Parliaments Valuable to Fight Corruption, the Parliamentary Network at the World Bank, Helsinki, Finland

Remarks by President Wolfowitz
October 22, 2005

Thank you very much. First of all, let me thank Foreign Minister Tuomioja, for his insightful comments and thank the whole Finnish Government through you for hosting this Conference and for the marvelous support you provide to the Parliamentary Network on the World Bank (PNoWB).

I think there is an important symbolism in being here in Helsinki, and particularly being here in the house of Parliament. I am a recent student of this part of Finnish history, but this Parliament is 100 years old this year, if I am correct. Finland did not actually achieve independence until 1917. You can do the arithmetic. The Parliament is older than the country, and my guess is, the Parliament had a lot to do with Finland becoming independent. It is not a unique experience. It was true in the United States, where the whole independence movement grew out of the colonial legislatures. The same has been true I am sure in many other countries.

It is also thirty years, another anniversary, since the Conference on Security and Cooperation in Europe met in Helsinki and produced a document which some people feared was simply going to ratify the division of Europe in the Cold War. It had a little annex called Basket 3, which was the Human Rights Basket, and the cynics said, "What is Basket 3 against the power of the Soviet Union?" Thirty years later, I think we know the answer. The power of the ideas in Basket 3 was much more powerful than any dictatorship, and I think the ideas that were represented at that conference are ideas that parliamentarians and people assembled in this conference can help to take forward.

I also want to express our thanks to our Chairman, Bert Koenders, for his leadership of the PNoWB and for giving me the invitation to address this gathering. Thank you for mentioning my old friend, Jim Leach, who is a very distinguished senior member of the U.S. Congress. I have to tell you that he is also an alumnus of the Johns Hopkins School of Advanced International Studies, where I served as Dean, and he is an old friend from many years ago when he was on the East Asia Subcommittee. He is a terrific member of Congress, and he is actually a symbol of the fact that there is support for the work of the World Bank from both political parties in the United States. He is a Republican.

Thank you, also, Mr. Chairman, for your reference to 24-hour speeches. I wish to thank you for not delivering one, but that is not the main point. I was sitting once as Ambassador to Indonesia in the then-Indonesian Assembly, listening to the then-leader, whose name you all know, droning on and on; and I formulated then probably one of the few reliable laws of political science: there is an inverse relationship between the length of leaders' speeches and the amount of democracy in a country. The longer the speeches, the more you know you have a captive audience.

So it is a pleasure to be here. I will have to keep my speech within limits now that I have set myself up, or else -- but at least you are free to leave if you want to. I know that your Network has come a long way in just five years. The membership has grown to nearly 1,000 members of Parliament from 110 countries. The Parliamentary Network on the World Bank is a respected player in the development community, and there has been some amazing progress around the world. I wanted to make a special point -- and I'm sorry for the brief delay -- of welcoming my Indonesian friends, some of whom I know, some of whom I only recognize by name; but it is only seven years since Indonesia had a democratically elected Parliament. It is great to have you here in that capacity. And I do have to say that even before it was democratically elected -- and I will come back to this point, perhaps -- I think, even though there was a lot to question about the National Assembly in Indonesia under the former regime, it was a vehicle by which some voice was given to genuine opposition leaders, including Megawati Sukarnoputri, who later became President. Parliamentarians sometimes have a way of working through the cracks, and that is something to keep in mind.

I am told that there are 75 members of Parliament here from Africa - a special welcome to all of you. As I have said often -- and I am prepared to say it many times -- I think the situation of sub-Saharan Africa is not acceptable. It has to be the first priority of the World Bank; but it is not something the World Bank or the development community can do unless there is leadership in Africa ready to take on the challenge of reducing poverty in Africa. And increasingly, I find leaders and governments, including the Parliaments in governments, stepping up to that challenge, and that makes me hopeful about the future of sub-Saharan Africa.
And as I look around the room, I cannot do the count; but I see a fair number of women. I think that is terrific. I think it is important. I could tell you a number of stories in this regard, but one that has stuck in my mind was visiting a small Muslim village in a very arid part of Burkina Faso. I was introduced to the person that was going to guide me around the village, who has been elected Secretary of the village. It was a woman, a young woman. She had taught herself to read. I asked her whether it was difficult for a woman to be elected Secretary in a Muslim village, and without hesitation, she said, “There’s no way we can develop if women don’t have equal opportunities.” So I think it is important that they are represented in good numbers here in this group, as well. Thank you.

The past 15 years have seen tremendous growth in participation in civil society around the world. In 1987, there were 66 countries with electoral political systems; today, that number has nearly doubled to 121. At the same time, the number of nongovernmental organizations has more than doubled from 20,000 to more than 44,000. This participation boom, combined with the development paradigm that emphasizes partnership and country ownership, brings tremendous opportunities.

But these changes also imply new responsibilities. They imply that your mission, the mission of the Parliamentary Network on the World Bank, your mission of strengthening parliamentary voice on development and global issues is becoming more relevant and more important.

Development policies are not made in a vacuum. They reflect the political environment in which they are formulated. This means that effective leadership and strong public institutions are needed if we are to fight poverty successfully and create opportunities for the poorest people of the world to have a better future for themselves and for their children, and that means effective leadership by elected representatives such as yourselves. Well-functioning parliaments can help ensure that the voices of the poor are heard and that their needs are addressed in the policymaking process. Against this background, the World Bank and Parliamentarians are increasingly working on issues of common interest.

On my first official visit as President of the World Bank, I made a point of going to Africa. My first stop was in Nigeria, and I was really delighted in one of our sessions there to meet with a group of Nigerian Parliamentarians who were joined by representatives of the British Development Agency DFID, the U.S. Agency for International Development and a nongovernmental organization from the United States called the National Democratic Institute. We had spent a lot of time in the previous 48 hours talking with both government officials and civil society about the problem of corruption. As we talked with these parliamentarians, I realized that parliaments are one of the key institutions to help hold governments accountable; and that one of the keys to doing that is having parliaments that are not only elected and independent, but parliaments that are competent, and not only competent in their individual members, but with staffs that can provide these members with the information they need. I think information is the key to transparency and to the fight against corruption. Corruption is a weed that does not survive well in the light of day. I think parliaments can be part of bringing the light of day to clear out the weeds.

The World Bank is working on forging stronger partnerships with parliaments around the world, because their oversight role has an important bearing on the mission to fight poverty. Across the world, parliamentarians monitor public resources and provide a crucial link between the World Bank and the local communities in both developing and developed countries. In developing countries, parliamentarians can act as change agents, championing social and economic reforms and combating corruption. We have a lot to learn from the on-the-ground experience that members of parliament bring and that can help shape projects and policies of the World Bank Group. And of course, as many of you know, our projects are subject to parliamentary approval, either through direct ratification or through the budget process.

Parliaments play an equally vital role in countries that provide development assistance. Parliaments debate and approve foreign-aid budgets and shape and review development policies. They are also an important partner in the call for action, making the case for more aid, better use of aid and more trade opportunities.

We have found that involving parliament through all key project stages contributes to building trust, ownership and understanding, all key ingredients for the success of our activities around the developing world.

When the Parliamentary Network on the World Bank set up its East Africa chapter in Kenya over two years ago, Bank staff in Nairobi began to meet regularly with Kenyan Parliamentarians to exchange views on policy issues, including the sensitive and important issue of corruption. Professor Ayiecho Olwery, a member of the Kenyan Parliament,
later said, "As MPs, we are glad to be involved in this dialogue process and are not as suspicious of the World Bank as we were previously, now that we have more information."

Our objective with the Parliamentary Network on the World Bank is not only to engage parliamentarians in the dialogue on development and global issues; we also provide support for strengthening parliaments so that parliamentarians can fully exercise their roles. It is a fact that there are still many countries where parliaments are weak. Even where they are democratically elected, many parliamentarians are constrained by limited training or experience in drafting laws and budgets. Very few have the staff or the technical support needed to perform their roles most effectively. Under such conditions, parliaments in many parts of the world cannot fulfill their potential or effectively represent the interests of their people. That should be a worry to anyone concerned about development, and certainly it is a worry to us at the World Bank Group.

As World Bank President, I intend to build on the partnerships that the Bank has already established with parliaments around the world. Our engagement at the global level is focused above all on sharing knowledge. The Parliamentary Network offers the World Bank an opportunity to exchange views today with some 200 Parliamentarians representing nearly 100 countries.

This, I gather, is your Sixth Annual Meeting, and I am very pleased to see a large representation from our colleagues in the donor community, including from the IMF, the U.N., the African Development Bank and the OECD. I know they share my views about the importance of cultivating strong relationships with leaders from civil society, from parliamentary organizations, from businesses and from academia in a forum like this.

At the country and regional levels, Bank relations with parliaments focus on our operations and on the development challenges that our partners face on the ground. The local and regional chapters of the Parliamentary Network on the World Bank help to structure Bank interactions with parliaments to encourage lively debate around local and country-specific development challenges. In Nairobi in Kenya, parliamentarians meet several times a year with the country director for the World Bank to exchange views on our projects and policies. In India, in New Delhi, some 50 parliamentarians meet several times a year with our country director and his staff. In Lebanon, in Timor-Leste, and in many other countries, our staff consult parliamentarians on country assistance strategies. And in Mexico and Bolivia, the same was done for our public-expenditure reviews.

Over the past ten years, the World Bank Group has also responded to requests for capacity building. Our training activities are co-financed by many donors, including and especially the Government of Finland. I would like to take this opportunity to thank all of you for your valuable assistance. These programs have helped strengthen capacity to curb corruption, to enhance oversight for poverty reduction and to improve administration.

More recently with Finland's support, we conducted a study group to examine the parliament's role in representing the poor in conflict-affected countries, the most vulnerable group in the developing world. The report of this study group has been distributed to some 50 Parliaments around the world.

So, as you can see, the two focus areas of the Parliamentary Network -- that is to say, engaging Parliamentarians in dialogue and strengthening the capacity of Parliaments -- are becoming more and more integral to the mission of the World Bank Group. During this year of development, the call for action in the fight against poverty resonates loud and clear from around the world. We have seen demonstrations of political will and commitments of means to fight poverty, and we need to ensure that our work addresses the day-to-day hardship faced by the poor and that this work translates into results.

Proactive parliaments that act in the interests of the poor are vital players in that process. That means asking tough questions and ensuring that pressing development issues are placed on the national agenda. We have achieved much progress in the past year with strong international commitments to increase aid and strong international commitments to debt relief; but much more needs to be done by both developed and developing countries, and parliamentarians can help. Developed countries must live up to their promises to increase aid and to provide debt relief and to do a better job of coordinating their efforts on the ground; but, more importantly, they now need to help bring the trade talks under the Doha round to a successful conclusion. These negotiations hold the key to a better future for the 1.2 billion people around the world who live on less than a dollar a day, who live in extreme poverty.

Let me be very clear: Unless serious concessions are made by all sides, developing countries, as well as developed countries, by Europe, the United States, Japan, by everyone, the Doha round of trade talks will fail, and the people who will suffer the most are the poor people of the world.
I have just come from visiting some very poor areas of Western China, and before that I have seen extreme poverty in Pakistan, in India, in Bangladesh, in Nigeria, Rwanda, Burkina Faso and South Africa. It is the people I saw in those places: people living on less than a dollar a day, people who are not present in this room or at this gathering, but people who we are charged with representing. There are 1.2 billion of them. They have been waiting a long time.

These trade issues, I know, are difficult issues. And it may be uncomfortable -- it probably is uncomfortable -- for almost every government to step forward and give up subsidies and other barriers to free trade; but that temporary discomfort is nothing compared to the daily discomfort and deprivation of the poorest people of the world. They are counting on us; we must deliver results for them.

We face great challenges ahead; but I am confident that results can be achieved with resolve and commitments that come with strong leadership. There is much that we can learn from each other and from the failures and the successes of the past, and the World Bank Group is ready to work with you to share this knowledge and to build capacities. Throughout recent histories, parliaments have steered their countries through times of great change and contributed to progress and development. Today, parliaments must rise to a new challenge: helping their countries to stand accountable in the fight against poverty and to deliver results for the poor.

Thank you very much.

Q&A session with World Bank President Paul Wolfowitz

THE CHAIRMAN (Bert Koenders): With the region of Africa: I know there is a question from Beatrice Kiraso, who is one of our members from Uganda. Mrs. Kiraso, you have the floor. Can you identify yourself?

MS. BEATRICE KIRASO: Thank you very much, Chairman. Mr. President, you have indicated time and again, and indeed you have repeated this morning in your speech, that Africa is your priority. Within that priority, you have also specifically stressed the importance of infrastructural development. One of two questions that I would like to put to you: what specific type of infrastructure are you focusing on, and how much emphasis will be placed on regional integration projects which have already been identified?

The other question is about the timeframe: what kind of timeframe are we talking about for the delivery of these projects from the time of starting them to completion? Since there have been challenges in the past that the Bank has faced with the delivery mechanisms, especially in sub-Saharan Africa. So the question is, how do you intend to deal with these challenges?

And on the side of members of parliament or parliaments in sub-Saharan Africa at institutional level in the spirit of a better approach to its efforts of economic development, how do you intend to engage or involve parliamentarians more? I know that there is an office in charge of relations with parliamentarians. But I mean the practical approach of engaging with parliaments across the region. How are parliaments going to get prepared to understand and appreciate more the policies of the Bretton Woods Institutions? I thank you.

PRESIDENT WOLFOWITZ: Thank you. That's a very thoughtful question. Actually, it's a series of questions. First of all, let me say that when I've stressed the importance of infrastructure in development, it's not to the exclusion of other sectors. It is rather because I've been impressed ever since I was nominated for this job by the number of people from developing countries, and particularly from Africa, who have complained to me about what they perceived as a withdrawal by the World Bank from infrastructure projects. So I don't want to have anything I say here sound like I think we should withdraw from education or health. It's a matter of trying to get the balance right.

I've often used the analogy that since development is a team sport. We need to cover all the positions on the playing field. For those of you like me who've had small children play soccer, in Europe you call it football, the ball goes to one part of the field, and 22 players including both goalies go chasing the ball.
I don't want infrastructure to be this year's ball that everyone goes chasing. We've got to cover education. We've got to cover health. We must have an integrated strategy in each country. But it's also important for people who are very much moved and I share that feeling by the plight of people who are suffering from HIV/AIDS or the plight of children who don't get to go to school. I say, "Why should we be wasting our time building dams or railroads? We should be helping those people directly."

The fact is, you need electricity. You need jobs. You need roads. You need the whole integrated structure of development just to deliver health care or just to deliver education. You can't do it in isolation.

But we'll be making a big mistake if we swing over the other way and unbalance ourselves. And this was, I think, a direction that had already begun a couple of years ago of increasing support to infrastructure; and the projection at the present rate is that we will increase by about a billion dollars of lending per year over the next two or three years, at which point infrastructure will probably represent about 40% of the new lending of the Bank.

I think among the priorities in that investment will be, well, I should first start with the general principle: our role is not to supplant investment by the private sector. We're going to particularly focus on those areas where public-sector investment is critical.

In India, for example, we're looking at investment in rural infrastructure, because the private sector is not going to build small rural roads or drill wells. And I think one of the reasons that there was a decline in infrastructure investment over the last 10 years is, there was a slightly excessive expectation of what the private sector could do. But there are many things that the private sector can do, and we're not trying to replace that.

So we are trying to focus on those things that most directly affect the poor. And at least in Africa, I think there needs to be a particular emphasis on regional development. I think you referred to it in your question, with the subcontinent divided up into so many countries and some of the biggest challenges are faced by landlocked countries like two of the ones I visited, Rwanda and Burkina Faso, you can't deal with their infrastructure problems just on a country basis.

Among other things, we have something called the East Africa Trade and Transport Project in Kenya, Uganda, Rwanda and Tanzania aiming to facilitate concessioning of railroads and improving regional customs services. We have something called the South Africa Power Market Project to facilitate transmission of power from the Democratic Republic of the Congo to Zambia and also connect Malawi to the power pool. We have something called the West Africa Gas Pipeline from Nigeria to Ghana, Togo and Benin.

Something to point out, by the way, I saw this in Pakistan when we discussed the Lower Karachi Corridor, where the problems of transport are so severe that products that are highly competitive – or would be highly competitive in world markets when they are produced in Lahore become non-competitive by the time they get to the port in Karachi; and roughly one-third of that additional cost is attributable to bad roads, and two-thirds of it is attributable to excessive administrative and informal barriers of various kinds to move that distance.

So we can pour all the concrete in the world but if you don't deal with some of the other problems, in West Africa, for example Mr. de Rato mentioned in his speech to the Annual Meeting of the World Bank and IMF Governors that in one stretch of 1,000 kilometers running through Burkina Faso, there are, I believe he said, 69 different checkpoints. Do the arithmetic. That's one checkpoint every 15 kilometers. And you know what a checkpoint means. It probably means not only paying a fee, but some other things, as well. It certainly means delays.
These obstacles must be eliminated or the investment and infrastructure will be useless.

And we have to learn from some of the mistakes of the past. There were reasons why the World Bank pulled out of this area, and some of them were good reasons. There were too many white elephants; if you know, money thrown at big things that don't work; money used on big roads without money spent on maintaining the roads; big projects where, just like honey attracts flies, big money attracts corruption, unfortunately.

So we can't just repeat those mistakes. At least … well, we can but we mustn't. We've got to try to learn from them. And one of the things we've got to learn from is some of the environmental lessons of some of the bad projects of the past.

I think one of the great things that the World Bank brings to this whole area is a lot of understanding about how to balance environmental needs with development needs, and I think that is crucial. And some people would say, "Well, we've struck the balance a little bit too far over, and that is why we aren't doing these investments." Maybe that is true, but let us not strike the balance over the other way and create environmental damage that we'll be paying for 10 or 20 years from now.

And I guess finally, on your last question, I'm not quite sure how we engage members of Parliament; but we certainly should. I think it's clear in what I'm saying that especially these big projects need supervision, need accountability, need to know whether the benefits that we think we're bringing to local population are really getting to them. So I hope we can figure out some good ways to engage, and we'll have to do it on a regional basis.

THE CHAIRMAN: Thank you very much, President Wolfowitz. I go to the next question that comes from the region of East Asia. Let me just say that, by the way, I have two people, one on my left and one on my right. The left is the Minister of Health from Kenya. I should've introduced her earlier - I did it shortly - Mrs. Ngilu; and on my right is Mrs. Malinee, who's been one of our champions in East Asia on the Parliamentary Network of the World Bank, and she's also the person who I give the floor with a question from that region.

MRS. MALINEE: Thank you. First of all, I would like to thank Mr. Wolfowitz to come to answer regional questions. I would like to be brief, because the biggest concern of the East Asia region is corruption. And this is the core problem or the hard problem of the developing countries in East Asia.

And also related to corruption, we have the issue of reducing the debt burden, because some countries, such as in Philippines, Indonesia must service debt of more than 35% of government receipts a year. The second question is about the migration. The migration and the population issue in Asia, because in some countries, we cannot control the birth control; and this is the serious issue with the population growing and generating more poverty. So this is one issue. Also on migration, not the migration of people from one country to other countries, but also migration of diseases, such as the bird flu that we are witnessing; the cultural, and the brain drain. Some countries such as the Philippines had a lot of nurses, but the drain of these nurses to the other country means a shortage in the Philippines.

How will the World Bank work with parliamentarians to solve all of these problems? Thank you.

THE CHAIRMAN: Thank you very much.

PRESIDENT WOLFOWITZ: There's a lot in that question, and they're all good questions. I'll try to cover some of it. I don't think I can cover it all.
First of all, it is interesting that you say that corruption is a major challenge in East Asia. I think I agree. Certainly, I had my first real introduction about how bad corruption can be for a country when I was Assistant Secretary of State of the United States for East Asia some 25 years ago in dealing with President Marcos in the Philippines, who was one of the world's champions in this area, unfortunately. But, you know, it's a problem all around the world. It's unfortunately a product of one of the bad aspects of human nature, which is, a lot of people like to get rich without working for it. And I'm sure you've heard of Enron. That's an example of scandalous corruption in one of the richest countries in the world. And I've said many times that it's a huge mistake to think of corruption as somehow a problem of the developing world all by itself, and many of the problems of corruption in the developing world have some of their origins in the developed world. Every corrupt transaction, when you think about it, has to have at least two parties -- sometimes, it's a whole conspiracy -- and often, the bribe-giver in a developing country comes from a developed country.

In the case, for example, of the Lesotho Dam Project, which that small country tackled with a lot of courage starting about five years ago, the bribes that were given came from North American and European companies. I think the developed countries have a responsibility to police this along with the developing countries; and frankly, I think the more we recognize it as a common problem, the easier it is for any individual government to take it on.

I want to, by the way, particularly commend the actions of the Swiss Government in returning nearly a half a billion dollars -- I think exactly $489 million -- of money that the former dictator in Nigeria, Abacha, had stolen from the Nigerian people. It is not all that he stole, but it's a significant fraction, and it is back where it belongs, and it will be used by the Nigerian government for its people. I think the more we can pursue that avenue of returning stolen wealth, the better the chances of winning the battle against corruption.

On the subject of migration, you've sort of put together two different things -- the migration of people and the migration of disease -- and let's be very clear: generally speaking, the migration of people is a very good thing. The migration of disease is uniformly something we want to stop; and let me talk about those two very separately. The UN set up a Commission on International Migration chaired by Mamphela Ramphele of South Africa, former Managing Director of the World Bank, and by Jan Karlsson, a Swedish diplomat. The Commission just published its report about two weeks ago, and it's a very interesting report. I recommend it to you.

One of the things you'll read in there is that there are 180 million people, mostly from developing countries, working in other countries, mostly developed ones. 180 million people, if my arithmetic is right, that makes it the fourth or fifth largest country in the world if it were a country; and it's growing more rapidly than population anywhere else, so it will soon be the fourth or even the third largest country.

These people are energetic, hardworking. They are emigrating because they're trying to improve their lives and the lives of their families. They send back to their countries something on the order of $120 billion a year. Let me repeat that: $120 billion a year in remittances. I believe that's significantly more than the total of official development assistance. It's a huge number.

It probably could be larger if we improve the mechanisms for transferring remittances. I was very struck when meeting recently with the Finance Minister of Mexico, who explained to me how Mexico and the United States had worked together to deal with the problem of Mexican workers in the US, paying on average 40%, a 40% surcharge, on remittances that they sent back home. Scandalous. That's now been lowered to 5% on average, and one big American bank is actually now offering free transfer of remittances in order to get depositors; so competition can be a good thing in that area. I would encourage everyone else in the room to look at what happens to remittances to or from your countries and facilitate them as much as possible.

I also think that Parliamentarians should be looking at the question of how migrant workers -- farm workers, whatever is the right word -- are treated in the host countries. Sometimes, it's pretty
good. Often, because they're living outside of the law, or at least outside of the law as it applies to citizens, they're not treated properly. I think that's a very important issue.

I share your concern about brain drain. But the key to brain drain is not to stop people from finding opportunities elsewhere; it's to create opportunities for them at home. That's why growth is crucial, that's why job creation is crucial, and that's another whole, long subject. But let me get to the bad kind of migration, the migration of disease. I think the world is at a significant risk right now from the possibility of a pandemic of avian flu. I don't want to be alarmist, I don't want to say it's definitely going to happen; but it could happen. It could happen on a scale that would make the epidemic of SARS from a couple of years ago look relatively small by comparison. The SARS epidemic was contained relatively early, and it did relatively little damage; but it cost the countries of East Asia some 2% or 3% of their gross domestic product for a quarter. I haven't done the arithmetic, but that's tens of billions of dollars. That was a small epidemic that was contained.

Stop and think what a large epidemic that spreads death and disease around the world will do to international commerce and international economies. The human cost is terrible, I'm not trying to diminish it; but the economic cost will be huge, as well. And one of the reasons I mention that is because the cost of prevention, while it may be expensive, I think will be much cheaper than the cost of dealing with an epidemic if it happens.

So we are looking right now at things that can be done in terms of making vaccines available to isolate the outbreaks if they occur, in terms of strengthening surveillance systems. We have a small project, for example, in Vietnam that's funded by the World Bank. I say "small"; it's $5 million. That may not be small, but it probably could be larger. We can look at doing that in other countries.

Early next month, we are going to meet in Geneva with the World Health Organization, the Food and Agriculture Organization and the Organization of Animal Health to try to figure out how we can pool our efforts together. But it's going to cost money, I believe. Most of that money is going to have to come from the developed countries. The amounts involved are likely to be large. It's going to have to be mobilized quickly, and then it has to be spent effectively. But I just can't emphasize enough that the potential scale of an outbreak of avian flu in the human population is so severe, the impact on the world economy so severe, that it is worth taking out a very expensive insurance policy to try to prevent it.

THE CHAIRMAN: Thank you very much. I'm going to call on the next region, and may I just ask as the Chair to make your question as pointed as possible, since it's very interesting that we have this debate; but I see already a little bit danger of the time, and I want to make sure that all the regions represented in our organization get a chance to ask a question.

I would like to go to Latin America and the Caribbean, a group that is being built up strongly recently in the Parliamentary Network on the World Bank, and I would like to give the floor to my colleague from Colombia, Santiago Castro. Mr. Castro.

MR. CASTRO: Thank you, Mr. Chairman. Mr. President, we have three questions from our group in Latin America. First is, what mechanisms does the World Bank have in place to ensure that resources go straight to the people that need it most without being lost in excessive consulting work and bureaucracy or without being politicized?

The second question is, what, if any, progress is the World Bank making on the transition from funding macro projects to small and medium rural and urban enterprises, which demand not only financing, but the knowledge of transfer and assistance in accessing markets?

And the third and final question is --

THE CHAIRMAN: Excuse me, do you mind? I'm sorry I have to be the strong Chair, but I have to limit it to two questions; otherwise, we don't get around to the other groups. But thank you very much.
MR. CASTRO: Well, those are the questions.

PRESIDENT WOLFOWITZ: Actually, when it's with the press, I say, "If you ask me two questions, I get to pick which one I answer." (Laughter.)

PRESIDENT WOLFOWITZ: The problem is, we are short on time, and you've asked two very important and challenging questions. They are somewhat related. And the short answer is, we're working very hard at it, and there is no single simple answer. I wish there was a single simple answer. We're trying different things.

One of the things that seems to have an impressive payoff is simply publishing better what we do. There was a project in Uganda, I believe, where the result of publishing in local school districts how much money was supposed to be going to the school district increased the percentage of money that actually arrived in the school districts by an enormous amount. Once people knew, they began to demand; and when they demanded, at least in that country, the Government responded. So I think that's what we mean by "transparency" is, at least let people know where things are supposed to be, and often it produces corrective action by itself.

Another thing that we're working on -- I actually saw this even in rural China -- but very early on in my travels in this job in Nigeria, different names for it, but it's participatory development. It's where the decision-making about which projects to do is pushed down to the village level. In China, they were very proud of each villager being given four potatoes, and they got to vote on which projects they most wanted to see; and the projects that got the most votes were the ones that were implemented. I think even more important is when the villagers know where the checks are going, and I was invited to participate in a ceremony in the very poor state of Bauchi in Nigeria, a remote village where we were handing out checks to village organizations, local civil-society organizations, in the amounts of $10,000 and $20,000. I'm sure that was a huge amount, by the way, in those places; small for the World Bank. But because it was done publicly, you can go back and check in six months; but I think that produces a level of accountability. Everyone in the village knew which organizations were getting what.

One of the problems is what I just said. These are small amounts for the World Bank. The administrative costs of doing things in a village-participation manner are high, and I don't know how to weigh the tradeoff between extra administrative cost versus what I think is the real benefit of local participation. I'd much rather, though, spend the money on administering a project like that -- forgive me, I'm going to probably offend somebody here -- than spending it on consultants in Washington, D.C., or in Paris, or you name your city.

I think Jeffrey Sacks is on to something when he complains about how much of development assistance goes to the developed countries. We need the expertise, but it's expensive. I think I had another point, but it slipped my mind; so that's what I'll say for now. But it's a very valid, very important question.

THE CHAIRMAN: Thank you very much. I just wanted to say in general that maybe if not all the questions can be answered, we have agreed with the World Bank that there's also a written procedure still possible; and by the way, we have a unique system, which is a question-and-answer system with the Bank, in which on the website we actually as individual parliamentarians can raise questions on specific issues and these will be answered by the Bank. I think that's a marvelous system of accountability. Parliamentarians and the Bank are highly appreciative that we have that system. This brings to me the next group, which has an awful name for them. The donor countries. I don't really like the naming of the -

PRESIDENT WOLFOWITZ: Mr. Chairman, I'm violating your instructions; but it's such an important point.
THE CHAIRMAN: No problem.

PRESIDENT WOLFWITZ: You talked about the challenge of small- and medium-size versus macro projects, and I think that is crucial. And it has struck me very forcefully in the last few months that the challenges and barriers to small business are not the same as the challenges and barriers for large businesses and large businesses have a lot of voice. I'm not saying they shouldn't have it.

When I was Ambassador to Indonesia, I was frequently asked to go to the Indonesian Government about some law or regulation that was creating a problem for an American company. I only did it when I felt that it was in the interests of Indonesia to change that law or regulation, that it would benefit Indonesian companies, as well; so I don't have a problem with that. But in the last few months, I've been really struck by the fact that the problems of large companies, whether they're Indonesian or American or French or Rwandan, are completely different from the problems of small business, and I'll give you an illustration.

We have a terrific report. You should get it. It's called The Doing Business Report. We've been doing it for three years. It now ranks some 120-some countries around the world, according to the business environment. I believe Finland comes out near the top, by the way. So if you want to be like Finland, there's a lesson.

But an illustration is in Burkina Faso. To start a business, you have to pay fees that total one-and-a-half times the per-capita income. Now, one-and-a-half times the per-capita income in Burkina Faso is about $500. There's not a single international company that would hesitate to pay those fees. So it's not their problem, and they will never go to the French Ambassador to complain about the fee for registering a business.

But think of all the small businesses in Burkina that can't afford one-and-a-half times per-capita income. They need a voice. The Doing Business Report is providing them with some voice, and I've been very pleased when I call the Report to the attention of some African Ministers, as I did recently, their reaction is, "Well, that's terrible. We need to fix it." And I think that's important. But the challenges for small business are very different from the challenges for big ones, and yet it's the small businesses that will be the big businesses of the future. There's much more job-creation potential, I think, in small business than in the growth of big ones. So I would urge you all in your countries to look at regulations that are getting in the way of creating small business.

The Finance Minister of Mexico -- Mexico ranked 77th on this list -- and when I met Finance Minister Gil a few weeks ago, I thought he was going to complain to me about their low ranking. You know what he said? He said, "Thank you. Now, I can go to my parliament and get some of these laws changed." So Parliaments are sometimes part of the problem, not part of the solution. Change that, please.

THE CHAIRMAN: I think that's a very good key lesson for us. May I go to the donor countries, and that group yesterday was led by Mr. Christodoulakis, who is the former Minister of Finance from Greece and hosted one of our Annual Meetings. Sir, you have the floor.

MR. CHRISTODOULAKIS: Thank you very much, Mr. Chairman. It is a great honor and opportunity for us to have the President of the World Bank here and to learn about the policy of the World Bank, because this will facilitate us to persuade our parliaments and our people and our taxpayers to contribute more to international aid.

So, actually, two major questions had emerged yesterday. First of all, regarding effectiveness of international aid, in particular, which criteria and directions you are going to take as President of the World Bank in order to make it more efficient. For example, it is a lot easier to persuade taxpayers to give more if they know that aid goes to capacity-building to improve infrastructure, to improve education, rather
than finance consumption or seeing a country increase military expenditure at the same time as it receives foreign aid. Crucial also are the measures which are taken up by the World Bank to improve institutional operation in the country, especially against corruption, and to promoting transparency. So this is the first part of the question.

Second question is just one word: harmonization among various international agencies in order to streamline foreign aid and to achieve better results. Thank you.

PRESIDENT WOLFOWITZ: Okay, there's a lot there. Let me say broadly -- and it does tie a bunch of these questions together -- you talked at the end about results, and I think results is very much at the heart of the issue; and people around this room from the donor countries are more expert than I, but my experience in dealing with the U.S. Congress, in particular, says part of the challenge may be persuading people that there's a need and a moral obligation. But frankly, most people accept that the conditions in Africa that I described in my opening comments are just not acceptable. But then they say, "Well, what are you going to do about it? Are you just going to throw good money after bad? Didn't you just tell me things have gotten worse in the last twenty years, and haven't we spent hundreds of billions of dollars in Africa in the last twenty years?" It's a very tough argument to fight, and the best argument I have is, I think it's different now, and part of the difference -- a big part of the difference -- is that African countries, African leaders, are stepping up to their responsibility in a way that I don't think was true ten years ago.

But we really have to keep track pretty closely as we move forward of what is actually happening -- what donors are doing about living up to their promises, what developing countries are doing about living up to their promises -- and not be in a situation five years from now where we've poured a lot of money and we can't account for it, or the situation's gotten worse and we can't explain why. I think it's really, critically important.

It's very hard to do. Measuring results in this area is not wave a magic wand and you can measure the results, and we're working on it. It's an effort that really didn't get under way in a serious way until a few years ago and there's still more work to do.

Part of that, by the way, going back to what I said about eight-year-olds playing soccer, is trying to measure the efforts of the whole team, not the individual players. And I think it's the President of Botswana who said that the wonderful thing about development is that so many people want to contribute, and the challenging thing about development is that so many people want to contribute; and in one small African country, one of my Bank staff described, almost with tears in his eyes, the situation where he said from 8:00 in the morning until 6:00 at night, the different donors would line up in their white Toyotas waiting to see the Minister who only at 6:00 at night could get down to doing his real business, which was to manage the budget and expenditures of the country. So in countries of limited capacity, if we don't get our act together in a coordinated way, we're really draining that capacity.

But I think part of the good news is that this problem of corruption is recognized widely as a problem. We just heard it from our friend from Thailand, but one of the most satisfying things to me on my recent visit to China, when I pressed Chinese officials about, "What had the World Bank done for you in the last 20 years that was most valuable," very often, what they responded, "Teaching us good accounting rules; good procurement practices; teaching us how to administer money in a way that was protected from corruption."

Now, it's no secret there is plenty of corruption still in China; but I think our projects can set a model; and there are a lot of Chinese and I think a lot of people in other developing countries that want to learn from that model. But I am very aware that the Parliaments that support the taxes that pay for institutions like the World Bank have every reason to ask, "What are we getting in return?" and it's got to be good.

THE CHAIRMAN: Thank you very much.

May I just make one comment, that we are actually working in our group a lot on this issue of harmonization of aid. I remember that in one of our meetings, the Minister of Finance from Tanzania came; and I wrote it down, I remember it. He had to write 10,000 reports per year to a donor community, receiving 2,000 delegations for 961 new projects. And there is a certain risk of a new bilateralism we see
in Europe on making, again, all these national projects and flag-planting; so I welcome very much your comment on this. I think it's very --

**PRESIDENT WOLFOWITZ:** Can I say two things, by the way?

**THE CHAIRMAN:** Yes, please.

**PRESIDENT WOLFOWITZ:** I don't think harmonization has to mean that people can't get credit for their contributions. I'm very aware that politicians want to be able to say to their voters, "This project in this country was done thanks to our generosity." But it ought to be coordinated in such a way that you don't have three donors all trying to plant their flag on the same project, and three other projects that should be funded aren't there at all.

And I do think that word, "transparency", applies to the harmonization effort. It's very hard to get a clear picture in any one country of what everybody is doing. And I think if you just got that clear picture -- and we're working on it -- that would be a huge step towards harmonization, because people either would be embarrassed that we're all doing the same thing and leaving something undone, or they'd say, "Wow, here's something I didn't know wasn't being done. I'd love to pay for it."

**THE CHAIRMAN:** Thank you very much.

We are now directing ourselves to the MENA region, to the Middle East and North Africa, and I'd like to ask Mrs. Farkonda Hassan from Egypt, a Member of Parliament from Egypt, to ask a question.

**MRS. HASSAN:** Thank you, Mr. Chairman.

Mr. President, as new President of the World Bank, what innovative or new ideas do you have to ensure that the World Bank's strategies work more effectively in bringing about development and good governance to the countries of the MENA regions? Thank you.

**PRESIDENT WOLFOWITZ:** I think I'm going to partly repeat what I said in answer to an earlier question, that the World Bank is not this all-powerful institution that imposes its will on countries, contrary to what some of the demonstrators outside may think. We're an institution that can provide help when people want the help; and I think fortunately, I'm seeing some winds of change in the Middle East, where countries that were pretty static for a long time are beginning to open up in different ways, and I think they're interested in the kind of exchange of ideas that we've done very productively, for example, with China. We are more than prepared to work with them on those things.

In that regard, there was a really stunning presentation by the Finance Minister of Egypt at the Annual Meetings of the World Bank, Mr. Boutros-Ghali, and if he's any sign of the new winds in Egypt, it's a very good sign. It was really an impressive demonstration of the amount of reform that he's undertaking within the Egyptian economic sector; and I happen to think that openness and reform in one area has a way of spreading to other areas, so I think it probably goes beyond economics.

And one of the things he said is, "We Arabs have got to stop talking about some unique Arab environment." I think it's almost a quote. He said, "What works in the developed world will work in Egypt."

Now, that isn't always true. I mean, I've been struck sometimes, the conditions in some developing countries are so different from the advanced countries. As the Governor of Bauchi, State of Nigeria said, "I don't need any more PhDs coming and telling me what to do when they don't even know what my problems are." But there is a lot of knowledge about different ways of privatizing state-owned enterprises; different ways of reforming pension systems; different ways of improving tax collection. I could go on with a long list of things, and what the World Bank really is, is an avenue of communicating with expertise in the Bank and outside the Bank to take advantage of that knowledge when countries want to do it.
THE CHAIRMAN: Thank you very much. We have still two regions of the world to go; but they are very important ones, and I start with South Asia. I just wanted to mention that we have for a long time a very strong group from India. Mr. Keswani who was here, was one of the leaders in setting up that group. And we're also planning to expand that to a larger region group, and one of our most important members there is Suresh Prabhu, former Minister in India, and I would like to give him the floor for a question.

MR. PRABHU: Mr. Chairman. Mr. President, I now realize that we Parliamentarians in different parts of the world think alike; so what I wanted to ask has already been asked. So let me just little bit redirect and just ask you something different.

You know, we have been signing so many treaties and protocols. I sometime think that each government will have to have a Minister dedicated to remember which treaties and protocols have been signed. Then the question comes up, implementation. So there, I'm sure, the World Bank has to actually act in implementing the Kyoto protocol. So are you now thinking about bringing about some sort of synergy to actually bring these economic, social and ecological protocols into one single action plan which can be implemented, because what you see now is that while you are implementing the Montreal protocol, some of the gases that replace the ozone-depleting substances were causing the greenhouse gases, which is the subject matter of the Kyoto protocol. So are you thinking about integrating protocols?

And to do that, would you suggest that we should appeal to the heads of State that they should not sign any more protocol until what has been promised is already implemented?

PRESIDENT WOLFOWITZ: I think it's a good question; but I don't think it's one that is properly addressed to the World Bank. You are raising questions about the environment, about protocols related to the environment. We have protocols about harmonization of development assistance, for example, which certainly do address the World Bank; but actually, what came out of the Summit in Scotland at Gleneagles -- which was not just the G8 countries; but, very importantly, there was participation from the large middle-income countries, China, India, Brazil, Mexico and South Africa -- was a request to the World Bank to work on looking at developing a framework for climate-friendly energy investment.

But in the meantime while the politicians debate these very difficult issues that are to some extent win/lose issues -- where there are going to be winners and losers, and that's why there's a bit of a deadlock -- there are a lot of win/win opportunities where some financial facilitation or some technology-transfer facilitation could make a difference.

In China, I'm told they burn a lot of coal, and the efficiency of coal use in China is three-quarters of world standards. Bring China up to the world standard in coal efficiency, and just think of the benefits to everybody.

So I guess I'm happy to say that the difficult political issues are someone else's challenge. We're working, and there's a lot of work to be done to find some practical solutions on the ground that will be good, regardless of how the protocols are all worked out.

THE CHAIRMAN: Thank you very much. We come last, but not least, I would say, to the region of Eastern Europe and Central Asia, and I'm very happy to give the floor to a colleague from Serbia. Serbia and Montenegro is one of the countries where we've been on one of our field visits to look at reform -- social, political and economic reforms -- and I'd like to give the floor to my colleague, Gordana Comic from Serbia.

MS. COMIC: Thank you. The question is, how can you expect the cooperation on global issues like climate change in a world in which the poor are getting poorer and the richer are getting richer?
And as for a brief personal comment and the answer of “What now,” maybe it’s time for a new Helsinki conference, and to have a basket dealing with the role of global players. Who is in the club, and who will join it inevitably, and how to make those global players accountable? Maybe there is room for us Parliamentarians in it.

Thank you very much.

PRESIDENT WOLFOWITZ: I wouldn’t say the poor are uniformly getting poorer. In fact, I think as I said in my comments at the beginning, I think for the first time in history that you can point to 400 million people in the last 20 years escaping poverty; and a large part of that -- some three-quarters of it -- has been in China, and a large part of the other quarter has been in the successful developing countries of East Asia and Latin America. And I think the key to getting more poor people out of poverty is basically economic growth. I think that if that growth is stopped or retarded, the consequences for poor people are going to be severe.

So the notion that we can deal with the problem of climate change by simply stopping growth or simply redistributing energy resources, I don’t think, is going to work. I think what we have to do, as I said in my answer to an earlier question, is figure out how to make more efficient use of energy, figure out how to make better use of non-fossil energy sources. For instance, there’s a lot of potential still undeveloped in the developing world in hydropower. Put more of that new wealth of the world into researching sustainable energy sources, and put more of it into environmental controls.

I mean, I just have to say, the challenge of climate change is very real, and it’s even potentially very scary; but I think that the idea that you’re going to deal with it by stopping economic growth is really to condemn hundreds of millions of people to continuing to live in extreme poverty. I think the answer has to be to take more of that wealth and apply it to more efficient and more sustainable energy sources.

THE CHAIRMAN: Well, thank you very much, and may I thank you more in general on behalf of all of us for giving us the opportunity to raise these questions with you; and I appreciate very much the frank, open and sometimes very detailed way in which you have answered our questions.

I know there are some colleagues who still have questions on their minds, and as I said, we will make sure that you will get an answer through the World Bank and the President of the World Bank.

Thank you very much again for joining us today.

PRESIDENT WOLFOWITZ: Thank you.