

Second Annual Conference
of the
Parliamentary Network
on the World Bank

London, House of Commons
January 28-29, 2001





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Foreword

On January 28-29, 2001, the Parliamentary Network on the World Bank (PNoWB) held its second Annual Conference in London. This was a follow-up to the first conference in The Hague in May 2000, at which World Bank President James Wolfensohn was a keynote speaker. The conference was organized by the European Vice Presidency (EURVP) of the Bank together with the Steering Committee of the PNoWB

The aim of the London conference was twofold:

- to pursue the in-depth dialogue between parliamentarians and the World Bank on policy issues engaged in The Hague, where the conference focused on the role of parliamentarians in poverty reduction;
- to agree on how the Parliamentary Network on the World Bank should be organized and what its activities should be over the next years.

The meeting lasted one-and-a-half days and included sessions on globalization and governance, Africa, the future of foreign aid, and debt relief, as well as break-out sessions on corruption, trade and development, and representation of European countries in international financial institutions.

A plenary session was devoted to discuss the organization and activities of the parliamentary network that was followed by an election to designate the nine members of the steering committee who will run the initiative during the next two years.

Parliamentarians were invited from most regions of the world including, for the first time, the United States, Canada, and Japan. More than 85 parliamentarians from 32 countries took part in the meeting, as well as observers from international parliamentary networks.

The World Bank and the PNoWB would like to express their sincere thanks to Ms. Clare Short, the Secretary of State for International Development at the Department for International Development (DFID) of United Kingdom, who sponsored the event.

Our thanks also extend to Mr. Bowen Wells, Chairman of the International Development Select Committee of the House of Commons for graciously hosting the meeting at the seat of the British Parliament.



Program of the Conference

Sunday, January 28

- 1:30 - 2:00 p.m. Coffee served at the House of Commons
- 2:15 - 2:30 p.m. **Opening Session**
Speakers:
Bowen Wells, Member of Parliament, Chairman of the International Development Select Committee, United Kingdom
Mats Karlsson, Vice President, External Affairs, World Bank
- 2:30 - 4:00 p.m. **First Session: *Responding to Globalization: What Role can Parliamentarians and Civil Society Play?***
Chairperson:
Moyeen Khan, Member of Parliament, Bangladesh
Speakers :
Ernst-Ulrich von Weizsäcker, Member of Parliament, Germany
Victoria Tauli-Corpuz, Executive Director, Tebtebba Foundation, Philippines
- 4:00 - 4:30 p.m. Coffee Break
- 4:30 - 6:00 p.m. **Second Session: *Organization of the Parliamentarians' Network: Structure, Agenda, Designation of the Steering Committee, Presentation of the Website...***
Chairperson:
Kimmo Kiljunen, Member of Parliament, Finland
Speakers:
Bert Koenders, Member of Parliament, The Netherlands
Jean-Christophe Bas, Pan-European Dialogue Manager, World Bank
- 6:00 - 6:45 p.m. **Third Session: *Special Focus on Africa***
Chairperson:
Adamou Ndam Njoya, Member of Parliament, Cameroon
Keynote Speaker
Callisto Madavo, Vice President, Africa Region, World Bank
- 7:30 - 8:00 p.m. Cocktail
- 8:00 - 10:30 p.m. Dinner:
Foreword:
Kemal Dervis, Vice President, Poverty Reduction and Economic Management Network, World Bank
John Alexander Corrie, Member of European Parliament, United Kingdom;
Co-President of the ACP-EU Joint Parliamentary Assembly
Keynote speaker :
Clare Short, Secretary of State for International Development, United Kingdom

Monday, January 29

8:15 - 9:00 a.m. Guided Tour of the Palace of Westminster (House of Commons)

9:15 - 10:45 a.m. **Fourth Session: *The Future of Foreign Aid and International Development: A Triple Perspective from Europe, the US and the Developing Countries***

Chairperson:

Hilde F. Johnson, Member of Parliament, Norway

Keynote Speakers:

Trevor Manuel, Minister of Finance, South Africa

Poul Nielson, Commissioner for Development, European Commission

Discussion

10:45 - 11:15 a.m. Coffee break

11:15 a.m. - **Fifth Session: *Beyond Debt Relief, Fighting Poverty***

12:30 pm

Chairperson:

Bowen Wells, Member of Parliament, United Kingdom

Speakers:

Kemal Dervis, Vice President, Poverty Reduction and Economic Management Network, World Bank

Jan Cherim, Global Head, Institutional and Government Advisory Service, ING Barings

Marina Ponti, International Relations, MANI TESE

Discussion

12:30 - 2:00 p.m. Lunch

“Globalization and Poverty”

Keynote speaker:

Nicholas Stern, Senior Vice President for Development Economics and Chief Economist, World Bank

2:15 - 3:45 p.m.

Parallel sessions:

1. *The Role of Parliaments in Curbing Corruption (organized in partnership with the World Bank Institute)*

Chairperson:

Augustine Ruzindana, Member of Parliament, Uganda; Chairman, African Parliamentarian Network Against Corruption; Member of the Board, Transparency International

Speakers:

John Williams, Member of Parliament, Canada; Chairman, Global Organization of Parliamentarians Against Corruption

Daniel Kaufmann, Director, World Bank Institute

2. *After Seattle: Where Are We Going in Trade and Development?*

Chairperson:

Alain Lipietz, Member of European Parliament, France

Speakers:

Ablasse Ouédraogo, Deputy General Manager, World Trade Organization

Uri Dadush, Director, Economic Policy and Development Prospects Group, World Bank

Anthony Venables, Professor, London School of Economics

3. *The Role of European Countries in the IFIs: What Role for European Parliamentarians?*

Chairperson:

Adelheid Troescher, Member of Parliament, Germany

Speakers:

Laurence Tubiana, Adviser to the Prime Minister of France

Alex Wilks, Coordinator, Bretton Woods Project

3:45 - 4:00 p.m. Coffee Break

4:00 - 4:45 p.m. Organization of the Steering Committee and the Network - Follow-up

4:45 - 5:30 p.m. **Closing Session: “High Noon: The Urgent Need for New Global Governance Solutions”**

Chairperson:

Isabel Tocino Biscarolasaga, Member of Parliament, Spain

Speaker:

Jean-François Rischard, Vice President for Europe, World Bank



Summary Report

Opening Session

The conference was opened by **Bowen Wells (MP, UK)** and **Mats Karlsson (Vice President, External Affairs, World Bank)**. Both stressed the importance of the international development goals (IDGs¹) and the critical role of parliamentarians in achieving them. Mr. Karlsson spoke of the new consensus on the IDGs and the importance of a comprehensive approach to achieving them, guided by the principles of partnership, country ownership, and an emphasis on results. He stressed the need for a special focus on Africa, as well as a supporting agenda on global issues such as trade and regulation, the environment, communicable diseases, information and communications technology, conflict prevention and post-conflict reconstruction.

Responding to Globalization: What Role can Parliamentarians and Civil Society Play?

The chair of this session, **Moyeen Khan (MP, Bangladesh)**, began by noting some of the problems faced by his country, where 50 out of 120 million people live below the poverty line. Foreign aid represents half of government revenue in Bangladesh, but MPs often don't have any handle on this money. He said that globalization is not a matter of choice for poor countries: their best strategy is to study how to make best use of it.

The first speaker was **Victoria Tauli-Corpuz, Executive Director of the Tebtebba Foundation (Philippines)**. She explained how civil society organizations can work with legislators and negotiators to influence government policies in response to globalization. Her foundation has pushed some MPs in the Philippines for hearings, e.g., on the effects of the 1995 mining liberalization act, and has held meetings with scientists on the risks of biotechnology. Through the Third World Network, her foundation has also taken part in UN activities and WTO ministerial meetings, with a view to educating negotiators on the problems with some international agreements, such as those on agriculture.

The second speaker, **Ernst-Ulrich von Weizsäcker (MP and chair of the Select Committee on Globalization, Germany)**, looked at how the term "globalization" has only been in general use since 1990, when the fall of the Berlin wall provoked a profound change in the global economy. The ensuing process of liberalization has had several negative effects: states can no longer prevent the rich from evading taxes; despite Rio, there has been a general blockage of environmental policy; and social inequity has increased as the "peace dividends" have not been distributed. The challenge now is how to make elected parliaments and democratic governments stronger again in relation to international capital? Mr. Von Weizsäcker suggested that parliaments should join forces with civil society to improve transparency and exercise a moral influence on decision-makers.

In the ensuing **discussion**, there were questions and comments

on where the peace dividend went after 1990 and the role of capital movements; the importance of social equity in developing countries; the lack of accountability of civil society organizations; and the need to re-think the role of MPs in the information age. Mr. Von Weizsäcker referred to the World Bank's collaboration with Transparency International on trying to create incentives for *non*-corruption. Ms. Tauli-Corpuz cited Denmark, Norway and Germany as "friendly" developed countries which have cooperated with developing countries in international negotiations, e.g., on biodiversity.

Special Focus on Africa

This session was chaired by **Adamou Ndam Njoya (MP, Cameroon)**. The keynote speech was given by **World Bank Vice President for Africa Callisto Madavo**. Mr. Madavo, a Zimbabwean, began by saying that working on Africa is a passion, not just a job. He mentioned the various coalitions that are being built around an African-led development agenda, with poverty at the center. In order to help build effective states, he said the World Bank needs to deal not just with the executive branch of government, but also with the legislative and judiciary branches. In many African countries there is a "corroded fabric of state and society relations" which has a cruel impact on the poor. Mr. Madavo pointed out that, with leadership, this situation can be changed and cited the parliaments of Uganda, Ghana and Botswana as African "islands of success". He described how parliaments can contribute to poverty reduction, e.g., through budgetary oversight, effective parliamentary committees, and reaching out to all citizens. And he stressed that parliaments should hold governments accountable to their people, not to donors. "We're at a turning point in Africa – we can make a difference," he concluded.

In the **discussion** that followed, the lack of finance for electoral campaigns in developing countries was mentioned, meaning that MPs get caught up in the "corruption web" even while they are trying to fight corruption, and it was asked if the World Bank could set up a task force on this issue. Another MP suggested a meeting between World Bank staff and finance committees from African countries in order to increase their understanding of HIPC. There was a discussion of how we need to change the very "narrow" and "bleak" image that European MPs have of Africa. There was also a suggestion that the World Bank fosters corruption in Africa by giving money to governments it knows to be corrupt. Mr. Madavo responded that the World Bank is changing, but still it does not have power over elections and cannot get involved in purely political issues.

Keynote Speech by Clare Short

Clare Short, Secretary of State for International Development (UK), gave the keynote speech at the dinner on Sunday, January 28, following introductory remarks from **John Alexander Corrie (MEP, UK)** and **Kemal Dervis (Vice President, Poverty Reduction**

and Economic Network, World Bank). Ms. Short's speech was a vibrant personal statement of the values which she believes are central to development cooperation. She began by insisting that she was "against poverty *alleviation*. It's this word 'alleviate.' It has in its meaning in English 'soften the impact.' It isn't 'root it out,' it isn't 'deal with the causes'... If all we do is charity, it's not development."

Ms. Short traced the roots of socialism – "an ethical political tradition" which she said was not to be confused with the false socialism of the USSR – to the industrial revolution and related the experience of her own family, poor Irish immigrants who arrived in Birmingham in the 1840s, to that of poor people now in developing countries: "My family got work and education... and that is what the poor of the world need." She described globalization as a continuation of the industrial revolution, speeded up by the end of the cold war and the information technology revolution.

Ms. Short said that in this interdependent world, development is "the biggest moral issue for the planet"; however, there is a "deep mind-lag" present in much thinking about development, including among politicians, and this needs to be overcome if we are to solve the urgent problems facing the planet. Parliamentarians need to stand up strongly and combat the deep and generalized cynicism about politics: "we could have the biggest period of human advance... that humanity has ever seen; [but] if people are cynical, then we will fail."

A lively **discussion** followed with questions and comments on the role of the international financial institutions, aid fatigue, Africa, the role of women in development, and the importance of democracy for development. In her responses, Ms. Short stressed the role of the World Bank in helping governments to manage resources for development – a role which NGOs cannot perform. She attributed aid fatigue to political choices in donor countries, but also to developing country governments who don't care about the poor or about corruption: "in many developing countries, rich elites dominate democracy and poor people feel they have no say."

Ms. Short explained that, according to research carried out in the UK, people support the international development goals but are cynical about misuse of aid; her conclusion was that "if we show our people that it's working they will vote for more." She reminded her audience that most of the world's poor live in South Asia and one third live in India alone. She stressed the importance of girls' education and empowering women, affirming that "women are the answer – in Europe as well as in Africa." And she gave a strong endorsement to the nascent dialogue between the World Bank and MPs, emphasizing that "parliamentarians... and this movement could make an enormous difference."

The Future of Foreign Aid and International Development

This session was chaired by **Hilde F. Johnson (MP, Norway)**. The first keynote speaker, **Poul Nielson, European Commissioner for Development**, began by describing the process of change which has been taking place within the European Commission (EC) over the last year. Firstly, there has been agreement on the reform of European development policy, with a focus on six areas of special importance: trade and development; regional integration and cooperation; macroeconomic policies linked with

poverty reduction strategies, especially focusing on health and education; transport; food security; and institutional capacity building and governance. Secondly, the Cotonou Agreement, signed in May 2000, has redefined relations between the EC and the ACP states and placed more emphasis on regional integration. Thirdly, the EC is cooperating much more closely with the World Bank and the UN, and its working relationship with the Bank has improved dramatically. As a sign of this, the EC has decided to use the PRSP framework as its own framework.

The second keynote speaker, **Trevor Manuel, Minister of Finance of South Africa**, focused on the growing inequalities between developing and developed countries: in healthcare, nutrition, information technology, access to capital markets, trade. He gave a number of striking examples: the World Bank headquarters has more phone lines than the country of Rwanda; only four countries in Africa have access to global capital markets (Egypt, Morocco, Tunisia and South Africa); in low-income countries, on average only 1.3% of GDP is spent on health; agricultural subsidies in OECD countries represent \$1 billion per day, more than the combined GNP of all sub-Saharan Africa; the US fiscal surplus is equal in volume to the whole South African economy, yet only four donor countries are meeting the ODA/GNP target of 0.7%. Mr. Manuel concluded that there has never been a period of greater selfishness and stressed the need for an "agenda for action" to fill the gaps in the international system – on trade and market access, especially agriculture; on reform of international organizations, including better representation of African countries on the Board of the World Bank; on capacity building; on governance; and on public goods.

Issues discussed in the **Q&A session** included the relative importance of information technology (IT) in European development policy, the "trade not aid" idea, the need to ensure that multinational companies behave in an ethical manner, and the question of agricultural subsidies. Mr. Manuel stressed that the agenda of the IFIs is evolving, but they still need to be made more accountable. He said that IT should be on the agenda as it is a global public good; Mr. Nielson, however, said that Internet access is currently too expensive for many countries as prices are determined by privatized players. Mr. Nielson said the EU is reducing agricultural subsidies by 55% and noted that the discussion on EU trade policy covers "everything but arms" not "everything but farms"!

Beyond Debt Relief, Fighting Poverty

This session, which was chaired by **Bowen Wells (MP, UK)**, featured keynote speakers with three different perspectives: the IFIs, the private sector, and civil society. **Kemal Dervis, Vice President for Poverty Reduction and Economic Management at the World Bank**, spoke about the Heavily Indebted Poor Countries (HIPC) initiative. He explained that debt relief for HIPC countries has been linked to poverty reduction strategies to ensure that resources are used effectively, and that the multilateral organizations need help with financing the HIPC initiative as their income comes from debt re-flows and they have no power of taxation. He also raised the issue of horizontal equity, i.e. the need to make sure that poor countries, such as Yemen, which are not eligible for debt relief under HIPC are not forgotten by the donor community.

Jan Cherim, Global Head of the Institutional and Government

Advisory Service at ING Barings, then explained how the private sector is primarily concerned in developing countries with the strength of institutions (judiciary, policy) and finding the skills necessary to transfer best practices. He said private companies are now working harder on their communication with the public sector, governments, and IFIs. On debt restructuring, he called the Paris Club an “efficient mechanism for debt *creation*” but said there has been some recent progress. He referred to the “myth” that only the private sector or bilaterals should restructure or forgive debt, and expressed the view that debt reduction would not impact on the creditworthiness of the World Bank.

Marina Ponti, Coordinator of the Italian NGO Manitesa, expressed her support for the PRSPs and the World Bank’s recent publications on poverty (*Voices of the Poor* and the World Development Report 2000/2001 *Attacking Poverty*). She expressed concern that the commitments made at the Social Summit in Copenhagen (1995) have not been honored and referred to a call from the international network Social Watch for a legally binding “International Convention on Poverty.” She went on to criticize the lack of coherence in aid policies (for instance, in 1998, only 1% of ODA went to basic education and 1.3% to basic health).

The speakers answered **questions** on aid effectiveness, macroeconomic projections, and the UN Conference on Financing for Development which Marina Ponti confirmed would take place in March 2002. Kemal Dervis said that despite the rise of private sector economic analysts, the IMF is still the lead organization for macroeconomic projections. Jan Cherim noted how the proliferation of economic data on developing countries tends to mask its poor quality, and stressed the need to help developing countries improve their data.

Keynote Speech by Nicholas Stern

Nicholas Stern (Senior Vice President and Chief Economist, World Bank) gave a speech on “Globalization and Poverty” during the luncheon on January 29. He began by noting that the last decade of the 20th century saw a remarkable acceleration in the pace of globalization. This increased integration provides tremendous opportunities for developing countries, but it also carries with it serious risks. He took stock of what we know about the impact of globalization: first, globalization is on the whole a positive force for development and poverty reduction (see, e.g., the experiences of China and India), though rich countries could take measures to make it more favorable to development; second, to realize the great potential from globalization, countries need complementary institutions and policies (such as open markets and a sound investment climate); and third, countries need to take specific measures to ensure that poor people participate in globalization and benefit from it, and that the risks they face are minimized (through education, social protection, etc.). He concluded that overcoming poverty is the responsibility of us all and that parliamentarians have an important role to play. He encouraged the MPs to look to the long view, rather than taking a populist approach, and to base their views (e.g., on trade and aid) on analysis.

Break-out session 1: The Role of Parliaments in Curbing Corruption

The session was chaired by **Augustine Ruzindana (MP, Uganda)**.

Building upon earlier work by the World Bank Institute (WBI) and the Parliamentary Center, and highlighting recent developments in the African Parliamentarians Network Against Corruption (APNAC) and the Global Organization of Parliamentarians Against Corruption (GOPAC), as well as recent research findings by WBI, this session focused on “The Role of Parliament in Curbing Corruption” – noting the role that parliamentarians themselves must play in both holding themselves and parliaments above reproach and in holding the executive accountable to the public.

Augustine Ruzindana opened the session by noting that Parliament itself must be governed by established codes of ethical practice and conduct; Uganda’s leadership code requires leaders, including Members of Parliament, to annually declare income, assets and liabilities and prohibits leaders from putting themselves in a position where judgment can be unduly influenced. He also stressed that public access to parliament and parliamentary proceedings is important for both openness and confidence building; public hearings, open public galleries and televised debates all contribute to such openness. Strong parliamentary committees, such as the Public Accounts Committee, utilizing the expertise of civil society, further enhance openness, facilitate parliamentary oversight and promote government accountability – thus exposing corruption and illegal behavior.

The first speaker **John Williams (MP Canada)** reinforced these points and asked the question “if more (government) accountability is what we need, how do we strengthen our parliaments to ensure that they are effective in delivering that accountability?” While recognizing that parliamentarians are part of a ‘privileged few’ who have been given the authority by the electorate to set rules for the orderly management of society, he noted that, all too often, parliamentarians depend upon corrupt practices for their electoral success.

In order to deepen the understanding of, and commitment to, principles of good governance, Mr. Williams outlined the new organization, GOPAC; building on the success of APNAC, it is a global network of parliamentarians dedicated to fighting corruption with regional networks in Africa, North and South America, Australasia, Europe, South and South East Asia. (For further details, contact GOPAC Interim Secretariat at parlcent@parl.gc.ca).

The second speaker, **Daniel Kaufmann (Director, World Bank Institute)** presented recent research findings regarding corruption in the political sphere, noting that recent surveys indicate the prevalence of “state capture” of parliament and the executive by corporate interests (for further information, see website at: worldbank.org/wbi/governance). Building on the previous presentations, Mr. Kaufmann urged parliamentarians to adopt such measures as full disclosure of parliamentary votes, transparency in party financing, and declaration of assets by parliamentarians. He concluded by suggesting that, while parliamentary networks are important vehicles to help curb corruption, parliamentarians themselves should also seek links to national civil society organizations.

Break-out session 2: After Seattle – Where Are We Going in Trade and Development?

The session was chaired by **Alain Lipietz (MEP, France)**. The first speaker, **Ablassé Ouédraogo, Deputy General Manager of**

the WTO, started by describing the post-Seattle perspectives emphasizing the trade-development nexus. He made a plea for open economies and cited statistical evidence which proves that open economies can double the size of the economy in only 16 years while other countries need 100 years. He then highlighted WTO's role as a regulatory body which protects the poor. Developing countries constitute 90 percent of WTO's overall membership and Africa alone counts for a third. But the process of consensus to be reached among over 140 members is complex and complicated, and WTO is just a secretariat. He strongly believes that the next round is coming and will be a round focussing on development. Parliamentary consultations and participation are key to make this process a success.

The next speaker was **Uri Dadush, Director, Economic Policy and Prospects, World Bank**, highlighting his paper "Towards a Development Round." His clear message was also that the next trade round must be a development round as developing countries are becoming far more prominent in the international arena both in terms of economic weight and in terms of their voice in international fora, and specifically in trade. Assisting the integration of the poor into the world economy is a top priority.

He described how the development and trade agendas are increasingly intertwined, as shown by five long-term trends:

- sharp acceleration of integration of developing countries in the world economy and their relatively rapid growth rate;
- trade opening in developing countries, including increased participation in regional integration arrangements;
- trade barriers in developing countries remain much higher than in industrial countries and impose a great cost;
- progress on integration has been uneven, the share of LDCs in world trade in 1997 was only 0.4%;
- disappointment among many developing countries with the Uruguay Round.

He said a development round should cover market access for LDCs; broader liberalization in agriculture; liberalizing trade in labor-based services; intellectual property rights; standards and technical regulation; and antidumping and other non-tariff barriers. In conclusion, he said that the concerns of developing countries now lie at the heart of the remaining multilateral trade agenda. Future negotiations need to be inspired by a broader and more compelling vision of shared prosperity and poverty reduction.

The third speaker was **Professor Anthony Venables from LSE** who started by looking into some general traits of interaction between people in different countries, such as trade in goods and services as well as in ownership and management of assets and movement of persons, all associated with the transfer of knowledge. He elaborated on certain facts as the "local" or "home bias", meaning that when distances are doubled trade more than halves or the fact that transport and shipping rates have not gone down. The implications are different for high-income or low-income countries. He came to the conclusion that there are clear benefits from interacting with the world economy and openness and growth are possibly not in a causal clear relation, but are associated. Trade is a necessary, but not sufficient, condition for growth, and there are both internal and external obstacles. Accumulated trade barriers cost more than total ODA (tariffs, etc. amount globally to \$163 billion compared to ODA of \$50 billion).

A short **discussion** followed which was mainly used to criticize the lack of discussion time. Fewer presentations and more discussion – that seemed to be the consensus. MPs wanted to have time to figure out what to do about the next trade round and what was their role.

Break-out session 3: The Role of European Countries in the IFIs – What Role for European Parliamentarians?

This session was chaired by **Adelheid Tröscher (MP, Germany)**. The speakers were, **Laurence Tubiana (Adviser to the Prime Minister of France)** and **Alex Wilks (Coordinator, Bretton Woods Project)**.

"High Noon: The Urgent Need for New Global Governance Solutions"

This session was chaired by **Isabel Tocino (MP, Spain)**. The keynote speech by **Jean-François Rischard (Vice President for Europe, World Bank)** focused on the urgent need for new approaches to global problem-solving. Mr. Rischard offered a preliminary list of 20 "inherently global issues" (IGIs), including global warming, AIDS and the global financial architecture, which are currently awakening planetary concern and need to be solved within the next 20 years. He argued that current ways of handling IGIs – international treaties, intergovernmental conferences, G7/8-type mechanisms, multilateral institutions – are not up to the task, and suggested that "networked governance" through what he called "Global Issues Networks" (GINs) could be a solution.

Mr. Rischard explained that each GIN would try to solve one IGI by bringing together experts from different constituencies – government, civil society, business, concerned citizens – in an open, non-hierarchical network. This network would determine norms for the IGI in question and act as a rating vehicle, rating countries and other relevant players (e.g., businesses) as to how well they do against these norms. The result would be reputation effects which would expose "rogue players" and encourage stakeholders to conform to the norms. He suggested that multilateral institutions could play a facilitating and convening role in the GINs which correspond to their areas of expertise.

In the **discussion** that followed, Mr. Rischard referred to an article he wrote for the *International Herald Tribune* on the role Europe could play in global problem-solving. He said that although people are saying we must reform the multilateral institutions, this is not the key issue as they are just one part of a whole system that is not achieving results.

Organization of the Parliamentarians' Network and Election of a New Steering Committee

This was the subject of a plenary session on January 28 and a follow-up session on January 29. Two members of the steering committee – **Kimmo Kiljunen (MP, Finland)** and **Bert Koenders (MP, The Netherlands)** – opened the discussions by presenting their views on the nature and aims of the parliamentarians' network. Kimmo Kiljunen said the main issue was "how to create democracy, transparency and accountability at the global level." Bert Koenders listed areas in which MPs in donor countries can influence policy (i.e. trade rules, appropriations for debt relief, sequencing of liberalization of markets, ODA levels, and patenting of drugs for AIDS) and those in which MPs in borrowing countries

can play a role: oversight of development finance, anti-corruption, and PRSPs.

Jean-Christophe Bas (Pan-European Dialogue Manager, World Bank) then told participants of the enthusiasm within the World Bank for this dialogue and greater interaction with MPs, the growing interest from other constituencies (e.g., academia), and the alliances that are being built with other parliamentary networks.

Rick Stapenhurst (World Bank Institute) described how the WBI has developed a close focus on parliamentarians over the last six years, with 70 seminars or workshops attended by some 2,750 MPs from developing countries and countries in transition on topics such as corruption, the budget process, economic policies and environmental issues. The underlying theme of WBI's work is enhancing parliaments' role in systems of governance and, in particular, making governments more accountable to the electorate.

The participants in the London conference were given the opportunity to **elect a new steering committee** composed of nine members from nine different countries. Membership was restricted to MPs and the electors were encouraged to strike for a geographical, political and gender balance. The members of the new committee, which will serve for two years, were announced on January 29. They are:

Ms. Hilde F. Johnson (Norway)
Ms. Charity Kaluki Ngilu (Kenya)
Mr. Shri Suresh A. Keswani (India)
Mr. Kimmo Kiljunen (Finland)
Mr. Bert Koenders (The Netherlands)
Mr. Ndam Njoya Adama (Cameroon)
Ms. Isabel Tocino Biscarolasaga (Spain)
Ms. Adelheid Tröscher (Germany)
Mr. Bowen Wells (United Kingdom)

The committee's responsibilities include: ensuring the continued and sustainable development of the initiative; defining the name, the nature, the rules of procedure and organizational settings of the network; representing the network; implementing the decisions of the World Bank conferences with parliamentarians; mobilizing and administering financial resources for the network; and preparing the next annual meeting of the network.

The London conference was also an occasion to launch the network's website (www.worldbank.org/pnid) and to discuss the purpose and organization of the network in more detail. Participants made many suggestions, including:

On the network:

- It needs a mission statement and a clear mandate
- Its central aim should be to establish a relationship with the World Bank (and possibly the IMF)
- It should focus on issues that can lead to specific policy engagement
- It needs regional committees so that everyone is involved, not just the steering committee
- It should be broadened to include Asia and the United States
- It needs to communicate the positions of national parliaments to the Bank, i.e. communication should not just be one-way
- It needs to influence the IFIs, but with local impact - it must have roots

On the annual conference:

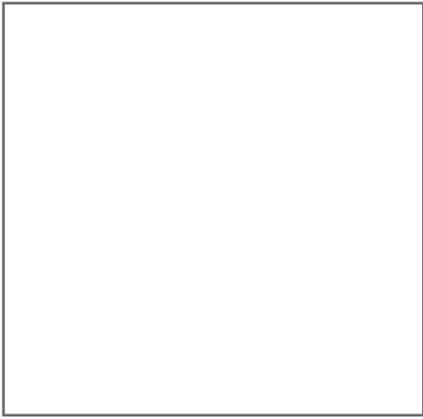
- It should focus on a specific theme
- It should include a session on PRSPs
- There should be a session devoted entirely to questions to the World Bank, as in The Hague
- Speakers should focus in their conclusions on how MPs should be involved
- The IMF and UN agencies should participate

The steering committee is charged with considering all these suggestions. Participants' views on the parliamentarians' website were also solicited through a questionnaire. Some suggested that the list of thematic interests on this questionnaire needed to be revised.

Representatives from other international organizations (UNESCO, IPU...) offered their support to the network.

¹ More information on the IDGs is available on the Internet: <http://www.paris21.org/betterworld/setting.htm>

Keynote Speeches



Ms. Clare Short, MP, Secretary of State for International Development, United Kingdom

May I begin by responding to the remarks just made that suggested that women were a major part of the answer for Africa. I believe that women are not just the answer for Africa, they are also the answer for Europe. Our involvement is a sign of a political renewal. In the United Kingdom, and probably elsewhere, women are consistently outperforming men in primary, secondary and university education. However, the process will remain incomplete until we liberate men. Once we persuade women to use their brains, ability and concern for others and provoke men out of their obsession with power and control to enjoy all their human talents, we will achieve a civilised life in Europe and Africa. Forgive me, but I felt compelled to clarify that women are not just the answer in Africa.

I. The Fallacy of Poverty Alleviation

At the risk of sounding pedantic, I am against poverty alleviation. In English, the word 'alleviate' means softening the impact instead of rooting out and dealing with the causes. If the poor of the world are in misery and trouble, charity is our duty. However, if this sums up our contribution, it is a handout and not development. For too long, the underlying concept of much development effort was to soften the impact of an inescapable problem. With such concepts we were not promoting development: we did not really believe that we could get to the root of the problem and help people use their brains, ability and talent to improve their own lives.

Mats Karlsson has just been telling me about how tough the conditions were in Sweden during his father's childhood. Similarly for me my great-great-grandfather came from the west of Ireland during the 1840s when the Great Famine claimed millions of lives. He arrived in my constituency, where my mother's side of the family have lived ever since. In Birmingham, which for me is one of the most beautiful places in the world, my family got work and education. Within three generations, these two factors helped my family rise from hungry peasants to developing many people of talent including a member of the British cabinet. The poor of the world need such possibilities to allow their undoubted talent to flourish. In parts of Asia and Africa I have met people who are bringing up families in conditions where we could not survive. They are braver, stronger, more creative and hardworking than most of us. Given the opportunity, these phenomenally resourceful people would improve their own lives and add to the human condition.



II. The Lessons of Socialism

1. The Origins of Socialism

I must also challenge the introductory remarks which suggested that the Soviet economic system was socialist. I am a Socialist. I believe that the Soviet Union and their related states had nothing to do with Socialism. I was brought up with the view that Socialism is an ethical, political tradition, which values each human being equally. Therefore, those of us who are socialists must use politics and democracy to organise society and create opportunities for all humans so that all are treasured and free to control their future.

Although I do not intend to try to convert you to Socialism, I would like to draw your attention to the roots of the Labour Party. It originated 100 years ago following the experience of the Industrial Revolution. Initially, starting in Birmingham - industrialisation helped create enormous new industrial power and wealth. Poor people crowded into the cities. They lived in conditions of hardship similar to those experienced today by the poorest 20% of humanity. They migrated from the countryside to live in squalor and illiteracy. I believe that it is important to remember our roots to better understand today's developing world. We patronise too often, ignoring that we also passed this way.

Inspired by the teachings of Jesus Christ the founders of my party sought decency and respect for the poor. They demanded the fair distribution of the new wealth to allow all people the right to a decent house, job, healthcare and family living conditions.

2. Globalisation

The following century in Europe and North America witnessed a struggle for democracy, social systems and full employment to share the fruits of industrialisation to benefit all. Extreme poverty was removed from the human condition in Western Europe and North America. Now we have globalisation, which is the continuation of the process of industrialisation. Trade

growth, the spreading of technology and the high speed linking up of the world occur for two reasons: the creation of a single post-Cold War global economy and Information Technology. The IT revolution has encouraged the rapid spread of information, capital knowledge and new wealth. Building on the industrial era, it is a global phenomenon.

The creation of this massive new wealth is not a zero sum game: we can spread it and share it. Are we going to allow all of humanity to educate their children, gain access to healthcare, employment, dignity and some enjoyment from life? Alternatively, will only some countries benefit at the expense of others? Unless we change, the latter prospect will occur. Such a result will be both morally disgusting and dangerous. It will imply more inequality, conflict, environmental degradation, disease, division and refugees. Regardless of where they live, this will mean real trouble for our grandchildren. Either we make the world more just and decent or instability will be unavoidable in the future. That is the purpose of today's meeting.

III. The Live Political Challenges

1. The Cynicism Trap

In Europe and probably in North America, people are becoming increasingly cynical about politics and politicians. One hears

the remarks that they are all the same, trying to feather their own nests in the absence of ideological questions under the smokescreen of the “third way.”

And yet one in five of the world population lives in extreme poverty. During the 20th century, the total population of the world rose from 1.2 billion people in 1900 to 3 billion in 1960 and 6 billion in 2000. We are heading for 9 billion by 2020/30. While we can manage this growth, it represents a phenomenal challenge for humanity and for the management of our planet. We must now start to manage the planet to include everybody otherwise we will find ourselves facing serious problems.

2. A Dangerous Mind Lag

Despite massive new wealth, lots of knowledge of what works and success in development, we will be in desperate trouble if we do not make faster and larger scale progress. Who says politics no longer deals with ideological issues? I believe that the problem is that rapid change creates deep mind lag in the media and political class. During the industrial revolution, the United Kingdom Parliament was dominated by landowners. Judging by their behaviour at the time, one could be forgiven for thinking that the industrial revolution was not happening. As always, the old class remained in the old order. In the world system, many still believe that the post-1945 political system is still the status quo.

With their old mind set our press commentary and parliamentary bureaucracy still rank development as a charity pastime, only to be discussed after the serious political issues are settled. Aside from being morally disgraceful, this situation is a dangerous disorder in the world's political systems. We must grasp this increasingly interdependent order and manage it better to bring benefits to all. In this regard, we can progress by creating more efficient international institutions and a more focused World Bank. In turn, they must equip governments in developing countries to ensure that all their children are in school, healthcare functions, banks are properly regulated, corruption decreases, savings stay at home, inward investment enters, new technologies are shared and rapid development is delivered.

3. Governmental Action and Misguided Protest

Civil society and democracy have a significant role to play. But in the North too often we retain a pretence that development NGOs speak for the poor of the world. This does not quite make sense. According to our annual report, which we are about to submit to Parliament, the United Kingdom contributes a growing but still inadequate GBP 3.6 billion by 2003/4 to the development budget. I intend that we should increase this sum further. In proportion, we spend GBP 100 billion on domestic social security spending. From the development budget, GBP 198 million goes to British NGOs working in development and GBP 170 million to the World Bank and GBP 152 million on UN agencies. Countries such as France and Germany follow similar patterns of contribution. Not many people would believe that OECD governments provide more funds through their NGO's than they do through the World Bank!

In this period of rapid change and confusion, today's type of meeting is very important. Protestors have vented their anger in Seattle, Prague and Davos. I cannot myself understand why if smashing up McDonald's restaurants is the answer to the problem the protestors have to travel to Seattle? Surely these restaurants are also available nearer to home. However, for major newspapers, these activities command front-page attention. The protestors' fundamental message flows from an environmental concern, believ-

ing that the world is under strain. They originate from rich countries, organise their meetings on the Internet and by mobile phone, fly in to make their protests, wear Nike trainers and smash foreign McDonald's restaurants. And, they claim that their mission is to defend Africa and Asia from the depredations of multinational capital! They are very muddled but many of them mean well.

IV. The Essential Role of Parliamentarians

However, I believe that this is very dangerous. They are making a case which is fundamentally protectionist, is against development and supports tariff barriers against trade. In the 1930s, when the world last adopted such policies, we fell into deep depression and then world war. One must ask where the parliamentarians come into this issue. In a period of deep historical changes, enormous advances and the risk of trouble, in the future development is in my view the biggest moral issue for our planet's sustainability and security. And the biggest political question we face is how do we use the wealth of globalisation for the benefit of all humanity? Unfortunately, most of our parliaments are not contributing to this debate or asking how we build UN and World Bank effectiveness to increase the capacity of developing countries to achieve sustainable development. If we do not improve our performance, the world will be in trouble.

It is important that the public understand that, as intergovernmental organisations, the WTO, UN, World Bank or the IMF can only improve if governments strive to represent the aspirations of their people for a safer world. In this regard, parliamentarians must stand up to ensure that democracy is present in international institutions to plan. However, this voice remains silent. People are unaware that the WTO and World Bank are intergovernmental organisations. Many think that multinational companies run the WTO and that rich powers run the World Bank. It is the job of parliaments to pursue governments' accountability before their people in order to ensure that the coming era becomes more just and safer.

Although we are behind schedule on these reforms, they are feasible. If we can convince our societies, enormous advance is possible. Unfortunately, the prevalent cynicism in European and other regional politics is one of our worst enemies. I believe that we can turn this around. The pain of the 20th Century has taught us that the absence of effective states allows failed markets to cause marginalisation and impoverishment. Effective government respects and provides services for its entire people and uses the market for its beneficial gains.

With your help, we can co-operate in promoting development and witness the greatest period of human progress in history. The alternative is increasing catastrophe. These meetings carry incredible potential. We must promote the work of international intergovernmental agencies, proper accountability to Parliament and honesty toward our society on the purpose of these organisations. Otherwise, these organisations will become the property of people who drive for protectionism and anti-development measures. We do not want to return to the 1930s. In this respect in the UK our recently established Holocaust Memorial Day brings home the seriousness of these issues.

For more information on DfID visit: <http://www.dfid.gov.uk/>

“Special Focus on Africa”

by Callisto Madavo

Vice President, Africa Region,
World Bank

Mr. Chairman,

- Thank you for that wonderful introduction. I am very pleased to be here. It is a real honor for me to address such a distinguished group to talk about Africa; for me working for Africa is not a job it is a passion I love.

- **There is an emerging and encouraging dynamic on the continent, with African leaders increasingly ready to take the reins.** ECA has recently proposed a *Global Compact with Africa*. President Mbeki, with his colleagues Presidents Obasanjo and Bouteflika, and some of Africa’s friends, are championing a Millennium Africa Renaissance Program. All these initiatives such as Prime Minister Blair’s proposal for a partnership with Africa are all pointing in the same direction – to an African-led development agenda, with poverty reduction at its center, supported by a committed and engaged international community as expressed in the International Development Goals.

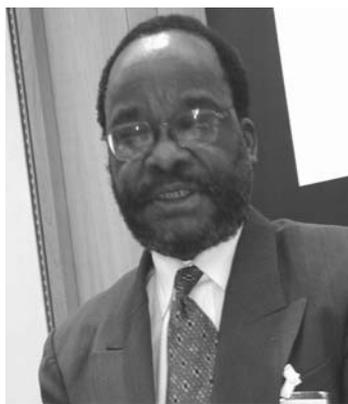
- **There is also an emerging consensus among development partners that poverty reduction should be put at the center of development efforts.**

The Bank has proposed a holistic Comprehensive Development Framework approach, and its operational counterpart the PRSP, which put poverty reduction at the heart of our development efforts—far more than it has ever been in the past. The IMF’s Enhanced Structural Adjustment Facility has been transformed into the Poverty Reduction and Growth Facility. The OECD has reassessed the effectiveness of DAC assistance. In a collaborative effort with African researchers, and institutions, the Bank has released the study *Can Africa Claim the 21st Century?* Emphasizing the need to address governance conflicts, we need to create capabilities by investing in people, creating more diversified and competitive global African economies and revamping the aid relations to reduce aid dependency.

- **There is therefore a unique opportunity for all of us to raise our level of ambition.** In order to achieve our development goals, and it can be done, we need to get African growth rates up to the 5 to 7 percent mark. That is the minimum necessary to begin addressing the poverty challenge and to give a chance to achiev-

ing the International Development Goal of cutting severe poverty in half by 2015. We need to ensure that this goes well beyond just figures and percentages to real changes, real improvements in the quality of people’s lives.

- **But for Africa, this will not be possible unless there is a quantum improvement in governance, resolution of conflicts that are sapping the continent’s energy, and a vigorous attack on HIV/AIDS. I choose to elaborate on Governance.** By “governance”, I mean the way that key institutions function – not only the executive branch of government, but the judiciary and parliaments as well. We have learned just how central the role of parliaments can be to the effort to reduce poverty. In the past, we at the Bank failed, by defining government as strictly the executive branch. We avoided dealing with the legislative and judicial branches. We have learned with experience that we need a tripartite approach. We need to support reforms in the judiciary. We need to strengthen the capacity of parliamentarians to provide oversight on the executive branch and represent the people. Overall, we need to continue to help sharpen the role of the state, and create an effective system in all branches of government.



- **Unhappily, over the last decade, dysfunctional governance has taken a heavy toll on Africa’s development.** Most African countries have made important efforts to achieve macro-economic stability, and to liberalize markets. Yet, economic growth has remained disappointingly low. Endemic corruption, low public productivity, skewed budget allocations, and a corroded fabric of state-society relations, often continue to deter private investment and to undermine the potential for sustainable development and poverty reduction.

- **The impact of dysfunctional governance has been especially cruel on the poor.** Basic services are not delivered adequately – neither in quality nor in quantity. Epidemics such as HIV/AIDS are spreading while health systems are collapsing. Generations are lost, while proper education is not being delivered. Communities remain isolated, without real opportunities and resources for improving their livelihoods. Poor governance is terribly visible through the spreading of conflicts, fueled by increased poverty and marginalization, especially in ethnically fragmented countries.
- **The good news is that with leadership this situation can be changed. We have seen significant improvements over the last few years.** Many countries have

democratized. In some cases, parliaments are now playing an active and positive role. Witness the Ugandan parliament's role in scrutinizing the well-publicized purchase of the President's jet, to ensure that the terms of the deal were sound. Similarly, witness the Ghanaian parliament's role in ensuring that the public be fully aware of the details of a similar purchase. And witness the Botswana parliament, considered one of the most effective on the continent, applying that country's model constitution. Similarly Africa's big countries (Nigeria and South Africa) are pointers to progress in that area.

- **What we need is to build on these islands of success, to scale them up, to replicate them across the continent, so that a majority of African countries can claim the benefits of better governance structures.** To that end, effective check-and-balance mechanisms are needed in the political arena.
- **In this process, you might well ask, what are the things that parliaments need to do?** I suggest public decision-making must be transparent and predictable. Oversight mechanisms should guard against arbitrariness, and ensure accountability in the use of public resources, without eliminating the flexibility needed to respond quickly to changing circumstances. Check-and-balance mechanisms – an independent judiciary, broad civic participation in decision-making processes, and functioning parliamentary processes – are key to ensuring that the actions of public officials remain focused on public purposes.
- **Indeed, parliaments, and parliamentarians, can make an essential contribution to poverty reduction:** (i) by performing legislative duties, such as scrutinizing budgets to ensure transparent and effective use of public resources, (ii) by encouraging governments to deliver on their commitments, (iii) by strengthening accountability through parliamentary committees; and (iv) by reaching out to all groups of citizens they represent and ensuring their inclusion in government processes.
- **Most of all, African parliaments and parliamentarians should hold their executives accountable. Not accountable to donors or outsiders, but accountable to the people.** Donors supply only a small part of the development resources. Most come from domestic sources, and domestic processes need to be strengthened to ensure that all resources – not just those provided externally – are well used. Parliaments are increasingly and constructively playing their watchdog role – for example by asking questions and conducting audits on the way in which privatizations have been carried out, or budget executed. And on this latter point: the better parliaments have a handle on budget execution, the more clout they have in reviewing budget proposals, contributing to the public debate on the use of resources, and instilling accountability in the executive branch. **Of course, in exercis-**

ing these rights and proper functions, they must take care not to bring the functioning of government to a grinding halt (and we have witnessed gridlock in some countries).

- **The international financial institutions can provide financial and technical assistance to help in that process.** We can provide training and technical assistance to build capacity, work to make our own involvement and funding decisions more transparent, support public surveys that enable citizens to express views on the quality of services provided, and support cross-country networks of parliamentarians seeking change and reform. We are already working in some areas in many countries, and are expanding outreach to civil society in general and Parliaments in particular. We would be interested to hear from all of you how we can strengthen our support.
- **Let me conclude where I began, I strongly believe that we are at a turning point.** There are many initiatives, all converging to a consensus on Africans leading their own development agenda. There is a renewed commitment from political leaders in Africa and in the international community at large. We in IFIs are keen to help. By working together, I strongly believe we will make a difference for the people of Africa in their struggle toward the aspirations of the International Development Goals.

Thank you!

For more information about the Africa Region of the World Bank, visit: <http://www.worldbank.org/afr>

“The Power of Parliament in a Multilateral World”

by Mr. Trevor Manuel,
Minister of Finance,
South Africa

First, thank you for this conference and thank you for this opportunity. It is extremely important that we focus on changing relations and re-examine the issues of the power of Parliament over decision making, not just within sovereign states, but also in the multi-lateral environment.

I. Growing Inequalities

1. The Need for Awareness

I have just been in Davos, with Nick Stern and a number of others. It was a fascinating experience as usual, providing access to all kinds of information about topics such as: the G-revolution and e-commerce; the risk of a US economic hard landing; the impact of regional politics; and numerous issues relating to the individual health of CEOs and nations. It takes the cold of the Alps to really shake up an African mind. One of the ideas I carry away from Davos is a concern that, as leaders in government, business or even NGOs, we might be too caught up in our own learning, our own experiences, our own issues, our own pet projects. There is too little in the world that we can describe as a cause, which is perhaps the crisis of the millennium.

I am sure, after my observations in Davos, that if I had gone to Ponto Allegre in Brazil for a conference of the NGOs, I would have come away with the same observation. I make these points because we need to revisit the fundamentals of what the values and ethics of government need to be about, what the issues of the day are, and what shapes the relations between states and regions of the world. I think the issues of development and development aid fit very neatly into that context.

The reality is that inequality is growing in leaps and bounds. It is growing in precisely those areas where the greatest advances are taking place in human experience and human learning, where the greatest knowledge breakthroughs are taking place. In exploring what development has to be about, I think

that problem has to focus the mind and engage us.

2. In Science

Let us look at the area of health, genetic engineering and the overall developments of science.

a. Biology and Medicine

In Davos, there was some discussion of the fact that the technology is available to utilise DNA to regenerate organs in bodies that have been damaged by either disease or substance abuse. While medicine has advanced to that level, at the same time, on the African continent, we find that earlier progress in improving life expectancy has been rapidly reversed in areas of highly preventable diseases, like malaria, tuberculosis and HIV/AIDS. There exists a huge contradiction, with major advances on the one hand, and on the other retardation of people simply because of the condition of poverty.

In botany, and genetic engineering in plant sciences, genetically modified organisms are the highlight of discourse in developed countries today. Yet in reality, not even a fraction of the same science can be transferred to poor subsistence farmers. Their subsistence crops often need just a small breakthrough, as the seeds cannot be afforded because of the poverty of the people. However, science is not transferred from rich to poor.



We must also realise that health is not improving. The calorie intake of poor people in poor countries is actually being reduced. We must engage in real debate on food aid, a mechanism that has too often been used by rich countries to dump surpluses to destroy the market, and therefore put subsistence farmers out of business in developing countries. These are issues of the relations between countries, and they go to the heart of the discourse of development.

b. New Technologies

With the issue of telephony, the spine of new growth and the new economy, very little has been done to change the relationship. Sub-Saharan Africa today has fewer fixed lines than the borough of Manhattan. I heard recently that the World Bank headquarters in Washington DC has more telephone lines than the country of Rwanda. This is staggering at a time when we, and the World Bank, talk of a knowledge-based change, of leapfrogging technology, of getting information through to people differently, of e-assistance learning, of the importance of

telecommunication. Yet these kinds of changes do not reach so many people in the world.

3. On the Markets

The much-trumpeted financial market still remains closed to many people in the world's poorer countries. In the African continent, four countries have access to global capital markets: Egypt, Tunisia, Morocco and South Africa. For the rest, there is an entrenched dependence on multi-lateral institutions; the markets are closed. How do we deal with this issue? How do we deal with the fact that whereas Sub-Saharan Africa in the 1980s received 20% of all flows to developing economies, in the 1990s that halved to 10% of flows to developing countries? Unless there are capital flows into savings-scarce countries, governments, no matter how accountable, and no matter how well governed those countries are, will never be able to improve the quality of life of their people.

How do we tackle the fact that what the IMF uses as the fiscal burden ratio, that portion of taxes collected which goes to debt service costs, averaged 73.4% between 1993-1995, for countries under structural adjustment. Why collect taxes? Clearly not for the provision of health, or welfare, or education, or for the provision of infrastructure that will improve the quality of life of people. The interventions in respect of HIPC have begun to change that, but to cover a 73.4% fiscal burden ratio will take a very long time.

This is the world we are living in, that we need to engage with, that all parliamentarians need to try to address.

4. In National Budgets

Let us turn to the details of how budgets are allocated after countries have serviced their debts. In low income countries, where there is almost no private health care, where the bulk of people are exclusively dependent on public health care, where in the absence of good nutrition and good primary health care, countries spend an average of 1.3% of GDP on health. In upper middle income countries, where there is developed private health care, where there is a developed educational system and a history of government intervention in support of people, the average is 3.3% of GDP. This does suggest that if you have the disadvantage of growing up poor in a poor country, you have less of a chance. I heard someone say that if you want the best chance in life, you need to be a woman, aged six years old, living in Canada. The further you are from that point in Canada, the harder it is.

We talk of foreign direct investment, and governments try hard to attract investment into their

countries. However, on average, within 10 years 40% of investments has flowed back as interest payments or dividends. This is a huge contradiction. In 1999, South Africa saw an outflow of just over USD 100 million as dividend payments to Coca-Cola Corporation in Atlanta, Georgia. We like Coca-Cola, so we drink it, but the money continues to flow out of the country as the Coke flows down our throats.

These are issues that we, as policy makers, have to begin to engage with. We enter politics in order to try to improve the lives of others. We also know that the power of poor states has been decimated. Large countries engage positively on behalf of their companies. Sometimes there is very forceful intervention from large countries, or large regions, to ensure that poor countries change legislation rapidly in order to allow these companies to enter. Companies are also supported through tied aid, or through export credits. Small countries have neither the capacity nor the companies, and so remain at the mercy of others.

5. In International Trade

Turning to trade, in OECD countries agricultural subsidies now reach about USD 1 billion each day, greater than the combined GNP of all of Sub-Saharan Africa. This means USD 361 billion a year of agricultural subsidies to OECD countries. Something is clearly wrong in the equation.

Concerning the combined agricultural policy of the EU - and as a Minister in Denmark, Poul was drawn into the negotiations between the EU and South Africa in this area - I am told that there are an estimated five million Europeans involved in agriculture. 2 million US citizens currently work in agriculture. For this reason, it is highly politically sensitive and must be protected.

Let us leave aside Africa for the moment, to consider Brazil. There are 23 million Brazilians involved in agriculture. Brazil has 93 million hectares of arable land in perfect climatic conditions, ready to grow the grains that can be sold elsewhere in the world. Yet what happens to Brazil? First, in the markets, the grains produced in the EU and US are cheaper, due to subsidies and export subsidies to provide those grains, not just to the US market, but also to the Brazilian market. This destroys not only the opportunities for Brazilian farmers to grow for export, but also the opportunity even to supply to the Brazilian market. When these grains land at US ports, there are all kinds of sanitary conditions and tariff barriers erected to ensure that what we produce, and our competitive advantage in the primary sectors, cannot enter the market. This happens in an environment where the WTO is supposed to supply the world with the rules based

system of trade. This cannot be correct. If our agricultural produce were allowed a fair chance, we would not even need to talk about the aid poor. We would earn our living from what we produced and what we could sell into the markets of the rich world.

II. Taking Steps Toward Progress

One of the issues in development aid, raised again at the millennium summit at the UN in September 2000, is the agreement that, in this unequal world, about 0.7% of GNP should be the benchmark for each countries' ODA. On my list, the only four countries that meet this 0.7% are Denmark, Norway, The Netherlands and Sweden. For the rest, the average lags at about 0.24%. This average is probably raised by the contributions of those four countries. The US today has a fiscal surplus that is as large as the South African economy, our total GDP. Yet there has probably never been a period of greater selfishness, less ODA flows. A crisis is inevitable. I think many of us are already shocked by the fact that in 1998, of the USD 35 billion that flowed as bilateral ODA, over 50% was spent in the donor country. Only 30% of the total was in fact used in support of programmes initiated by the recipient country.

I have been trying to give a view from the South; when we look north, the sun is in a different place. Yet in raising all of these issues, I am not for a moment suggesting that issues of good government should be ignored. I am not for a moment suggesting that countries should not have sound macro-economic policies. In fact, I am pleased that none of my compatriots are here, because they would tell you that as a Finance Minister I am tough, reducing deficits, parsimonious, uncaring. Sound macro-economic policies matter, even in the environment under discussion.

I said that I have a future as an activist, and this is all I am trying to prove to you. The Apartheid regime repeatedly detained me, and called me an agitator. Perhaps now I can agitate you fellow parliamentarians in action. It cannot be correct that during our lifetime, or perhaps more importantly during our tenure as policy makers, the world becomes as uncaring as the one I have just described. I would like to believe that we owe it to ourselves and to future generations to build a different kind of legacy. We can weep and wring our hands, but will not make progress without an agenda for action.

III. Five Action Points

1. Trade and Market Access

This calls for trade, not aid. It asks you to open your markets and give us an opportunity; and to

deal with those fundamentally unjust subsidies to agriculture in the rich north. It asks you to bring the WTO back on track, focus on development issues, remove tariff barriers to agricultural imports, and change the outlook of people in the world. In a sense, I believe that unless you do this, you will continue to have problems such as BSE and chemically ingested pork in Germany.

2. Agenda for Governments

We need complex, multi-tiered, strong, well-functioning governments that are directly accountable to their people, and which apply the basic tenets of human rights, such as universal suffrage and regular elections. We need such governments to interact with each other internationally, and interact with allies to construct the agendas for change. We need strong regional organisations, such as the EU. Countries should be left to choose their organisations.

On the African continent we have the Southern African Development Community (SADC), we have the Common Market for Eastern Southern Africa (COMESA), we have East African Co-operation, the Southern African Customs Union. Then, over all these, there are good EU and World Bank programmes, such as cross-border initiatives. We need some rationality, choice, order and some efficient utilisation of resources.

In your packs is a matrix of multi-lateral organisations, such as the UN system, the Bretton Woods system, the WTO. When we put all these on a matrix, we find there are large gaps in a number of areas. Once we understand this world better, we need an agenda for reform. We need a different kind of representation. There are 43 countries on the African continent in two constituencies in the IMF and World Bank, with 4.38% of the shareholding. We are the major users of the services, because we do not have access to the capital markets. Whereas these institutions were born as credit unions for their early members in 1945, some of the members could not afford the shareholding because of the ravages of war. The G7 was born because of such support. Today, the poor have too small a voice in these institutions. There is a need for an agenda of reform.

3. Capacity

We must invest much more in people. However, having invested in people, we need to know where those people will be in the future. I heard my colleague, the Minister of Finance from India, Yashwant Sinha, say in Davos that 45% of all medical doctors in the US are Indian, 43% of Microsoft Corporation are Indian, and 36% of NASA are Indian. He ran through a list that was shocking. Bill Gates

was asked about his, and replied that the 43% only applied to software engineers, not to cleaners; they had only taken the cream, where the major investments in people had already been made. However, this does not suggest that we should stop making investments in people.

The second area of capacity is infrastructure. The absence of roads, rail, well-functioning ports and border posts places a tax on future economic growth; this investment is therefore important. So, too, is information technology.

The third area is environmental management. Surely the world cannot afford the same standards as the Europeans, Americans, and Japanese. The world cannot accommodate fuel emissions, even if they were reduced in line with the Kyoto agreement and complied with.

4. Ethics

Ethics brought us into public service in the first place. My appeal is that we reclaim ethics and put it back where it belongs, as a core pillar of government. The suggestion today is that ethics belongs to those who protest on the streets, and we who sit in parliament do not care about them. Ethics are a necessary part of what we do, they are what shapes us and commits us. If there is no ethical foundation, why enter politics? We do not enter politics for self-enrichment, fun or leisure. Can economic policies be correct today if they have no ethical foundation?

As for the professions, those involved in education in our societies, whether at school or university, are ageing. No one wants to be a teacher. It does not pay as much as banking, and so who will be left to provide education in the future? How do we deal with the profession in an ethical context? None of our countries can afford to pay educators fully for the value that they provide to future generations.

Diversity is another area of ethics. The bulk of Internet Web sites - 93% - are now in English, or rather the cut-down language of dot-coms. If this is how we engage with one another, then we will not have languages in the future and we will not have culture. We will have an amorphous mess. One of the ethical considerations must be about who we are, about what we want future generations to be.

5. Public Goods

Lastly, we should explore the issue of public goods. Too much in the world has been left to private enterprise, too little is now a public good. In many countries, including my own, the wealthy choose to privatise public goods, they have private healthcare, private schooling, even private policing.

We need to examine, in the local and national context, what public goods are. I believe that if a municipality provides a street light, it is a public good. If states provide a system of justice, it is a public good. Why shouldn't we provide universal access to the internet as a public good? Why should we leave fields of human endeavour entirely in private hands, in a way that excludes people that are too poor from the start? Why should the research into the Genome be in private hands? Shouldn't some of these things be reclaimed for future generations, so that the legacy we leave is not just of a ruined environment?

“The European Commission’s Present Undertakings”

by Mr. Poul Nielson, Commissioner for Development, European Commission

I The Importance of Close Partnerships

1. With UN Institutions

At the European Commission, we are currently in the process of informing major partners about recent developments in Brussels. We are also involved in establishing close relationships with the UN and the World Bank. We are discovering that there is a world outside the Commission, and that it may be useful to relate to it not only in political terms, but also in terms of real partnerships. This is also clear in relation to major bilateral governments, which is the reason for my trip to Tokyo. Japan shares the same need to focus on poverty and meet the challenges of the 21st century as the Commission. We are becoming mainstream, and recognise the need to reform the speed of delivery. I will return later to our relationship with the World Bank.

The Commission recognises the need to work more closely with the United Nations, and to fund projects more effectively than at present. Currently, we are not allowed to jointly fund projects, even when it would make sense to do so. The Commission is not a member of the UN, and therefore can only co-fund specific projects. It has to insist that reporting, accounting and auditing take place according to the system and rules of the Commission. This makes it very difficult to appear as a meaningful, flexible partner. Co-funding works in the humanitarian field due to the greater amount of project based activities. An example of this is intervention in a crisis situation, although even this is still far too complicated. We are now aiming to act with maximum flexibility, and are adopting a more practical approach. It is now up to our Member States to agree to changes in our financial regulations, as tabled in July 2000, that will enable us to engage in the funding of more programme-based work, in partnership with the UN family. This message was well received in New York.

2. With Collective Undertakings

I believe that, in general, it is useful for our Member States to associate themselves more actively with collective activities. I find it a little strange that the adoption of a joint programme requiring EUR 9-10 billion a year is something that is never discussed. We need to continually

inform our public as to what we are doing in this field. At present, there is an information gap. The invisibility of what the Member States are doing together is never really presented.

In the last year or so we have set in motion a process of change. I will go through our accomplishments to date.

First, we have formulated, and Member States and the Parliament have agreed upon, a European development policy. One of our past problems has been a lack of consistency in our activities in different regions of the world. This lack of consistency increased as new problems arose and new priorities were added. In the past, we did not formulate a coherent policy on the content and priorities of our development co-operation policy. The new policy has an original content, while reflecting the fact that we have moved into the mainstream. We are now examining the existing consensus of what a successful development policy consists of. We identify with this wholeheartedly.

People might ask what is new about that policy. A comparison with the unclear picture of previous policies shows that it represents real focus. We have tried to clarify areas where joint action can bring added value for the European Member States. This falls under the heading of the principle of complementarity. Our co-operation and co-ordination with other donors is not limited to the 15 Member States. It is explicitly stated that we need to, and want to, relate meaningfully to all donors, not to mention our host partners. This involves reaching out, although we have specific obligations to ensure that our actions, and those of the 15 EU Members, are complementary and meaningful.



II Six Key Policy Areas

We have identified six areas of special importance:

1. Trade and Development

We aim to link trade and development in a new way. We already have competence in the trade policy area, and wish to link this to development in a way that will reflect the effort to create more diversity in the economy. This will also ensure that the impact of the changes resulting from liberalisation processes complements our effort to create and enhance a climate for economic development.

2. Regional Integration and Co-operation

This policy area reflects the European Commission’s own legacy, but also reflects our analysis of the need for closer regional co-operation, to allow the developing countries, especially those in sub-Saharan Africa, to define a meaningful answer to the challenge of globalisation.

One case illustrates this need for closer regional co-operation. We had quite a successful round table conference on AIDS, Malaria and Tuberculosis on 28

September, 2000 (the day the Danes said no to the euro) where we asked why mosquito nets, an obvious business idea and part of the answer to these problems, were not produced in Africa. We were told that this business proposition had been considered some time ago for Tanzania. However, it was found that the idea would not make economic sense because Tanzania did not have easy access to sell the mosquito nets to the neighbouring countries, due to their high tariffs. This reflects the old-fashioned and inadequate nature of public finances. As a result, nets were imported from Hong Kong. This case illustrates the need for regional economic partnership agreements, the method we have singled out and defined.

Another problem, caused by the small size of the markets, is the need to attract foreign investment in general. Regional co-operation and integration therefore represents a major part of the activity that will dominate our work.

3. Macro-Economic Policies Linked to Poverty Reduction Strategies

The particular focus of these policies is on the health and education sectors. With the World Bank and the IMF, the EU is the major provider of the economic resources that are needed to carry on the structural adjustment policies and macro-economic support in general. We link the money that we pour into the economy from the top to action in health and education. Here, we need better sector programmes as the basis to receive that money and ensure it is used in a more meaningful manner. In this, we represent the link between good sector programmes, often formulated by our bi-lateral partners, co-operating with the World Bank and the IMF on successful action on a macro-economic level.

I see this as an important reason for activity that relates more meaningfully and systematically to our partners. For this reason, *vis-à-vis* our development country partners, we would like to avoid presenting our activity simply as a list of conditionalities. We must engage in a dialogue of substance on real priorities. We aim to tackle health and education, while at the same time being a major provider of economic muscle for the economic policy.

We enjoy working with the World Bank, although I like to remind people that the Bank is a “grand donor”, while we are “grant donors”.

4. Transport

I will not develop this topic.

5. Food Security and Sustainable Rural Development Strategies

We have come a long way from the traditional way of working with food aid. It would have been interesting to hear from a representative of the US Congress today, particularly on the topics of food aid and food security. We have moved further towards a more progressive policy, although we do face problems with the US. There is too much inertia in developing a food aid strategy. Still, this is the classical activity relating to agricultural rural

development

6. Institutional Capacity Building, Governance, Rule of Law

In this area, my goal is to transform capacity building into hard-core, big-money development co-operation. I would like to see the establishment of regional schools for public administration in Africa. I would like to move this policy beyond being an add-on necessity to enhance the quality of programmes and projects.

The other major development of this year was the Cotonou Agreement. This reflects a closer and more contractual relationship with our 77 partners in the ACP Group: Africa, the Caribbean and the Pacific. We are moving towards new, challenging types of relationships, opening up to and including civil society. We are addressing corruption as a direct issue of co-operation.

III. Working with the World Bank

Finally, on our relation to the World Bank, I hope I will have time to say more about the reform effort in the Commission. We are aware of the need to change the way we operate. Many of the cultural changes will now become reality, as a direct consequence of the way in which we relate to others. The relationship with the World Bank is part of that transformation process. We are going to use the PRSP process as our own framework and basis of how we define country strategies. Working together with the Bank involves more than just discussing ideas and approaches; we are actually relying on that co-operation to produce part of our own central material. We have seen a dramatic change and improvement in the working relationship between the Commission and the Bank. I appreciate being able to say this. While some friction still exists, I think the Bank has come a long way from its role as the ‘pet enemy’ of a generation ago.

More information about the European Union policies on development available at: <http://europa.eu.int>

“Globalization and Poverty”

by Mr. Nick Stern, Senior Vice President for Development Economics and Chief Economist, World Bank

Introduction

The last decade of the twentieth century saw a remarkable acceleration in the pace of globalization.

By globalization, I mean the growing integration of economies and societies through the flow between countries of information, ideas, activities, technologies, goods, services, capital, and people.

Globalization has ebbed and flowed in different periods — reaching a peak in the early part of the twentieth century, for example, before war and depression caused countries to retreat from world markets.

Nevertheless, the last decade has seen extraordinary changes, particularly in communications technologies, of which the advent of the Internet is the most visible.

The improved flow of information alone would have had a dramatic effect on economies and societies. But the communications revolution has also been accompanied by declines in transport costs, and by more open policies towards international trade and capital flows.

As a consequence, the last decade has seen dramatic increases in capital flows, and growth in trade has been much faster than growth in incomes. The result is a much more integrated world economy than we had just ten years ago.

The main theme of my talk will be that this increased integration provides tremendous opportunities for developing countries — but it also carries with it serious risks.

I will argue that with the right policies and institutions, the benefits from taking these opportunities vastly outweigh the potential risks and costs.

And whilst many of the fears and anxieties about globalization are understandable, we must recognize that key aspects of globalization are essentially irreversible, particularly those associated with information, ideas, and communications. This irreversibility, together with the magnitude of the potential benefits, surely tell us that the central questions concern how to manage and gain from the process, and not how to reject it.

Today, I would like to take stock of what we know about the impact of globalization — its impact both on developing countries generally and on poverty in particular, since that is the focus of the World Bank’s work. In forming the assessment, I will make three points:

First, globalization is on the whole a positive force for development and poverty reduction, though there are specific measures that the rich countries could take to make

globalization much more favorable to development.

Second, to realize the great potential from globalization, countries need complementary institutions and policies.

Third, there are specific measures that countries can take to ensure that poor people participate in globalization and benefit from it, and that the risks they face are minimized.

I. Globalization, a positive force for development

In defining globalization, I pointed to integration in several dimensions. There are sharp differences between countries in many of these dimensions. Developing countries — many of which 20 years ago had quite restrictive policies toward foreign trade and investment — have opened up to the global market to quite different extents. These differences across countries provide evidence for the examination of the impact of globalization on development.

1. Country experiences: China, India, and others

Consider the experience of a group of countries that we can call “recent globalizers” — that is, countries that have moved strongly to open their economies to trade and investment in the last two decades.

This group includes most notably China and India, but also many others: ASEAN countries, such as Thailand and Indonesia; Argentina and Mexico in Latin America; Hungary and Poland in Eastern and Central Europe; and Ghana and Uganda in Africa.



Recent history shows that growth rates for these recent globalizers have generally accelerated as they have become more open. This trend is clearest for China and India. These are the two countries with which I have been most involved personally in my research and policy work as a development economist.

Taken together, their population comprises more than one-third of the world’s total, and more than two-fifths of that of the developing countries.

The growth in their aggregate per capita income has accelerated from roughly 2% in the 1970s to 3% in the 1980s and 5% in the 1990s. This acceleration is all the more remarkable because the growth rates of the rich countries slowed down over this period, from 3% to 2.5% to 2%.

Many of the other globalizers have seen their growth rates accelerate as well: Mexico, Uganda, and Vietnam are all examples.

So in the 1990s, for the first time, we had the majority of the population of the developing world living in economies that were growing distinctly faster than the OECD economies — that is, catching up.

One of the distinctive features of the developing economies that did well was their greater participation in trade and investment.

Conversely, the large number of countries that had poor growth, or decline, in incomes in the 1990s — countries such as Pakistan, Nigeria, and some of the former Soviet

Union republics — were not increasing their trade and investment.

2. The responsibilities of the rich countries and the international community

Clearly, as this evidence shows, integration with the international market can accelerate income growth. However, the fact that some countries have had success with this path should not blind us to the possibilities for making the international trade and investment regime much more favorable to development.

Let me focus on three ways in which the rich countries, and the international community more generally, could increase the development returns to trade liberalization.

First, you probably know that even after the Uruguay Round of trade liberalization, OECD countries still place significant barriers on trade from developing countries.

Although average tariffs in the United States, Canada, the European Union, and Japan — the so-called Quad countries — range from only 4.3 percent in Japan to 8.3 percent in Canada, their tariffs and trade barriers remain much higher on many products exported by developing countries.

Products with high tariffs in Quad countries include: major agricultural staple food products, such as meat, sugar, and dairy products, where tariff rates frequently exceed 100 percent; fruits and vegetables, such as the bananas that are hit with a 180 percent tariff by the European Union once they exceed quotas; and textiles, clothing, and footwear, where tariff rates are in the 15 to 30 percent range for many products. All these are sectors in which developing countries have a comparative advantage.

In our latest research on trade, we have estimated that tariff and non-tariff barriers imposed by rich countries, together with the agricultural subsidies that they give their farmers, cost developing countries much more than the \$50 billion or so that they receive in foreign aid every year.

One of the most important contributions that developed countries could make for development would be to lift, once and for all, the trade barriers and subsidies that prevent developing country products from reaching their markets.

It is surely hypocritical of rich countries to encourage poor countries to liberalize trade and to tackle the associated problems of adjustment, whilst at the same time succumbing to powerful groups in their own countries that seek to perpetuate protection of their narrow self-interest. Such protection damages not only the economies of the rich countries themselves, but also those of the poor countries whose development they profess to support.

A second area to which I would like to attract your attention is the efforts to introduce different types of standards in the WTO framework — most notably, environmental and labor standards. These standards have the danger of becoming new vehicles for developed-country protectionism.

Take child labor. There can surely be no doubting of the importance of children attending school and receiving a

good education.

Indeed, education is both a central objective for development, an end in itself, and a potent force for raising incomes — which is why it is a key priority in the work of the World Bank. The best way to combat child labor is through positive programs that promote education.

Let me offer just one example here: Bangladesh has tried to attack the root causes of child labor and poverty traps through a Food-for-Education program, through which poor families that send their children to school are provided food subsidies. This program successfully cut child labor in half in communities where it has been implemented.

But if we try instead to tackle the problem through the WTO and trade sanctions, there is a real danger that interest groups from wealthy countries will essentially tie up poor countries in court over this issue. The result would be less trade and less development — and therefore probably more child labor. If rich countries are serious about the issue, they should support more positive programs.

A third area where we can make the global trading regime more pro-development concerns intellectual property rights.

At the moment, developing countries participating in the WTO are expected to adopt a standard set of laws on intellectual property protection. But this is an area where I really doubt that “one size fits all.”

The White Paper on globalization recently issued by the UK calls for a New Commission on Intellectual Property Rights to “examine how national intellectual property regimes should be best designed to benefit developing countries and how the international framework of rules might be improved and developed.” This is a valuable initiative, and one to which I hope that World Bank research can make a useful contribution.

To summarize my first point, then: integrating with the world economy is a powerful vehicle for growth and poverty reduction in developing countries, but it would be still more powerful if the rich countries further increased the openness of their own economies.

II. Complementary institutions and policies

My second point is that developing countries themselves can take action to ensure that they benefit more strongly from globalization, in particular by building key institutions and policies that can support and complement the expansion of trade.

1. Opening markets

Before turning to these complementary measures, let me first stress that the developing countries themselves need to choose trade and investment policies that support integration and development.

Countries benefit from their own market-opening in many ways.

One is technological and managerial: foreign direct investment brings with it innovations in product, process, and organizational technologies, while importation of goods brings embedded technologies and access to lower-cost production inputs and consumer goods.

Another benefit is greater efficiency: competition from abroad spurs domestic industry to make productivity improvements, promoting growth and employment over the medium term.

It would therefore be a mistake if hypocrisy in the trade policies of rich countries were used by developing countries as an excuse to delay market-opening. That liberalization — if accompanied by appropriate policy and institutional reforms — will help the liberalizing country, notwithstanding the fact that the gains would be still greater if the richer countries reduced their protection.

2. Build a sound investment climate

Now let me turn to these complementary policies and institutions. Open trade and investment policies will generate little benefit if other institutions and policies are not in place. I like to sum up these other policies in the phrase, “the investment climate.”

The investment climate is affected by a number of factors: macroeconomic stability; the extent of bureaucratic harassment, especially in the administration of regulations and taxes; the strength of financial institutions; the rule of law (including law enforcement) and corruption and crime; the quality of infrastructure, including power and telecommunications; the effectiveness of the government in providing sound regulatory structures for the private sector; the effective provision of public services or the framework for such services; and the quality of the labor force.

If you have an unreliable power supply, no financial depth, lots of harassment from government officials, a high level of corruption, and a very low skill base, then more open trade and investment policies — beneficial though they are likely to be — are unlikely to generate large increases in productive investment and employment.

Investigating the key determinants of the investment climate, and how to improve it, is one of the important areas where I am trying to expand the research agenda at the World Bank.

We have been trying to better understand the investment climate by helping clients systematically survey private firms, focusing especially on small and medium enterprises. It is usually small and medium enterprises that suffer most when the investment climate is hostile.

Surveys that we have done in India at the state level suggest that a poor investment climate creates costs for small business that are analogous to an additional tax of 20 to 30 percent. Not surprisingly, states with weak investment climates have less investment, less growth, and less poverty reduction.

III. A pro-poor globalization

My title today is “Globalization and poverty,” and this has run through, at least implicitly, much of what I have said. But let me turn to it more directly. Do poor people really

benefit from this globalization?

1. Globalization, income inequality, and poverty reduction

One of the most common claims today is that globalization typically leads to growing income inequality within countries, so that its benefits go primarily to the rich.

This claim is simply not true. In fact, it is one of the big myths of the anti-globalization movement.

Certainly there are important examples, notably China, where opening has gone hand-in-hand with rising inequality, but that has not been a general pattern. In many developing countries, integrating with the international market has coincided with stable inequality or declines in inequality. Examples would be Ghana, Uganda, and Vietnam. Further, in China’s case the rise in inequality has more to do with the establishment of market-oriented incentives in a previously centrally planned economy than it does with China’s opening to international markets.

When trade liberalization goes hand-in-hand with stable or declining inequality, the benefits for the poor are quite powerful.

In Vietnam, per capita income of the poor has been rising at about 5 percent per year since the country’s opening up began in the early 1990s. The share of the population in absolute poverty [living below a 2000-calorie-per-day poverty line] was cut in half in a decade, from 75 percent in 1988 to 37 percent in 1998.

In the case of Vietnam, where we have a particularly good data set for analyzing the effect of reform, we found that of the poorest 5 percent of households in 1992 (at the start of reform), an incredible 98 percent were better off six years later. Here, the link from trade to poverty reduction was very clear. Vietnam has become a major exporter of rice, and many of the poor are rice farmers. Also, Vietnam has become a major exporter of garments and footwear, and the jobs created in these expanding sectors pay far more than the factory jobs available before the opening up.

Ghana and Uganda are other instructive examples from the low-income world: in each case income of the poor has been rising at 3 or 4 percent per year during their reform. The better prices that farmers get from exporting products such as cocoa and coffee are a key reason why openness has benefited many of the poor in these countries.

Even where inequality has increased, it is still the case that globalization has led to rapid poverty reduction. China is perhaps the best example of this. But the benefits of globalization for the poor are particularly strong in the cases where inequality is stable or declining, and I will turn now to this important question of how to make globalization and growth pro-poor.

2. Making globalization more pro-poor

While it is important to realize that, even without special measures within countries, globalization as I have defined it above will generally benefit the poor, there is no reason why we should be satisfied with that result. Countries can take steps to make globalization and growth more “pro-poor.”

The two most important ways to do this are through basic education and through social protection measures to deal with adjustments and with economic volatility.

First, on education. Basic education is critical to ensuring that everyone can participate and benefit in growth and globalization. Many factors are important for development, but I like to emphasize the combination of a sound investment climate and good basic education.

And they are complementary. A healthy, literate labor force will increase the amount of growth you get from establishing a sound investment climate and strongly increase the poverty reduction benefit from that growth. Further, we should remember that education is a goal in itself, a dimension of development, above and beyond its effect on raising incomes.

Second, in discussing the benefits of openness I do not want to minimize the problems of adjustment.

Much of the benefit of openness comes through more competitive markets. When countries open up particular markets, we often see a common pattern. The Indian machine tool industry is a concrete example. When its protection was reduced in the early 1990s, the first thing that happened was that Taiwanese firms came in and claimed about one-third of the Indian market. That was a boon to firms that needed high-quality machine tools, but obviously created a tremendous problem for the large domestic machine tool industry. After nearly a decade of more open policies, however, several Indian producers have adapted, dramatically increased productivity, introduced new products, reclaimed much of the market — and have started to export. The higher productivity and better quality of product is one of the sources of the gains from openness.

But during the adjustment some workers and firm owners lost their employment and their income. This highlights that during the liberalization process there are going to be winners and losers, among the poor and the non-poor alike.

To help prevent people from falling into poverty and to smooth this adjustment, it is important to have social protection measures — measures that need to be tailored to country circumstances. While unemployment insurance can be of importance for formal sector workers, other approaches, such as public work schemes of the Food-for-Work variety, are much more likely to reach the truly poor. Good social protection is not just a short-run palliative, but an essential underpinning of a market economy to make it function well and to involve poor people in the opportunities it creates.

Without good social protection, poor people may be unable to take some of the risks that are part of participation in a market economy, even when they stand to gain.

But protection from risk is also valuable for its own sake. We recently completed a survey of some 60,000 poor people in 60 countries around the world, and we heard consistently from them that along with opportunity and empowerment, they placed a very high value on security from risk and volatility.

Governments should provide leadership in the move to-

ward openness. They should encourage people to recognize the long-term benefits of openness rather than just the short-run adjustment costs, because there will always be myopic or vested interests that will oppose reform. But at the same time, governments need to use social protection to share and minimize these costs of adjustment.

Conclusion

Overcoming poverty is the responsibility of us all. With the improvement in policies that we have seen in developing countries over the past decade, there is a real opportunity to make inroads against poverty. The world has set itself targets in the International Development Goals, and we must follow through on those targets.

But this requires action in terms of policies, institution-building, and resources. It requires action by all the key actors: First and foremost, developing countries rich countries.

Parliamentarians are an important part of the story. We need to look at the long view, not take a populist approach. Views need to be based on analysis.

There is a chance now to make major inroads into poverty. Let us work together to take it — to meet prejudice with the resolute commitment to helping the poor, and to adopt policies that control risk while taking the opportunities offered by globalization.

Let us not be diverted by confused or self-serving arguments for protectionism, of ill-founded hostility to globalization.

Let me close by emphasizing again where I see a key role for the World Bank and for development assistance more generally: to support countries and communities within countries to develop a sound investment climate that will spur growth, and to help ensure that poor people participate in this growth.

A crucial problem today is that quite a few poor countries and poor people within countries are simply not participating in globalization — either because the country's trade and investment policies are highly restrictive or because other important ingredients such as infrastructure, rule of law, or education are missing.

The problem for many of the poor is not the effect of globalization, but rather being left out of globalization. Together, we must work to ensure that they can participate fully in its benefits.

Thank you.

"High Noon : the Urgent Need for Effective Global Governance Methods"

by Mr. Jean-François Rischard
Vice President for Europe, World Bank

This is a summary of Jean-François Rischard's Speech at the conference.

In his speech High Noon: the Urgent Need for Effective Global Governance Methods, Jean-François Rischard suggested that twenty or so inherently global issues constituted a growing threat to the planet, and needed to be solved over the next twenty years. He proposed a practical methodology for tackling these problems through Global Issues Networks (GINs) – an approach which aims to minimize the institutional complexities, hierarchies, and time lags that presently bedevil efforts to find solutions to global issues which might actually be put to work.

These GINs are a narrower and more focused concept than the “global public policy networks” which others have discussed.

Distancing his attempt to scope out global issues and problem-solving from the “globalization” debate, Rischard described what classes of global issues could be treated through new global networks. He suggested why mechanisms currently at work – from nation-states to G-7

or G-20 type groupings to traditional international agencies and multilaterals - are inadequate, and why a “world government” approach would prove equally unworkable. He proposed a phased approach to the setting-up and the workings of Global Issues Networks, and showed in a visual way how they would actually function to complement and galvanize traditional governance set-ups.



The goal Rischard was pursuing is action-oriented: the aim is to find a simple, but powerful lever which can enable the global community to move forward on specific problems – the most important ones for global sustainability. As a result, the purpose of his speech

was not to argue a position or defend an institution but to suggest how people, groups, and institutions representing a plurality of viewpoints and functions can get down to work around a shared problem - with speed, legitimacy, simplicity and effectiveness.

Jean-François Rischard's contribution to the conference of parliamentarians reflected his own views, not those of the World Bank.

List of Participants



List of Participants

Members of the Parliament

Ms. Inge Jäger, Austria
Mr. Ali Ashraf, Bangladesh
Mr. A. Moyeen Khan, Bangladesh
Mr. Armand De Decker, Belgium
Mr. Alain Destexhe, Belgium
Mr. Hagen Goyvaerts, Belgium
Mr. Jean-Marie Happart, Belgium
Mr. Jean-Paul Moerman, Belgium
Ms. Erika Thijs, Belgium
Mr. Valentin Hristov, Bulgaria
Mr. Evgueni Kirilov, Bulgaria
Mr. Atanas Paparizov, Bulgaria
Mr. Adamou Ndam Njoya, Cameroon
Mr. John Williams, Canada
Ms. Inger Marie Bruun Viero, Denmark
Ms. Lone Fruerskov Andersen, Denmark
Mr. Jens Hald Madsen, Denmark
Mr. Jeppe Kofod, Denmark
Mr. Jan Petersen, Denmark
Mr. Kalle Jürgenson, Estonia
Mr. Olev Raju, Estonia
Mr. Kimmo Kiljunen, Finland
Mr. Marcel Deneux, France
Mr. Jacques Godfrain, France
M. Alain Lipietz MEP, France
Mr. David Gamkrelidze, Georgia
Ms. Brigitte Adler, Germany
Mr. Hedrich Klaus Jürgen, Germany
Ms. Angelika Köster-Lossack, Germany
Mr. Emil Schnell, Germany
Ms. Dr. Sigrid Skarpelis-Sperk, Germany
Ms. Adelheid D. Tröscher, Germany
Mr. Michael von Schmude, Germany
Mr. Ernst-Ulrich von Weizsäcker, Germany
Ms. Theresa Ameley Tagoe, Ghana
Mr. Kwadwo Baah-Wiredu, Ghana
Mr. J. H. Mensah, Ghana
Mr. Athineos Florinis, Greece
Ms. St Dimas, Greece
Mr. Andras Varkowyi, Hungary

Mr. Suresh A. Keswani, India
Mr. Francesca Izzo, Italy
Mr. Stefano Morselli, Italy
Mr. Ferdinando Targetti, Italy
Ms. Charity Kaluki Ngilu, Kenya
Mr. Musikari Kombo, Kenya
Mr. Paul Helminger, Luxembourg
Ms. Farah Karimi, Netherlands
Mr. Albert Koenders, Netherlands
Mr. Bob Van Den Bos, MEP, Netherlands
Ms. Hilde F. Johnson, Norway
Mr. Czeslaw Bielecki, Poland
Mr. Longin Pastusiak, Poland
Mr. Liviu Maior, Romania
Mr. Ibrahima Fall, Senegal
Mr. Francisco Arnau Navarro, Spain
Mr. Carles Campuzano I Canades, Spain
Mr. Isidro Manuel Martinez Oblanca, Spain
Ms. Isabel Tocino Biscarolasaga, Spain
Ms. Agneta Brendt, Sweden
Ms. Liselotte Wago, Sweden
Mr. Anders Wijkman, MEP, Sweden
Ms. Lili Nabholz-Haidegger, Switzerland
Ms. Françoise Saudan, Switzerland
Mr. Payadowa BoukpeSSI, Togo
Mr. Faruk Bal, Turkey
Mr. Ertugrul Kumcuoglu, Turkey
Mr. Norbert Mao, Uganda
Mr. Manuel Pinto, Uganda
Mr. Augustine Ruzindana, Uganda
Mr. Donald Anderson, Mp, United Kingdom
Mr. Tony Colman, Mp, United Kingdom
Mr. John Alexander Corrie, Mep, United Kingdom
Ms. Barbara Follett, United Kingdom
Mr. Lord Grenfell, United Kingdom
Mr. Piara Khabra, United Kingdom
Ms. Oona King, United Kingdom

Ms. Tess Kingham, United Kingdom
Baroness Emma Nicholson of Winterbourne, MEP, United Kingdom
Mr. Andrew Robathan, United Kingdom
Mr. Andrew Rowe, United Kingdom
Mr. Bowen Wells, United Kingdom
Mr. Richard Howitt, United Kingdom
Mr. Tony Worthington, United Kingdom

List of Speakers and Chairs London Conference

Mr. Jean-Christophe Bas, Pan-European Dialogue Manager, World Bank
Mr. Jan Cherim, Global Head, ING Barings
Mr. Uri Dadush, Director, Economic Policy and Prospects, World Bank
Mr. Kemal Dervis, Vice President, Poverty Reduction Economic Management, World Bank
Mr. Mats Karlsson, Vice President, External Affairs, World Bank
Mr. Daniel Kaufmann, Director, World Bank Institute, World Bank
Mr. Callisto Madavo, Vice President, Africa Region, World Bank
Mr. Trevor Manuel, Minister of Finance, South Africa
Mr. Poul Nielson, Commissioner for Development, European Commission
Mr. Ablassé Ouedraogo, Deputy General Manager, WTO
Ms. Marina Ponti, Coordinator, Manitesa
Mr. Jean-François Rischard, Vice President for Europe, World Bank
Ms. Clare Short, Secretary of State for International Development, United Kingdom

Mr. Nicholas Stern, Senior Vice President for Development Economics and Chief Economist, World Bank

Ms. Victoria Tauli-Corpuz, Executive Director, Tebtebba Foundation, Philippines

Ms. Laurence Tubiana, Advisor, Prime Minister, France

Mr. Anthony Venables, Professor, London School of Economics, United Kingdom

Mr. Alex Wilks, Coordinator, Bretton Woods

Observers and Organizers

Mr. Yusef Azad, Assistant, International Development Select Committee UK

Ms. Carlotta Bartolomen, Assistant European Parliament

Ms. Nayé Bathily-Sylla, Assistant, Pan European Dialogue, World Bank

Mr. William Benson, Special Assistant, International Development Select Committee, UK

Ms. Haleh Bridi, General Manager, European Vice Presidency, World Bank

Ms. Sarah Cambridge, Counselor for UK and Ireland, European Vice Presidency, World Bank

Ms. Christelle Chapoy, UNDP

Ms. Valérie Chevalier, Head Public, Information Center, European Vice Presidency, World Bank

Mr. Marc De Rouck, Counselor, Parliament, Belgium

Mr. John Donaldson, Senior External Affairs counselor, World Bank

Ms. Susana Esteban-Berrocal, Counselor for Southern Europe, World Bank

Mr. Ulf Gartzke, Intern, Pan European Dialogue, World Bank

Mr. Raja Gomez, Director of Development and Planning, GOPAC

Mr. Ben Harding, Intern, European Vice Presidency, World Bank

Mr. Huw Talbot, Intern, European Vice Presidency, World Bank

Mr. Anders Johnsson, Secretary General, IPU

Ms. Marie-Louise Kearney, Senior Program Specialist, Unesco

Mr. Michael Keating, UNDP

Ms. Elisa Leung, Program Assistant, European Vice Presidency, World Bank

Mr. Guy Lindström, Counselor, Parliament of Finland

Mr. Sisa Newana, Counselor, Embassy of South Africa, London

Mr. Mark Nelson, Operations Officer, World Bank

Ms. Anna Nguyen, Assistant, European Vice Presidency, World Bank

Mr. Orleans, Ambassador of Ghana, United Kingdom

Mr. Jim Paterson, First Secretary, Embassy of South Africa, London

Ms. Elisabetta Polese, Assistant, Parliament of Italy

Mr. Andrew Rogerson, Special Representative to the EU Institutions, World Bank

Ms. Cathy Russell, Program Assistant, European Vice Presidency, World Bank

Mr. Christian Schmidt, Member of Cabinet, European Commission

Mr. Frederick Stapenhurst, Senior Public Management Specialist, World Bank

Ms. Gloria Targetti, Research Institute, Italy

Mr. Hendrikus Ter Maat, Counselor for the Netherlands, European Vice Presidency, World Bank

Mr. Yonet Tezel, Secretary, Embassy of Turkey, London

Ms. Claudia von Monbart, Senior Counselor for German Speaking Countries, EURVP, World Bank

Ms. Magda Walter, Media Manager, European Vice Presidency, World Bank

Ms. Rachel Winter-Jones, Communications Associate, European Vice Presidency, World Bank

The Steering Committee of the Parliamentary Network on the World Bank

On the occasion of the Second Parliamentary Conference of the World Bank held at the House of Commons in London on January 28-29, a steering committee was elected. This group of nine parliamentarians will represent the network and act independently of the World Bank.

Responsibilities of the Steering Committee:

The Steering Committee will:

- ensure the continued and sustainable development of the initiative;
- take the necessary actions to define the name, the nature, the rules of procedure and organizational settings of the Network and submit a proposal to this effect to the next Conference;
- initiate, guide and oversee the activities of the Network;
- represent the Network;
- implement the decisions taken by the First and Second Parliamentary Conferences of the World Bank with Parliamentarians;
- prepare the next annual meeting of the Network;
- mobilize the necessary financial resources for the Network and take responsibility for their administration.

List of elected Members:

Ms. Hilde JOHNSON (Norway)
Mr. Shri Suresh A. KESWANI (India)
Mr. Kimmo KILJUNEN (Finland)
Mr. Bert KOENDERS (Netherlands)
Ms. Charity K. NGILU (Kenya)
Mr. Adamou Ndam NJOYA (Cameroon)
Ms. Isabel TOCINO BISCAROLASAGA (Spain)
Ms. Adelheid TRÖSCHER (Germany)
Mr. Bowen WELLS (United Kingdom)

Mission Statement

The purpose of the **Parliamentary Network on the World Bank (PNoWB)** is to increase parliamentary involvement and effectiveness in the field of international development.

The core mission of the PNoWB is fivefold:

1. Accountability: To facilitate and encourage direct policy dialogue between Parliamentarians and multilateral development institutions in order to increase the transparency of World Bank policies and practices and increase collective accountability.

2. Advocacy: To provide the members of the Network with a platform for coordinated parliamentary advocacy on international development issues.

3. Networking: To encourage concerted action, early debate and exchange of information among Parliamentarians on major issues of international development, finance and poverty eradication.

4. Partnerships: To take initiatives to further cooperation and encourage partnerships between parliamentarians and policy makers, the academic community, the business sector and non-governmental organizations on development issues.

5. Progress Review: To promote the development of parliamentary mechanisms and practices for the effective democratic control of development assistance in all its phases.

Activities:

Annual Conference: At least once a year the Network will organize a conference. This will be organized in partnership with the parliament of the host country and the World Bank.

Field Trips: The Network will facilitate field trips for parliamentarians from donor countries to visit projects in developing countries. At the same time the Network will organize visits from Parliamentarians from developing countries to parliaments in countries with well-established democratic traditions.

Website: The Network will have its own website in order to facilitate coalition-building and the exchange of information on international development issues among Parliamentarians and multilateral institutions such as the World Bank.

Consultations: The PNoWB will engage in consultations with the World Bank and other international financial institutions on their respective projects, programs, and research activities.

Training: The Network will actively look for training opportunities for Parliamentarians, in partnership with the World Bank Institute, amongst others on the Bank's technical procedures.

Newsletter: A newsletter will be disseminated regularly to inform members about the activities of the Network and to raise its profile vis-à-vis third parties. The newsletter will feature, inter alia, interviews with Parliamentarians active in international development.

Research: The Network will encourage small-scale, parliament-specific research projects based on the needs defined by the members of the Network. This research could include the monitoring of parliamentary agendas for international development issues.

Partnerships: The Network will actively look for opportunities to build partnerships with other international parliamentary networks to encourage cross-fertilization. In addition, the Network will build bridges with other constituencies involved in international development (academia, NGOs,...).



The Pan-European Dialogue of the World Bank

The Pan-European Dialogue of the World Bank

The dialogue engaged in The Hague with parliamentarians is an important element of the pan-European dialogue launched by the European Vice-Presidency of the World Bank, which aims to bring together European leaders around themes of key importance to the World Bank.

Through high-profile flagship events and follow-up consultations with various constituencies in Europe - academics and thinkers, policy makers, business leaders, NGOs, civil society and trade union representatives - the World Bank wishes to:

- exchange views on development challenges and global issues for the decade to come;
- engage in an in-depth dialogue about the role of European countries and the European Union in international development, and contribute to European and international perspectives on development;
- explore possibilities for future consultation and information exchange on development cooperation and the work of the World Bank.

The Pan European Dialogue Team

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