

OPENING ADDRESS BY THE PRESIDENT OF THE WORLD BANK GROUP¹

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Spain and the Bank

Your Majesties, Mr. Chairman, Governors, Ladies and Gentlemen: A warm welcome to this fiftieth anniversary meeting. I would like to express my profound appreciation to King Juan Carlos and Queen Sofia—and to the people of Spain for their generous hospitality.

Until 1977, Spain was a borrower from the Bank, and we are pleased to have been associated with her success. This country has moved boldly to embrace change and to realize its potential for social and economic advance. Embracing change—and harnessing it for development—is the great challenge facing us all today.

A Changing World

The past fifty years have seen faster progress in improving the human condition than any time in history. In the developing countries, life expectancy has been increased by 50 percent, infant mortality has been reduced by two-thirds, and average incomes per person have more than doubled.

There has been a “green revolution” in South Asia; an “economic miracle” in East Asia; Latin America has overcome the debt crisis; and there have been substantial gains in health and literacy in Africa. We can look back with pride on the success of the development effort and the role of the Bretton Woods institutions in that effort. It is even more important, however, to look forward. Changes in the world hold major implications for us, and we must respond. The context in which we work today is vastly different from fifty years ago.

Most important, we have learned much more about what does and does not work: about putting people at the center of development; about the importance of policies, institutions, and markets; about the need to protect the environment and promote the role of women in development. Now we need to apply those lessons in a world of increasingly rapid change.

The developing nations’ role in the global economy has been transformed. In the first three difficult years of this decade, they accounted for 70 percent of global GDP growth and 50 percent of the growth in

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world trade. A quarter of industrial country exports and 15 million jobs now depend on trade with the developing nations. The rapid pace of technological change has reinforced this global integration and accelerated global competition. As more and more countries have adopted market-oriented policies, the private sector's role in development has been revolutionized. The increase in private capital flows to the developing world has been spectacular about three times the level of development assistance last year.

Several other factors also have contributed to the changing context for development:

- The spread of democracy and participation has allowed more people more say in the decisions that affect their lives.
- Educational levels in the developing countries have risen dramatically as have their skills in analyzing and implementing development programs.
- And the capacities of all development institutions have grown: from the multilateral institutions to nongovernmental organizations (NGOs).

All this has brought new participants and new ideas to development. In a fundamental way, of course, the challenge of development remains unchanged: over a billion people still live in absolute poverty.

This brings into sharp focus the need for increased levels of development assistance; and the need for an institution like the International Development Association (IDA) which is the linchpin of the international effort to reduce poverty. Discussions on IDA's eleventh replenishment began here in Madrid a few days ago. Donor budgets are tight; and priorities are changing. But the world's poorest nations depend on IDA; and IDA depends on your support. A strong IDA will enhance the opportunity for progress that the changing development context offers us all. Taking advantage of that opportunity, in turn, will require change from us all.

A Changing Bank

What does that mean for the Bank? Our objective remains clear: helping our borrowers to reduce poverty and improve living standards through sustainable growth and investments in people. Meeting that objective involves increasing demands: our membership has grown from 155 to 178 countries in the last three years alone.

It also involves increasing complexity: we must be as effective in helping with privatization, as helping to increase education for girls; from assisting with structural change in the former Soviet Union, to fighting hunger and disease in sub-Saharan Africa.

Two main assets help the Bank to address this diversity:

- finance—our capacity to invest our own money and to mobilize resources from others; and
- advice—bringing to bear our global experience and sharing it across our member countries.

The emphasis on each of these elements varies according to country circumstances. Some of the rapidly growing middle-income nations, for example, can now acquire most of their resources from the markets. The Bank's financing will remain vital in areas where private capital is not forthcoming—such as the environment and education. But generally, in those countries our money will become less important than our advice.

This should be welcomed. Twenty-five countries have already “graduated” from needing the Bank's assistance. Others will follow. For us, the ultimate success is when we are no longer needed.

In many countries, however, the Bank will continue to be needed for some time to come. The unfinished development agenda is large. So, too, is the need for a development institution that has five decades of experience:

- a long-term relationship with virtually every developing country; and
- a committed staff of development professionals.

But again, the changing context in which we work means that we have to change to remain effective. That applies to the Bank's management, staff and shareholders.

Six principles guide that change:

- First, the Bank must be more selective tailoring our assistance to individual country needs and focusing on issues that maximize our impact. We neither should nor be expected to deal with every aspect of development everywhere. A more sensible sharing of tasks within the international system is required.

- Second, increased collaboration with all our partners is essential. At one end of the spectrum, the Bank Group's work with the private sector is expanding—including through the steady growth of International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). At the other end, our work with NGOs also is expanding—involving them in 50 percent of the projects we supported last year. Overall, our goal is to help our borrowers benefit from the different strengths of everyone engaged in development.

- Third, we are deepening our client relationships. Country ownership of policies and projects is crucial to their success. In response to our clients' changing priorities, the composition of the Bank's lending has changed. Over the last five years, our investments in education and health have doubled; our environmental lending has grown tenfold; and the Bank Group now supports about \$25 billion a year for private sector development.

- Fourth, success must be measured by results. To improve the long-term impact of our operations, we are emphasizing participation in project design and management and increasing project supervision. An “implementation culture” is emerging.

- Fifth, cost-effectiveness is imperative. We owe it to our members especially our borrowers to meet the highest standards of efficiency. We will do so. Red tape is being cut; cost-efficiency is being increased. There is zero budget growth this year and substantial savings are planned for the next two years.

- Sixth: excellent financial management has long enabled the Bank to obtain funds on the capital markets at the finest terms for our members. This will continue. Changes already under way reinforce our efforts to apply these principles:

- We have become a more open institution with expanded information disclosure and an independent inspection panel.
- We are improving our mix of staff skills to meet borrower priorities.
- And we are striving to be more responsive: from new financial engineering, such as expanding the use of our guarantee powers; to new ways of reaching the poorest of the poor for example, exploring with our partners the possibility of a micro-enterprise fund.

In this fiftieth anniversary year, there has been much debate about the role of the Bretton Woods institutions. My own view on the future of the Bank Group is that we must be:

- a flexible institution able to respond quickly to diverse and rapidly changing needs;
- a cost-conscious, efficient institution able to offer the highest-quality service; and
- a learning institution weaving the lessons of research and experience into our own work while sharing that knowledge for the benefit of all our members.

Conclusion: The Future of the Bank Group

The World Bank Group is a unique global asset dedicated to improving the quality of life in all our member countries. To meet that task even more effectively, we are changing. With your support, we will succeed.