

Annual Conference of the Parliamentary Network on the World Bank (PNoWB)

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Paul Wolfowitz: I think it's symbolic that we're here in the old Parliament celebrating the new South Africa. And so I'm particularly grateful to Trevor Manuel and all of our South African hosts for making this first outside-of-Europe meeting of the PNoWB possible, first meeting in Africa, and I could not imagine a more appropriate and more symbolic setting.

It's here that the 1996 Constitution was approved. And I think in hosting the 7th Annual Conference in Cape Town really reflects the importance of Africa in the international development dialogue, and it's an honor to be able to talk to so many members of Parliament from 90 different countries.

Norbert Mao ended the last session he was chairing with a joke. At the risk of trying to compete with the uncompetable, let me start with a joke. I've seen it in many, many countries, so let me just say a young engineer from Country A studied in some Western university with an engineer from Country B, and ten years after graduation, the engineer from Country B visited his friend and discovered he was living high on the hog in a very poor country and asked him, "How can you manage to do it?" The engineer from Country A took him out to see a bridge that he had built and said, "You see? It's supposed to have three lanes of traffic, it only has one; it's supposed to be three kilometers long, we got by with two; it was supposed to have a hundred tons of steel, we got by with twenty. I took 50%, that's how I do it." The following year, the engineer from Country A visits the engineer from Country B, and he finds that it's an even poorer country, and his friend is living even higher on the hog. He says, "How do you do it?" And his friend says, "Well, come, I'll show you," and they drive out in the countryside and up in the mountains. Then the friend stops the car and points to a raging river at the bottom of a deep gorge and says, "There, you see that bridge?" And his friend said, "No, I don't see any bridge." "That's how I do it, 100%".

I hope that's a historical joke, that it is increasingly rare and that we are seeing an emphasis on results and performance. And if I could also begin with something on a much, much more serious note, it's one of my favorite quotes these days. It comes from the great South African leader, Nelson Mandela, who talked about the joy that he felt upon the arrival of a new Africa. But then he said, "I've discovered the secret that after climbing a great hill, one only finds that there are many more hills to climb. I have taken a moment to rest, to steal a view of the glorious vista that surrounds me, to look back on the distance I have come. But I can only rest for a moment, for with freedom comes responsibilities and I dare not linger, for my long walk has not ended."

It is so symbolic, I think, of where all of Africa is at this point that the long walk is still in front of all of us, and I say "all of us", because I think all of us have a stake in Africa's success. Indeed, all of us have a stake in helping the hundreds of millions of poor people in other parts of the developing world to escape from poverty. So let me talk briefly about that mission.

Let me start by saying that I do think that the growth of Parliaments is an important contributor to success. Over the last 20 years, we've witnessed a tremendous increase in the voice and empowerment of populations. The number of countries with electoral political systems has almost doubled during those 20 years, where now more than 120 countries have elections, free elections.

Strong public institutions are needed to create opportunities for the poorest citizens to have a better future for themselves and their children. And that means effective leadership by representatives such as

yourself. Well-functioning Parliaments are critical to enhance the legal and institutional framework that provided justice. They're essential to oversight of the Executive Branch to ensure transparency and accountability and the effective use of public resources. And they are essential to give voice to all segments of the population.

The World Bank, of course, engages with Parliamentarians internationally through this extremely valuable forum, and I am grateful to the people who had the vision seven years ago to set it up; but also, our most important engagement really is at the country level. About one-third of our offices report monthly contacts with Parliamentarians. It should be more, but it's a good start. Capacity-building programs have been implemented in 22 countries to strengthen budget oversight and financial management. And country assistance strategies systematically include consultations with Parliamentarians. That's good, but obviously we can do better, and we must and we will do better.

The Commission for Africa that was convened at the instigation of Prime Minister Tony Blair of the United Kingdom and included distinguished representatives from all over the world that was, as I think you heard last night, Sir Nicholas Stern was the key drafter in putting that report together. Trevor Manuel was a distinguished member of the Commission. The Commission for Africa concluded that governance is at the heart of Africa's development future. And at the Gleneagles Summit in July of 2005, two months after that Commission for Africa report was issued, Prime Minister Blair said that what we have coming from Gleneagles is a deal for a deal: commitment by the developing countries, in particular the African countries, to improve performance and an increase in commitment by the developed countries to increase assistance.

So governance is a necessity and important part of the development agenda. We've spent the better part of the last nine or ten months working on a Governance and Anticorruption Strategy for the World Bank, and we have spent the last two months in very extensive consultations on that strategy with governments, with members of civil society, with members of Parliament, and I very much appreciate the comments that you gave to us.

We were urged to translate words into action in our Governance and Anticorruption work, and we aim to do just that. And we were asked to pay particular attention to post-conflict countries, where the governance challenges are the greatest, but where the need is also the greatest; and to focus on promoting international standards and binding agreements on good governance; and, to work with the private sector in fighting corruption. We consulted in that process with more than 3,200 stakeholders in 35 developing countries and 12 donor countries, and the strongest single message was that the Bank should strive to stay engaged, even in poorly governed countries; some might even say particularly in poorly governed countries, where the need to support governance reform is strongest. Many people said, "Don't make the poor pay twice," and the issue is not whether to engage in circumstances like Liberia or the Democratic Republic of Congo, but how to engage most effectively.

Second, that the Bank should work with Governments, which are our primary counterpart but should also engage more with the private sector, with Parliamentarians, with civil society, with the media. We need to scale up what we're already doing with these groups, and the private sector sent the strong message to us that integrity is good for business and the Bank should help the private sector combat corruption.

Third, that the Bank should work to strengthen country systems, not bypass them. Strengthening country systems is the long-run solution to reduce fraud and corruption, in our own projects; but, more importantly, it's the key to strengthening the overall governance environment.

Fourth, monitoring needs to be a key part of promoting governance reforms. Clear standards, transparent standards, are needed to define and measure how Governments are doing so that our assessments and decisions are applied consistently, and I think more importantly so that the people and citizens of the country, and maybe most importantly the members of Parliament in those countries know where progress is being made and where the problems lie.

And fifth and finally, the coordination and harmonization between the World Bank and other development partners is essential. The Bank can't act alone, should not act alone. Particularly in more challenging, higher-risk settings, we need to work with our other partners.

As I said earlier, Prime Minister Blair said it's a deal for a deal, and the other part of the deal is for donors to step up with more assistance. And there have been some wonderful promises made; now, the challenge is to see that those promises are met. And it's a big challenge not only to scale up aid, but to do it in a way that is most effective.

We saw a significant decline in development assistance in the 1990s; but since then, Official Development Assistance, or ODA, has grown rapidly for the last five years, averaging a little over 11% per annum from 2001 to 2005. That's the good news.

Unfortunately, much of the recent increase has been due to debt relief. ODA for development projects and programs has been growing at less than half that rate for total ODA, roughly 4.6% during that same five-year period.

I know tomorrow you are going to be discussing aid effectiveness, and I'm sure that one area you'll be considering is the growing number of donors, the proliferation and complexity of aid channels. The average number of donors per country rose from just about 12 per country in the 1960s, which is not a small number, to over 30 by 2005. Its proliferation is particularly pronounced in the areas of health and education.

I think it's the President of Botswana who's been quoted as saying, "The wonderful thing about development is that so many people want to be generous, and the difficult thing about development is that so many people want to be generous." It's certainly a welcome development, I believe, to have these new donors, including these large contributions from private-sector foundations like the Gates Foundation; but it makes the challenge of harmonizing among the different donors even more challenging. And for some small countries, I know an inordinate amount of very scarce human resources are consumed simply in contending with the many different requirements the different donors impose for accounting for their particular funds.

We're trying to do better. There were important principles agreed in Paris in April of 2005. We're trying to monitor our own performance in living up to those principles. I would say there's progress, but still a very long way to go.

And another concern that I have in the area of aid effectiveness is an increasing trend toward earmarking aid for special purposes, including what we call global programs or vertical funds that are aimed at particularly worthy causes like HIV/AIDS or malaria or primary education, all of which are terrific; but we find in too many cases that by the time the money is earmarked for individual purposes the donors find compelling, the amount that's left over sometimes for the highest priorities a country may have can be very small.

I'll give you a striking example from Rwanda, where out of \$65 million of external assistance available for the health sector, \$46 million was earmarked for HIV/AIDS, \$18 million was earmarked for malaria, and it left only \$1 million for the integrated management of childhood illnesses. That doesn't mean that the funds spent on AIDS and malaria are not justified; but it does mean that we've got to keep some balance in what we do, because even though funds are not going to be used well if there's not a ... I was going to say "strong health system", at least a reasonably strong health system to administer. In many cases, we're talking about very complicated therapies. If they're administered wrong, they're not only ineffective; they contribute to the breeding of drug-resistant varieties. So attention to health systems may be much less glamorous and incredibly challenging when there's so many attractive employment opportunities in the rich countries for health workers; but we've got to attend to things like that ... which brings me finally to the importance of IDA. You didn't think you'd get away without some special pleading from the President of the World Bank. But I plead not on behalf of the World Bank, but I believe on behalf of the world's poor.

IDA is the concessional finance window of the World Bank Group. We're entering the 15th tri-annual replenishment of IDA. We go back for new funds, fresh funds, every three years, and those negotiations are aimed to be completed by the end of this calendar year.

Often, IDA is what provides the foundation on which other donors build their programs. Without IDA-funded analysis, without IDA-funded reforms, assistance in strengthening systems and assistance in strengthening infrastructure, other aid programs would be much less effective, I believe, in delivering their own services. Often, IDA is where countries go to fill the gaps that are left by the kind of earmarking I've talked about, and it's not an accident that our infrastructure lending in Africa, for example, has nearly doubled in the last five years from about \$780 million in 2001 to \$1.5 billion last year. And it's going to continue to go up, because infrastructure has become a little bit of an aid orphan, and we can't afford to have that.

In recent years, IDA's average commitment is on the order of \$7 billion to \$9 billion a year. Last year, we set a record at \$9.5 billion. That's still far from enough; we're aiming for more. And half of that, at the direction of our Governors, goes to Africa.

But IDA can't do its work without the contribution of donor countries. And it's particularly important, because, as I've said, the donors need to make good on the promises that they made at Gleneagles, including promises to compensate IDA dollar for dollar for the debt relief that was granted through the Multilateral Debt Relief Initiative. The Government officials we work with have been making these points directly to the donors. When Ellen Johnson-Sirleaf was in the White House last month, she brought it up with the President of the United States, and then she went up to the U.S. Congress to lobby ... no, not to lobby; but to tell members of Congress how important it is to support IDA. The President of Benin made the same points when he met with President Bush earlier that month. It's consistent with what I've heard, what you heard today, from Trevor Manuel, what I heard in Ghana from President Kufuor, what you hear from, I think, all of our developing country partners.

But what we also hear from recipients, as well as donors, is, we need to deliver not just money upfront; we need to deliver results. Delivering results, measuring results, I think, is really the key to promoting good governance; but most importantly of all, the key to making sure that the money goes for the purposes it is intended, which is enabling poor people to escape poverty and give their children and grandchildren a chance for a better future.

We're trying to tell that IDA story this year more effectively than we ever had before. We're trying to tell it most of all so that those of you who are Parliamentarians in donor countries can help us to answer the question, "Why should we give money to IDA?" And I'd like to try to answer that now with some pictures, because they say a picture is worth a thousand words; and since my time is limited, let me do it that way.

May I?

Hugh Bayley: Okay. Yes, please.

[video].....

President Wolfowitz: Those are just a few of the results that IDA has delivered and the people we're delivering them for; and any of you who particularly come from donor countries want to take that message back home, we'd be happy to give you copies of the video or take suggestions on how to make it more effective.

Thank you very much.

Hugh Bayley: Thank you.