

Speech at the Multi-Sectoral Conference on Partnerships for Governance and Development

by  
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President Estrada, members and leaders of government, Mr. Chief Justice, friends, ladies, and gentlemen. You cannot but be impressed by the meeting that you held on Thursday<sup>1</sup> (and by the reports that have been given to us this morning. I have had the chance to compare what is happening in countries around the world - indeed, I have been to five countries in the last two weeks - and to look at the way in which leaders in developing and developed countries approach the problems of the future. I will start with a global perspective which of course is translated in the context of each country into a national perspective.

To begin with, we live in a world of about 6 billion people, of whom 3 billion live under US\$2 a day and 1.2 billion live under US\$1 a day. Of the 6 billion people, over 5 billion live in the developing world. We have been through a crisis in the Asian region which has spread internationally and we have become aware -- because of the financial crisis and because of the way in which crime, drugs, migration, and communications link us all together -- that we are really all part of one single global family, divided into various national family groups.

Then we look at the future because our concern as leaders and members of different groups - whether they be in business, civil society, or international institutions - is to focus on the future. For us in this room, the future refers not to the next millennium, for which we are unlikely to be around, but surely to the next 25 years. In 25 years, this planet of six billion people will add two billion people. We will have a planet of eight billion and we will find that nearly all of the additional two billion people will go into developing countries.

So we will face a worldwide challenge as the population in developing countries grows from 5.2 to 6.8 billion people. The fundamental question is: what sort of conditions are those people going to live in? Is there going to be equity? Is there going to be social justice? Is there going to be peace?

These issues are not just for a philosopher, an activist, or someone with a good heart to think about. We are all linked globally on the issue of what sort of development we are going to have. Do we want to live in communities of brick walls and guards, or do we want to live in an atmosphere of freedom? Do we want to have peace in the streets? Do we

want our children to be able to enjoy the fruits of our labors? These are issues that affect us all.

The way in which one approaches the issue of development is not with the old techniques. I take a look at the World Bank starting in my own backyard. We used to sit on top of the mountain 50 years ago, with the International Monetary Fund. We would make up our minds on what the world should do and we would tell the world. A lot of people did not like that very much. In fact, civil society came out and said 50 years is enough of that behavior and I believe some of the activists from this country joined even in that judgment.

As an institution, we have had to change, not just because of the criticism, but because it was not working. So we have reached out and changed, and we have acknowledged that we the World Bank do not have all the answers. The world around you has also changed. You are no longer the only person on the block. There are many more bilateral and multilateral institutions that you have to deal with - such as the Asian Development Bank and the Japanese development agencies.

Our world of supporters has changed in terms of dimensions. It has also changed in terms of its importance. Whereas in 1990 assistance which flowed from institutions such as ours totaled US\$57 billion and private sector investment was US\$43 billion a year, that US\$56 billion has today dropped to about US\$52 billion while private sector investment peaked in 1997 at US\$304 billion, and was roughly US\$240 billion in 1999. The role of the private sector has clearly increased.

So the first change in the balance is that of the role of international institutions and the role of the private sector. As we have picked up in the meetings, it is not just the role of the large private sector, but the crucial role of small- and medium-sized enterprises and a freeing of an entrepreneurial spirit in countries that are more market-oriented. In fact, 10 years ago, one billion people lived in market-oriented economies. Today it is five billion.

Your country is the mirror of what is happening in the world - increasing development, increasing role of private sector, and a more dynamic civil society in all its forms. So, first of all I start with a global perspective and into that fits, extraordinarily, the Philippines.

But you face one other challenge, which is that one in three persons in this country lives in poverty. As President Estrada has pointed out, his objective is to reduce it to one in four persons, by the time he finishes his term of office, if I understand it correctly, Mr. President. This formidable and laudable challenge seems to have been adopted not only by the people of this country in electing the president, but also in the discussions which took place on Thursday as a central issue in terms of policy.

So here you are in Manila facing global problems. The question is, how are you responding? What is it that I might add to the remarkable discussions on Thursday? The first thing I can add is that the old division between developing and developed countries might be better

replaced by a division between well-managed and less well-managed countries. There is an opportunity today for most countries to move forward, depending on how well they are managed.

What you are doing, in terms of the tri-sectoral meeting on Thursday -- and the permission that you are giving for people like me to join you to make it a quadripartite discussion -- is that you are recognizing what in my judgment is central to the future of development, namely that no single group can do it alone.

A president cannot do it alone unless he builds a consensus. A government cannot do it alone. Private sector cannot do it alone. Civil society surely cannot, and certainly the World Bank cannot do it alone.

In modern governance and in addressing the issue of poverty, the first reality is that it must be done in a cooperative way. That is why we started a program called the Comprehensive Development Framework, to try and bring together each of the parties involved in society and say -- the future is common to us all and the responsibility is common to us all. I endorse this dictum as the first fundamental reality which we need to grasp.

The second reality is also reflected by the history of my own institution. We started thinking development was infrastructure, and infrastructure is indeed very important. We then moved to think that this was not enough and that the social sector is at least as important.

In your own reports, you put education high on the agenda. Education is the key to the future. Add to that health and social services. In our development as an institution, we shifted our thrust from infrastructure to engage in the issues of social programs. This week, we are going to be signing loans for supporting programs for Mindanao and social sectors which will range from human development and poverty alleviation programs - for beneficiaries from street children to the disabled - to programs on education and infrastructure.

The third reality, which internationally we recognize, is that those two issues - a cooperative framework and a focus on social programs - do not work unless you have structure. Several essential elements make up that structure.

The first element is strengthening governance, to which you have referred loud and clear in your report. Unless government can create an effective framework -- an honest framework with well-trained people -- wastage of effort and talent occurs. It does not work. People do not trust the government and so a cohesive force cannot evolve. So the first element is governance, but governance itself is changing, as was pointed out on Thursday. The devolution of authority is forcing the acceptance of governance on a decentralized basis.

In the next 25 years we will see one very significant change in urbanization patterns in that two billion people worldwide will move into cities and towns. There will be 19 cities with 10 million people or more in East Asia, including Manila. That change poses wholly different

questions of governance. What we are finding is that this level of governance from the parliamentary governors and committees right through to the local community is a whole new area in which we need to be more effective and give greater focus.

A second element is a proper legal and judicial system. People must have rights that are protected. Too many countries have not completed their legislative framework. But that is nothing if the judicial system is corrupt. We are finding globally that creating an efficient judicial system has not been an issue that has been addressed in many countries.

A third element, which we have seen from the Asian crisis as being so effective, is the issue of financial supervision and control, which you have also referred to in your meetings. Corporations and capital markets must work in an honest manner if you are going to have any sense of equity in terms of access to the financial system -- and if you are going to avoid accidents, such as what happened in the Asian crisis. A fourth element we have discovered is that you need to have a social system in place, some form of social safety nets. They can be informal or formal, but you need them.

A fifth element overriding all of the above is the issue of corruption. If you get all the other elements nominally in place, but the society is corrupt, it will not work. So you have to deal with the corruption issues along with infrastructure and social issues.

So I am deeply honored to be here at this tri-sectoral meeting and happy to be a fourth party. But I will make just one last point. The easy part is what I have just described, in identifying the issues. The difficult part is doing it.

There has to be, at some point, decision making and accountability in performance. If we do not have that, we will get nowhere.

The issue of implementation and the issue of transparent review and accountability is tremendously important. I congratulate you on a truly remarkable set of discussions and a monumental set of reports covered briefly and effectively. Let me simply close with what Corazon Juliano-Soliman<sup>2</sup> (said -- that you should be weaving a chain of trust with a chain of hope. If you do that, that will be the best recognition of the EDSA spirit, which you celebrated yesterday. Thank you very much.

( The Philippine Civil Society-Government-Business Sector Conference was held on 24 February 2000 at the AIM Conference Center. The conference output was presented during the 26 February 2000 meeting with President Joseph Estrada and World Bank President James Wolfensohn. ( Corazon Juliano-Soliman, chair of CODE-NGO, is the convenor for civil society for The Philippine Civil Society-Government-Business Sector Conference.

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