Address by Barber B. Conable
President, The World Bank
to the
Group of Twenty-Four Ministers
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Good morning Mr. Chairman, Ministers of the Group of Twenty-Four,
Ladies and Gentlemen -- I am pleased to join my friend and colleague Michel
Camdessus in welcoming you to the spring meetings of the Interim and
Development Committees.

As usual, we have a full agenda of discussions about our common
objectives -- promoting sustainable growth and reducing poverty. At Tuesday's
Development Committee meeting, I will address the specific items on our
agenda.

Today, as I bring to a close my five years as President of the World
Bank, I would like to break with custom and look beyond the agenda. In this,
my last opportunity to talk with you as a group, I would like to suggest how
your partnership with the World Bank for development can be most fruitful.

We all agree that growth is important for achieving our common goals,
goals whose unifying theme is poverty reduction. But we have seen that not
all kinds of growth are equally desirable. Growth which places its faith in
central planning or autarky, growth which pays too little attention to the
environment or to essential institutions, often proves unsustainable.

Governments have choices. Fate does not dictate that one kind of growth
must be pursued rather than another. One fundamental question, therefore, is:
What kind of growth should be pursued?

So much depends on the quality of growth. We must never lose sight of
the fact that, in development, we are dealing with people, not numbers.
People are -- and should be -- development's purpose. People are -- and
should be -- development's chief instrument also. I have often said the World
Bank is not a debt-collection agency -- it is a development agency. Our
reason for being is to help developing country governments and peoples meet
their aims and fulfill their aspirations.

Working together, we have made great strides toward our development
objectives. Within the last generation, adequate nourishment, literacy and
devine expectancy in much of the world have improved. But I do not need to tell
you that we have a long way to go, with more than 1 billion people in
developing countries still living on less than a dollar a day. Such chronic
poverty saps human opportunity and even hope itself. Such chronic poverty is
a moral outrage and an economic waste.
Mr. Chairman, the quality of growth we all seek is growth which is sustainable and which improves the conditions of daily life for ordinary people in developing countries.

How can we promote quality of growth? As circumstances have changed, we have all learned valuable lessons. Many developing countries are implementing these lessons with the help of the Bank and other agencies. There is widespread support, for example, for the poverty reduction and growth strategy outlined in last year's World Development Report. Poverty will be reduced most effectively through economic growth which encourages the productive use of labor by removing policy biases. This will increase income-earning opportunities for the poor, particularly in farming and small and medium enterprise. Investment in human resources -- health care, family planning, nutrition and education -- will better equip the poor to take advantage of those income-earning opportunities.

Cutting unnecessary military spending can free resources for investing in people. One cannot expect much human resource development, for instance, in a country which spends more on military costs than on education and health combined. Even though country security risks vary widely, development planners should be worried by such statistics.

Income-earning opportunities are usually more dynamic in the private sector. Private sector growth depends on fiscal and regulatory systems which foster rather than hamper enterprise. Mobilizing private savings, including foreign direct investment, is increasingly important, and will become more so if the widely discussed "capital crunch" materializes in the 1990s. The World Bank Group is increasing its efforts to create and support an enabling environment for the private sector. An early and substantial capital increase for the International Finance Corporation will bolster these efforts.

Whatever the mix of state and private economic activity, the possible long-term environmental costs of short-term economic benefits must be considered if we are to achieve quality of growth. Development and environmental protection are mutually dependent. Good economic policy is good environmental policy, if prices encourage efficient natural resource use. Good environmental policy is good economic policy, if regulation reduces long-term costs to society as a whole. But our best efforts to achieve sustainable development will be overwhelmed if the current rate of population growth continues. Such considerations will determine the quality of life for our descendants.

People must be able to participate in the institutions and markets which affect their lives. Political liberalization is closely related to economic liberalization. Where government is honest, competent, open and just, political liberalization will nurture growth and stability without compromising sovereignty.
Women gain particularly from improved participation. As farmers, mothers and entrepreneurs, women are in the vanguard of development. Women are not just beneficiaries of growth -- they are also major contributors to the quality of growth. Educated, involved mothers are the best possible role models for the next generation of human beings.

Mr. Chairman, in speaking to this gathering here a year ago, I said that a new phase in development was starting -- the quest for empowerment of people to control their own destinies. Through political participation, private sector activity, NGO involvement and the exercise of individual rights, people increasingly have the opportunity for personal development.

The pitfalls are many. Progress is not painless. The Gulf War and its aftermath show us again that ethnic, religious and national conflicts have not disappeared with the end of the Cold War. People seek escape from poverty and oppression to find better lives. Eastern Europe's early and understandable euphoria has had to be compromised with reality. Fortunately, the determined people there are not faltering.

Issues of trade, debt, and resource flows to developing countries are as pressing as ever. Environmental decay, a weakening of international economic systems and institutions, regionalism, and the marginalization of some societies could compromise the increasing and largely benign interdependence of the last forty years.

Though their future is primarily in their own hands, developing countries depend on the developed world to support their efforts. Multilateralism in trade, finance, the environment, and humanitarian assistance must be reinforced. Industrial countries have an indivisible interest in the peace and prosperity which sustainable development can help to create in developing countries. Thus I welcome the resumption of the Uruguay round of trade negotiations. A swift and satisfactory conclusion to these negotiations is imperative.

Mr. Chairman, Ministers, I am encouraged about the prospects for development. After five years as President of this central development institution, I can assure you that the World Bank and its highly skilled staff are fully prepared to continue to work with you in the pursuit of growth of lasting quality, growth which improves the conditions of daily life in the societies in which you play such an important role.

I have enjoyed my relationship with the Group of Twenty-Four Ministers during my presidency of the World Bank, and want to thank you for the institutional support you have given the Bank and the personal encouragement offered to me. I know you will persist in your part of the battle for a better global future.
Statement by Mr. Barber B. Conable
President, The World Bank
Introduction

Thank you, Mr. Chairman. It is a great pleasure to join my friend and associate in so many matters, Michel Camdessus, in welcoming you to your first meeting as Chairman of the Development Committee. You have provided creative and disciplined leadership in your country, and so I have great confidence that the Development Committee will flourish under your Chairmanship.

This is a unique forum -- one in which the crucial development issues confronting the international community can be discussed candidly by both industrial and developing countries. I wish to thank all who have worked so hard to make the Committee a more effective instrument during my presidency of the World Bank. I have particularly enjoyed working with Yves Fortin as Executive Secretary, and wish him well in the future.

As you all know, in September I will be succeeded by Lewis T. Preston, one of the world's leading bankers. He will provide sound and enlightened leadership of the World Bank, and will guide the institution well, as a man of judgment and understanding. I know he will have your support.

Main Theme of Today's Agenda

We have a full agenda today. Each of the issues relates to one unifying theme: the importance of ensuring the adequacy and effective use of resources for development. The primary responsibility for this, of course, rests with the developing countries themselves. But developing countries, especially the poorest among them, cannot meet all their needs for development without external resources.

Aftermath of the Crisis in the Gulf

An agenda item of immediate concern is the appropriate response of the Bretton Woods institutions to the Gulf crisis. The return of oil prices to pre-crisis levels is most welcome by oil importers. But many countries have been affected by other aspects of the upheaval -- loss of remittances and export earnings, resettlement costs, and so forth. This fiscal year, IDA and the Bank are providing about $2 billion in additional assistance to the countries most affected by the crisis.
In the Gulf region itself, it is still unclear exactly how the reconstruction and regional development programs will proceed. Most agree, however, that there are fundamental economic problems in the region which call for major reforms, much greater reliance on the private sector, increased resource flows, and more effective use of resources. Efforts to achieve economic integration of the region will not be easy, but could strengthen needed country-level reforms.

The World Bank, together with the International Monetary Fund, has suggested possible resource coordination mechanisms which could assist the region's efforts. These discussions are still underway.

Considerable interest has been expressed in a mechanism similar to that of the Special Program of Assistance for Africa (SPA), if some type of regional umbrella arrangement is desired to complement country-level coordination. An SPA-like arrangement, including recipients as well as donors, would enable the Bank and Fund to plan and support bilateral, regional and multilateral programs in a flexible yet well-coordinated manner. If there is consensus on the desire for such an approach, the Bank is ready to take the lead in implementation, in partnership with the IMF and regional organizations.

Foreign Direct Investment and the Role of IFC

Official development assistance is especially critical for the poorest countries. Given public resource constraints, however, the bulk of needed incremental longer-term resources will have to come from private sources. There is no viable alternative. With the growing consensus behind the effectiveness of the private sector, this is no longer a naive hope. Actions which attract foreign direct investment also encourage domestic savings and investment. We must make a special effort to stimulate foreign investment in the low-income and smaller countries. Everyone will gain as a result.

Development of the private sector imparts a particular dynamic to economic growth. For this reason, emphasis on the private sector will pervade the activities of the entire World Bank Group. Moreover, we have recently taken steps to clarify and strengthen the respective roles of the IBRD, IFC and MIGA. These measures will maximize the effectiveness of our country assistance and poverty reduction programs.

The Bank will continue to assist governments in developing enabling environments conducive to private sector growth. Most Bank lending already does this. The private sector could not thrive without supportive policies, strong institutions, telecommunications, transportation, energy, and an educated and healthy workforce.
The Bank Group's efforts in the private sector must be strengthened as a whole to be truly effective. This means a stronger IFC, it means improved collaboration between the IFC and the IBRD, embodied in a realistic set of coordination and dispute resolution measures. It also means the IBRD must be fully sensitized, at all levels, to the unusual opportunities the private sector offers for growth. To effectuate these goals, our Board will be urged to accept a comprehensive plan of action in the near future.

The IFC, which deals directly with the private sector in developing countries, is now positioned to play a larger role in the Bank Group's enhanced promotion of private sector development. In recent years, the IFC has greatly diversified its range of services and clients. However, the Corporation is constrained by a lack of resources.

As you know, discussions have been taking place for many months in IFC's Board concerning a general capital increase. The widespread support expressed for IFC and for a substantial capital increase is encouraging. We are close to an agreement. I urge you to reach consensus on this issue today, and ask our Boards to work out the details before the end of June.

Progress in the Implementation of the Debt Strategy

The debt overhang continues to be a severe resource constraint in many countries and a major impediment to development.

I am encouraged by progress on the debt strategy. The Brady plan has been successfully implemented in five severely-indebted middle-income countries. We consider many middle-income countries candidates for this option, and I hope more will meet the preconditions for its effective use.

There is also concern about lower-middle-income countries with substantial debt to official creditors. Realistic country-by-country negotiations and new money from bilateral donors and international financial institutions are important to the sustainable development of these countries.

The measures taken to date by the Paris Club to implement "Toronto terms" for severely-indebted low-income countries are most welcome, as are the initiatives of individual official creditors. These countries require even more support, either in the form of further debt-relief initiatives such as those proposed by Mr. Major and others, or -- and this point deserves special emphasis -- flows of new concessional money having the same economic impact for those countries pursuing credible adjustment efforts. Without such additional external support, many of these extremely poor countries will be unable to meet the pressing needs of their people.
Financial Implications of Poverty Reduction

Most of the resources required to achieve a substantial reduction in global poverty will have to be mobilized domestically in the very countries which are struggling with severe poverty. But significant external resources, overwhelmingly of a concessional nature, are also required for any meaningful reduction in global poverty. The world community mobilized vast amounts of money in a relatively short period of time to combat armed aggression in the Gulf. We should be able to mobilize additional resources to bring the rudiments of a decent life to people in the developing world.

Additional aid, if it is supplied and utilized effectively, will have a greater impact on the reduction of poverty. Donors can help -- by redirecting aid to poor countries, by avoiding the financing of inappropriate investments, by striving to "untie" their aid more fully, and by strengthening aid coordination mechanisms. The Development Assistance Committee (DAC) of the OECD has increased its emphasis on improving the delivery of aid. You could help today by registering the Development Committee's support for efforts to improve the delivery and utilization of aid.

Full funding of the IMF quota increase this year will give the Fund increased capacity to meet its diverse demands -- including support for broad-based poverty reduction.

Establishment of the Global Environmental Facility

This Committee has stressed the close links between reducing poverty and protecting the global environment. The Bank has increased its efforts to assist borrowers with development of national environmental programs.

In addition, in partnership with UNEP and UNDP, we are implementing the Global Environment Facility. Its first meeting of participants is taking place this week. The GEF will assist poorer developing countries meet their share of the costs of tackling global environmental problems.

The experience gained in our work on the GEF will be helpful in the Bank's many national environmental efforts.

We and our partners in the GEF pledge creative and efficient use of the additional concessional resources entrusted to us for this three-year pilot program. We hope that, through the effective implementation of the GEF, we will have found a model for future initiatives to ensure sustainable development.
Industrial Countries' Policies and the Uruguay Round

I have discussed here a diversity of resource requirements and how we can respond to them. I believe you will all agree that it is pointless to provide resources with one hand and take them away with another. Yet this is what happens when protectionism confronts opportunities for export. Trade-restricting policies of industrial countries have a devastating impact on opportunities for economic growth and poverty reduction in developing countries.

Earnings from trade are a vital resource. Reaching agreement in the current round of multilateral trade negotiations will facilitate resource transfers. Difficult issues remain unresolved in these negotiations, many of which touch the vital interests of developing countries -- agriculture, tropical products, textiles, shoes, and other labor-intensive goods. Finance and development ministers know the importance of trade flows to successful development. I urge you to use your great personal influence in your capitals to assure a speedy and successful conclusion of the Uruguay round of trade negotiations.

Broad-based Cooperation in Global Development

Mr. Chairman, at the last Annual Meetings, President Bush urged that the Bretton Woods institutions become "paradigms for cooperation in the post-Cold War world." Mr. Camdessus and I have been working diligently to reinforce this thought, both within and between our respective agencies. To be fully successful, we need the support of all member countries in order to avoid political polarization within our executive boards. With your help, broad-based cooperation will remain our manner of doing the business of global development.

Conclusion

In summary, I hope today you will: (1) endorse an early and substantial IFC capital increase; (2) encourage effective actions to reduce global debt; (3) advise on appropriate roles for the Bretton Woods institutions in the Gulf; (4) encourage more development investment, both of a public nature and through promotion of the private sector; and (5) urge a successful resolution of the Uruguay round of trade negotiations.

Thank you, once again, for the institutional support you have given the World Bank and the personal encouragement you have given me during my five years as President.