THE CHALLENGES OF DEVELOPMENT

Address as prepared for delivery

by

Barber B. Conable
President
The World Bank
International Finance Corporation
and
Multilateral Investment Guarantee Agency

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I am delighted to be in the Philippines at this exciting time and honored to meet so many who are doing so much to change your country's course and history.

In a few short years, you have impressed the world with your remarkable capacity to make major and peaceful political and economic adjustments.

Your dedication to democratic government has inspired others, nearby and far away, to emulate your example. The members of this audience can be justly proud of both their country's achievement, and their own individual contributions to the process of peaceful change.

Impressive Economic Recovery

Your economic turnaround is less well known and recognized. Yet it is just as impressive. You have demonstrated that a high-debt country can forge recovery through a combination of enlightened government policies and private initiative.

Where the average growth for 17 high debt countries in 1988 was less than three percent, yours was close to seven. The average rate of inflation for those countries was about eighty percent; yours was less than nine.

Unique Private Sector Role

These overall figures of economic performance, however, do not do justice to the key role of the private sector in this economic recovery. The Philippines is unique in assigning such non-traditional areas as education, health, and telecommunications to private hands.

Your officials also led the way in devising programs designed to reduce government involvement in the economy and to free productive, private energies for growth.

Your programs for the privatization of government corporations and the restructuring of government banks stand as innovations that other countries are studying and adapting to their own circumstances. You have gone far in establishing market-oriented prices and interest rates and in lifting unnecessary marketing and import controls.

Certainly the debt burden continues to be a constraint on the economy; you have shown, however, that even this weight can be borne and overcome. As long as growth, reform and external support continue, I am convinced that your debt load will lighten — not overnight, but over time.
Potential for Growth

Already balancing its heavy weight is your tremendous potential for rapid industrial growth. You have a large and well-trained labor force, a skilled group of entrepreneurs and businessmen with a proven track record and a large natural resource base.

As wage costs rise in the Asian Tigers -- Korea, Taiwan, Hong Kong and Singapore -- Filipinos are ideally situated to attract investors and expand manufactured exports.

Long-term growth, however, is a goal -- not a guarantee. Securing it depends on your sustained progress in making the public sector policy reforms and investments that create the right environment for expanded private commitments.

Your opportunities are great, but growth alone cannot be your single or highest aim.

Challenges Ahead: Poverty, Population, Environment

Increases in income will not meet your needs, if such advances fail to reach the poor, or if the price of progress is the abuse and exploitation of the environment and your natural resources.

Indeed, such growth cannot last. To be sustainable, new wealth must also address the persistent problems of poverty, the excessive growth of population and the profound threats of environmental degradation.

Growing disparities of income will only feed the social frictions that can bring the growth process, itself, to a halt. Likewise, prosperity that depends on the rape of nature and ignores population pressures sows the seeds of its eventual destruction.

Beyond recovery and economic reform, in short, you face the further challenge of sustainable development, of tackling the deep and difficult structural problems of poverty, population growth and the environment.

Each of the three is connected to the other. None can be remedied separately. All require a concerted public and private effort, partnerships for sustainable development.
Scope of Poverty

Poverty is the starting point for analysis and for action. At a United Nations conference last spring, Senator Pimentel put the case for development with succinct power. "The world," he said, "obviously cannot survive one-fourth prosperous and three fourths destitute."

What is true for the planet as a whole is true as well for the separate nations on it.

Growth that fills the pockets of a few but not the bayong of the poor will not endure. Its benefits have to reach the slums of Manila and beyond, to the barangays in the cordillera -- to the 50 percent of all Filipino families now living below the poverty line.

Growth particularly should bring jobs to the millions in the labor force now underemployed, limited to work that is neither full-time nor fully productive. Their plight is evidence of the economy's inability to employ a growing population, of low levels of productivity in both industry and agriculture, and of inadequate social services targeted on reducing the worse aspects of poverty.

Teamwork against Poverty

Meeting and mastering a challenge so complex requires team efforts by the private sector, the Government, the Church.

Certainly, improved education, health, rural roads and farmer services provided by the public sector can do much to reduce poverty. With land reform also a high priority, we at the World Bank welcome the Government's new initiatives in this area.

However, the business opportunities, capital and jobs that can change isolated, poor communities into thriving economic growth centers can originate only in the private sector. For their part, private social organizations have already proven their value in providing health, education, nutrition and family planning services in low-income urban and rural areas. Studies have shown that these non-governmental organizations deliver such valuable services more efficiently than similar public sector operations. Wherever possible, their activity should expand.
Population Growth Control

One focus for the development partnership must be the population growth rate. At 2.4 percent, it is one of the highest in all of East Asia -- a force that will double your population in 30 years and is already compounding poverty. By the year 2000, an additional 10 million people will have joined the Philippine labor force, an increase of 40 percent from the figure today.

I know the proverb that says that "every extra mouth comes attached to two extra hands," and I recognize that population issues touch deeply held convictions. But, as President Aquino told the United Nations in a different context, "one must be frank to be relevant."

I will not disguise from you my concern about population growth in the developing world. Excessive increases aggravate poverty and environmental dangers.

Environmental Threats from Population Growth

The gap between rising numbers and steady work is the vacuum that sucks the underemployed into city slums and onto the fragile soil of the uplands. Together with family planning, growth must bring more good jobs at good and steady wages to lessen those pressures and the human misery they reflect.

These problems of poverty and overpopulation are not unique to the Philippines and Manila. They are found equally in such countries as Mexico, Brazil, India and Kenya, and wherever they occur, they have a direct, destructive impact on nature and the quality of life.

The damage is all too real along the 17,000 kilometers of your own beautiful coasts. Unregulated and excessive fishing there -- too often using dynamite and cyanide to harvest the sea -- is cutting today's catch and tomorrow's crop.

As coral reefs shrink, as mangrove forests dwindle, as sediment and pollution spread, the livelihood of millions in the coastal zone stands at risk.

In the uplands here and throughout the developing world, rural populations have gradually pushed into marginal areas, farming land where the slopes are steep and productivity low. Such slash-and-burn cultivators everywhere in the tropics invest little but their own labor, take out a crop or two and then move on. Lacking secure tenure or title, they also lack the incentive to improve the land they work.
Uncontrolled logging, in addition and especially in the Philippines, destroys resources that can and must be renewed. It is high among the practices that your bishops’ pastoral letter on the ecology last year perceptively identified as threats to the "mutually supportive community" of man and nature.

Already, of 15 million hectares classified as forest land, in reality only six million have any significant tree cover. Farmers and loggers together start this deforestation and rapid deterioration of soil productivity. Then soil erodes and silts up river beds and downstream fishing areas.

As a consequence, productivity in lowland areas also falls, and the flow of migration into the vulnerable hills advances. Already, about 18 million people, one-third of the total Philippine population, live in these upland areas. Of them, some eight to ten million are farming forest land. It is estimated that by the year 2020, the numbers living in the uplands will almost triple to 50 million.

Urban Overcrowding

Meanwhile, those who do not move to the hills will go on migrating to the cities, adding further pressure to already overburdened urban infrastructure and sanitation facilities. In just ten years, the number of city dwellers in the Philippines has grown from about 16 million a decade ago to 25 million. Now 42 percent, they are due to be fully half of the population by the turn of the century.

Manila alone is home to about one-third of the total. And most of the growth is occurring where schools, streets, water and sanitation facilities are lacking. This growth has overwhelmed significant government efforts in past years to provide services and tenure in these areas. It attacks the urban environment and the health and dignity of those who live in it.

The Environmental Challenge

Such environmental problems, emerging all over the world, are of critical importance to future development.

Waste and pollution destroy the foundation for long-term, sustainable, growth. Land that erodes today cannot support a life of progress tomorrow. Water resources poisoned or despoiled for quick gains cannot be easily revived to yield steady, lasting returns.
But these and nature’s other gifts can be both used and saved. To strike and keep that balance requires vision, wisdom and the coordination of public and private energies in a partnership for sustained development.

For the private sector, it means following agreed standards to respect the environment, to use natural resources without polluting air and water or dumping toxic wastes. A sustainable recovery must be one in which private investors protect as they produce and work to restore renewable resources, such as forests, wherever possible.

For the public sector, respect for the environment means better new laws for such activities as upland farming, municipal fishing and commercial forestry, and better enforcement of existing regulations. Past practice, which underpriced timber, clearly created incentives to overexploit and abuse forest resources, while offering no reward for replanting and forest management.

Community Groups

Beyond correcting private misconduct, government needs to reach out more to foster community groups that agree to sensible self-management of shared resources. Where forests are already settled, community cooperation with official support can first define rights and then create more productive logging based on them to ensure a renewal of timber resources.

Non-governmental organizations, already recognized as key activists, can help further in mobilizing such community groups.

World Bank Role

For the Bank’s part, we are increasingly looking at the environmental impact of our projects and at environmental issues in our member countries. Our purpose is not to place further obstacles in the path of development or to impose new conditions on our lending.

Rather, while we still have much to learn, we seek to be partners in designing and promoting development that is environmentally sound, in proving the maxim that good ecology is also good economics.

Sharing the knowledge we have gained in other settings, in the many Third World countries eager to try new approaches to sustainable development, we also look forward to learning from the work we have begun with your government so that we can pass your experiences on to others.
We have already undertaken, in cooperation with your Department of Environment and Natural Resources, a major study of forestry, fisheries and soil management.

It has helped define some of the complex issues and identified options for action, and your government has been strongly supportive. We are willing to provide financial support to help implement the Government’s program, and are already working with the Government to define the nature and scope of future action.

Someday, I hope, that others will look back on this endeavor and see the shared initiative of the Philippines and the World Bank as a milestone in the global search for development in harmony with nature. It is too soon for congratulations. There is much, much work to be done.

Toxic Waste

The problem of regulating and controlling toxic wastes arising from industrial output and other sources has not yet surfaced as a major issue in the Philippines, but should be a priority concern for all of us. It is a growing problem throughout the world, a rising threat the Bank seeks to contain by helping Governments pursue a goal of "zero net pollution" in projects that the Bank finances.

Our objective is to make sure that the developing countries we assist can take charge of adequately treating and disposing of any toxic emissions they produce. Where existing capacity is not equal to the job, we work with governments to make investments adequate to handle the new wastes with clean, economic technology. If there is an extra cost, we will seek ways to have it met.

We will also assist countries who face problems because of international measures to reduce production of CFC’s in order to protect the ozone layer. If industry has to re-equip, we believe the Bank should be there to help.

Unfortunately, there has been a rapid growth in recent years in the international trade in toxic wastes. Much of it is illicit and unmonitored. There may be exceptional circumstances -- such as the need to incinerate substances like PCB's in very high temperatures -- when a nation can justify shipping toxic wastes to another with facilities for proper disposal. But as a general principle, the Bank opposes trade in toxic wastes.
Industrial states have the capacity to dispose of these poisons. They must not simply dump them on developing nations that lack even the means to handle their own pollution. To bring this trade under control, the Bank is working actively within the concerned international community. We support effective measures and hope they can be covered in the Convention that is now being negotiated under the auspices of the United Nations Environment Program.

Conclusion

There are many challenges ahead for the Philippines. During my visit here I have seen first hand that yours is a country of vast potential -- of rich human and natural resources.

You have ably demonstrated your abilities to overcome challenges in the past. By facing the stern demands of poverty, population growth and environmental protection, you can now begin moving from recovery toward a new period of sustainable growth.

That enterprise calls for a partnership between all parties involved: the public and private sectors, Church and state, the Government and foreign donors. Only such cooperation can successfully fight the wasteful exploitation of our living world and combat poverty and overpopulation as well.

In your Constitution, you have already set a high standard of environmental awareness. In your conduct, you can set an example for all the developing world.

In a partnership for sustainable development, we in the World Bank look forward to working with you, your government and your people to win a victory for nature and mankind.

Mabuhay and thank you.