution, and decay in our environment. We are talking of social and political instability.

Although rapid population growth may not directly cause all of these problems, it makes solution of them far more difficult, if not impossible.

Signs of Progress

But there are signs of progress and hope. Through international efforts during the past twenty years—from the United Nations conference in Tehran in 1968 to the international conference on population in Mexico in 1984—the world community has forged consensus on the importance of population issues to national progress.

These population conferences and the three worldwide conferences held during the United Nations Decade for Women recognized that having the information and means to plan families is a basic human right. These principles have been given practical expression in the policies and actions of many countries—a real step forward.

We have new evidence of progress in family planning during the 1980s. This is particularly welcome, because, for the developing world, the 1980s have been marked by an increasing burden of debt and the challenges of economic adjustment. For example, in Asia, population growth is slowing in the Republic of Korea, Thailand, Indonesia, parts of India, and even Bangladesh. In Latin America, Colombia and Mexico are important examples.

In Africa, however, population continues to grow at more than 3 percent annually—enough to double in less than twenty years. No continent has ever developed successfully in the face of such rapid population growth. But the situation in Africa is changing. Today more than 25 percent of

couples in Botswana and Kenya are practicing family planning, and in Zimbabwe the figure has reached 40 percent.

The lesson is clear: given the opportunity, many couples all over the world will choose family planning. Yet too often rhetoric still outpaces action. Sadly, despite the international consensus on family planning as a human right, between 300 and 400 million couples worldwide still lack convenient access to the information and services needed to plan their families.

A two-pronged approach is necessary to reduce fertility and slow population growth. We need:

- First, to ensure that men and women actually desire smaller families
- Second, to supply family planning information and services to both men and women so that they can achieve their preferred family size in ways acceptable to them.

Desire for Smaller Families

We all know that today's population growth will make it harder for future generations to escape poverty and that high fertility limits women's options. Despite these basic facts, many poor couples still feel obliged to have large families. For the poor, children are their surest hope—sometimes their only hope—of reliable labor, physical protection, and old-age support. Yet with economic progress and accompanying opportunity, couples find they no longer need so many children and often prefer smaller—but healthier and better educated—families.

The key, again, is to open up options, especially for women. Everywhere in the Third World women are forced by circumstance to be the primary nurturers, educators, and farmers—they must have the opportunity to make wider choices about the purposes of their lives.

We must increase education and employment opportunities, especially for women, so that they can depend less on their children and more on themselves. As women's horizons expand, so do their aspirations for themselves and their children. A woman who knows how to read and write is better able to care for and teach her children. It is often said, "You educate a man and you educate an individual; you educate a woman and you educate the whole nation."

We must improve the health and nutrition of children so that parents no longer must accept the expectation that some of their children will die. Where infant mortality rates fall to 50 per 1,000 or less, more couples choose to practice family planning.

I do not wish to downplay the importance and crucial influence of men in economic, social, and cultural change. But my emphasis on women is based on persuasive facts:

- Making more options available to women affects family size more than similar efforts for men. Clearly, women's income-earning activities compete with childbearing. Indeed research shows that as men's incomes increase, they want more children; as women's incomes increase, they want fewer.
- Women's education and income also have more influence than men's education and income on the health and welfare of children. Again the explanation is that, on average, women give greater attention to their children's upbringing and individual development.

Of course what makes people want many or few children varies from one culture to another. But access to education and productive resources are almost universal forces for good, for this reason and in their own right. Our task is to help make available to women and to men the ability to make decisions that will meet the needs of families and serve society as a whole. In millions of families now there is no choice; given the choices development creates, many will choose smaller families and a better quality of life.

Meeting the Demand for Family Planning

Many more couples today wish to start families later, space births more widely, and end childbearing sooner. They demand—and they deserve—the means to satisfy that wish in safe, effective, affordable, and acceptable ways. We have an obligation to help provide the information and means for family planning. It would be irresponsible not to do so. Today's contraceptive technologies meet these requirements reasonably well. But we still need better methods, more suited to the needs of the poor and the deprived who live in scattered, rural communities and teeming ghettos.

The World Bank supports the research efforts of the World Health Organization (WHO) Human Reproduction Program—to find better,

safer, and more effective contraceptives. We are also seeking more culturally appropriate ways to deliver family planning services to the people who need and want them.

We must listen to the people who will use family planning services, especially the poor and those who live in remote areas. Thus far we have learned several lessons. We must:

- Make available a variety of methods to meet and satisfy the needs of people in different cultural and economic circumstances
- Provide as much information as possible on family planning—on how to use the various methods and their possible side effects
- Lower the cost of family planning to the user—not only the financial cost, but the time cost, the transportation cost, the social embarrassment cost; we need to bring services as close as possible to the community, not only geographically, but socially and culturally
- Improve the management of family planning and related health programs to lower costs, increase reliability, reduce the risk of problems, and improve the capacity to handle them
- Use multiple channels for distributing family planning information and services—government primary health care programs; nongovernmental organizations (NGOs), such as the family planning associations represented here; private physicians; the commercial sector; women's organizations; radio; television; traditional media
- Educate the public on the health risks to women of not practicing family planning. In many developing countries today, maternal mortality accounts for more than one-fourth of all deaths of women of childbearing age. Through family planning—and better care during pregnancy and childbirth—we can sharply reduce the maternal death toll.

The World Bank joined with WHO, the IPPF, and others to launch the international Safe Motherhood Initiative in 1987. I am pleased at the response to this effort by the international community—and by women around the world.

Certainly, the active involvement of political and other leaders makes an enormous difference—as we have seen recently in Kenya and

Zimbabwe. The programs of Bangladesh, Indonesia, and Thailand also attest to the importance of political leadership.

The Role of NGOs

The IPPF should be justly proud of its achievements over the past thirty-seven years as the largest NGO dealing with population and responsible parenthood. NGOs and the private sector provide more than half the health care in many countries. NGOs can often try new approaches that governments will not or cannot do and develop models that are cost-effective.

Within the field of family planning and population, the IPPF deserves its reputation for being, in its biographer's words, "brave and angry." It was on the front line in the struggle to make family planning the right of every individual and couple. Historically, the IPPF has earned the world's respect.

You will retain that respect by asking yourselves these questions, year after year:

- Are you still on the front line?
- Are you still prepared to try new things?
- On major current issues, where do you stand?
- Are you in the vanguard of work with young people?
- Are you helping with adolescent pregnancy in culturally acceptable ways?
- Are you prepared to help governments see the need to extend family planning and take more interest in population issues?
- What goals and targets are you setting for yourselves in the 1990s?

The World Bank is glad to be working with the IPPF, supporting programs and projects that will help your organizations work better with their governments. These efforts have borne fruit. About one-fifth of our projects in population, health, and nutrition now involve NGOs.

The World Bank's Role

The World Bank has a long-standing commitment to population. We will not forget this commitment, even when new initiatives clamor for our attention. What is more, we have under way a number of supporting thrusts:

- Renewed emphasis on poverty, both a cause and a consequence of rapid population growth (poverty will be the main topic of our *World Development Report* next summer)
- Concern with the environment and its close relationship with population
- Attention to women in development. In fact more than one-fifth of the number of projects will include components that specifically address women's needs. These include major efforts in agriculture, education, family planning, health, and nutrition.

I pledge today to renew the Bank's commitment to issues of excessive population growth and to help make family planning accessible to all. We will increase substantially our lending, first, for the delivery of effective family planning services and, second, for investments that will improve opportunities for women. For population, health, and nutrition alone, we are increasing our lending to \$800 million for the next three years, compared with \$500 million for the past five years. I will personally monitor our performance on both quantity and quality.

We will enhance our dialogue with policymakers and political leaders, especially on reducing poverty and expanding opportunities for women. To this end we will step up our efforts to discover and disseminate information about what works in different economic and cultural environments.

We will work with others in the family planning field, including both bilateral and multilateral donors and NGOs, such as the IPPF, to design ways to forge greater cooperation.

It is not enough for us to meet at international gatherings and talk about what we want to do. We need goals. For instance family planning should be an accepted practice for at least half the couples of the developing world by the year 2000.

The action, of course, is at the national level. But individuals can make a difference; leadership matters. I need not remind you of the shining examples of leaders, particularly women leaders, that illuminate your history—Margaret Sanger, Ottesen Jensen, Lady Rama Rao, Beth Jacobs, Aziza Hussain, Avabai Wadia, just to name a few. You are the leaders in this field. As leaders you should be aware of the resources available to you.

We at the Bank stand ready to help as one of those resources. Will you join forces with us in the next decade to ensure that family planning is not only a theoretical right, but a practical possibility for men and women everywhere?

11. At a Loan Signing Ceremony

We are meeting at a time when history is in the making. We are meeting at a time of social and economic change here in Eastern Europe, which, only a few months ago, appeared to be an impossible dream.

I have come to Poland to pledge the World Bank's support for the process of reform and development that is under way in Eastern Europe.

I have come here to stress that, as we support East Europe's efforts, so we will support with equal vigor the cause of poverty alleviation and economic growth in all of our traditional borrowing countries.

I have come here to volunteer the World Bank's skills in a constructive, cooperative partnership with the governments of Eastern and Western Europe, with the Bank's shareholders, and with the full array of international organizations.

And I have come here to sign two loans totaling \$360 million—the first by the World Bank to Poland—to underscore the importance of Poland's courageous steps.

Poland's program of reform commands our respect and has earned our support. We are proud to join you in the historic effort you have launched. We are confident that the path of reform will lead to a healthier, more efficient economy—one that will provide, in the medium term, an improved quality of life for the Polish people.

This morning, I will focus my remarks on three broad themes:

- First, the challenges that the nations of this region must confront in the coming years
- Second, World Bank assistance in support of Eastern Europe
- Third, the broader international development concerns that must be considered as Eastern Europe moves ahead.

Warsaw, Poland, February 22, 1990

Central Challenges

The challenges Poland faces are also common to other countries of Eastern Europe, despite the unique nature of each of these nations and the diversity that characterizes this complex region. The international community can, and will, be of assistance, but, ultimately, the peoples and their governments must shoulder the major burden of economic modernization.

As Minister Balcerowicz put it so eloquently when he addressed the World Bank and International Monetary Fund Annual Meetings in Washington last September: “The support that we expect is not a substitute for our own efforts. This support is needed to increase the chances for success of our own decisive actions.”

Achieving Economic Transformation

To be specific, every Eastern European country must provide a better economic and social future for its citizens. Nothing short of a transformation of the old economic command system is required. A new system is needed, driven by choices and decisions made by individuals and private enterprises.

People need to be empowered. They need to be given genuine economic choices and alternatives. All citizens must be made to realize that their economic future depends on their individual efforts, as much as on the protections the government can provide.

Choice already exists in the political sphere and must be dramatically extended in economic life also. Only in this way will the queue and the ration card be confined permanently to the trash bin of history. Only in this way will Poland be able to tap its many advantages—your educated, skilled, and determined people and your proximity to thriving and newly accessible European markets.

The monopoly state enterprise structure—the economic heart of the old system—will need to shed its privileged status. It will have to be drastically restructured to encourage real competition, diversity of asset ownership, and private initiative.

If this does not change, your bold efforts to stabilize the economy and free prices cannot succeed. Instead the rigidities of the old system will prevent the movement of labor and capital to more productive uses and

will intensify the twin dangers of prolonged output decline and renewed inflation.

If Eastern European countries are to expand choice and renew growth, they also must reach out to new international partners—for export markets and for the investment capital, technology, and managerial know-how they vitally need.

The first steps toward trade liberalization are already being taken. Much more, although, remains to be done. A freer flow of investment capital can also be a powerful stimulus to economic reconstruction and to trade. Foreign investment can help to modernize production—not so much by its financial contribution, but because it brings the vital ingredients of modern technology, managerial expertise, and access to international markets. The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA)—affiliates of the World Bank that focus on supporting the private sector—can be powerful catalysts.

These changes must be reinforced by laws and institutions that will allow a modern, market-based economy to flourish. This requires a capital market and a functioning financial system. It also means changing corporate and labor laws to facilitate the entry and exit of firms and to strike the right balance between employment security and the needs of the economy.

Poland has made good headway in many of these areas—reforming the banking system, starting a bond market, freeing private investment, liberalizing joint venture laws, and beginning to subject firms in the socialized sector to tougher budget and credit limits. The World Bank stands ready to work closely with you as you continue to tackle these issues.

As you allow economic decisionmaking and choice to become truly free, you will experience great changes in the balance of economic power between the state and the individual. This will seem threatening to many, but, as Edmund Burke put it 200 years ago: “A nation without means of reform is a nation without means of survival.”

Social Protection

The second great challenge confronting Eastern Europe is a social one—to create a new basis for meeting the social needs of the people. This country is already experiencing the pain of rapidly rising prices and unemployment. I strongly endorse the measures the government is taking

to protect the most vulnerable in society. In forthcoming operations the World Bank stands ready to provide direct assistance to governments in this area.

Beyond such emergency measures, the alarming decline in the standard of health in all Eastern European countries must be arrested, education must be modernized, and unemployment insurance, pension, and social security systems must be set in place.

And, as we all are aware, something must be done about housing. Polish citizens should not have to wait fifteen years for an apartment. Despite huge housing subsidies, there are more than half a million unfinished housing units in Poland—two-thirds of them in the private sector—and the completion rate has been dropping. Here lies a great potential for further privatization and job creation. The Bank has been working with Poland on possible housing reform, and we stand ready to provide further assistance.

The Environmental Challenge

The third great challenge, of which everyone is acutely aware, is the environment. With dying rivers and poisoned industrial cities, Eastern Europe contains some of the most polluted regions on earth. The hazard to people's health and to future growth—in Cracow, in Katowice, and in many cities throughout Eastern Europe—is grave and immediate. Economic progress is a Pyrrhic victory for those who cannot breathe, or drink the water, or avoid toxic assaults on their physical well-being.

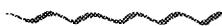
In short, action on the environmental front cannot be postponed to some future date when the economic crisis has been overcome. To quote the French "father of ecology," Rene Dubos, "Man shapes himself through decisions that shape his environment."

Action on the environment must be part and parcel of the process of reform. Economic incentives, new investment, legislation, enforcement, and public education must combine to pull Poland and other countries back from the brink of environmental disaster.

The World Bank is making a major commitment to its European borrowers in this effort. We are financing the cleaning of rivers and coastal waters in Yugoslavia. We are working with Hungary on a national environmental strategy—of which the Danube waters issue is a key part. We are working with donors in Western Europe to clean Mediterranean waters.

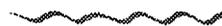
The forthcoming environmental management project in Poland will be just the beginning of our effort to assist you in meeting this important challenge. The project will help Poland make environmental improvement an integral part of its economic reform program.

In further loans the World Bank hopes to help Poland develop sustainable technologies and introduce incentives for much greater energy efficiency and conservation—a critical step to improve the environment.



We must not delude ourselves. Meeting these three fundamental challenges—economic transformation, social protection, and environmental cleanup—will require a sustained long-term effort. Dismantling the command system, creating a robust financial system, modernizing industry, and fostering the emergence of a strong private sector will take years.

Retraining millions of workers and establishing a properly financed social protection system is a massive task. Winning back clean air for Eastern Europe's cities and flushing the poison from its rivers is a huge undertaking. But every long journey begins with first steps, the steps you have taken.



I am an optimist. The American humorist, Mark Twain, describes an optimist as one “who thinks things can't get any worse.” I'm the kind of optimist who believes things are going to get better—if Eastern Europe persists in its courageous course.

I pledge to you that you can count on the World Bank in the tough times ahead, not just in the first euphoric moments of change.

Expanded World Bank Program

This leads me to the second theme of my speech: What sorts of things can the Bank do to assist Eastern Europe?

Events are moving so fast that they demand forceful and swift responses by agencies like the World Bank. I assure you that we will be swift, and we will be flexible. We recognize the great differences in political and economic conditions in each of the countries of Eastern Europe, the

differences in traditions, cultures, and experiences. Our work will be carefully tailored to respect the uniqueness of each nation.

We do not come here with a crisp, simplistic, or ideological reform recipe for all of Eastern Europe. We come instead with the awareness that, to be a useful partner, we must be extremely sensitive to the individuality of each sovereign state.

What specifically can you expect from the World Bank?

First, we are expanding our capacity on the ground. Poland is a pioneer in this respect. At the invitation of the government, an important World Bank Resident Mission will be operational in Warsaw within three months. We have worldwide experience to share, and the mission's highly professional staff will be available to provide close consultation and assistance to Polish decisionmakers. It will have the authority to respond flexibly, quickly, and innovatively to government requests.

Second, we are expanding our program of policy advice and technical work, our effort in research and training, and our outreach activities by the Bank's Economic Development Institute, our major educational arm. This expansion is designed to meet the specific needs of individual Eastern European countries—including other countries that we expect will become active members soon.

Third, we are prepared to multiply manifold financial assistance from the World Bank Group. I anticipate that the Bank will lend more than \$5 billion to our current Eastern European borrowers during the next three years—up to \$2.5 billion for Poland alone. Lending to other new members would follow, if they seek membership and it is determined that they are eligible for Bank assistance.

The IFC is already an active partner in Eastern Europe and has a major role to play in the development of private sector investment, both foreign and domestic. And MIGA will be active as guarantor and promoter of more private foreign investment.

Our lending will focus on restructuring all facets of the economy and market-oriented change. We will seek to support economywide policy reforms through structural adjustment lending.

We will help to finance the transformation of agriculture, industry, energy, and banking—to modernize and expand infrastructure, to support environmental rehabilitation, to encourage energy conservation, and to

help restructure the social sectors—through sector and investment operations.

Creditworthiness is a sine qua non for World Bank lending. Restructuring of the Polish debt, thus, is vital for our involvement. A first encouraging step was taken by the Paris Club last week. Ultimately your credit standing depends on your economic performance. We, as others, will work with you toward a better structure and management of external debt and will use our own resources wherever possible to help secure cofinancing from other public and private sources.

International Development Concerns

In conclusion I wish to place the grand events in this part of the world within a broad international setting. The World Bank has 152 member countries. It is an agency concerned with the alleviation of poverty with a global mandate. It is a partner with many diverse organizations in the quest for greater economic stability and growth. It has long been a cooperative forum in a world of conflict and controversy.

We are expanding our role in Eastern Europe precisely because of our worldwide responsibilities and experience—and because Eastern Europe's agenda of change, growth, and expanded human opportunity makes a compelling claim on our resources.

I am pleased that the Polish government shares this broad vision of development. Poland has demonstrated its commitment to the worldwide battle against poverty through its membership in, and financial contribution to, the International Development Agency (IDA), the Bank's concessional financing affiliate, which helps the poorest countries.

In these momentous times in Europe the international community cannot neglect its pressing obligations elsewhere. It must be responsive to Eastern Europe, but assistance to Eastern Europe should be additional and not come at the expense of poorer parts of the world. We cannot ignore Africa's catastrophic decline, the hope of better lives for Asia's hundreds of millions of desperately poor people. We cannot ignore the special problems of the heavily indebted countries in Latin America and elsewhere.

None of the World Bank's financial support for Eastern European countries will come at the expense of poorer countries—or at the expense of any of our borrowers. No country in this part of the world is so poor as to qualify to receive IDA's concessional funding. And expanded lending of

IBRD funds in Eastern Europe will not crowd out any of our other borrowers, thanks to the Bank's strong capital position and access to funds.

In this context all of us hope that the momentous changes taking place in international relations will reduce military spending—an amount that has reached \$600 million annually. Against such a magnitude of expenditure, the additional sums needed are miniscule.

Let a peace dividend work for all nations and especially for those in this part of the world. Like His Holiness, Pope John Paul II, all governments should ask the question: "Are the children to receive the arms race as a necessary inheritance?"

Although Eastern Europe and Poland can count on the World Bank, neither we nor anyone else has the insights and resources to meet all of Eastern Europe's needs. The international community must work together to build networks of effective support. Through these networks, we all can learn from emerging experience and combine our efforts efficiently.

The Bank will put its experience and its Eastern European program—including our new Resident Mission in Warsaw—at the service of this vital international cooperative effort. Together, we can reverse the economic decline and environmental degradation to produce a better quality of life for this and future generations.

You have our firm commitment and that is the true significance of the first loans to Poland, which President Baka of your Central Bank and Deputy Prime Minister Balcerowicz and I have signed today.

Conclusion

We have learned from the events of recent months that the unexpected can happen and with breathtaking speed. I have come to Warsaw to listen and to learn. I have come to pledge the World Bank's assistance to the cause of development, so that all East Europeans may look to the twenty-first century with real hopes of a new age of dignity and prosperity.

The great historian, Thucydides, wrote: "The bravest are surely those who have the clearest vision of what is before them—glory and danger alike—and yet notwithstanding go out to meet it."

I believe future historians will record that the Polish peoples' struggle for a brighter future ranked them among the bravest of the brave.

12. To the World Conference on Education for All

We meet at a time of unprecedented change in the world. Events and trends that just a year ago had not seemed remotely possible have already become accomplished fact. New forms of cooperation are being explored; new partnerships formed.

Delegates at this conference can influence the direction of global change. We can lay the foundation for a new and effective alliance, committed to ensuring that the people of this world, irrespective of their circumstances, will not be deprived of their fundamental right to education.

As *Our Common Future*, the Brundtland Commission report, reminded us, "People are the ultimate resource." Sustaining that resource is the all-encompassing goal of development, and education is the wellspring of development.

In that spirit, the principle of "education for all" should be our own "jomtien," as our hosts would say in their language—the "great candle" that illuminates our thoughts and guides our actions.

Precept and Practice

The ennobling influence of education is not a new discovery. Plato argued in the allegory of the cave that only those who came out of the darkness of ignorance into the brightness of knowledge would be whole and could lead others to that same state of completeness. Knowledge, he said, gave people a "special power" to create what was "beautiful and right." Such knowledge-based power "is the power upon which he who would act rationally in public or private life must have his eyes fixed," he advised his contemporaries.

Our ancestors idealized education. Kings and the nobility bestowed their patronage on educators. Rulers were considered enlightened when they built schools and other educational institutions. Centers of learning

Jomtien, Thailand, March 6, 1990

flourished at Nalanda in India, at Taxila in Pakistan, and also in Egypt and other parts of the dawning world, many years before colonial empires and colonial systems of education were established.

Religious leaders stressed the importance of education. Buddhism, which lies at the heart of spiritual life in Thailand, was particularly emphatic about this. Indeed, the founder of Buddhism was so convinced of the impact education could have on society that he explored the subject at some length and on numerous occasions. He even described what he considered the best possible relationship between teachers and students.

“A pupil,” he said, “should respect and be obedient to his teacher; should attend to his needs if any; should study earnestly. And the teacher, in his turn, should train and shape his pupil properly; should teach him well; should introduce him to his friends; and should try to procure for him security or employment when his education is over.” In today’s world such a relationship might seem unattainable, but its formulation in years gone by indicates the esteem in which education was held.

Through the years, however, precept and practice have grown apart. Ideals remain intact, but they have not always been transformed into reality. Despite the lessons and admonitions handed down from the past, all developing regions of the world today confront the perils and problems of educational underdevelopment.

The bulk of the world’s poor are malnourished, are inadequately housed, and have only limited access to basic health care. They also lack schooling. More than 900 million men and women are illiterate, almost 98 percent of them in developing countries. Those countries confront the overwhelming task of achieving growth and development with a labor force that, on average, has less than three years of education.

As we all know, however, education is not a matter of concern solely to developing countries. The role of education, its content, and its future course are primary concerns in countries that form the vanguard of the “age of technology.” The affluent have long realized that unless they constantly upgrade the quality of their “ultimate resource,” they will lose their competitive advantage.

Seven major reports on education were completed in the United States alone during the past five years. Their central theme was that mediocrity in education could imperil national prosperity. In the United Kingdom the content of secondary education is under close and constant scrutiny. Countries such as Costa Rica, Jordan, the Republic of Korea, Singapore,

and Turkey, which have moved toward economic growth and industrialization, also constantly review and refurbish their systems of education. As the *Economist* recently noted, “without an adequate pool of skilled labor, today’s super growers . . . could turn into tomorrow’s stumblers.”

These various approaches and interests, diverse in origin but complementary in intent, coalesce in the desire of this conference to lay foundations for progress by providing children, youth, and adults—irrespective of their sex—with basic education.

These are critically important objectives, and the World Bank is anxious to share in the search for their fulfillment. I thank my fellow organizers for their role in initiating this conference, the many sponsors who have joined to make it happen, and the participants, both in the regional consultations that took place around the world and at the conference itself. I also thank our hosts in Thailand for the impressive facilities they have afforded us and the courtesies they are so graciously extending to us.

The Challenge Ahead

The *World Conference on Education for All* offers us both an indictment and an opportunity. It offers an indictment, because we should have harmonized our policies and combined our efforts on the themes of this conference long ago. It offers an opportunity to act collectively now to bring about needed changes.

Education impinges on all the great issues—women in society, population, food, and the environment, to name a few—that continue to challenge the international community. Even so, this is the first time that so many groups have come together to address these concerns from a truly global perspective.

Perhaps the combining of forces was delayed because we did not feel the need to defend the cause of education against detractors. We can argue about family planning methods. We can disagree about levels of global warming. We can even differ over whether the world can feed itself.

But who would question the overarching relevance of education? Who would argue that, without education, human beings are incomplete? An educated mind is an independent mind. Education, lest we forget, is enshrined as a fundamental human right in the Universal Declaration on Human Rights adopted at the United Nations more than four decades ago. So we have taken the importance of education for granted. But we

must not be complacent any longer. We must seize this opportunity to improve the quality of, and access to, education for all.

As we attempt to grasp this opportunity, we must be accurately informed about the dimensions of educational development and underdevelopment. In the process, however, we should not be obsessed or overwhelmed by the purely negative.

As the Brazilian educator, Paulo Freire, has pointed out, "so often do the poor hear that they are good for nothing, know nothing, and are incapable of learning anything that in the end they become convinced of their own unfitness . . . they distrust themselves." Planners and managers of development, whether at a national or international level, run a similar risk. Hearing ceaseless litanies of failure, they can easily settle into a mood of despair from which no creative impulse can emerge. To avoid that trap, we must acknowledge our successes, as well as identify our failures.

Let's consider the facts. During the postcolonial period, many developing countries have made progress in spreading the benefits of education among the people. This was noted, for example, by the Brandt Commission on International Development. The commission's report, which was pessimistic about many aspects of development, was upbeat about education. It noted that "in education, which is the key to much achievement in other fields, there has been comparatively consistent progress."

An example of that progress was the increase in school enrollment at all levels in developing countries from 1960 to 1985. What some commentators called an "education explosion" brought developing countries a harvest of benefits, from increased literacy through the expanded use of modern agricultural technology to the development of national capacities to undertake industrial manufacturing.

The record is undeniable. All those who contributed in any way to its creation must feel a justifiable sense of pride in what was achieved. It is this very sense of accomplishment that stirs us to realize that our odyssey of effort is not complete. What has been achieved, although substantial, is inadequate.

Consider, for instance, the area of literacy, the starting point from which populations can draw upon the benefits of education. Adult literacy in low-income countries stood at 34.7 percent in 1960. It rose to 51.8 percent in 1985, a growth of some 17 percentage points in fifteen years. Still a large number of adults remain illiterate. During the same time that

the literacy rate was 51.8 percent in low-income countries, it was close to 70 percent in middle-income countries, and higher than 98 percent in the industrial countries. These comparisons give us some idea of how much remains to be done.

Other telling comparisons are common. At primary school in industrial countries, students are likely to attend classes in well-appointed buildings for 900 hours each year and be taught by teachers with sixteen or more years of education. Their counterparts in developing countries attend classes in decrepit buildings or out in the open for 500 hours per year and are taught by teachers with less than ten years of education, on the average.

In recent years the education gap between industrial and developing countries has been widening. Investment in education in developing countries declined sharply long before some of them had to reorder expenditures as part of their structural adjustment efforts. Between 1970 and 1980 public expenditure on education in developing countries fell by 25 percent. During this same period in industrial countries, public expenditure on education doubled.

The losses of the 1970s have not been restored during the 1980s. Furthermore population growth has increased the pressure on scarce resources, which has made the task of providing basic education for all even more difficult.

Today more than 100 million school-age children in developing countries are not in school. Those who are in school often do not acquire the core skills specified in the national curriculum.

The slow progress in expanding access to basic education for females is profoundly disturbing. Some 60 percent of the children not attending school are girls. In twenty of the Bank's developing member countries, less than 40 percent of the six-to-eleven-year-old girls are enrolled in primary schools. This perpetuates the disadvantages for girls and women in society and limits the options available to them. It constrains progress in health and nutritional improvements and in fertility reduction—and later has a negative impact on the education of their children.

We know, too, that many developing countries experience high dropout and repetition rates, at considerable cost to education budgets. Our calculations show that it takes an average of nine years to produce one fifth-grade "completer" in low-income countries.

Dropouts and repetition are inevitable when schools are inaccessible or located in substandard facilities and the quality of the education program and teachers is lacking. Noneducational factors—such as the use of children by poor families to increase family income—also impact the repetition and dropout rate. The funds used to maintain repeaters in school would otherwise be spent on improving the quality of teaching and learning.

The Bank's Experience

The challenge, then, is to stop this cycle. For the World Bank this is a matter of recommitment. The Bank is the world's largest single source of external funding for education in developing countries. Our first education loan was made to Tunisia in September 1963 to build secondary schools. Since then the Bank has supported more than 375 education projects in 100 countries with loans and credits amounting to about \$10 billion. More than \$2 billion of this amount was for basic education.

Plato, who wrote about the ennobling influence of education in broad terms, believed that education was vital to the economic well-being of society because education made the people "reasonable," and reasonable people were capable of making the right economic decisions. Education thus had "economic value." The conceptual underpinning of the Bank's approach to lending for education is similarly based.

Adam Smith wrote that "education is an investment that repays itself with a profit." Much more recently, T. W. Schultz made the point in his 1979 Nobel Lecture that "the decisive factors of production in improving the welfare of poor people. . . are the improvement in population quality and advances in knowledge."

As most of you know, I am not an academic economist. I came to the Bank from national politics, where what is desirable and possible in practical terms is more attractive than what is plausible in the realm of theory, however well-founded and reputed. Without detracting from the importance of development theory, which connects investment in education to economic growth, I would like to state this differently.

Reducing poverty is at the heart of the development process and central to the World Bank's mission. The poor cannot join in the struggle against poverty unless they are equipped to identify opportunities and seize them. Education, therefore, is an indispensable segment of the bridge over

which the poor can cross the gulf from misery to hope. It is crucial to the empowerment of people.

Literate people can follow instructions on how to run machines and, therefore, can run machines when given the opportunity to do so. In agriculture farmers with basic education will recognize the potential impact on their own income of innovative agricultural practices. They will be willing to take the risk of trying them out, as they did in South Asia during the 1960s and thereafter, which produced the large harvests of wheat and rice collectively described as the "green revolution."

The Bank has accumulated a great deal of empirical evidence, through experience, that reaffirms the validity of this argument under many different circumstances. For instance differences in the levels of education partly explain the differential economic growth rates between countries. This point was made as well by Gunnar Myrdal when he compared the fast pace of the Marshall Plan's success in Western Europe with the relatively slow pace at which the impact of economic assistance to developing countries was felt in Asia. "It seemed reasonable to suppose," said Myrdal, "that the accumulated 'educational capital' of the Western European countries was a factor in the result."

World Bank studies have shown that education contributes to economic growth in developing countries. Investment in education produces high rates of return. Ministers of finance, as well as those working in development banks, should be pleased to note that education produces substantial value for money. This is reflected both in national accounts and in individual earnings. As people are educated, earnings grow, so do savings, so does investment, and, in turn, so does the well-being of society overall.

Education contributes to improving a community's quality of life through better health, better food consumption and sanitary practices, fertility control, improved child health and nutrition, and an openness toward innovation and acceptance of new ideas. The need for improvements in each of these areas again underscores the importance of better access to education for girls. Education provides girls and women with options, either within or outside the household, to control and improve their own lives and the lives of their families.

As I said earlier, education is the key to development. A nation simply cannot hope to sustain economic growth and alleviate poverty without a literate and numerate population. A principal development failure of the past twenty years, therefore, has been the world community's inabil-

ity to provide all children with a good basic education. We must correct that failure.

Priorities for Change

The educational needs of developing countries are complex. They cannot be met by an unplanned, helter-skelter assault on vaguely perceived problems. Needs must be meticulously identified and priorities carefully assigned by common agreement among all those concerned, both nationally and internationally.

I propose the following priorities in meeting the goal of education for all.

First, the quality of education must be enhanced. School attendance without learning makes no sense. We must ensure that children who attend school actually master the primary curriculum and complete the full course. Other levels of education can be achieved only when that foundation is in place. For the quality of learning to improve, teachers must be capable of inspiring their students and principals must be able to function as leaders. Textbooks and other learning materials should be effective and obtainable at reasonable prices. Experience in bilingual education needs to be reviewed and, where appropriate, shared, so that students whose home language is different from the language of instruction will receive assistance in acquiring the second language. Initial instruction should be provided in the home language whenever possible.

Improving the quality of teaching is critical to the improvement of the quality of education. There is no substitute for good teachers. They need to be well-motivated from the start—to have chosen teaching as a profession because they want to teach, not because they have to—and they should be helped to upgrade their professionalism throughout their careers. Teachers must also be adequately remunerated. Teachers who are poorly paid and are compelled to work under trying conditions rarely make good teachers.

Individual schools will not provide a good environment for learning unless a nation's education system is strongly managed. This requires management training and the availability of accurate information, which enables managers to take rational decisions. Responsibilities for managing education should be appropriately shared and not excessively centralized.

Second, education—especially primary education—must be made accessible to all. As I stated previously, more than 100 million children in

developing countries are not enrolled at school. All children should have access, in the first instance, to a good primary school, where they can acquire the basic knowledge with which to lead fuller lives and proceed to other levels of education. Youth and adults who have been deprived of access to learning opportunities must be provided with basic education, which will help them improve the quality of their lives. These efforts must be particularly emphasized in rural areas where most of the world's poor live.

Another point on access: we must remove any ingrained bias against education for girls. In many societies they are kept away from school or compelled to leave school before finishing their education. The contribution that girls with education make to their families and to society in general is substantial and, indeed, calculable.

Individual nations, the world, and generations to come will benefit from giving girls the fullest possible benefits of education.

Third, but related to access, additional educational facilities are also needed. Given the high cost of building, however, continued research into low-cost construction technology is necessary. The innovative use of underutilized space from other sectors can also help reduce the pressure on classrooms. As we are seeing in the exhibits and roundtables at this conference, many educational innovations have succeeded in different parts of the world.

National leaders should not be scornful of encouraging proven and formal mechanisms that enhance educational quality and access at the primary level by mobilizing parental, community, and volunteer assistance in the assault on illiteracy.

Fourth, looking beyond basic education to vocational skills, the rapid pace of technological change makes it imperative for developing countries to design training programs that are flexible and responsive to fluctuating market conditions and needs. There is considerable scope for increased involvement by the private sector in this area.

Fifth, a scientifically literate population is essential for economic development in this decade. To compete internationally, developing countries must be able to select and adapt modern technology. Systems of higher education must be strengthened to train scientists, engineers, managers, and other professionals, who will lead the national development effort into the next century.

Finally, these increased efforts do not come without cost. Developing countries will have to allocate available resources to the most cost-effective inputs. For increased emphasis on primary education, most middle-income countries can realize significant improvements in educational effectiveness through reallocations within the existing primary education budgets. In most low-income countries, however, the scope for such reallocation is limited, and additional resources, national and international, are essential.

International help, by itself, is not enough. Domestic budgetmakers must give a high priority to education, especially primary education. The mobilization of additional resources may involve relying increasingly on private sources of funding, especially at the higher education levels. As this conference implies, much is to be gained from the sharing of experiences. Governments must be willing to shift resources to education from socially less-productive uses—such as defense and subsidies for public enterprises.

The Bank's Commitment

Translating a vision of education for all into reality throughout the world cannot be done overnight. As urgent as the tasks ahead are, their realization requires patience and care. Investment in human capital is not a quick-fire enterprise. Such investments take a long time to put in place and rarely yield immediate results.

The boy or girl whose primary education began in 1990 will only be able to realize in about thirty years the full value that education adds to his own innate capacities. Thus strengthening the human resource base of developing economies will require a sustained effort over several decades.

Most low-income countries will need access to expertise that complements their own, as well as stable financial support. This calls for the evolution of new and expanded partnerships, in which we must all be prepared to participate.

Currently, less than one-half of 1 percent of all international development assistance is channeled to primary education. Clearly, the donor community cannot expect to be an effective partner in the efforts that flow from this conference unless there is a dramatic change in aid flows to basic education. Both the amount of assistance and the areas of concentration must be reassessed.

At this World Conference on Education for All, the World Bank renews its commitment first made in 1963 to support education as an instrument of human development. The character of the Bank's support for education has changed considerably over time. Initially, education lending was for buildings and equipment so that countries might increase the number of schools. Now activities that enhanced the quality of learning, such as textbooks and curriculum development, are priorities for us. In addition our emphasis has broadened from technical and vocational education at secondary and postsecondary levels to include primary education and general skills.

We will continue to support the various levels of education as justified by national priorities. But helping countries meet basic learning needs is a key priority in the Bank's current lending program.

As you know, the World Bank is the largest single donor of financial support for educational development, having loaned a total of more than \$10 billion for education since 1963. We account for 15 percent of international support for education. The Bank will double its educational lending during the next three years to an annual level of \$1.5 billion, and we will improve our performance and effectiveness.

Our goal will be to help countries put in place the educational policy framework and investment programs necessary to move toward education for all. Support for basic primary education will be the dominant priority.

We will pay particular attention to developing the national institutions necessary to improve the quality of learning. As part of this emphasis, special care will be taken to ensure that projects and programs funded by the Bank directly improve education for girls.

In addition we will strengthen our support for science and technology programs in secondary and higher education covering both agriculture and industry. We will also emphasize assistance for nonschool-based programs of skilled worker training.

We will reinforce our own "in house" capacities and will strengthen our related policy and research work, so that we can respond expeditiously to these needs. The results of our research will be widely shared. In all aspects of our "education for all" programs, we will move toward a style of lending that is increasingly collaborative and relies on national capabilities to the maximum extent possible.

Even before we congregated here, the value of education was clear to all of us. Education is an instrument of development. It is a vehicle for human self-improvement.

Education is not "value neutral." A man or woman, girl or boy, touched by education is no longer the same. Predictably, therefore, questioning, skepticism, protests, and the flowering of change often begin at places of learning. The first generation of African national leaders, Tom Mboya has said, "all graduated from two institutions—a mission school and a jail for political activists."

But fear of change is no reason to deprive our "ultimate resource" of opportunities for self-improvement. With education, people will bring about the changes that revitalize communities.

Nelson Mandela, on his return home from prison had a special message for the young: "Stay with your schooling, and equip yourselves for the future."

The future beckons us all, and human development cannot be deferred. The poor will be liberated from their poverty only when they are supplied with the instruments of their own self-fulfillment.

The convergence of effort by a broad range of national and international agencies at this conference is an important first step on the long road ahead toward the goal of education for all. The first step is sometimes the most difficult. Having taken that step, let us move forward steadfastly, toward our goal, which will benefit the entire human family.

13. To the Annual Meeting of the Inter-American Development Bank

Thank you, Enrique Iglesias, for giving me this opportunity to address the annual meeting of your Board of Governors. Since the Inter-American Development Bank began its operations in 1961, our two institutions have enjoyed a long-standing and cooperative relationship, a relationship that has become even closer in recent years.

It is a pleasure also to be revisiting Canada, a country that has had a long and substantial involvement in Latin America and the Caribbean. Canadian interests in the region are broad, ranging from trade to investment and development assistance. For Canadian investors the countries of Latin America and the Caribbean are the third largest market for investment capital after the United States and Europe. What better incentive could there be for Canada's continuing support for the restoration of growth and the promotion of development in the region?



There are those who see only problems and crises in Latin America. I see, instead, a region with a history of civic, cultural, and economic achievement.

I see a region blessed with abundant natural resources and populated by peoples of energy, imagination, and courage. I see a region where, since World War II, remarkable economic and social changes have taken place; where average income has more than doubled, and where average life expectancy has risen by one-quarter. I see a region where, even in a time of severe economic stress and painful but necessary reform, the transition to democracy has been successful.

It is because of this record of achievement that I believe the 1990s can be a decade of opportunity for your region. But the opportunity must be seized. Governments must commit to making their countries lands of

Montreal, Canada, April 2, 1990

opportunity for their peoples—places of hope and promise in which their people—and, indeed, the whole world—will confidently invest their skills, their energies, and their resources.

The common experience of the past decade has taught us some important lessons.

The first lesson is that adjustment is not a quick fix and the debt crisis cannot be resolved overnight. It must be done; failure to change failed policies leaves the poor without hope. But I need hardly remind this gathering that the process of stabilization and structural reform has been, and will continue to be, painful for many.

As a Nobel Prize winner for medicine, Dr. Alexis Carrel, put it many years ago: “Man cannot remake himself without suffering, for he is both the marble and the sculptor.” This applies to nations and economies also.

The second lesson is that economic conditions have turned around in those countries undertaking deep-seated structural adjustment programs on a sustained basis. For example, Mexico’s non-oil exports have tripled since 1982, and the stage is set there for a resumption of sustained growth. Chile’s economy is now growing at 8 percent, inflation is lower, and there is a rapid recovery of private investment.

The third lesson learned from common experience is perhaps the most important of all—the key to restoring economic and social progress in the region depends critically on there being credible and effective governments, whose policies and actions can command the support of the people.

As President John F. Kennedy said three decades ago: “The basis of effective government is public confidence.”

The countries of the region carry the main burden of responsibility for their own future. But when governments have the courage and farsightedness to make deep-seated, sustained, and credible changes, the international community must be ready to respond.

Where governments have created an enabling environment, the international community must encourage and facilitate the free flow of capital. It must ensure that the markets of the industrial countries are kept open and that adequate rates of noninflationary growth are secured and sustained in the industrial economies.

Eastern Europe

There is today a question that your region is asking with understandable persistence. In this period of extraordinary political upheaval in the countries of Eastern Europe, the international community is confronted with an impressive new range of opportunities, demands, and costs. Will these be met at the expense of the assistance to developing countries in other regions of the world?

I can answer that question, at least for the World Bank. Clearly, there is an expanding role for the World Bank in its existing Eastern European member countries and in other countries in that region that may become new members.

I pledge to you today that the increased activities of the World Bank Group in Eastern Europe will not penalize our programs either in your region or in the rest of the developing world. We have a global responsibility, which we will not abdicate.

Having said this, though, I must add that the opening up of Eastern Europe is a powerful lure to private foreign investors. If the countries of Latin America and the Caribbean are to attract a fair share of this investment in an increasingly competitive world, every effort must be made to create an attractive business environment in your countries.

Given the fiscal pressures in most donor countries, we cannot be very optimistic about the prospects for large increases in official development assistance. Private funds are more likely to provide additionality for investment capital. It would be unfortunate, therefore, for Latin Americans to assume that adequate development investment to achieve growth can be found without better internal resource mobilization and major private sector involvement.

Agenda for the 1990s

I mentioned earlier that we have entered a decade of opportunity. If the opportunity is seized, there can be solid progress in the economic and social transformation of this region. The development goal for the 1990s, then, must be growth through the creative use of available internal and external resources.

In that quest there are no substitutes for good macroeconomic policies and strong adjustment programs of a kind that will unleash the productivity of the people and attract the needed flows of development finance.

The nature of such policies and programs has been discussed in many forums over the past few years, and I will not repeat them here. Suffice it to say that governments of the region must create an overall economic environment that will encourage the full expression of their peoples' energy and creativity. An enabling environment must be created so that the people are empowered to improve the quality of their own lives.

If this is to be accomplished in Latin America and the Caribbean, there is a need to reconstruct and maintain the region's physical infrastructure and to strengthen its human resource base.

Regional Infrastructure

Economic growth cannot be secured and sustained with a poorly managed and deteriorating material infrastructure base. Not only did the building of new infrastructure in the region suffer cuts during the 1980s, but also the existing infrastructure was allowed to deteriorate.

The past decade saw, on average, a real decline in output and sharp declines in net investment. Although not all countries were affected equally, the ratio of fixed investment to gross domestic product in the region dropped from nearly 23 percent in 1980–81 to about 16 percent in 1984 and has remained depressed ever since.

A recent Bank study for the transport sector noted that in seven out of ten countries sampled in the region, budgets for transport and communications were slashed more drastically and rapidly than for other sectors.

More important, in transport it is estimated that resources devoted to road maintenance are less than 20 percent of what is needed for proper reconstruction, rehabilitation, and maintenance of existing roads. We estimate that about \$10 billion worth of the value of the road infrastructure has been lost in the region due to inadequate maintenance. This loss could have been averted with preventive maintenance costing less than \$3 billion.

The cost of rehabilitating existing infrastructure and providing adequate maintenance is far lower than new infrastructure investments.

Our tentative estimates of the region's investment requirements for power, roads, and water sewerage for the 1990s add up overall to \$25 to \$30 billion per year, or about 3 percent of the regional product. The necessary investments in other sectors, such as ports, airports, and telecommunications, add to these staggering amounts.

A shortage of financial resources, of course, is only part of the explanation for this drastic deterioration of infrastructure. Institutional and managerial failures, including inefficient pricing, inadequate investment and planning policies and practices, and lack of know-how and training, have also been contributing factors.

Human Resources

Although the accumulation of material capital is an important part of economic growth and development, it becomes a wasting asset when human resource development is neglected. The condition of peoples' lives has a crucial influence on prosperity and growth. The healthier and better educated the people are, the higher their productivity and the more prosperous their condition.

Short-sighted public policies in an era of financial constraint resulted in a reduction in the share of public spending for health and education in many countries of your region. Preliminary social data indicate a slowdown in the decline of mortality rates and the incidence of disease and some deterioration of specific health, nutrition, and education indicators.

Throughout the region the gradual accumulation and diffusion of knowledge about health, education, and nutrition have led to behavioral improvements, which, fortunately, have partially offset the effects of the economic crisis. However, available evidence suggests a deterioration in the quality of services.

- The net enrollment rate in primary schools in countries such as Bolivia, Costa Rica, and El Salvador has been falling.
- In Uruguay deaths from malnutrition deficiencies and intestinal infections rose continuously between 1982 and 1986.
- Improvements in infant mortality rates have slowed in practically all countries. In some—Argentina, for instance—the infant mortality rate has actually increased.
- Tropical diseases are also on the rise. Malaria cases have reached 1 million per year, the level of 1975, and there have been major outbreaks of Denge fever in Brazil, Colombia, and Venezuela and in Central America.

By the year 2000 it is estimated that this region's population will be 525 million, an increase of more than 80 million over present levels, thus straining already scarce resources for providing adequate shelter, food, education, and health care. About three-quarters of the people will be urban dwellers, almost half of them living in fifteen cities of 4 million or more inhabitants, where social pathology, slums, and environmental pollution will proliferate, if effective action is not taken now.

Investment in education and health to strengthen your human capital is crucial. Human capital is the key to successful development, and efficient investments in the social services, targeted to those who need them most but can afford them least, will be one of the ultimate tests of good governance.

Juan Alberdi, the nineteenth century Argentine political philosopher and statesman, strongly advocated public education in his country with the words: "If the people are to rule, then the people must be educated."



Restoring infrastructure and strengthening the human resource base are key elements to a functioning society. Governments will need to develop strong, competent, autonomous institutions; to reallocate subsidies appropriately; and to target social programs effectively to increase productivity, competitiveness, and per capita income. The ultimate cost is higher the longer it takes to correct the alarming situation I have described.

To generate the needed domestic resources, countries will need to set in place sound macroeconomic policies and recast the role of the state. The central government apparatus and state-owned enterprises must be streamlined so that they become efficient purveyors of services rather than a drain on scarce public resources that could be better used for social purposes. The public sector's pricing and investment policies must make good sense, and greater private sector participation in the development process must be encouraged.

How Can the International Community Help?

Difficult political choices will have to be made. We realize, of course, that you cannot meet the challenge alone. The World Bank, like the Inter-American Development Bank, is committed to continue as a partner with you in these endeavors.

The World Bank has participated in the development of this region for more than four decades. Our affiliates, the International Finance Corporation and the International Development Association, have been active in the region for three decades. And now, our newest affiliate, the Multilateral Investment Guarantee Agency, looks forward to being of service to host countries and foreign investors in the area.

The Bank Group's investments have financed a wide range of projects and programs in infrastructure, rural development, industry, and human services. In the past few years a substantial proportion of World Bank loans has been in support of programs of economic and institutional reform.

Although much of the emphasis of Bank lending has historically been on specific projects, even the best of projects will not succeed if the overall environment of economic policy and institutions breeds inefficiency and misallocation of resources. For this reason, during the past five years, 35 percent of our lending in Latin America has been for structural and sectoral adjustment, thus supporting changes in general economic and sectoral policies so as to create an effective environment for investment and development.

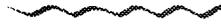
Development is a long haul. It takes time to fashion the fabric of a society to instill in the people true confidence in their governments and institutions. Without that confidence the development process cannot go forward.

In countries that make determined efforts at reform, the World Bank will provide economic analysis, advice, and finance to support their adjustment efforts. We will focus increasingly on investments in human resources, environment, infrastructure, and agriculture as improved economic structures take hold and as the rhythm of growth is resumed.

We will continue to work with governments and the international financial community to address the stubbornly persistent debt problems of this region. The present strategy, incorporating official support, including that of the World Bank, for debt and debt-service reduction, is not a panacea. But the risks and costs of inaction are higher.

The Mexico agreement demonstrated that, with sound economic policies and a carefully constructed market strategy, a real measure of debt reduction can be achieved. To those who claim the Mexican debt reduction was modest in quantitative terms, I urge them to look at the impact it had on confidence, on investment, on interest rates, and on

flight capital. We believe the Brady plan is a most encouraging new development option in highly indebted countries. We must persevere and be prepared to approach debt reduction flexibly in each country.



Those countries that are determined to help themselves will always find the World Bank to be a willing partner. As part of our commitment to you, we will further strengthen our cooperation with other multilateral and bilateral institutions working in the region, particularly with the Inter-American Development Bank.

We have a mighty task before us, which will continue to engage the wisdom, ingenuity, energy, and determination of governments, the international community, and, above all, the people.

As Jose Marti said: "There is no easy road by which to reach the stars."

In this decade of opportunity, we know the road we must take and the destination we must reach.

14. To the Bretton Woods Conference on Africa's Finance and Development Crisis

I am delighted to be here once again among many friends. In the Bretton Woods institutions we depend upon your support and understanding. Thank you for being so dependably forthcoming.

I also commend the Bretton Woods Committee for convening this conference on Africa. Africa is our great challenge. There is no doubt that the development crisis that has engulfed Africa, Sub-Saharan Africa especially, is the most difficult we face.

During the thirty years since Africa gained independence, the region's living standards have declined, its infrastructure has decayed. Great expectations have been betrayed, leaving Sub-Saharan Africa one of the world's poorest areas.

I am not announcing irreversible failure. Conditions are better in Africa than they would have been without the aid donors have given and the considerable investment in projects and economic adjustment. But despite these positive factors, decline has been the net result.

As we all know, it doesn't have to be this way. Great changes are sweeping the world today. Just as the peoples of Eastern Europe are setting out on the long and rocky road of reform, so, too, can the peoples of Africa take destiny into their hands.

The World Bank's support for Africa is undiminished. We recognize that development is a long-term process, and we remain committed. Africa needs and deserves all the support the development community can muster, just as it needs and deserves the best analysis that we can deliver.

Personal Reflection

I have been president of the World Bank for almost four years. My experience of Africa before coming to the Bank was slight. For this reason, however, I have seen the region with a fresh pair of eyes.

Washington, D.C., April 25, 1990

I have traveled widely in Africa and have seen many projects and programs. I have met with African heads of state but also have made a point of meeting with African farmers, entrepreneurs, workers, and public servants. I have met with hungry children and with their mothers, desperate about where the next meal will come from.

I have seen firsthand the region's development potential. I vividly recall the women I met near Mombasa, Kenya, whose lives had been transformed by a simple water pump. These women had never enjoyed the elementary necessity and right of clean water. Now they could run the pump themselves, charge for the water, and with the proceeds provide other services the community needed. Development was taking hold at the grassroots. Such projects multiplied many times can make Africa's recovery possible.

Financial and Fiscal Crises a Symptom

All too often this essential human dimension—the ability of people to control their destiny—is disguised by financial and fiscal crises. Certainly, there is a financial crisis in Africa. Sub-Saharan Africa is one of the world's most debt-stricken regions. Its total outstanding debt of \$135 billion roughly equals its gross national product. Debt servicing absorbs half of export earnings.

The international community has responded to Africa's financial crisis through the Special Program of Assistance (SPA) for the poorest, most indebted African nations, through the Enhanced Structural Adjustment Facility (ESAF), and through arrangements such as the Toronto terms.

These kinds of special programs must be extended—and we are working to ensure that they will be. The SPA, for example, will move into its second three-year phase later this year.

At least as important as debt is the fiscal crisis caused in large measure by years of poor administration, unwise spending, and simple disregard for tomorrow. Because of the lack of an economically enabling environment, the natural entrepreneurial instincts and skills of the African people have not flourished. Not surprisingly, private investment has all but dried up, and net transfers to the region are negative.

The Fundamental Problem

But Africa's crisis is more fundamental than financial and fiscal problems. These are but symptoms of a much more deep-seated crisis, whose scale

and complexity renders Africa unique. The crisis embraces the challenges of short-term stabilization and long-term development, of growth and equity, of basic institutional reform and social stability. These problems lie at the very core of development.

Our primary objective at the World Bank, the crucial component that gives the development endeavor its meaning, is to improve people's lives. The quality of life must be measured institutionally and politically, as well as in material ways.

The development of many Sub-Saharan African countries has been unnecessarily constrained by their political systems. Africans can and must tackle this issue. Nobody can tackle it for them.

I understand the sensitivity of this issue. I understand the difficulties, the colonial legacy and adverse economic conditions, with which African leaders have contended. In the end people make their own history, even if they do not choose the circumstances on which history is built. Indisputably, three decades after independence too many African countries have failed to produce political and economic systems in which development can flourish.

All too often there is a lack of government accountability to the governed, a lack of the encouragement that would liberate entrepreneurial instincts, a lack generally of fair competition among farmers and firms. Open political participation has been restricted and even condemned, and those brave enough to speak their minds have too frequently taken grave personal risks. I fear that many of Africa's leaders have been more concerned about retaining power than about the long-term development interests of their people. The cost to millions of Africans, to the men and women it has been my privilege to meet, has been unforgivably high.

Most of the 3,000 parastatal organizations created since independence cannot support themselves and fail to deliver adequate services. Patronage and nepotism have thwarted the formation of professional cadres. Investment in human resource development has lacked direction and commitment.

Such practices are direct causes of Africa's economic growth rate failing in the 1980s to keep pace with population growth, of the debilitating brain drain from the region, of the extraordinary fact that there are more expatriate advisers in Africa today than at the end of the colonial period. This fact is even more extraordinary, given the evidence that some \$7 per head or \$4 billion a year is spent on technical assistance.

Africa Can Recover

Bleak as this sounds, Africa is *not* a hopeless case. It is blessed with considerable natural resources and an enterprising population. Other countries, notably Japan, have prospered greatly while being much less endowed with natural resources.

So the negative trends for Africa *can* be reversed. With your help, the help of the entire development community, and, above all, the help of Africans themselves, the region's fortunes can be transformed for the better.

For a start, the structural adjustment programs being implemented by some thirty African countries are designed to address the long-term, root causes of the region's development crisis. They are not short-term palliatives. Despite the sometimes vociferous objections of vested interests, these programs benefit in the longer term the great majority of people.

Beyond that the nature of Africa's crisis demands a much deeper and broader response. People need the freedom to realize individual and collective potential.

Leadership to create a sense of common purpose is vital. Reinforced by a sense of common purpose, Africa then can confront the critical issues of environment, agriculture, explosive population growth, and the related issue of economic opportunities for women.

Despite all the problems I have recounted, I am personally convinced that Africa will prevail. It has strong, determined, and resourceful people, whose biggest problem is access to opportunity. The women I described near Mombasa, with newly available clean-water bore holes around which they could organize the life of their communities, are the key. It doesn't take much at the grassroots to stop the downward spiral of misery and to set off the upward spiral of achievement.

And grassroots Africa is organizing. Nongovernmental organizations are springing up everywhere to carry the message of empowerment; governments are restructuring for the benefit of ordinary citizens, either through necessity or enlightenment; the economic consensus is supportive; and donors are thinking in terms of appropriate technology rather than procurement sales. The spirit of sustainable development is redefining Africa's future.

Agenda for Recovery

When translated into policy, the agenda for Africa is demanding but critical. Africa must

- Have better governance for development
- Create sound policy frameworks and financial discipline
- Focus on capacity building, particularly increasing investment in human resources and institutions
- Develop a sustained approach to long-term development.

Donors are not divorced from this process. While they must increase assistance for Africa, they must also be more disciplined and selective about assistance. They must ensure that assistance is not squandered on military spending, luxury consumption, and capital flight. Rather than creating dependency, they must encourage self-reliance.

What I find encouraging is that a consensus on African development issues seems to be emerging on which the countries of this region and donors can base long-term development strategies.

Nigeria's former President Obasanjo said it best when he suggested that it is not a question of who is right on the details, but rather what is right to put Africa back on the path of sustainable development.

With intelligence and common effort, we can reverse Africa's fortunes, bringing new hope and progress.

15. To the Board of Governors

Welcome to the 1990 Annual Meetings. I extend a warm welcome to Bulgaria, Czechoslovakia, and Namibia, who have just become—or are about to become—our newest members. I would also like to welcome our distinguished guests from around the world.

In his inaugural address, President John F. Kennedy summoned his compatriots “to bear the burden of a long twilight struggle. . . a struggle against the common enemies of man: tyranny, poverty, disease, and war itself.” The World Bank was created forty-five years ago to help nations recover from the scourges of war and poverty. Preserving peace and promoting economic growth are still the greatest challenges we face.

We meet in the shadow of the Gulf crisis. We meet as Eastern European nations are attempting to transform themselves into pluralistic, market-oriented societies. We meet when a billion of our fellow human beings continue to live in abject poverty.

How will history judge our response to these challenges? How will we contribute to the spread of freedom and economic opportunity? As the Cold War ends, we must seize this historic opportunity to secure economic and social progress for all peoples.

Crisis in the Gulf

Superpower rivalry has dissipated, but the Gulf crisis poses an obvious threat to world peace. Unless quickly resolved, it will have a serious effect on the world’s poor and on developing countries. The burden will be especially heavy for countries least able to meet increased external payments.

Egypt, Jordan, and Turkey are already grappling with serious economic dislocation. Major disruptions are being faced by a number of other countries as well. We are working with affected countries, with the

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United Nations system, and with others to assess the impact and the needs.

One of the most distressing effects of the crisis is the exodus from Iraq and Kuwait of hundreds of thousands of workers to their home countries. The repatriation and resettlement of these workers is creating a major economic and social problem for the governments concerned.

The loss of remittances, reduced exports of goods and services, plus, of course, the hike in oil prices have already imposed a burden on these struggling economies.

These are urgent, pressing problems, which demand a swift response.

No one can predict how deep and lasting the effects of this crisis will be, but forceful measures *now* will forestall greater problems later. Prompt actions by governments of affected countries and by the international community are necessary.

The World Bank is already taking action. We have the flexibility to respond quickly in such crises.

We have launched a program of emergency assistance to help deal with the resettlement of returning workers and their reintegration into the economy. The Bank is not a relief agency, but it can help by financing expenditures for rehabilitation and other services, which generate immediate employment and income, while building productive assets. The talent, skill, and entrepreneurship that brought these workers to the Gulf in the first place must be preserved and harnessed for the future.

We are also accelerating disbursements from existing loans and credits, increasing cost-sharing, and advancing lending operations. And most important, we are assisting our borrowers in designing suitable policy responses to the crisis.

We are having discussions with many of you on what further the Bank can do. Naturally, we stand ready to help coordinate immediate assistance from the international community and to mobilize additional resources for specific countries, as required. I am pleased by the quick response of many bilateral donors. This support now must be channeled effectively.

If the crisis continues, other bilateral and multilateral efforts will be required to mobilize additional concessional resources to assist necessary adjustment efforts in the affected countries. One option is to raise funds,

separate from those for the International Development Association (IDA), in an effort to assist a broader range of affected countries. Other options could also be explored. We will coordinate closely with the International Monetary Fund (IMF) and others.

The Changing World

Before the Gulf crisis broke out, international attention was focused on the truly extraordinary changes taking place, notably in Eastern Europe and the Soviet Union. These developments have brought us a long way toward resolving ideological strife. The countries of Eastern Europe will continue to need strong financial and technical support in their efforts to develop competitive, market-oriented economies. Difficult choices will have to be made, and the political tolerance of the people will be sorely tested before economic gains materialize.

Comparable reform seems also to be starting, with some difficulty, in the Soviet Union. Teams from the World Bank, the IMF, the Organisation for Economic Co-operation and Development, and the European Bank for Reconstruction and Development are in Moscow assessing the problems and needs. The welcome presence here of guests from the Soviet Union is a symbol of the mutual willingness to explore the great issues of reform.

This new collaborative atmosphere is the result of a broad and growing consensus that economic improvement requires economic pluralism, which, in turn, begets political pluralism. Around the world, people are seeking freedom—freedom to participate in decisions that determine their destinies, freedom to lead better lives.

Many societies are seeking a balance between public and private enterprise, while simultaneously decentralizing government and broadening participation in decisionmaking. As Voltaire aptly stated, “When once a nation begins to think, it is impossible to stop it.” This movement, these ideas, these new economic and political structures, together, will transform our world.

The relaxation of East-West tensions will help strengthen the global economy, as a previously divided world coalesces into a more cooperative whole. But the ghost of endemic global poverty will haunt all of us, unless we can reduce the ranks of the poor. As the 1990s unfold, success in reducing poverty should be *the* measure of global economic progress.

Reduction of Poverty as a Goal

Reducing poverty is possible. Developing countries, bolstered by international support, have made impressive advances against poverty. In the two decades after 1965, developing-country annual consumption per capita rose from \$590 to \$985 in real terms, life expectancy rose from 51 to 62 years, and the net enrollment rate in primary education increased from 73 to 84 percent. These are not mere statistics. They speak of real achievements that have improved the quality of peoples' lives—achievements to which the World Bank has contributed considerably over many years, achievements of which we can all be proud.

Development on this scale and at this speed is unprecedented.

Despite these impressive advances, poverty has proven a stubborn foe. For instance, three of the world's most populous nations—India, China, and Indonesia—have made great progress toward reducing poverty. Even so, more than one billion people, half of them in South Asia, still live on less than a dollar a day. During the next ten years, the population of the developing world is likely to increase by at least 850 million people, many of whom will be born into absolute poverty.

Some regions have regressed economically. Living standards in Latin America have fallen below those of the 1970s. Parts of Sub-Saharan Africa have suffered a veritable collapse of living standards, institutions, and infrastructure. Given Africa's rapidly rising population, the number of poor people will continue to increase, even if economic growth accelerates. There, poverty reduction faces its greatest challenge.

A Strategy for Development and the Reduction of Poverty

Poverty reduction is an integrating theme for the many facets of the Bank's work, and it is the *raison d'être* for our operational emphases. Our *World Development Report 1990* sets out a clear strategy for reducing poverty.

The premise of the strategy is that the poor's most abundant asset is their labor. Experience suggests two related ways of improving and utilizing that asset. First, economic growth that encourages the productive use of labor by removing policy biases will increase income-earning opportunities for the poor, particularly in farming and small and medium-size enterprises. Second, expanded and better directed educational and health services for the poor will augment their income-earning potential.

These two elements form the core of this poverty reduction strategy. In addition, carefully targeted transfers and social safety nets are necessary to assist those most vulnerable—for instance, the children, the aged, the sick, and the handicapped—who, through no fault of their own, will not be reached. We can, we must reduce the suffering of these dependent poor.

This strategy derives from years of experience and a growing consensus in the development community about what is needed to reduce poverty. Since the World Bank began operations in 1946, it has adjusted its lending program as needs have changed and capacities have evolved. We know a great deal about who the poor are, where they are, and how they live. We understand what keeps them poor and what must be done to improve the quality of their lives.

Poor people everywhere—the landless laborer in Bangladesh, the subsistence farmer in Ghana, and the slum dweller in Peru—have low incomes, few opportunities, and limited access to social services and political power.

We have good reason for intensifying our attack on poverty. Impressive results *are* possible. New industries have flourished in East Asia, and agricultural reforms favoring small farmers in Zimbabwe have resulted in significantly increased cotton and maize output. The incidence of poverty in Indonesia was reduced from 60 to 20 percent during the 1960s and 1970s, and the child mortality rate in Colombia declined sharply.

Economic Growth: Cornerstone for Strategy

Economic growth is the cornerstone of successful development and poverty reduction. Steady growth has been crucial to the reduction of poverty in countries such as India and China. Conversely, the number of poor people has risen in parts of Latin America and Sub-Saharan Africa, as growth has slowed or even ceased.

The precondition for restoring growth in many countries is structural adjustment. Major economic imbalances must be redressed; the poor suffer most from distortions such as high inflation.

Inadequate restructuring hurts the poor, by reducing consumption and availability of social services. We have seen in programs in Ghana and Bolivia, however, that social services can be preserved and even expanded, despite budgetary constraints.

In fact, the poor benefit from restructuring. Indonesia's restructuring mainly affected industry, while Tanzania's was directed chiefly at agriculture. Demand for labor is rising in both countries.

Economic growth is driven by the entrepreneurial spirit of individuals. A vibrant private sector, therefore, is vital. Most of the income-earning opportunities for the poor are generated by the private sector, many in the dynamic informal urban sector and in the labor-intensive agriculture sector.

The World Bank's Role in Reducing Poverty

The World Bank lends heavily for agriculture, infrastructure, and energy, all of which generate jobs and support efficient use of labor. Our projects also stress technology, incentives, and institutions that promote growth and the productive use of labor.

Bank activities today reflect the importance we give to providing people with the opportunity to improve their lives. Better education, health, and nutrition directly address the basic causes and worst consequences of poverty. Education, particularly of women, improves health, lowers fertility, and increases labor productivity. Likewise, better health and nutrition raise peoples' productivity and their ability to learn.

Family planning is important to reducing poverty. Rapid population growth imposes additional burdens on already strained education and health services and tilts the labor market against the poor. High mortality rates associated with childbearing reinforce the need for family planning. It is appalling that each year half a million women—99 percent of them in the developing world—die in childbirth.

As George Bernard Shaw wrote, "The greatest of evils and the worst of crimes is poverty."

The World Bank is rapidly increasing its lending for the social sectors—primary education, where we are tripling our lending; basic health care; family planning; and nutrition. Our special focus on women in development seeks to expand economic opportunities, while easing their burden in securing food, water, and health services for their families. We have intensified our support for efficient food production and for targeted nutrition programs to replace costly general food subsidies. We are helping countries design better delivery systems for social and public services and are encouraging the involvement of communities, nongovernmental organizations, and the private sector.

Together, we *can* reduce poverty.

Environmental Considerations

Any poverty reduction strategy is sustainable only if it respects the natural environment. A healthy economy cannot survive in an unhealthy environment, as we see in regions as diverse as the Sahel and the Andean Highlands.

Poor people and poor countries suffer most from environmental degradation. Measures to improve the quality of the air they breathe, the soil they till, and the water they drink can greatly improve the quality of their lives.

I remember talking to a woman in the slums of Bombay and asking her what she needed most. She replied, "With my children I stand for two hours in line to get water not fit for drinking. What do you think I need most?"

As the World Bank pursues poverty reduction, our commitment to environmentally sustainable development will continue. We will encourage ecologically sound patterns of energy use, agricultural development, industrialization, and human settlement. As you know, I have pledged significant increases in forestry expenditures. We will also help to combat desertification, soil salinity, and urban pollution.

Because industrial countries have contributed most to the destruction of the global environment, they have a particular responsibility for improving it.

Some environmental issues—for instance, concern about the ozone layer—transcend national boundaries. We will support global funding initiatives, such as the Montreal Protocol, to deal with these issues.

I am pleased by the successful outcome of last Saturday's meeting on the Global Environment Facility. Support was expressed for the proposal that the Bank, in association with the United Nations Environment Programme (UNEP), and the United Nations Development Programme (UNDP), assist developing countries to address global aspects in their environmental programs. There was broad agreement that assistance should be additional and concessional, and most donors indicated their willingness to contribute to the facility.

Implementing the Poverty Reduction Strategy

Implementation of the poverty reduction strategy could reduce the number of poor people in developing countries by at least 300 million,

roughly one-third, by the year 2000. Child mortality rates could decline with improved health services, and primary education could become almost universal.

This progress is achievable, despite rapidly rising populations, including an expected increase of about 100 million poor people in Sub-Saharan Africa. The World Bank is determined to press Africa's recovery. Special and sustained action is required from the entire international community. I welcome the support given to the second round of the Special Program of Assistance for Africa.

In Africa and elsewhere, governments must be committed to poverty reduction. Scarce resources—financial, natural, and human—must be used more effectively. People are seeking better choices and more control over their individual destinies.

Development is most likely to succeed where government is honest, competent, responsive, and just; where accountable institutions function according to objective rules; and where red tape is minimized.

Successful implementation of the strategy also depends a great deal on the external economic environment, which is largely determined by industrial countries.

A satisfactory outcome to the Uruguay Round is crucially important. The degeneration of the multilateral trading system into regional blocs, or persistent adherence to restrictive policies, constrains global economic growth. The future of hundreds of millions of poor people all over the world depends on the negotiation of this agreement. I urge participants of the General Agreement on Tariffs and Trade to resolve their differences for the global good.

In addition to removing trade restrictions, industrial countries must provide adequate financial resources and sound investment to support the strategy. Otherwise, poverty reduction will remain an ambitious dream.

Private direct investment is a powerful engine of growth. Developing countries must improve their investment climates to attract private capital—whether it be foreign, domestic, or flight capital.

The World Bank Group, including the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), is committed to improving the opportunities for private investment everywhere. Early approval of a capital increase for the IFC will enhance

its ability to strengthen private sector development in borrowing countries.

Despite recent debt-reduction agreements, debt remains an obstacle to growth in many developing countries. We must continue to pursue ways to lighten further the load of both private and official debt. I welcome the proposal put forward last week by the United Kingdom, in what has become known as the Trinidad Terms, and other recent proposals by the Dutch and French governments. These are important initiatives, which, when translated into an agreed set of actions, would help ease the burden of official debt in the poorest countries.

Increased flows of official development assistance are also needed if developing countries are to succeed in implementing poverty reduction strategies. Official aid flows have fallen as a percentage of industrial countries' gross domestic product, just as the need has been most acute. This is unacceptable.

The Gulf crisis has dampened hopes for a peace dividend. But it should not. Just as an example, if members of the North Atlantic Treaty Organization cut their military outlays by only 10 percent, they could double their development aid. Moreover, developing countries spend around \$200 billion a year on weapons; many spend more on arms than on health and education combined. Financial resources must be redirected to higher priorities.

Collective International Action against Poverty

As the 1990s begin, the World Bank is equipped with a strong capital base, a replenished IDA, a highly motivated and skilled staff, and almost half a century's unequalled experience. We will do all *we* can to make this a decade of economic growth and poverty reduction.

Development is a slow process, a constantly moving tapestry. Success in reducing poverty will require patience. It will also require determined, *collective* action. The cooperative spirit in which the international community has responded to the Gulf crisis should inspire our approach to other common causes, especially poverty.

Let me suggest four ways in which we can work together to reduce poverty.

First, developing-country governments should establish sustainable growth policies and spending priorities for poverty reduction. They *must*

marshall and make efficient use of scarce resources. The World Bank will work with interested nations to formulate and implement the specific programs that will bring the strategy to life. Others must also help.

Second, we should agree on ways to measure better how country policies affect the poor. Good intentions are not enough; objective standards must be built into our efforts to improve the quality of life. Indicators such as child mortality, primary school enrollment, nutrition, real unskilled wages, and real agricultural producer prices could be used to measure progress in reducing poverty.

Third, good performance should be increasingly important in the allocation of development assistance. Where recipients do not pursue a broad poverty reduction strategy, assistance should be limited and carefully directed toward the neediest groups. Where countries adopt effective strategies, resource flows should be increased to reinforce their implementation. IDA already gives considerable weight to a country's efforts to reduce poverty in allocating its scarce concessional funds.

Fourth, the entire international community should be committed to substantial poverty reduction. The UNDP's *Human Development Report 1990*, the Bank's *World Development Report 1990*, and the extraordinary Children's Summit this coming weekend in New York are fresh evidence that the international community has common concerns, directions, and strategies. We must tap the international reservoir of skills and experience to translate this common concern into action.

Conclusion

"We cannot have communities half sound and half unsound," wrote John Gardner in *No Easy Victories*. "Bitterness, anger, and social disintegration cannot be sealed off. They will inevitably affect the whole community and the whole world. It isn't going to be a decent society for any of us until it is for all of us."

Lifting poverty's burden from hundreds of millions of people means new freedom for them—freedom from hunger, freedom from ignorance, freedom from avoidable ill health, freedom to determine their own destinies, freedom to participate in growth and improvement—in short, freedom for a future brighter than the past. Together, we *can*, and I believe we *will*, reduce poverty.

16. To the International Institute for Environment and Development

I would like to thank *The Observer* and the International Institute for Environment and Development, a pioneer in its field, for inviting me to join this distinguished gathering.

Our gathering owes much to Geoffrey Lean, a doughty defender of the environment and supporter of development. Geoffrey has many friends here and at the World Bank, and we were all distressed by his illness. We wish Geoffrey a swift recovery.



Conserving the environment and promoting development through economic growth are compatible and necessary partners. In recent years, millions of people throughout the world have become acutely aware of the possible long-term environmental costs of short-term economic benefits.

They have good reason to be concerned. Oceans are polluted and the ozone layer is being depleted. In many Eastern European cities, the air is unfit to breathe and the flowing waters unfit to drink. Industrial countries will have to pay billions of dollars to clean up hazardous wastes and ensure good quality air. The cost of industrial pollution alone may be as much as 5 percent of world output.

Across large swathes of Sub-Saharan Africa, agricultural land is degenerating into desert alarmingly fast. Whether in Latin America, southeast Asia, or central and west Africa, tropical forests—often referred to as the earth's lungs—are being destroyed. This destruction alone has been estimated to cause the loss of 4,000 to 6,000 species a year.

But poverty is such a toxic environmental force that the human species itself is threatened in the frightful environment of the world's slums. Clearly, we face an environmental crisis.

London, United Kingdom, March 19, 1991

But we have no cause for unremitting gloom. Within the countries of the Organisation for Economic Co-operation and Development (OECD), emissions of sulphur dioxide, carbon monoxide, lead, and particulate matter—all major pollutants and threats to health—are lower than in 1970. While gross domestic product rose by 116 percent in Japan between 1970 and 1990, sulphur dioxide emissions fell by 80 percent. Energy consumption has become so much more efficient that world oil demand is approximately the same as twenty years ago. High-yielding crop varieties spawned a “green revolution” and averted the food shortages feared by many. The cost of family planning has fallen while its effectiveness has risen.

We have learned one invaluable truth from our environmental successes and failures—development and environmental protection are mutually dependent. Population size and growth are an urgent manifestation of this relationship. At present rates of increase, 8 billion people will be jostling for space on our planet by the year 2025. As many as 90 percent of the young will be in developing countries.

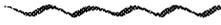
Sheer pressure of numbers threatens to overwhelm the environment and perpetuate poverty. More hungry mouths to feed means more pressure on fragile soils and rain forest reserves. As Robert Green Ingersoll wrote, “In nature there are neither rewards nor punishments—there are consequences.” One cannot make a desert and call it development. The peoples of the developing world cannot thrive if their rivers are poisoned, their forests denuded, their soil degraded, and their cities overcrowded.

As a development agency whose mission is to reduce poverty and improve social conditions, the World Bank, therefore, must also be concerned about the environment. I accept that some projects the World Bank has funded in the past have contributed to environmental problems. But in recent years, we have greatly intensified efforts to make environmental conservation part of our development mission. In our past fiscal year, we committed for all purposes more than \$20 billion; about half our loans and credits contained environmental components. Environmental analysis is now integral to our lending. We have completed environmental reviews for most of our borrowing member countries. We are strengthening contacts with nongovernmental organizations (NGOs) and are deeply involved in environmental research and debate. In fact, we are devoting next year’s *World Development Report* to the environment.

We accept our share of the responsibility for promoting development that strives to achieve society’s goals without inflicting unacceptable

environmental costs on future generations. Our children and their children after them will judge our stewardship of Planet Earth by the extent to which our response to the environmental crisis is commensurate with its complexity.

I believe the response *must* be *sustainable development*, and I believe sustainable development is possible.



Development has both quantitative and qualitative dimensions. Its quantitative dimension is economic growth, the increase in productive potential that helps people to meet tangible needs and aspirations. Its qualitative dimension is the transformation of society to help people meet their institutional, social, and intangible needs and aspirations.

Good environmental policy is good economic development policy. Preventing the erosion of millions of hectares of soil helps the environment and small farmers, as well. Preventing the poisoning of rivers helps the environment and lengthens the lives of those who drink from those rivers.

Good economic policy also is good environmental policy. When—as is the case in many countries—energy is heavily subsidized, patterns of production are distorted, fiscal balance is threatened, and the environment is damaged.

Good economic policy is good environmental policy in two other ways. First, to function effectively, a market economy must have clearly defined property rights. Without them, the economy suffers and so does the environment. People will not protect a tree, preserve an aquifer, or nurture soil without the stable relationship encouraged by ownership.

Second, good economic policy promotes growth, which, in turn, makes environmental protection possible. Richer countries can afford to do more of the long-term things necessary to preserve the environment than poorer countries can.

Why is economic growth essential? Because rising incomes can fuel environmental investment. Because it is unreasonable to expect developing countries, which already consume so few resources, to consume even fewer. Because more than 1 billion people live on a dollar a day or less.

Only rising incomes can make it possible for these people to escape from such unimaginable poverty. Rising incomes in developing countries may

be generated either by growth in those countries or by a global redistribution of wealth, or by both. A redistribution of wealth big enough by itself to raise significantly the quality of life for these people would have to be so massive that it would dwarf present or foreseeable development assistance. Thus, growth will be the mainspring of rising developing-country incomes for the foreseeable future, even if development assistance increases.



Why do I believe sustainable development is achievable? Because the ability of economists and ecologists to assess the long-term environmental costs of policies has improved considerably in recent years. Because technology has improved. Because public awareness has grown to the point at which conserving the environment is a popular priority. Because we are beginning to create the necessary supporting institutions, national and international.

A great deal of work has been done on how the components of economic growth—investment, consumption, income, and so on—influence our environment and on the detailed connections between specific economic actions and specific environmental consequences. Ecologists have highlighted the long, interlocking, and intricate chains of cause and consequence that lie at the heart of environmental phenomena. This work provides the practical and theoretical foundations for sustainable development.

It provides the key to unlocking the vicious circle in which poverty and environmental degradation feed off each other. An agricultural project may appear to yield a good rate of return in standard economic terms. But if possible environmental costs are included—water pollution caused by increased fertilizer use or soil erosion caused by removal of ground cover—the project may be less attractive.

Chains of cause and effect, of costs and benefits, can be unexpectedly detailed and complicated. When I visited Madagascar, I was told that the island's biggest lemur depends for a balanced diet on some seventy-two different plants. So, what may appear to humans as only small environmental changes can threaten the very existence of a species.

Analysis of causes and effects *does* produce solutions. Eastern Europe, one of the world's most environmentally ravaged regions, offers vivid examples of the costs of ignoring environmental effects and valuable lessons on how to accommodate causes. The region's six countries (excluding

Albania and Yugoslavia) consume on average more than twice as much energy per dollar of national income as Western European countries. The main source of energy in Eastern Europe is air-polluting coal. Whereas in Western Europe coal and lignite account for about a quarter of energy output, in Czechoslovakia it approaches two-thirds and in Poland is about three-quarters.

The consequences for Poland have been grave. Environmental degradation has cost Poland between 2.5 and 3 percent of its gross domestic product (GDP) a year during the past decade. About half of Poland's loss in GDP resulted from ill-health, and consequent lower production, caused by emissions from coal burning in homes and small boilers. Partly for the same reason, along three-quarters of its length through Poland, the Vistula River's water is unsuitable for industrial, let alone human, consumption. Recognizing that resources generally will be conserved and used more efficiently if their prices reflect full social costs, Poland has increased energy prices by up to 600 percent.

Economic liberalization—establishing the right incentives—is indispensable. In this fundamental sense, good economics is good environmentalism.

But the market is not a panacea. Government intervention, of which central planning is an extreme case, arises because of “market failure”—the inability of private initiative to meet all public needs. Acknowledging “government failure” does not mean that market failure evaporates. Both are vulnerable to policy failure.

Market and policy failure can have a major impact on our environment. Man-made capital—or technology—is most unlikely to replace some types of natural capital, such as parks or the biodiversity of tropical forests. Even the most careful logging and reforestation cannot revive the incredible wealth of natural life lost when a tropical forest is felled.

Private action alone also cannot conserve our oceans and atmosphere. As perhaps the ultimate common goods, these resources are the collective responsibility of us all. Public intervention is unavoidable and critical.

The key is to achieve the right balance between the market and the state—between public and private action. Thus, the Environmental Program for the Mediterranean, in which the World Bank is involved with the European Investment Bank and the United Nations Environment Programme (UNEP), will embrace policy reform, institutional de-

velopment, and investment. Policy reform may begin as government action, but, including, for example, the “polluter pays” principle, it also acts through the market.

Determining the best policy balance and implementing it are more likely to be successful if people are free to articulate their problems and participate in solutions. Popular participation is important to successful solutions, economically, socially, and environmentally. Eastern Europe is only the most dramatic instance of how ordinary people are determining their own destiny.

In developing countries, NGOs increasingly represent popular concerns. *Political liberalization* must accompany economic liberalization, so that the people behind the governments can guide public interventions to protect common interests such as the environment.

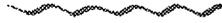


We all recognize that some environmental concerns transcend national boundaries and, therefore, require global solutions. The World Bank has participated with the UNEP and the United Nations Development Programme in setting up the Global Environment Facility (GEF). The facility will be operational by the middle of this year with up to \$1.5 billion in funding from donors, mainly from industrial countries, over three years. Funding for the facility will be concessional and additional to other development assistance. The GEF will help lower-income developing countries meet their share of the costs of dealing with global environmental problems, particularly global warming, biodiversity, and water pollution.

Multilateral action cannot be confined to developing countries, however. The environmental damage caused by the Gulf war and other conflicts underlines our collective stake in the peace that is prosperity's close companion. Industrial countries account for 90 percent of carbon dioxide emissions and for more than 80 percent of the manufacture and use of chlorofluorocarbons, despite being inhabited by only 10 percent of the world's population.

Next year's United Nations Conference on Environment and Development, in which the World Bank is actively participating, will address the environmental responsibilities and policies of industrial countries, as well as the importance of considering the environmental consequences of projects and policies supported through development assistance. In-

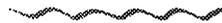
dustrial countries' policies will also be strengthened by the OECD's recent decisions to improve the quality and coordination of members' environmental information, to better control hazardous materials, and to make increasingly consistent use of market instruments to achieve environmental quality objectives.



Neither environmental conservation, nor growth, nor poverty reduction alone can achieve sustainable development. Each and every one in combination is a measure of progress. But progress will not come easily.

We must *all* change our ways. Future patterns of development in *all* countries must accommodate the environment. The precious capital of natural resources must be maintained, depreciated, and replaced just like other forms of capital. If we can make progress in our efforts to include environmental costs in national accounts, we may eventually see resource extraction and polluting activities being discouraged through taxes.

We have seen that economic restructuring to preserve the environment is feasible. Despite its impressive economic achievements, Japan's carbon emissions are much lower than those of U.S. or European competitors. Throughout the industrial economies, we already see the benefits of shifting from smokestack industries, such as steel and cement, to clean industries, such as electronics and services. Companies have found that investing in environmental efficiency pays and that the price of procrastination often is higher than the price of prompt action. In this fundamental sense, good environmentalism is good economics.



Yes, sustainable development is achievable, but difficult choices will have to be made. People of industrial countries must be willing to make the necessary sacrifices in lifestyle that global sustainable development requires. People in the developing world must accept the value of family planning, of economic efficiency, and of environmental investment as a popular necessity rather than an elitist diversion.

The common crisis we face calls for uncommon measures. For honing our tools of economic and environmental analysis. For navigating our passage through a shifting mix of private and public actions. For reinforcing international cooperation. For summoning the political will essential

to transforming present patterns of development. For moving swiftly when necessary, in the knowledge that the price of procrastination could be high.

No single, simple solution will suffice. We must be prepared to experiment, to learn from our experiences, and to continue trying. We are, after all, as T. S. Eliot wrote, “only undefeated because we have gone on trying.”

Sustainable development is necessary—not only that, sustainable development is possible.

17. To the Organization of African Unity

It is a distinct honor for me to address the twenty-seventh session of the Organization of African Unity (OAU) Assembly of Heads of State and Government. I would like to express my personal appreciation to the secretary-general of the OAU, Mr. Salim Ahmed Salim, for inviting me here. And I would like to congratulate the chairman—as well as the secretary-general and his staff—for the excellent arrangements made for this meeting. I would also like to thank the government and the peoples of the Federal Republic of Nigeria for their hospitality and for making us all feel at home. My wife and I are delighted to be back in Africa.

World Bank's Partnership with Africa

The World Bank recognizes the fundamental importance of the OAU in African affairs. The OAU represents the collective will and sovereignty of the African people. It is the most authentically African institution and deserves your genuine commitment to its principles and objectives. It also deserves the respect and support of all external agencies. As I see it, the OAU and the African Development Bank are the two truly pan-African institutions that play key roles in the development efforts of this great continent.

I feel it appropriate that I should come before you here because I am, in a sense, your employee. Your governments are shareholders in the World Bank. It is your institution. We are at your service, running side-by-side in a marathon development undertaking. I hope that my presence here might mark the beginning of an even deeper relationship between this august body and the World Bank, a true partner in your development.

During the past five years, I have visited many of your countries, met many of you personally, and I have seen, firsthand, the immense development challenges that you and your peoples face. As one who has exchanged views with you on these challenges, I very much appreciate

Abuja, Nigeria, June 4, 1991

this opportunity to share with you some personal reflections that relate to the development process in Africa.

A Historic Moment

We stand at a historic moment in time. The world is undergoing fundamental change. Superpower rivalry is yielding to a new spirit of dialogue, and the impulse toward political and economic reform has transformed the geopolitical landscape. The opportunities for the world to benefit from increased cooperation are enormous.

Here in Africa too, new winds of change are blowing. Namibia's recent gaining of independence effectively marked the end of colonial rule in Africa—and attests to the OAU's unfailing efforts to bring freedom to every corner of the continent. The release of Mr. Nelson Mandela and the steps taken toward dismantling the abhorrent system of apartheid in South Africa—provided they are steadily continued—hold the promise of a new era in Africa.

The struggle for independence was, clearly, the major challenge that faced Africa in the second half of the twentieth century. With this objective now virtually achieved, Africa can focus its energies on what is clearly the major challenge of the 1990s and the next century: the struggle against poverty and the achievement of economic and social development for all the peoples of the continent. This is an opportunity that—in my humble opinion—Africa must not, dare not, lose.

A Continent in Crisis

From a development perspective, Africa today is a continent in crisis. You are more familiar with the problems than I, because you live with them day in and day out.

Low-income Africa is the only region of the world where the number of people living in poverty would, if current trends continue, increase by the year 2000; it is the only region where population is doubling every twenty years or so—in fact, it is the only region where, for some three decades, economic growth has barely kept ahead of population growth; and it is the only region whose debt is now greater than its total economic output. These are daunting statistics, by any measure. We cannot underestimate the severity of the situation. The 1990s are going to be extremely difficult years for Africa.

I do not, however, consider the problems to be insurmountable. Indeed, I believe that there are a number of reasons to be positive about the future of Africa—and I say this without taking a romantic view of the very real life and death struggle that so many Africans face every day. Why am I hopeful?

Reasons for Hope

First, because I take a long-term view. Most African countries are barely a generation away from independence and a colonial heritage that bequeathed them neither strong institutions nor an educated citizenry—the critical capacities for development. These deficiencies cannot be overcome overnight. We are, as I said, involved in a marathon undertaking, and we must beware of unrealistic expectations. But I am convinced that Africa is going to make it.

Second, I am hopeful because of the change in attitude and approach toward economic policymaking that has taken place in Africa in recent years. Indeed, the difference in the situation now, compared with five years ago when I came to the World Bank, is quite remarkable. This change began slowly around the mid-1980s, with a handful of countries undertaking structural adjustment programs aimed at increasing productivity and stimulating growth. Today, more than thirty African countries have adopted economic reform programs.

This has happened without much attention being paid by those who have waxed lyrical about similar kinds of reform programs in Eastern Europe. But the important thing is that it has happened. African countries have taken a grip on their problems as never before.

On this point, however, I would like to make one thing clear: a country's entry into structural adjustment cannot bring about instant recovery. We must not forget that in virtually every case, African countries have gone into adjustment only when they were in dire straits. You know what the situation was. You also know that adjustment has helped stop the decline and allowed for improvement to take place. The evidence becomes stronger every day. In 1990, low-income countries implementing adjustment programs grew an average of 4 to 5 percentage points faster than those not undertaking economic reform.

I am the first to admit that progress—in terms of on-the-ground improvements in people's living standards—remains unsatisfactory. The process of recovery is long and painful, as the countries of Eastern Europe are also

discovering. But those who blame the pain on the reform programs confuse the malady with the remedy. The real causes of today's problems lie in the mistaken economic policies of the past—and if those policies had simply been continued, the situation would be much worse today.

There is no alternative to adjustment—no soft option, no easy way out. But adjustment strategies can be—must be—designed with every effort made to protect the poor and the vulnerable. I think we have made substantial progress in this regard through the Social Dimensions of Adjustment program and other measures—and more will be done. I am not discouraged. As the President of the African Development Bank, Mr. Babacar N'Diaye, puts it, “Africa is getting better and better.” We must be patient and look to the long term. Something important is happening in Africa—and it gives reason for hope.

The donor countries have clearly recognized this. Through efforts such as the Special Program of Assistance for low-income Africa—initiated by the World Bank and strongly supported by the African Development Bank and virtually all of the major bilateral and multilateral donors—unprecedented levels of financial aid and debt relief have been going to Africa in recent years. It may not be enough to bring about improvement as quickly as we would like to see it. But it is certainly more than Africa has ever received in the past. This momentum of support—provided it can be maintained—is another reason to be hopeful about the future.

The Emergence of Consensus

But the major reason that I am hopeful, and the major difference that I see between the situation in Africa today compared with five years ago, is the clear emergence of consensus—in Africa and between Africa and the donor community—on Africa's development objectives and how they should be tackled. This consensus has not been easy to achieve. Different people have different ideas, and the debate has been vigorous. It has also been productive.

I would like to think that the World Bank has played a modest role in helping the consensus to evolve—through our operations and special initiatives and through our long-term perspective study, *Sub-Saharan Africa: From Crisis to Sustainable Growth*. Like the Lagos Plan of Action and Africa's Priority Programme for Economic Recovery, this report stated that, in the final analysis, development cannot be measured solely in terms of economic aggregates. To paraphrase the wise words of

Mwalimu Julius Nyerere, the rational choice on development is investment in people and their well-being.

The Strategic Agenda

We all know that Africa is generously endowed with natural resources compared with many other regions of the world. What is vitally needed is the human capacity to make the most effective use of those resources and to harness them for Africa's development.

The first item on Africa's strategic agenda, therefore, is to increase investment in human resources. Expenditures on education, health, and nutrition should be at least doubled by the year 2000 to enable the peoples of Africa to play their full part in what must be a "people-centered" development process. People come first.

Second, economic reforms aimed at growth with poverty reduction must continue to be aggressively pursued—in order to make Africa efficient, competitive, and capable of taking care of the needs of her peoples.

Third, agricultural production and productivity must be boosted substantially—indeed, doubled from current levels if agriculture is to fulfill its potential as Africa's engine of growth.

Fourth, Africa's exponential population growth rate needs to be slowed. I am encouraged that more than half of the countries represented here have now adopted national population policies. I urge you to implement those policies and to give Africa's economic growth the breathing space it needs to catch up with population growth.

Fifth, the degradation of the continent's environment and natural resource base must be halted and reversed—and broad-based national environmental action plans must be put in place. The linkages between agricultural stagnation, accelerating population growth, and environmental damage need to be recognized and appropriate actions taken to preserve Africa's patrimony.

Sixth, women, the primary actors in so many of Africa's development activities, must be recognized as contributors to the economic stability of Africa and must be given the resources they deserve. Let me be frank here: we have all talked about promoting the role of women. But as yet, I see little evidence of a change in their role or status. We simply must increase their access to education, to credit, and to opportunity. I firmly

believe this: without an improvement in the conditions for African women, there will be no improvement in the condition of Africa.

Seventh, local, grassroots development organizations need to be nurtured and encouraged. Sustainable development can only come from the bottom up, not from the top down, and we need to do more to empower local groups and communities.

Private Sector Expansion

I believe that we can all agree on these seven items on Africa's strategic agenda. I also believe that there is now a consensus that the private sector has a key role to play in Africa's development. Private entrepreneurship has been downplayed in most African countries during the past thirty years. We know the reasons why: indigenous entrepreneurs were assumed to be scarce, and foreign entrepreneurs were generally distrusted. It was also argued that the state could best manage production and markets. We now know, of course, that this supposition was wrong, and, I am pleased to note, a reappraisal of development strategies has been taking place in Africa.

The "anti-business" rhetoric that was so evident only five years ago has all but disappeared. Government intervention in the marketplace has been reduced. And Africa's entrepreneurs are beginning to respond. The fact is that Africa's labor force is set to double within the next generation. Only the private sector can create enough jobs to meet this expansion. Investment—domestic and foreign—must be encouraged, and Africa's businesspeople must be enabled to meet the challenge.

Increased Regional Cooperation

Increased regional cooperation could do more than anything else to create this enabling environment. I know that regional integration was the dream of the founding fathers of African independence. I also know that it remains a policy objective of both the OAU and the African Development Bank. So far as I can see, however, little has been done in practical terms to realize it. The time has come to move from dreams to deeds.

As an outsider, I must admit that I find it difficult to comprehend why there are so many roadblocks between Accra and Lagos or between Dakar and Abidjan. Why is it so difficult for a businessman to transport his goods from Mombasa to Kampala and from Dar-es-Salaam to Lusaka? I have been struck that it is often easier for me—a "Mzungu"—to travel from one African country to another, than it is for an African. Surely, as

we stand on the threshold of the twenty-first century, we can move beyond this kind of obstructionism?

I am delighted that this assembly will be signing a draft treaty establishing an African Economic Community. The World Bank will do everything in its power to support the realization of its objectives. The signing of the document is an important first step, but it is even more important that concrete, pragmatic measures be taken—by African countries—to implement the treaty and make the idea of an African Economic Community a reality.

Capacity Building

To implement the right kinds of policies, Africa needs its own capacities. It needs to strengthen its local institutions and human resource base, and it needs to use those resources effectively. This is a crucial item on Africa's strategic agenda. To help achieve it, the World Bank has been working with the African Development Bank, the United Nations Development Programme, and many other donor and African governments to establish the African Capacity Building Foundation. This foundation will focus on public policy analysis and management skills—those skills so critical to the development process.

This is a venture very close to my heart: an African institution, run by an African, based in Africa, and focused on developing African human and institutional capacities. This is not just another example of donor-driven technical assistance. In fact we hope that this initiative might offer a new approach to external support for human resource development and institution building in Africa. I urge all African governments and donors to nurture the African Capacity Building Foundation into an endowed entity after its pilot phase. Let me also take this opportunity to applaud President Robert Mugabe and the government of Zimbabwe for their speedy action in hosting the headquarters of the foundation—which has now opened its doors for business in Harare.

The Question of Governance

We can build capacities, we can increase regional cooperation, we can invest in human resources, and we can pursue with all our might the other goals of Africa's strategic agenda. But it has become increasingly clear that all will be to no avail unless the quality of governance in Africa improves. I am not qualified to comment on the nature and form of Africa's political systems. This is the concern of the African people

themselves. As your “employee,” however, I am concerned about those aspects of governance that impede development and impair the quality of life for your people.

One of the most obvious problems is continued civil strife within Africa. How many internal and transborder wars has Africa experienced? How many coups have been staged to topple African leaders? What price in human terms has Africa paid for militarization? When will Africa’s untold millions of refugees and starving children be allowed the peace and dignity that is the basic right of every human being? As I reflect on these questions, I recall the high hopes of the OAU when it was established. I now urge all of you to use the OAU as the principal African mechanism for conflict resolution and for ensuring security and stability—because without these, there will be no sustained development for Africa.

The second aspect of governance that directly affects economic development is the question of the participation of people in their country’s economic life. This is not an issue unique to Africa; people all over the world are demanding a say in the decisions that affect their lives. In my personal opinion it is an entirely legitimate demand. I can recall the voices of the founding fathers of African independence. Kwame Nkrumah, Nnamdi Azikiwe, Leopold Senghor, Modibo Keita, Jomo Kenyatta, and Julius Nyerere (to name but a few) all demanded “Uhuru”—freedom—of speech, of thought, of association; freedom from arbitrary arrest and oppression; freedom to participate in the development of their nations. Africa today is once again hearing those voices, the voices of freedom. I urge you, as Africa’s leaders, not to ignore them.

I would like to make one final point on this question of governance. The World Bank is not about to involve itself in the internal political affairs of any country or to introduce any new political conditionalities in its work. We are a development institution, and we will continue to focus our attention only on those aspects of governance that directly affect development—accountability, transparency, predictability, adherence to the rule of law, and so on. These are not new issues for the Bank. But in a world where the competition for our scarce resources has never been more intense, we will be paying increasingly more attention to them in the years to come.

Role of the World Bank

If there is one message that I would wish to leave with you today, it is this: Africa is the master of its own fate. I do not underestimate the

external difficulties—low commodity prices, high levels of debt, unfair trading practices, inappropriate forms of technical assistance, and so on. But I believe that with the right kinds of policies and the right kinds of leadership, these problems can be managed and even overcome. I am not speaking in the abstract here; other developing regions have shown that it can be done.

The simple fact is that Africa has lost out to those other regions in terms of competitiveness and efficiency. Although it is true that the prices of some commodities have declined, the more serious problem for Africa has been the loss of market share—a 50 percent loss since 1970. Indeed recent analysis indicates that if low-income Africa had only maintained its 1970 market share of non-oil commodities, it would be receiving today an additional \$9 billion to \$10 billion per year in export revenues—regardless of price fluctuations. The major reason for this lack of competitiveness is low levels of efficiency. The cost of doing business in and with Africa is simply too high—often 50 to 100 percent higher than comparable costs in other developing regions. The name of the game is competition—and Africa is going to have to adjust in order to improve its economic efficiency and hold its own in the world.

I believe you can do it; I believe you have started to do it. The World Bank stands ready to support you in your efforts with all the financial, technical, and intellectual support that we can muster—and we will continue to catalyze as much support as we can from other sources. We recognize the responsibility that donors have to help Africa achieve its development objectives. We have stated clearly and publicly that Africa needs increased levels of financial resources and debt relief. During the past five years I personally have pushed to make Africa a priority for the World Bank and the donor community. I hope I have at least succeeded in convincing Africa that it has a friend in the World Bank. I must emphasize, however, that ours is essentially a support role. The principal responsibility for achieving Africa's development rests with Africans. You must chart the course. You must energize your peoples. You must inspire confidence in investors and donors.

A Personal Reflection

In my travels in Africa and through my discussions with the leaders of the countries of Africa, I have learned a great deal about the problems of and the prospects for the continent. Let me leave you with what I discern as my main concern and my main hope.

My main concern is that Africa may be marginalized as the world's attention shifts to other areas. If governance is not seen to improve in Africa, if development is not seen to be taking hold, then "Afro-pessimism" may indeed set in, and Africa's great needs may be set aside. But as I have tried to make clear, this is a situation that you have the power to do something about. The World Bank will help, as will others. There is a reservoir of international goodwill toward Africa. For this reason, I urge all of you to support President Quett Masire of Botswana as he seeks to mobilize and tap this goodwill through the Global Coalition for Africa, which has been recently established.

My main hope, my main inspiration, is the resourcefulness and determination of the African people. Through talking to them over the years, I have gained a sense of their vision of the future: a vision of food security, basic health care, and education for all Africans; of full participation of the African people in the development process; and of a dynamic, competitive Africa that not only makes its way in the world but that makes a vital contribution.

Let me conclude by citing the words of the American president who had a very special relationship with, and special interest in, Africa—John Fitzgerald Kennedy. He once said that since "Our problems are man-made, they can be solved by man." As I leave the World Bank and as I leave Africa, I am convinced that, with committed leadership, African men and women can solve Africa's problems—and build a brighter future for Africa's children.

The destiny of Africa is in your hands.

18. To the Annual Meeting of the Bretton Woods Committee

I look back over my years at the World Bank with a number of emotions. One is a sense of pride at being associated with this premier development institution. There have been great satisfactions, but also some frustrations. I believe the Bank has accomplished a great deal in these five years, not because of me, but because of the willingness of Bank staff to learn, and grow, and commit, and work.

What We Have Accomplished

I came to the World Bank with little knowledge about the real work of development and with only a few fundamental goals. I used to say, "All I want to do is help hold the world together."

We accomplished a difficult but necessary reorganization. In addition to recapturing the confidence of our member governments, whose concerns had been expressed in a very negative administrative budget vote just before my arrival, the reorganization also prepared us to deal more effectively with the development agenda of the 1990s. Economies and efficiencies achieved as a result of the reorganization have been preserved through careful—the staff would say, "tough"—budgeting.

Beyond that we have greatly expanded our work in the private sector, while encouraging government to do better what it does best. We have strengthened our commitment to women. I feel it is impossible to overestimate the role and importance of women in development.

We have given increased attention to population growth, which simply must be addressed if other development programs are to succeed.

When I came to the Bank, it was unnecessarily criticized for ignoring environmental issues. For historical reasons it still is criticized for this, but we *are* doing better. Not only the new environmentalists at the Bank,

Washington, D.C., July 10, 1991

but also all the older staff, are now imbued with the desire to reconcile growth with conservation. The problems here aren't easy, but the World Bank is determined to be part of the solution.

Most important of all we have reaffirmed our commitment to poverty reduction. Sometimes concern about high rates of return and other economic goals distract us and make us think about the world in impersonal, statistical ways. The World Bank exists for only one reason—to make peoples' lives better.

As I said in my first Annual Meetings speech almost five years ago, "When we read statistics, we must see people. When we confront problems, we must cast them as opportunities. When we doubt our energy or question our faith in development, we must take fresh resolve from the reality that on our work depends the fate of millions." To quote a line from Pogo: "We are surrounded by insurmountable opportunities."

We succeed only if people have enough to eat, if they are educated, if they have access to health care. And it is a credo of the World Bank that people must be given the chance to supply these things for themselves through a healthy economy that provides them decent work.

During the past five years the world has seen dramatic changes that we never dreamt would have taken place. Who would have imagined five years ago that Lech Walesa or Vaclav Havel would be their nation's heads of state, that countries from the Baltic Sea to the Mediterranean would have embarked upon the building of new economic systems?

Who would have dreamt of significant global debt reduction; of an Africa recapturing growth; of a dynamic, open Mexican economy; of the empowerment of people everywhere; of the World Bank administering a global environment fund; to mention a few surprises?

I am proud of how the World Bank has responded to these changes.

Frustrations Along the Way

As I said, there have been frustrations too. In a large sense the frustrations stem from seeing progress made in some facets of development—for instance improved educational opportunities and increased lifespans—but knowing at the same time how much is left to be done.

Clearly, the less fortunate nations of the world, especially those willing to make an effort to help themselves, need increased commitment from the wealthier nations.

A special frustration of mine—and one I know this committee shares—is that our fellow American citizens are so unaware of development issues. Here we are in the United States, the nation that created the Marshall Plan, that provided key leadership in creating the Bretton Woods institutions, including the World Bank. Yet even otherwise knowledgeable Americans don't know what the World Bank is. I have actually had prominent Washington, D.C., columnists ask me where the World Bank is located.

Don't get me wrong. Americans have no real reason to care about the World Bank as such. What they *should* care about, however, is the *work* of the World Bank. They should care about *development*.

This is not just a matter of humanitarianism—although that is a powerful argument by itself. It is also a matter of our own prosperity. Former U.S. Treasury Secretary Hans Morgenthau said at the 1944 Bretton Woods conference that “the wisest and most effective way to protect our national interests is through international cooperation.”

What was true in 1944 is true today. President Bush at our last Annual Meetings called the Bretton Woods institutions “paradigms of cooperation in the post-Cold War world.” Indeed, since the end of World War II, our world has become increasingly interdependent.

Interdependence

Consider this, for instance. Between 1954 and 1963 trade, excluding services, averaged 7.9 percent of our gross national product (GNP). By 1987 trade equaled more than 25 percent of our GNP and was still climbing.

When I came to Washington as a freshman Congressman from upstate New York, Americans thought about themselves as more or less self-sufficient. Today you can't look anywhere even in my tiny home village of Alexander, New York, without finding evidence of foreign ties. More than ever before, growth in the United States is linked to growth overseas, not least of all in developing countries. We can sell the future short, put our heads in the sand, and pretend the link does not exist, but it does exist.

And I'm not just talking about commerce here. With high-speed travel and communications, illnesses spread faster than ever before. Music and new ideas of all kinds spill over national boundaries. No environmental problem is local. Americans' love affair with the automobile pollutes

everyone's air; the cutting down of tropical forests robs everyone of precious species of plants and animals and unnecessarily mortgages mankind's future.

While the urgent need to support development is realized at one level, it seems to drift past many Americans—and their leaders. I might say, parenthetically, that Congress is not so much the culprit here. Members of Congress are often considered to be too parochial, but during my tenure as President of the World Bank, it has been Congress, even more than the Executive branch, that has been supportive of the Bank's work.

I want to take this opportunity to give special thanks to the Bretton Wood Committee, for you have been enormously useful in explaining the work of the Bank on Capitol Hill. You have helped to bring the Congress and the Administration into accord on major development issues.

Often when institutions like the World Bank are scrutinized, the subject tends to be perquisites and pay, but never the quality of work or sacrifices that staff make. Bank staff do not spend their time in long black limousines. The Bank has three cars, none of them long or black. Many staff spend months each year in difficult, sometimes dangerous, and often unfamiliar settings. They are separated repeatedly from their families. Although it is never mentioned in the press, World Bank staff have died in the field in the service of development.

The World Bank is full of dedicated and skilled public servants who care deeply about their work. Three-quarters of the Bank staff is non-American. Their labor is highly marketable, not just here, but in Europe and Japan, where we must recruit to maintain our international character.

Human institutions like the World Bank, of course, are not perfect. They deserve and benefit from public scrutiny.

The Continuing Challenge

I'd like to close with a few thoughts.

Worldwide economic development is an endeavor that draws all of us together in common purpose. Americans have every right to be proud of the development they have fostered so far.

As former Secretary of State George Shultz stated in a speech to The Citizens Network for Foreign Affairs, "We have something to give the world. It's not simply a choice of deciding to be engaged and taking risks

or disengaging and not taking risks. . . . Escapism, the idea that we can disengage to our advantage, whether through the massacre of the foreign affairs budget or economic protection, is just incompatible with the international dimension of public service—and the reality of our world.”

We live in an increasingly interdependent world. People in all industrial nations must think internationally. We must find common solutions.

I came to the World Bank five years ago without a great deal of knowledge about development, but with an open mind. I’m leaving with a closed mind about the importance of the work of the World Bank and other multilateral institutions.

I don’t have to sell the World Bank to you, I know. This Bretton Woods Committee was established eight years ago precisely to get Americans to think about their community with developing countries. In a real sense we are all citizens of developing countries.

To you, I offer my thanks—and one final request. That is, that you will support my successor as you have me.

Thank you, all.



The World Bank

Headquarters

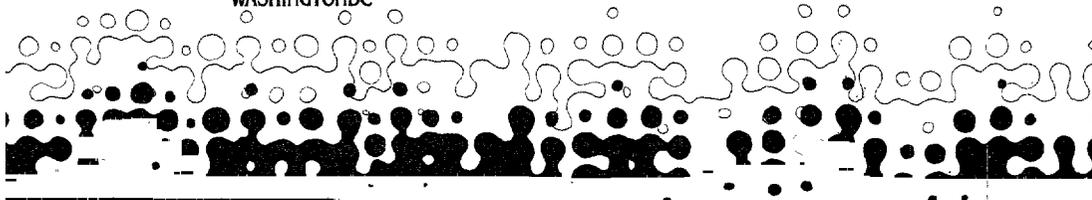
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