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Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - DEC Jam Session - Public Expenditure - Role of the State - Preparation for G7 Summit - June 13, 1996

Folder ID: 30485494

Series: Meeting and event briefing materials

Dates: 06/13/1996 – 06/13/1996

Subfonds: Records of President James D. Wolfensohn

Fonds: Records of the Office of the President

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THE WORLD BANK

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Archives



30485494

R2002-036 Other #: 20 Box #: 186470B

President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Material
DEC Jam Session - Public Expenditure - Role of the State - Preparation for G7

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WBG Archives

Archive Management for the President's Office

Document Log

Reference # : Archive-00648

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Print

A. CLASSIFICATION

<input checked="" type="checkbox"/>	Meeting Material
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<input type="checkbox"/>	Speeches

<input type="checkbox"/>	Annual Meetings
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<input type="checkbox"/>	Communications with Staff

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<input type="checkbox"/>	Press Clippings/Photos

<input type="checkbox"/>	JDW Transcripts
<input type="checkbox"/>	Social Events
<input type="checkbox"/>	Other

B. SUBJECT: DEC JAM SESSION: PUBLIC EXPENDITURE / ROLE OF THE STATE (PREPARATION FOR G7 SUMMIT)
VENUE: E1227 (CONF. ROOM)
CONTACT: DEBBIE WETZEL @ 31698
IN ATTENDANCE: JDW, BRUNO, BAIRD, SQUIRE, WETZEL, CHHIBBER, WEDER, EVANS, VAN DE WALLE, SANDSTROM (OPTIONAL), JOSIE
NOTE: NO BRIEFING FOR THIS MEETING - ORAL PRESENTATION
EXC: JOSIE

DATE: 06/13/96

C. VPU

Corporate

<input type="checkbox"/>	CTR
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<input type="checkbox"/>	LEG
<input type="checkbox"/>	MPS
<input type="checkbox"/>	OED
<input type="checkbox"/>	SEC/Board
<input type="checkbox"/>	TRE

Regional

<input type="checkbox"/>	AFR
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<input type="checkbox"/>	ECA
<input type="checkbox"/>	LAC
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Central

<input type="checkbox"/>	CFS
<input type="checkbox"/>	DEC
<input type="checkbox"/>	ESD
<input type="checkbox"/>	FPD
<input type="checkbox"/>	FPR
<input type="checkbox"/>	HRO

Affiliates

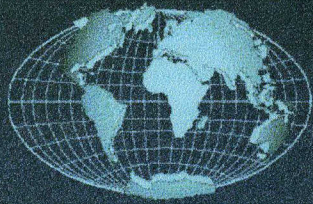
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<input type="checkbox"/>	Kennedy Center
<input type="checkbox"/>	MIGA

D. EXTERNAL PARTNER

<input type="checkbox"/>	IMF
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<input type="checkbox"/>	MDB/Other IO
<input type="checkbox"/>	NGO
<input type="checkbox"/>	Private Sector

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<input type="checkbox"/>	Part II
<input type="checkbox"/>	Other

E. COMMENTS:



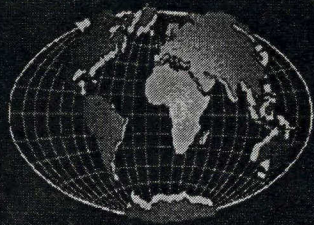
World Development Report 1997

The State in a Changing World

June 13, 1996

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Ajay Chhibber
Staff Director
Phone: 473-4869 / 458-4219
Room N 7-063



World Development Report 1997

The State in a Changing World

June 13, 1996

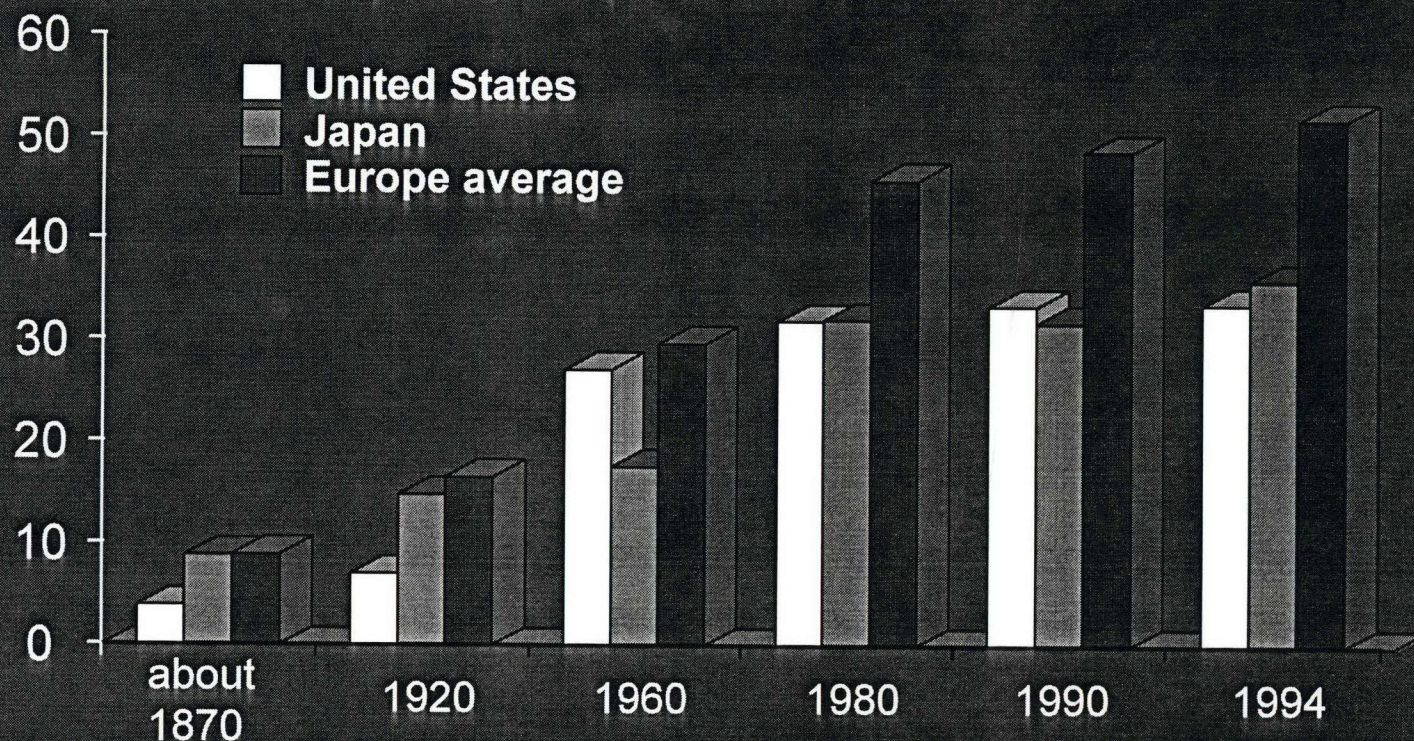
Why is the state important?

- 1 It is huge.
- 2 It makes a big difference to people's lives.
- 3 There is a rethinking of its role all over the world.

It is huge and still growing

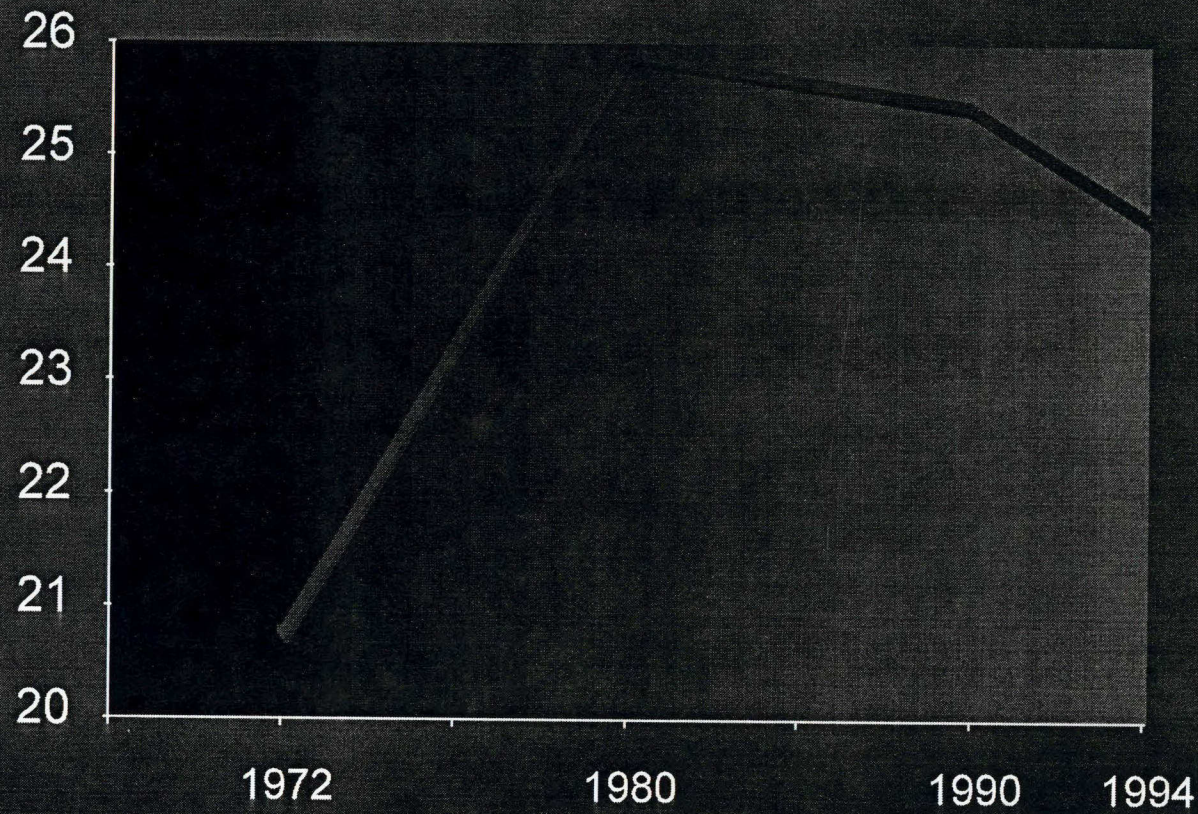
Developed countries

Government expenditure (% of GDP)



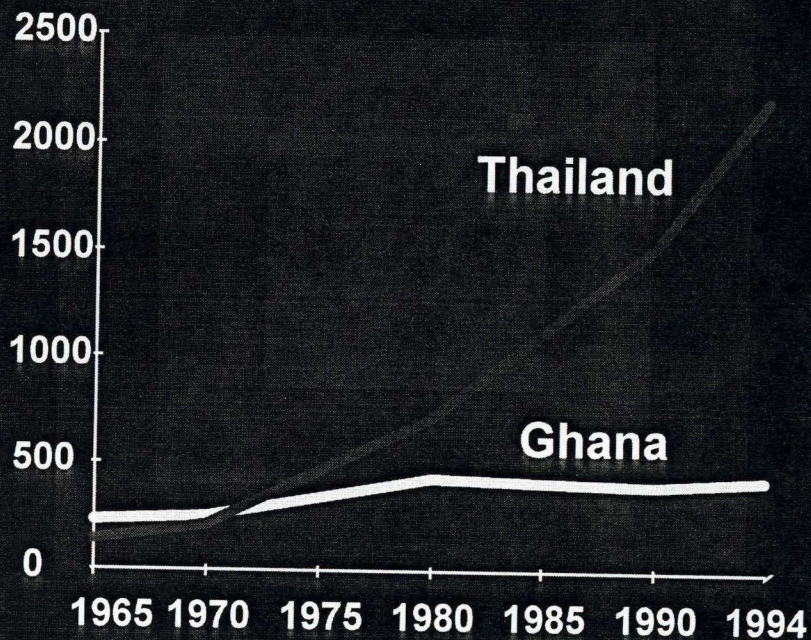
Growth of the state in developing countries

Government expenditures as percentage of GDP

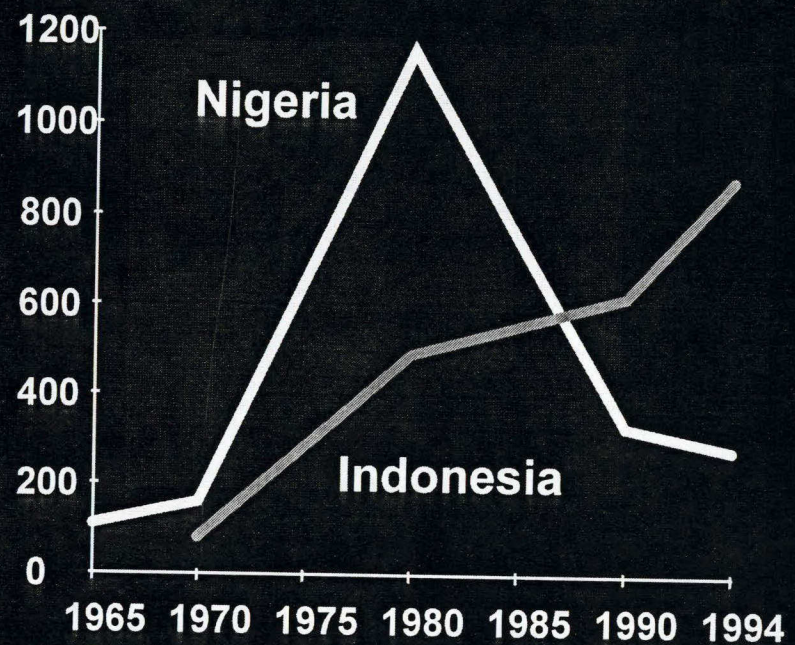


Good government matters

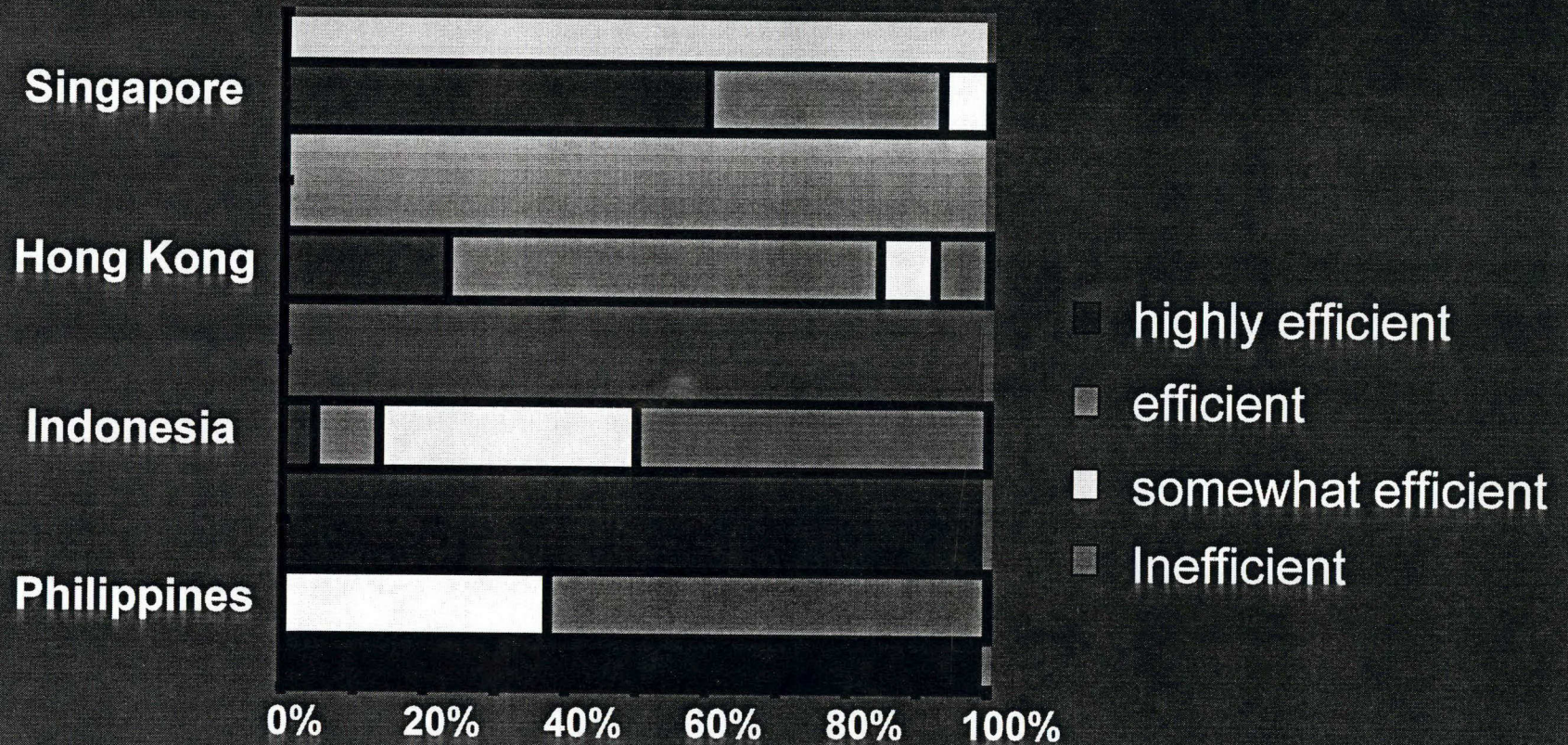
GDP per capita (U.S. dollars)



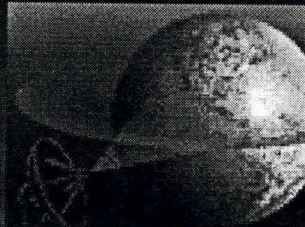
GDP per capita (U.S. dollars)



Quality of civil service



**From Ougadougou to Ottawa and from
Warsaw to Wellington...**



**...there is a rethinking
of the state's role
and capabilities**

Key questions for WDR 97

- What drives change?
markets, citizens, globalization.
- How to make the state function better?
- How can reforms of the state be accelerated and sustained?



WDR 97 will try to break new ground in five areas

- **Credibility for investors.**
- **Public sector performance and corruption.**
- **Participation: citizens and the state.**
- **Globalization: its impact on the state.**
- **Overcoming resistance to reforms.**

The presentation to follow



Credibility and better rule-making.



Efficiency and equity of public spending.

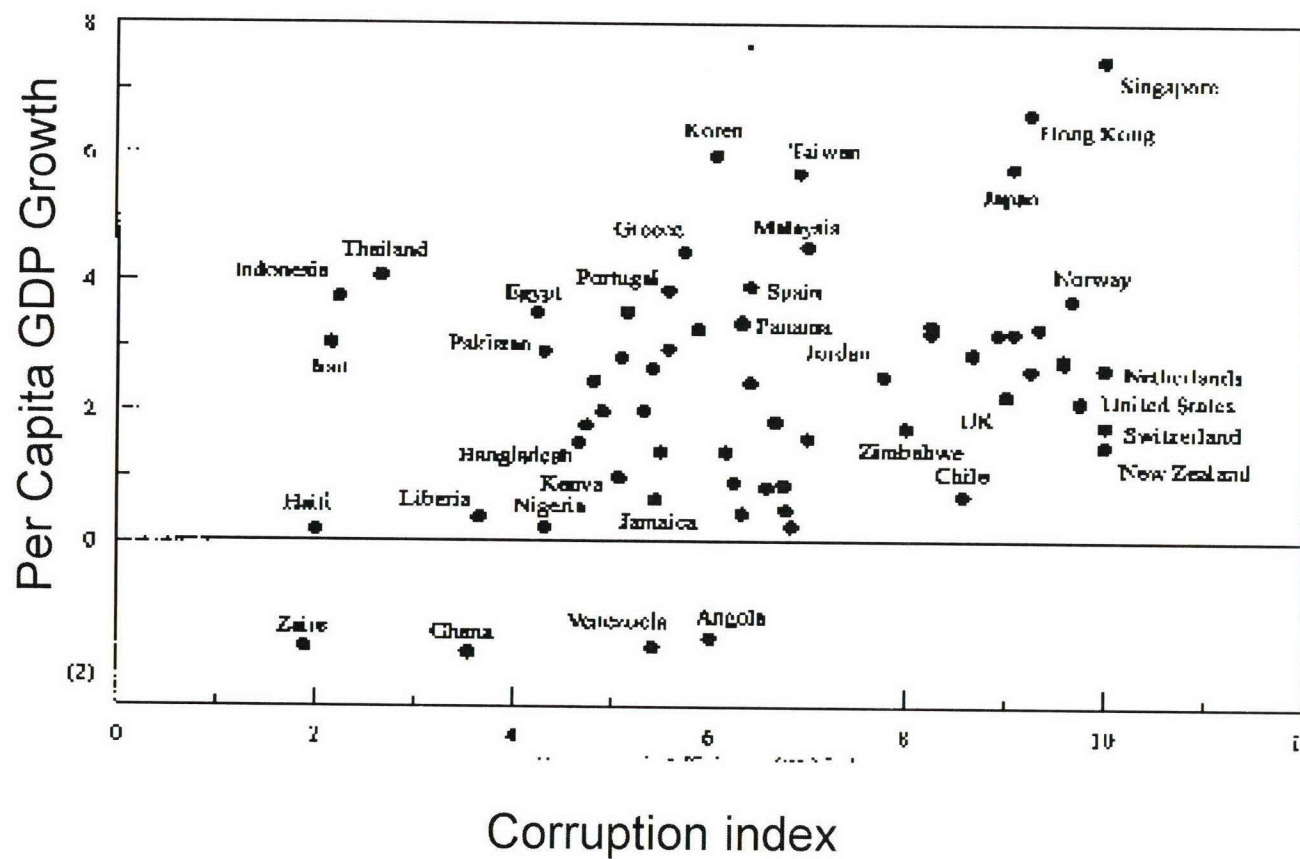


Bringing the state closer to citizens.



Credibility and better rule-making

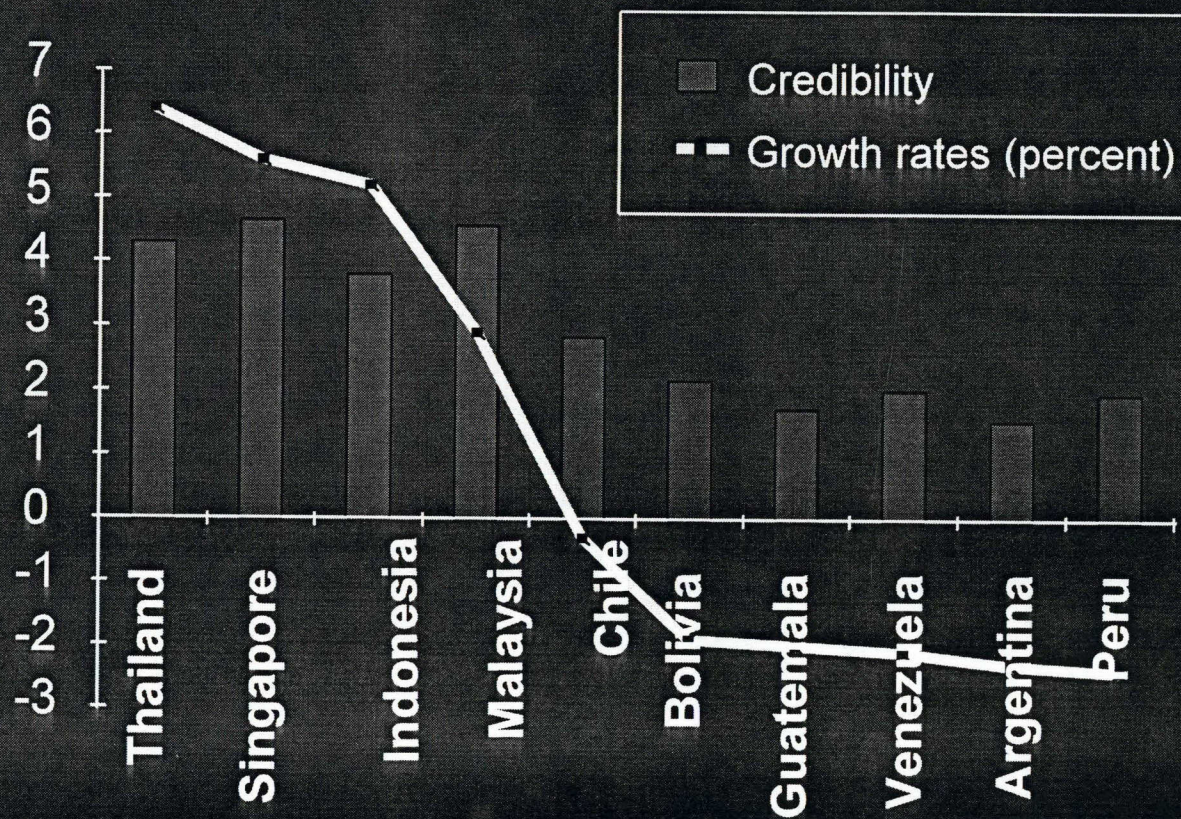
Growth and corruption



Credibility of rules

- **predictability in making new rules.**
- **transparency of existing rules and regulations.**
- **little discretionary power in the enforcement of rules.**

Index of credibility and economic growth, 1981-90



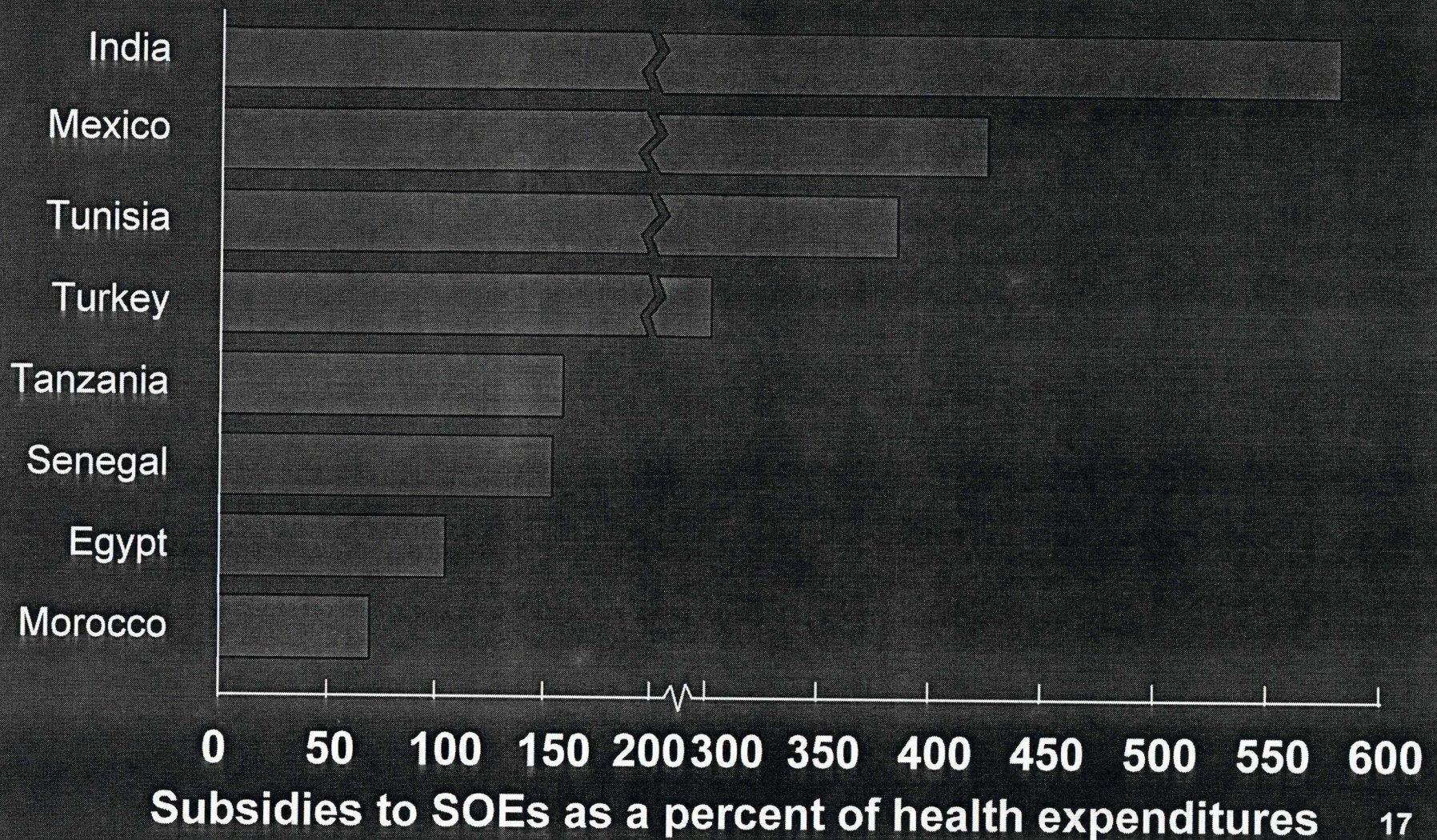


Efficiency and equity of public spending

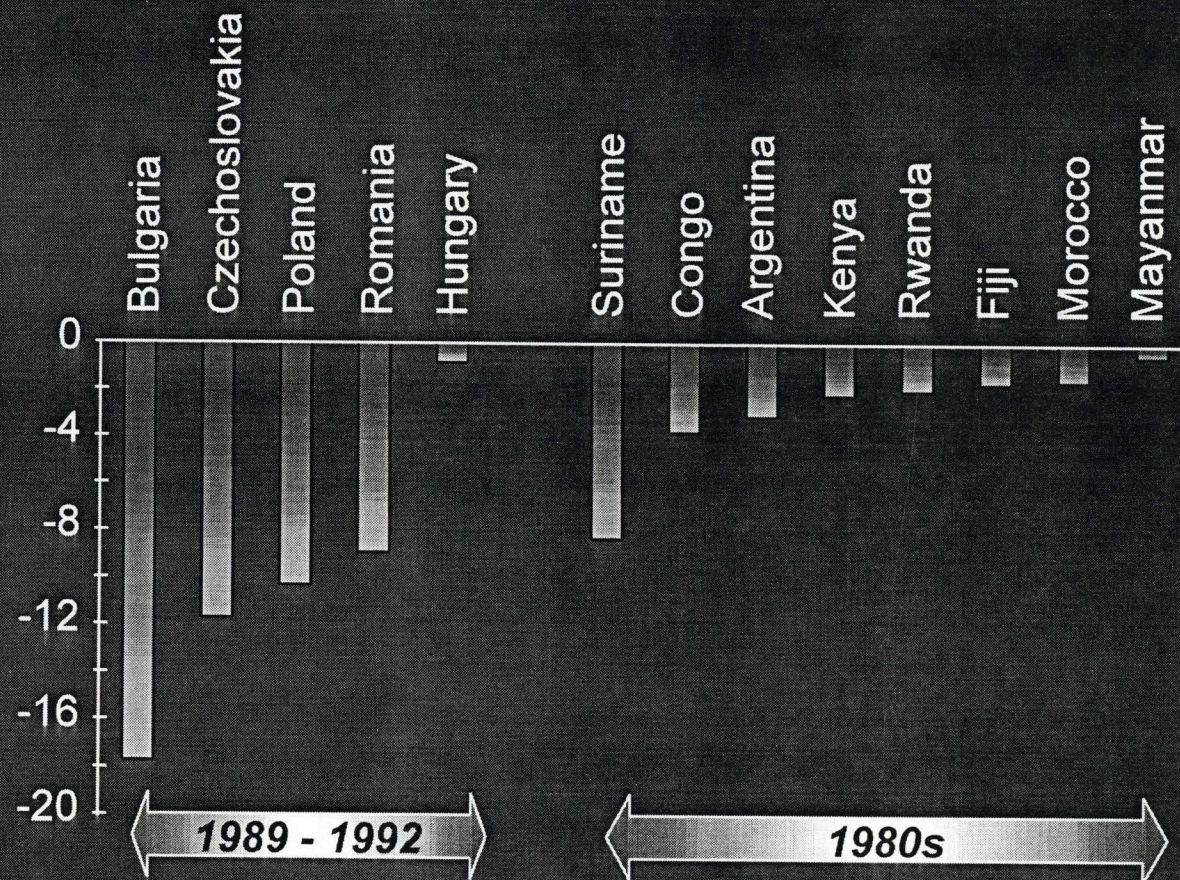
Identifying unproductive expenditures

- **Ensure macroeconomic balance**
 - watch for
 - off-budget expenditures.
 - contingent liabilities.
- **Ensure public spending complements, rather than crowds out the private sector.**
- **Examine the incidence of public spending.**

In some countries, SOE subsidies exceed health expenditures



How real wages in government have fallen (percent per annum)



Public \$pending for poverty reduction

- **Broad targeting**

- Target sub-categories of spending which matter most to the poor.

- **Fine targeting**

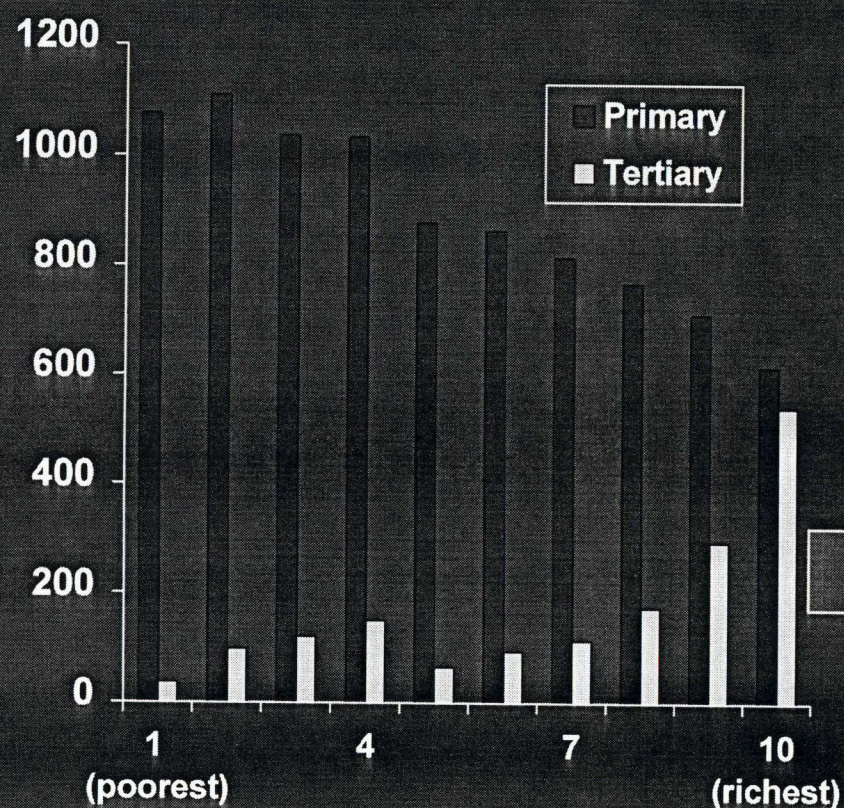
- target benefits directly to the poor.



Broad targeting

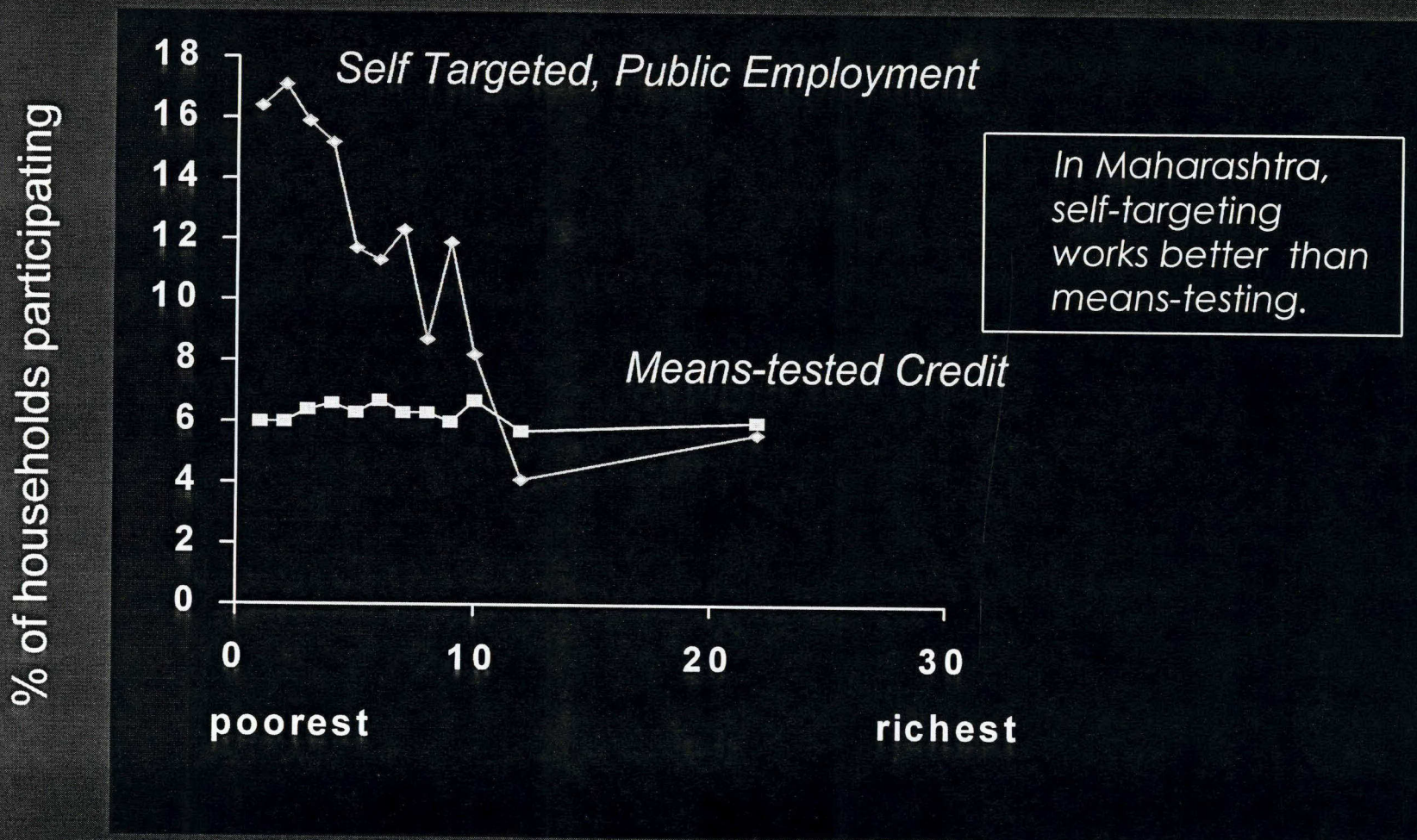
Public spending on basic services reaches the poor

For example: Education Indonesia 1989



...but a lot of it also
reaches the nonpoor, who
can afford to pay.

Fine targeting can help reach the poor



...but it too can be co\$tly

- **Administrative costs.**
- **Behavioral responses: the poor are not passive.**
- **Middle classes may cease to support poverty reduction.**

Once all the costs are considered, the most targeted policy may not be the one with the most impact on poverty

Lessons

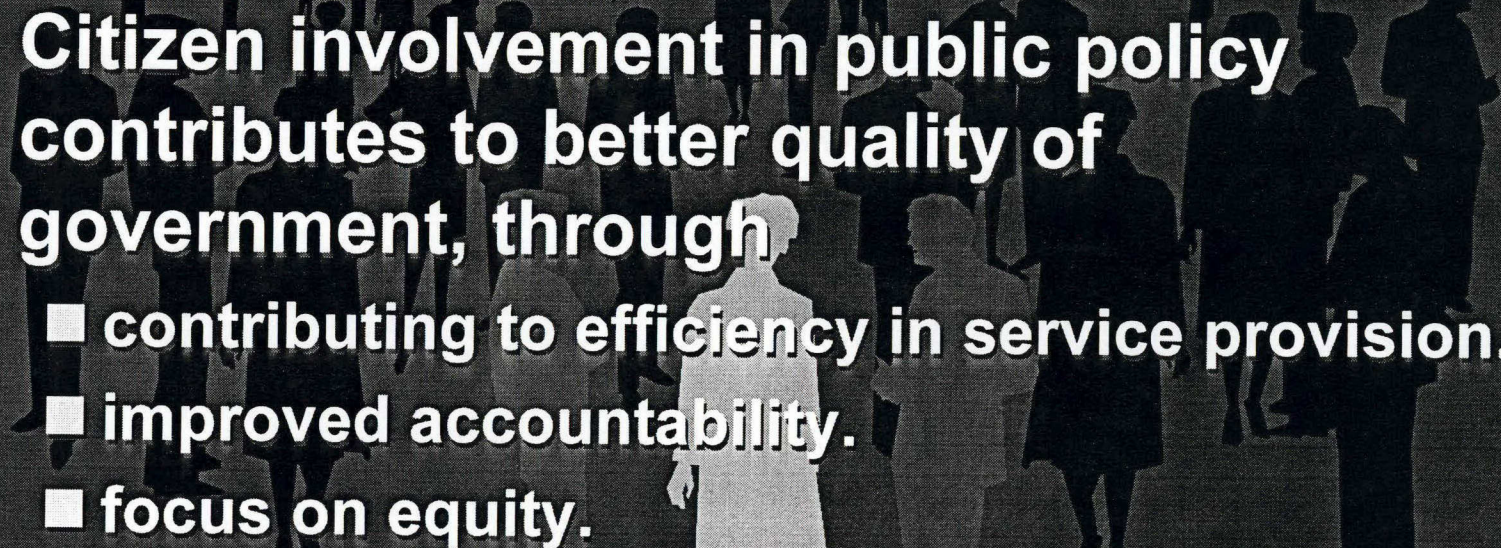


- **The aim is not to cut public spending on the poor, but to improve the poverty impact of existing spending.**
- **Broad targeting of social sector spending, with fine targeting of transfers.**
- **Design schemes with better incentives to escape poverty.**
- **Encourage the poor to select themselves.**
- **Monitor, evaluate, revise.**



Bringing the state closer to citizens

Citizens and the state

- 
- **Citizen involvement in public policy contributes to better quality of government, through**
 - **contributing to efficiency in service provision.**
 - **improved accountability.**
 - **focus on equity.**



- **Example: Porto Alegre, Brazil**

- Participatory budgeting enhances local accountability despite continuing problems of fiscal indiscipline.

- **Example: Mendoza, Argentina**

- Improved efficiency and equity in the provision of social infrastructure.

What can go wrong without participation

- **Example: The State of Chiapas, Mexico**

- Top down, non-transparent decision-making.
- Limited options for local voice, particularly for indigenous groups.
- Attempts to quell local voice, ends in violence.



Where citizens do not participate directly...

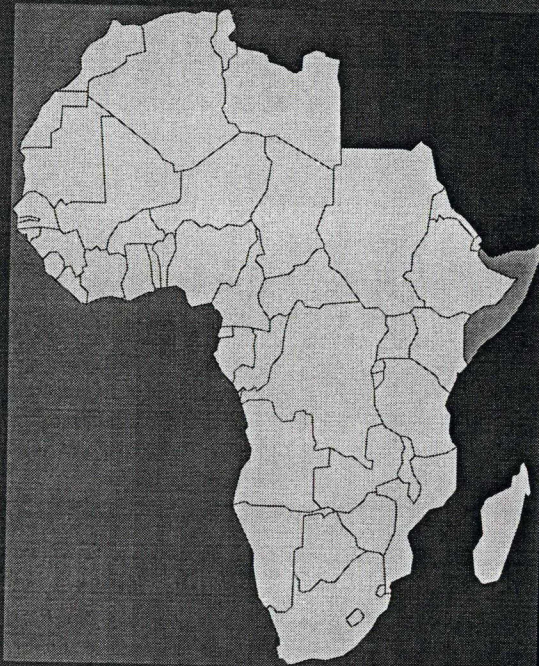
...intermediary institutions are critical

- **Ahmedabad, India**

- Poor, tribal women, with limited options for voice or exit results in weak participation and ownership.
- Local NGOs provided critical inputs to collective action and voice, with tangible economic and social benefits.



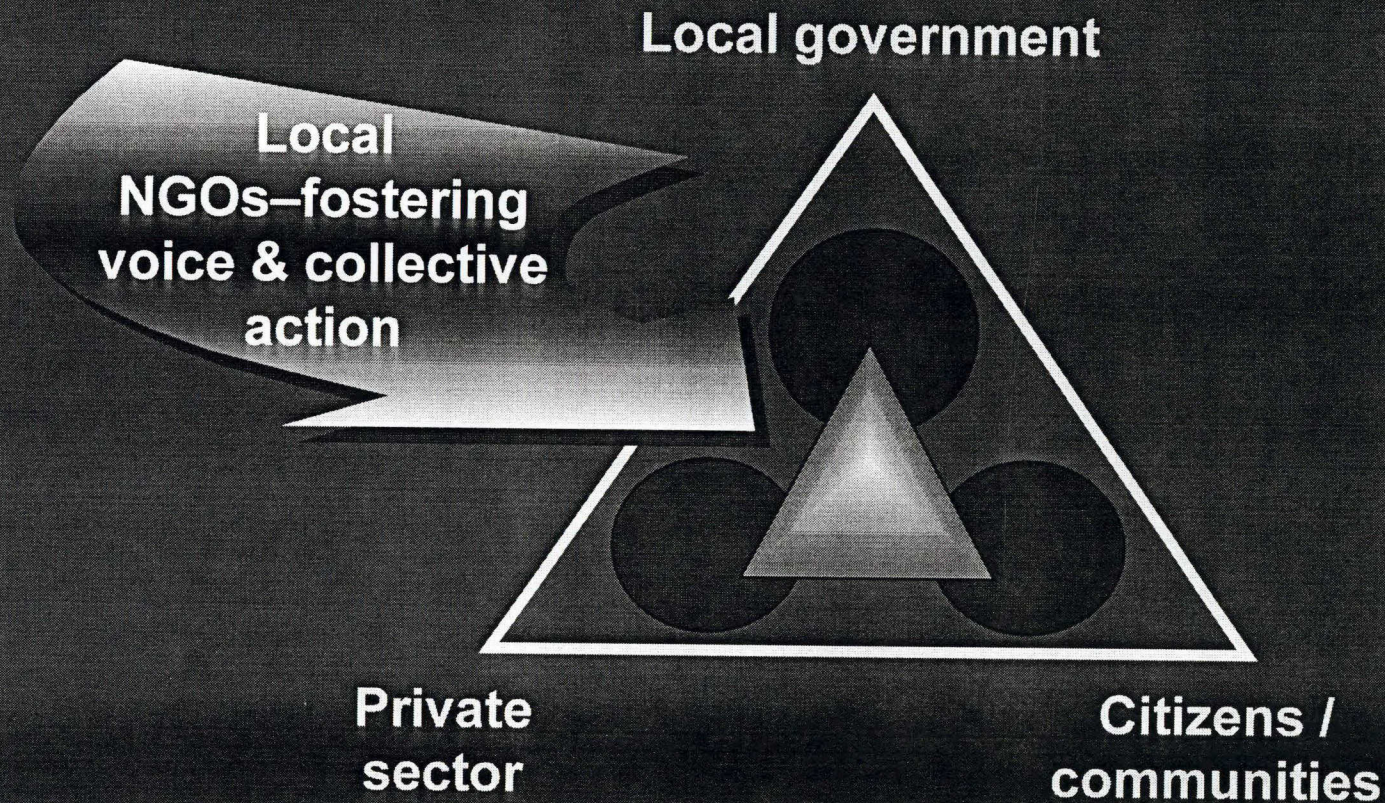
What can happen when local interests fragment ?

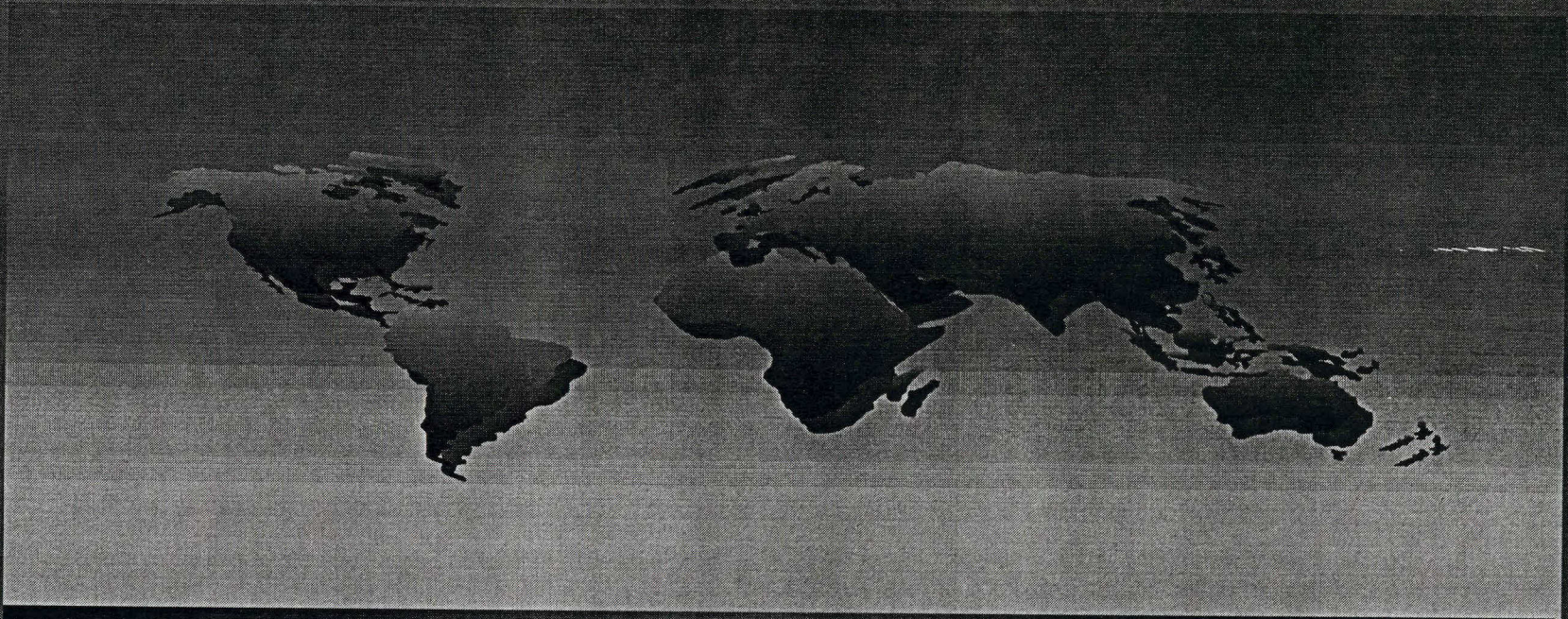


- **Example: Somalia, Africa.**

- Central state collapses and local interest groups flourish.
- Absence of intermediary institutions reduce prospects for stable local governance and national reconciliation.

Intermediary institutions can foster local participation, especially for poor and minority groups





**It is not the size of the
state alone that
matters—it is the quality**