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Annual Meeting Speeches

1988



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Address by Barber B. Conable
President, The World Bank Group
Berlin (West), September 24, 1988

G-24 Ministers

Mr. Chairman, Ministers:

I am honored to have this opportunity once again to meet with the Group of 24. This is the first of ten speeches I will make in these next few days, and I am particularly pleased to start off among so many good friends and colleagues.

You are on the front lines of the war against slow growth, poverty, protectionism, and environmental degradation. It is you who each day must face the immensely difficult decisions of allocating scarce resources among many high priority requirements. It is you who face the political risks day in, day out as you try to hold to tough and correct economic decisions in increasingly open societies. And it is you who must face economic problems compounded all too often by devastating natural disasters.

The World Bank is designed to help you and your peoples, who are at the center of the development challenge, through these tests. We seek to add the wealth of Bank staff experience to your own to produce the most sensible, viable, and effective development programs. We can help you -- to meet your resource needs, to provide advice, to bring other partners into the ring.

Thus, these meetings are an especially important occasion for us to hear from all shareholders about their most important concerns and priorities. They also provide the opportunity for me to lay out some of our approaches to addressing the issues as we see them. In my Annual Meeting speech next Tuesday, I will be sharing with you my views on what it takes to make major progress on poverty reduction and what we can do to help you achieve faster economic growth.

The first issue you will tackle at today's meeting is the state of the global economy. I hesitate even to comment about this since projections are so often wrong, as is evident from the excessive pessimism expressed by me and

others earlier this year about the industrial country growth. On that score, there is good news to report, as you know. It has been a good year thus far, much better than expected.

It has not yet had maximum effect on the developing world. Next year your benefits should be greater, as the industrial country experience reaches deeper into the global economy.

But while progress in the short term is, of course, critical, it is much more important for the World Bank to look out over a longer period than the next 12-18 months. Development is a long-term business, and we should not be overly focused on daily fluctuations. While long-term predictions are not in order, there are plenty of reasons for concern as slow growth seems to dominate future scenarios.

On the developing country side, to illustrate the problem, I will mention a few of the difficulties you know well:

- Growth for a significant number of poor countries has been disappointing -- while a few are doing very well, many others are not.
- The numbers of the poor are increasing in many countries, not decreasing.
- The burden of debt remains high and investment levels low.
- Enormous amounts of scarce resources are misallocated to unproductive activities -- including subsidy of economic inefficiency and support of oversized military establishments, at the expense of necessary development investments.
- Essential adjustment efforts are becoming more difficult to sustain, and political and social tensions are increasing in the face of slower-than-hoped for benefits from economic reforms.
- High population growth rates are eliminating much of the economic gain there has been.

- Valuable natural resources of developing countries are being lost to environmental degradation.
- The private sector's capacity to stimulate enterprise and growth is too often neglected.

On the industrial country side, we can also point to many faulty policies and actions:

- While we know that expanding and more open trade is the most powerful weapon for growth, protection is not declining.
- Despite welcome advances of late, more needs to be done by some of the industrial powers to reduce unsustainable imbalances in order to achieve greater world economic stability and growth.
- While much has been made of the needs for structural adjustment in the developing countries, not enough has been done by the industrial countries themselves to restructure their own economies.
- Resource transfers to support courageous adjustment and development programs in developing countries continue to decline -- despite extraordinary efforts by some donor governments with strong records of increasing ODA flows.
- Industrial nations are the world's leading polluters.

But we must not simply bemoan the intractability of these problems. Much is already being done, and there are further steps to be taken, improvements to be made, policies to be changed. That's one of the reasons we have these annual meetings --- to exchange ideas, to encourage each other to do better, to plan for improvement.

Regardless of what's happening in the industrial world, we in the World Bank are not just pointing the finger at them, but working hard to build up the developing world.

We are expanding our investment lending, structural and sectoral adjustment support and policy advice. Our catalytic role will focus on multiplying the resources

available for these purposes, and we are ready to act in new ways to help resolve the difficulties facing the most heavily-indebted countries. We are now much stronger because of the resounding support shareholders have shown for the GCI.

But developing world growth alone is not enough.

- We are strengthening our efforts to make anti-poverty programs work. Governments ready to move ahead firmly and quickly will find us most eager partners in this effort.
- We are focusing our attention on the protection of the poor during the adjustment process.
- We are committed to a more deliberate and outspoken effort to strengthen family planning and related health and safe motherhood programs to assure a better, healthier future for all peoples.
- We will expand our attention to education.
- And our much intensified environmental program will provide broad support to governments to help them protect their nations' natural heritage.

I know that the G-24 is very concerned about the problem of negative net transfers from the Bank. I have addressed this issue in my President's Report to the Development Committee. Let me simply reemphasize now that no one can promise positive net transfers from the Bank in all cases and every year. The quality of adjustment performance and speed of project implementation primarily will determine Bank net flows to individual countries, while aggregate levels are also affected by prepayments, exchange rate variations, the maturity of our profile and other factors.

Let me assure you that we will not hesitate to speak up clearly when industrial country performance needs improvement.

- We will continue to highlight the fundamental need for resources by developing countries -- for poverty reduction, adjustment, growth and environmental protection. While domestic resource generation must be intensified and an environment created for increased foreign private investment, the return of flight capital and enlarged external flows -- both public and private -- is essential. The Bank Group will mobilize more resources in support of sound adjustment and investment programs. The forthcoming IDA9 negotiations provide another important step in this direction.
- We shall press for early and decisive action in the GATT Uruguay Round. It is particularly important that the Montreal mid-term review provide tangible progress. Developed countries have a special responsibility for action given their massive involvement in world trade.
- We shall use our intellectual and research capacity to call attention to best practice and sound economic approaches, in developed as well as developing countries. Our annual World Development Reports provide an important vehicle to convey strong policy messages.
- We will not let up on our concern for the environmental impact of mistaken policies in industrial countries -- as in the intolerable attempts to dispose of toxic wastes in developing countries.

These are the great issues that face us. What we can do about them must be based on your commitment and actions. But I assure you that the Bank is ready to help you confront these challenges.

The Development and Interim Committee meetings offer an ideal opportunity for you to underline your commitment and to highlight the actions the international community should take to assist your efforts. I hope you will seize this important occasion to make your views heard, loud and clear.

Thank you, Mr. Chairman.

LATIN AMERICAN
GOVERNORS

Address by Barber B. Conable
President, The World Bank Group
Berlin (West), September 24, 1988

Latin American and Caribbean Governors

It is, as always, a pleasure to meet with the economic policymakers of the vibrant nations of Latin America and the Caribbean. From our discussion and, especially from your questions, I know that I will take away new heart and new food for thought.

Coming before you in the seventh year of the debt crisis, however, I can't help but think of an old war story a friend of mine liked to tell.

As a new second lieutenant, he reported for duty at the headquarters of a division that was in the middle of very hot, very uncertain fighting. In the command trailer, though, he was pleasantly surprised to see a wall full of impressive maps and neat overlays that showed just how the unit and its enemy were disposed.

"How do you manage to have such up-to-date order of battle information?" he asked the tired, unshaven master sergeant on duty. "All I've run into till now is noise, smoke and confusion."

"Don't pay those things any attention," the veteran said. "That's just our best guess of where things stood three days ago. It's such a mess now we don't even try to keep track."

The lieutenant was shaken. "For God's sake, then, tell me, if we don't know what's going on, how are we going to win this fight?"

"Don't worry, buddy," said the sergeant. "Just remember, the other guys have officers, too."

It's the inherent truth, not the joke, that makes this story appropos to our own shared concerns.

(Pause)

In the midst of a long struggle, under the heavy pressure of events, it is easy to lose sight of progress, and even to lose heart.

There's no question that development in your countries is going through troubled times. Overall and particularly in employment, growth has faltered. Inflation is still high and investments too low. Debt burdens persist and poverty advances.

I will focus today on three topics of primary importance: debt, the environment and growth. As I do so, I ask you to remember that the other side's officers are fundamentally on your side.

COMMERCIAL CREDITORS: The officers of the commercial banks, the major creditors, share your basic interest in finding new ways to ease the debt burden and promote sustained growth.

They may seem, at times, to be the heart of the problem rather than part of its solution, but their short-term interests can only be met if your longer-term interests are also honored. From that mutuality, I believe we can build effective, cooperative measures.

WORLD BANK ROLE: The officers of the World Bank are on your side also, although I realize that at times our advice or manner may seem removed from your realities.

Our goal is the same as yours: development that reduces poverty, that makes debt burdens manageable, that stimulates lasting growth and that opens the way to a positive future for the next generation.

In meeting that challenge, we are all partners. It is up to all of us to make the partnership work. I am confident that we can.

In your region, many of the governments and people are trying hard to fill their part of the debt and adjustment bargain. It has been a long haul, much longer than expected. And let's not fool ourselves: the end is not yet in sight.

But there are some signs of progress. Over the last two years, for Latin America and the Caribbean as a whole, as export earnings and GDP have advanced, the ratio of debt to both has declined somewhat. The short-term payments crunch has been eased to a degree by the rescheduling of some \$285 billion of debt since 1983.

The overall weight of debt must be lightened. It can be -- through case-by case, negotiated arrangements that honor and build on market realities, not only to ease debt service but to supply essential new development financing.

The World Bank is deeply engaged in making that formula work. We will not walk away from the challenge. We will bring new flexibility to our discussions with you and to the common action we undertake.

Bankers are not basketball players, but as we develop debt workout strategies together, the wisdom of Brazil's Oscar Schmidt comes to mind. "If you play with rules and rigidity," he said last week in Seoul, "it cuts down on creativity."

There are rules we must follow, but they will not make the World Bank rigid. In the face of the debt challenge, we intend to be creative.

[?? ARGENTINA: SUPPLY SOME DETAILS OF YOUR TRIP ??]

(Pause)

The only way to win lasting recovery is to tap the market forces that reflect the underlying mutuality of debtor-creditor interests. Especially for the heavily indebted countries, the road back to creditworthiness -- to market credibility -- is the road of policy reform. All of you have taken that road. Only a few have taken it far enough.

Adjustment is a short word for a long and difficult undertaking. But we all know that governments which postpone structural change or dilute reform of pricing and regulatory systems play a waiting game that is inevitably a losing game.

I recognize it is also a tiring game. "Everybody wants progress," the saying goes, "but nobody wants change." That is a hard human, institutional and political reality to push against day after day.

But push we must, because performance in reforming economic policies brings progress in resuming growth and reducing debt overhang. Leaders who persevere past adjustment fatigue to the rewards of adjustment win the respect of their creditors and their people.

The Bank is fully committed to promoting deep, long-lasting economic policy reform in the developing world. We are just as committed to assisting our heavily indebted members resolve their commercial financing troubles.

Together, we will find the right course back to healthy growth.

(Pause)

Sustained growth depends not only on external forces or domestic reform. It depends on natural and human resources and on nurturing both with wisdom and steady care.

In my Annual Meeting address, I will talk about the renewed push by the Bank on population control and high-quality education. But today, to you, I want to stress the imperative of investing in environmental protection for sustainable growth.

The truth of the Kashmiri proverb is self-evident. "We have not inherited the earth from our forefathers -- we have borrowed it from our children."

Developing and developed countries alike have a responsibility to future generations to weigh short-term gains from natural resource exploitation against the danger of irreparable long-term loss. No nation can long survive the loss of fragile soil, reliable water supplies, precious forest reserves, unexplored biological treasures and traditional cultures.

The health of your people tomorrow depends on how well you manage the wealth of your natural resources today. Good environmental management is not an economic frill. It is an imperative, one that insures the sustaining flow of natural resources for the steady growth of a soundly-based economy.

The fight against environmental degradation is everybody's business. In agroforestry, as in land reclamation, it is good business. And the Bank will be a vigorous partner, not a silent one, in your work.

(Pause)

Allow me to wind up these brief remarks by talking about another kind of environment, the policy setting for growth. In that climate, a fresh and healthy wind is blowing away old doubts about the role of the private sector in spurring and sustaining economic advance.

Economic policymakers who set their course to catch that breeze are going to move faster and farther than those who try to sail against it.

The proof is not just in the failure of inefficient public and private monopolies. It is in the vigor of once-poor economies that have captured for their people the competitive energies of entrepreneurs at home and abroad.

The policy decision to make private sector development a priority is one you and your governments must make on your own. Making it involves careful consideration of public sector assets, of those that need better management from outside and those that need modernization from within.

Once the basic policy choice is made, you can count on your partnership with the Bank Group for both financial and technical help in implementing change and making it pay high growth dividends.

That partnership has already brought us a long way back from the international financial chaos that seemed so near at this time six years ago. It has brought us through emergency measures for overcoming a liquidity crunch to a realistic, longer-term strategy of stimulating growth using a combination of reform, fresh financing and debt reduction.

In some of your nations that second stage has already begun to show encouraging results.

Not enough of them, I grant you, for any of us to believe that the danger is passed or the pressure relieved. But enough, nonetheless, to justify staying with that strategy while we evolve new measures not just to finance debt, but to reduce it.

That evolution has to be a product of cooperation. I repeat my opening argument: debtors and creditors are on the same side.

Our common enemy is economic decline. Our shared goal is resumed, strong growth.

Can we get there from here? I am confident that we can, as long as we work together creatively.

Thank you.

Latin American and Caribbean Governors

1. WELCOME

- a) In the seventh year of the debt crisis, let me tell you a war story.
- b) There's no question that development in your countries is going through troubled times. Overall and particularly in employment, growth has faltered. Inflation is still high and investments too low. Debt burdens persist and poverty advances. I will focus today on three topics of primary importance: debt, the environment and growth. As I do so, I ask you to remember that the other side's officers are fundamentally on your side.
- c) COMMERCIAL CREDITORS: They may seem at times to be the heart of the problem rather than part of its solution, but their short-term interests can only be met if your longer-term are also honored.
- d) WORLD BANK ROLE: Our goal is the same as yours: development that reduces poverty, that makes debt burdens manageable, that stimulates lasting growth and that opens the way to a positive future for the next generation.
- e) WE ARE PARTNERS.

2. THERE ARE SIGNS OF PROGRESS

- a) export earnings and GDP have grown
- b) debt ratios declined somewhat
- c) \$285 billion of debt has been rescheduled since 1983

3. DEBT

- a) The overall weight of debt must be lightened. It can be -- through case-by case, negotiated arrangements that honor and build on market realities, not only to ease debt service but to supply essential new development financing.
- b) The World Bank is deeply engaged in making that formula work. We will not walk away from the challenge. We will bring new flexibility to our discussions with you and to the common action we undertake.
- c) But, as Brazil's Oscar Schmidt said last week in Seoul, "If you play with rules and rigidity, it cuts down on creativity." There are rules we must follow, but they will not make the World Bank rigid. In the face of the debt challenge, we intend to be creative.

4. ADJUSTMENT

- a) The only way to win lasting recovery is to tap the market forces that reflect the underlying mutuality of debtor-creditor interests. Especially for the heavily indebted countries, the road back to creditworthiness -- to market credibility -- is the road of policy reform. All of you have taken that road. Only a few have taken it far enough.
- b) Everybody wants progress, but nobody wants change.
- c) Leaders who persevere past adjustment fatigue to the rewards of adjustment win the respect of their creditors and their people. The Bank is fully committed to promoting deep, long-lasting economic policy reform in the developing world.

5. ENVIRONMENT

- a) In my Annual Meeting address, I will talk about the renewed push by the Bank on population control and high-quality education. But today, to you, I want to stress the imperative of investing in environmental protection for sustainable growth. The truth of the Kashmiri proverb is self-evident. "We have not inherited the earth from our forefathers -- we have borrowed it from our children."
- b) The fight against environmental degradation is everybody's business.

6. PRIVATE SECTOR

7. CONCLUSION

- a) I repeat my opening argument: debtors and creditors are on the same side.
- b) Our common enemy is economic decline. Our shared goal is resumed, strong growth.
- c) Can we get there from here? I am confident that we can, as long as we work together creatively.

LATIN AMERICAN AND CARIBBEAN GOVERNORS

IT IS, AS ALWAYS, A PLEASURE TO MEET WITH THE ECONOMIC POLICYMAKERS OF THE VIBRANT NATIONS OF LATIN AMERICA AND THE CARIBBEAN. FROM OUR DISCUSSION AND, ESPECIALLY FROM YOUR QUESTIONS, I KNOW THAT I WILL TAKE AWAY NEW HEART AND NEW FOOD FOR THOUGHT.

COMING BEFORE YOU IN THE SEVENTH YEAR OF THE DEBT CRISIS, HOWEVER, I CAN'T HELP BUT THINK OF AN OLD WAR STORY A FRIEND OF MINE LIKED TO TELL.

AS A NEW SECOND LIEUTENANT, HE REPORTED FOR DUTY AT THE HEADQUARTERS OF A DIVISION THAT WAS IN THE MIDDLE OF VERY HOT, VERY UNCERTAIN FIGHTING. IN THE COMMAND TRAILER, THOUGH, HE WAS PLEASANTLY SURPRISED TO SEE A WALL FULL OF IMPRESSIVE MAPS AND NEAT OVERLAYS THAT SHOWED JUST HOW THE UNIT AND ITS ENEMY WERE DISPOSED.

"HOW DO YOU MANAGE TO HAVE SUCH UP-TO-DATE ORDER OF BATTLE INFORMATION?" HE ASKED THE TIRED, UNSHAVEN MASTER SERGEANT ON DUTY. "ALL I'VE RUN INTO TILL NOW IS NOISE, SMOKE AND CONFUSION."

"DON'T PAY THOSE THINGS ANY ATTENTION," THE VETERAN SAID. "THAT'S JUST OUR BEST GUESS OF WHERE THINGS STOOD THREE DAYS AGO. IT'S SUCH A MESS NOW WE DON'T EVEN TRY TO KEEP TRACK."

THE LIEUTENANT WAS SHAKEN. "FOR GOD'S SAKE, THEN, TELL ME, IF WE DON'T KNOW WHAT'S GOING ON, HOW ARE WE GOING TO WIN THIS FIGHT?"

"DON'T WORRY, BUDDY," SAID THE SERGEANT. "JUST REMEMBER, THE OTHER GUYS HAVE OFFICERS, TOO."

IT'S THE INHERENT TRUTH, NOT THE JOKE, THAT MAKES THIS STORY APPROPPOS TO OUR OWN SHARED CONCERNS.

(PAUSE)

IN THE MIDST OF A LONG STRUGGLE, UNDER THE HEAVY PRESSURE OF EVENTS, IT IS EASY TO LOSE SIGHT OF PROGRESS, AND EVEN TO LOSE HEART.

THERE'S NO QUESTION THAT DEVELOPMENT IN YOUR COUNTRIES IS GOING THROUGH TROUBLED TIMES. OVERALL AND PARTICULARLY IN EMPLOYMENT, GROWTH HAS FALTERED. INFLATION IS STILL HIGH AND INVESTMENTS TOO LOW. DEBT BURDENS PERSIST AND POVERTY ADVANCES.

I WILL FOCUS TODAY ON THREE TOPICS OF PRIMARY IMPORTANCE:
DEBT, THE ENVIRONMENT AND GROWTH. AS I DO SO, I ASK YOU TO REMEMBER THAT THE OTHER SIDE'S OFFICERS ARE FUNDAMENTALLY ON YOUR SIDE.

COMMERCIAL CREDITORS: THE OFFICERS OF THE COMMERCIAL BANKS, THE MAJOR CREDITORS, SHARE YOUR BASIC INTEREST IN FINDING NEW WAYS TO EASE THE DEBT BURDEN AND PROMOTE SUSTAINED GROWTH.

THEY MAY SEEM, AT TIMES, TO BE THE HEART OF THE PROBLEM RATHER THAN PART OF ITS SOLUTION, BUT THEIR SHORT-TERM INTERESTS CAN ONLY BE MET IF YOUR LONGER-TERM INTERESTS ARE ALSO HONORED. FROM THAT MUTUALITY, I BELIEVE WE CAN BUILD EFFECTIVE, COOPERATIVE MEASURES.

WORLD BANK ROLE: THE OFFICERS OF THE WORLD BANK ARE ON YOUR SIDE ALSO, ALTHOUGH I REALIZE THAT AT TIMES OUR ADVICE OR MANNER MAY SEEM REMOVED FROM YOUR REALITIES.

OUR GOAL IS THE SAME AS YOURS: DEVELOPMENT THAT REDUCES POVERTY, THAT MAKES DEBT BURDENS MANAGEABLE, THAT STIMULATES LASTING GROWTH AND THAT OPENS THE WAY TO A POSITIVE FUTURE FOR THE NEXT GENERATION.

IN MEETING THAT CHALLENGE, WE ARE ALL PARTNERS. IT IS UP TO ALL OF US TO MAKE THE PARTNERSHIP WORK. I AM CONFIDENT THAT WE CAN.

IN YOUR REGION, MANY OF THE GOVERNMENTS AND PEOPLE ARE TRYING HARD TO FILL THEIR PART OF THE DEBT AND ADJUSTMENT BARGAIN. IT HAS BEEN A LONG HAUL, MUCH LONGER THAN EXPECTED. AND LET'S NOT FOOL OURSELVES: THE END IS NOT YET IN SIGHT.

BUT THERE ARE SOME SIGNS OF PROGRESS. OVER THE LAST TWO YEARS, FOR LATIN AMERICA AND THE CARIBBEAN AS A WHOLE, AS EXPORT EARNINGS AND GDP HAVE ADVANCED, THE RATIO OF DEBT TO BOTH HAS DECLINED SOMEWHAT. THE SHORT-TERM PAYMENTS CRUNCH HAS BEEN EASED TO A DEGREE BY THE RESCHEDULING OF SOME \$285 BILLION OF DEBT SINCE 1983.

THE OVERALL WEIGHT OF DEBT MUST BE LIGHTENED. IT CAN BE -- THROUGH CASE-BY CASE, NEGOTIATED ARRANGEMENTS THAT HONOR AND BUILD ON MARKET REALITIES, NOT ONLY TO EASE DEBT SERVICE BUT TO SUPPLY ESSENTIAL NEW DEVELOPMENT FINANCING.

THE WORLD BANK IS DEEPLY ENGAGED IN MAKING THAT FORMULA WORK. WE WILL NOT WALK AWAY FROM THE CHALLENGE. WE WILL BRING NEW FLEXIBILITY TO OUR DISCUSSIONS WITH YOU AND TO THE COMMON ACTION WE UNDERTAKE.

BANKERS ARE NOT BASKETBALL PLAYERS, BUT AS WE DEVELOP DEBT WORKOUT STRATEGIES TOGETHER, THE WISDOM OF BRAZIL'S OSCAR SCHMIDT COMES TO MIND. "IF YOU PLAY WITH RULES AND RIGIDITY," HE SAID LAST WEEK IN SEOUL, "IT CUTS DOWN ON CREATIVITY."

THERE ARE RULES WE MUST FOLLOW, BUT THEY WILL NOT MAKE THE WORLD BANK RIGID. IN THE FACE OF THE DEBT CHALLENGE, WE INTEND TO BE CREATIVE.

[?? ARGENTINA: SUPPLY SOME DETAILS OF YOUR TRIP ??]

(PAUSE)

THE ONLY WAY TO WIN LASTING RECOVERY IS TO TAP THE MARKET FORCES THAT REFLECT THE UNDERLYING MUTUALITY OF DEBTOR-CREDITOR INTERESTS. ESPECIALLY FOR THE HEAVILY INDEBTED COUNTRIES, THE ROAD BACK TO CREDITWORTHINESS -- TO MARKET CREDIBILITY -- IS THE ROAD OF POLICY REFORM. ALL OF YOU HAVE TAKEN THAT ROAD. ONLY A FEW HAVE TAKEN IT FAR ENOUGH.

ADJUSTMENT IS A SHORT WORD FOR A LONG AND DIFFICULT UNDERTAKING. BUT WE ALL KNOW THAT GOVERNMENTS WHICH POSTPONE STRUCTURAL CHANGE OR DILUTE REFORM OF PRICING AND REGULATORY SYSTEMS PLAY A WAITING GAME THAT IS INEVITABLY A LOSING GAME.

I RECOGNIZE IT IS ALSO A TIRING GAME. "EVERYBODY WANTS PROGRESS," THE SAYING GOES, "BUT NOBODY WANTS CHANGE." THAT IS A HARD HUMAN, INSTITUTIONAL AND POLITICAL REALITY TO PUSH AGAINST DAY AFTER DAY.

BUT PUSH WE MUST, BECAUSE PERFORMANCE IN REFORMING ECONOMIC POLICIES BRINGS PROGRESS IN RESUMING GROWTH AND REDUCING DEBT OVERHANG. LEADERS WHO PERSEVERE PAST ADJUSTMENT FATIGUE TO THE REWARDS OF ADJUSTMENT WIN THE RESPECT OF THEIR CREDITORS AND THEIR PEOPLE.

THE BANK IS FULLY COMMITTED TO PROMOTING DEEP, LONG-LASTING ECONOMIC POLICY REFORM IN THE DEVELOPING WORLD. WE ARE JUST AS COMMITTED TO ASSISTING OUR HEAVILY INDEBTED MEMBERS RESOLVE THEIR COMMERCIAL FINANCING TROUBLES.

TOGETHER, WE WILL FIND THE RIGHT COURSE BACK TO HEALTHY GROWTH.

(PAUSE)

SUSTAINED GROWTH DEPENDS NOT ONLY ON EXTERNAL FORCES OR DOMESTIC REFORM. IT DEPENDS ON NATURAL AND HUMAN RESOURCES AND ON NURTURING BOTH WITH WISDOM AND STEADY CARE.

IN MY ANNUAL MEETING ADDRESS, I WILL TALK ABOUT THE RENEWED PUSH BY THE BANK ON POPULATION CONTROL AND HIGH-QUALITY EDUCATION. BUT TODAY, TO YOU, I WANT TO STRESS THE IMPERATIVE OF INVESTING IN ENVIRONMENTAL PROTECTION FOR SUSTAINABLE GROWTH.

THE TRUTH OF THE KASHMIRI PROVERB IS SELF-EVIDENT. "WE HAVE NOT INHERITED THE EARTH FROM OUR FOREFATHERS -- WE HAVE BORROWED IT FROM OUR CHILDREN."

DEVELOPING AND DEVELOPED COUNTRIES ALIKE HAVE A RESPONSIBILITY TO FUTURE GENERATIONS TO WEIGH SHORT-TERM GAINS FROM NATURAL RESOURCE EXPLOITATION AGAINST THE DANGER OF IRREPARABLE LONG-TERM LOSS. NO NATION CAN LONG SURVIVE THE LOSS OF FRAGILE SOIL, RELIABLE WATER SUPPLIES, PRECIOUS FOREST RESERVES, UNEXPLORED BIOLOGICAL TREASURES AND TRADITIONAL CULTURES.

THE HEALTH OF YOUR PEOPLE TOMORROW DEPENDS ON HOW WELL YOU MANAGE THE WEALTH OF YOUR NATURAL RESOURCES TODAY. GOOD ENVIRONMENTAL MANAGEMENT IS NOT AN ECONOMIC FRILL. IT IS AN IMPERATIVE, ONE THAT INSURES THE SUSTAINING FLOW OF NATURAL RESOURCES FOR THE STEADY GROWTH OF A SOUNDLY-BASED ECONOMY.

THE FIGHT AGAINST ENVIRONMENTAL DEGRADATION IS EVERYBODY'S BUSINESS. IN AGROFORESTRY, AS IN LAND RECLAMATION, IT IS GOOD BUSINESS. AND THE BANK WILL BE A VIGOROUS PARTNER, NOT A SILENT ONE, IN YOUR WORK.

(PAUSE)

ALLOW ME TO WIND UP THESE BRIEF REMARKS BY TALKING ABOUT ANOTHER KIND OF ENVIRONMENT, THE POLICY SETTING FOR GROWTH. IN THAT CLIMATE, A FRESH AND HEALTHY WIND IS BLOWING AWAY OLD DOUBTS ABOUT THE ROLE OF THE PRIVATE SECTOR IN SPURRING AND SUSTAINING ECONOMIC ADVANCE.

ECONOMIC POLICYMAKERS WHO SET THEIR COURSE TO CATCH THAT BREEZE ARE GOING TO MOVE FASTER AND FARTHER THAN THOSE WHO TRY TO SAIL AGAINST IT.

THE PROOF IS NOT JUST IN THE FAILURE OF INEFFICIENT PUBLIC AND PRIVATE MONOPOLIES. IT IS IN THE VIGOR OF ONCE-POOR ECONOMIES THAT HAVE CAPTURED FOR THEIR PEOPLE THE COMPETITIVE ENERGIES OF ENTREPRENEURS AT HOME AND ABROAD.

THE POLICY DECISION TO MAKE PRIVATE SECTOR DEVELOPMENT A PRIORITY IS ONE YOU AND YOUR GOVERNMENTS MUST MAKE ON YOUR OWN. MAKING IT INVOLVES CAREFUL CONSIDERATION OF PUBLIC SECTOR ASSETS, OF THOSE THAT NEED BETTER MANAGEMENT FROM OUTSIDE AND THOSE THAT NEED MODERNIZATION FROM WITHIN.

ONCE THE BASIC POLICY CHOICE IS MADE, YOU CAN COUNT ON YOUR PARTNERSHIP WITH THE BANK GROUP FOR BOTH FINANCIAL AND TECHNICAL HELP IN IMPLEMENTING CHANGE AND MAKING IT PAY HIGH GROWTH DIVIDENDS.

THAT PARTNERSHIP HAS ALREADY BROUGHT US A LONG WAY BACK FROM THE INTERNATIONAL FINANCIAL CHAOS THAT SEEMED SO NEAR AT THIS TIME SIX YEARS AGO. IT HAS BROUGHT US THROUGH EMERGENCY MEASURES FOR OVERCOMING A LIQUIDITY CRUNCH TO A REALISTIC, LONGER-TERM STRATEGY OF STIMULATING GROWTH USING A COMBINATION OF REFORM, FRESH FINANCING AND DEBT REDUCTION.

IN SOME OF YOUR NATIONS THAT SECOND STAGE HAS ALREADY BEGUN TO SHOW ENCOURAGING RESULTS.

NOT ENOUGH OF THEM, I GRANT YOU, FOR ANY OF US TO BELIEVE THAT THE DANGER IS PASSED OR THE PRESSURE RELIEVED. BUT ENOUGH, NONETHELESS, TO JUSTIFY STAYING WITH THAT STRATEGY WHILE WE EVOLVE NEW MEASURES NOT JUST TO FINANCE DEBT, BUT TO REDUCE IT.

THAT EVOLUTION HAS TO BE A PRODUCT OF COOPERATION. I
REPEAT MY OPENING ARGUMENT: DEBTORS AND CREDITORS ARE ON THE
SAME SIDE.

OUR COMMON ENEMY IS ECONOMIC DECLINE. OUR SHARED GOAL IS
RESUMED, STRONG GROWTH.

CAN WE GET THERE FROM HERE? I AM CONFIDENT THAT WE CAN,
AS LONG AS WE WORK TOGETHER CREATIVELY.

THANK YOU.

AFRICAN CAUCUS

Statement of Barber B. Conable
President, The World Bank Group
Berlin (West), September 24, 1988

AFRICAN GOVERNORS CAUCUS

Chairman Mmusi, Governors, Ladies and Gentlemen,

It is a pleasure to join you again in discussing our shared agenda for growth and development in Africa. Your counsel -- like that which I and the Bank have been fortunate to receive from the new Council of African Advisers -- is indispensable as a guide to effective, joint action for the future.

To achieve his objectives, Woodrow Wilson once said he was prepared to use not only all the brains he had but all those that he could borrow.

Today, I am grateful for this chance to borrow from your wisdom and to share your perceptions of the challenges ahead.

Allow me -- just as I expect you -- to speak frankly of those challenges.

Marathon Effort

Above all, it is important to recognize that we are partners in a marathon undertaking. To combat poverty through sustained growth and sustainable development in Africa, we need to run side-by-side, supporting each other.

We must run steadily forward at a realistic pace -- patient and determined, not in stops and starts, not in exhausting sprints.

Partnership against Debt Burden

In the past year, working together, we have made significant gains.

The Bank's lending to Sub-Saharan Africa rose from just over \$2 billion a year ago to over \$3 billion in 1988. In addition, as you know, 50 percent of the \$12.4 billion IDA-8 replenishment is due to be allocated to Sub-Saharan Africa over the next three years.

Last year, we agreed that Sub-Saharan Africa's mounting debt -- combined with reduced capital flows and lower export earnings -- was impeding both growth and vital economic reform in the region.

To help lighten those burdens, the World Bank set in motion a Special Program of Assistance for the low-income, debt-distressed countries undertaking adjustment.

The Program has resulted in additional concessional resources and debt relief from the international community, including:

\$6.4 billion in pledges of donor cofinancing;

\$8.4 billion in the form of the IMF's Enhanced Structural Adjustment Facility; and

a menu of options for debt relief endorsed at the Toronto Summit.

The Bank will continue to be active in the implementation of this Program, and will seek to enlarge it to tackle other problems, such as those facing the highly indebted middle-income African countries.

Agriculture/Food Security

Agriculture and food security are two other areas where the Bank is strengthening its contribution -- technical, financial and intellectual.

The Bank's agricultural productivity initiative -- now in over 30 countries in Sub-Saharan Africa -- concentrates the force of hands-on extension visits and training on the African farmer, including women. Its purpose is to help them improve not only their skills but their access to tools, land, seed, fertilizer and credit.

But increased production, by itself, will not solve the problem of the hundred million Africans who go hungry every day. Hunger is not just a question of how much food is grown. Chronic food insecurity is caused primarily by poverty, by the lack of money to buy food.

Improving agriculture and reforming policies to increase both food production and per capita income are two keys that can unlock the granary door for all Africans. It is clear, however, that we need to look beyond these objectives.

We must build a broad framework of actions to help countries reach their poorest and hungriest people. Hunger is a complicated and difficult problem. Its solution lies in a long-term, multifaceted, working partnership of concerned donors and African countries.

Education

Collaborative action also is important to our continuing efforts to help develop Africa's most powerful resource potential: the human mind.

Yet, there is a crisis in the classrooms of Africa, with declining enrollments, increasing drop-out rates and reduced resources for teachers and textbooks.

The Bank's report, Education in Sub-Saharan Africa, is the product of intense collaboration with African experts. It spells out the dangers, and outlines ways to reform, revitalize and expand school systems.

The African ministers have asked the Bank to take the lead in coordinating follow-up action. A major objective must be to overcome the shortage of indigenous technical specialists, analysts and managers in every walk of life.

Donors have a large responsibility in this area because much of their aid is tied to expensive technical assistance which too often does too little to transfer the individual and institutional skills that Africa needs. I noted your concern on this issue last year, and I agree that action is required.

The time, indeed, may be ripe for a broad initiative -- involving the African countries, bilateral donors, the major foundations, UNDP and the other international organizations and NGOs -- to help build African management and technical capacities.

This idea was discussed with, and broadly endorsed by the Council of African Advisers. I would welcome your comments on it.

We are thinking about convening a donors' meeting early next year to explore possible avenues for action.

Movement on Adjustment

On another reform front, we have seen continuing movement toward structural adjustment by about 30 Sub-Saharan countries. The majority of them are at a relatively early stage in this inevitably long-term process.

Impressive new data shows how the growth performance of African countries under adjustment has significantly exceeded those not in adjustment.

Agricultural production is up in adjusting countries, budget deficits and inflation are down.

This evidence is encouraging. But it cannot cloud the cold reality of a further decline in Sub-Saharan Africa's per capita GNP in 1987.

How can we strike at the root of this problem?

Clearly, economic adjustment is an evolving process, and very different in each country. It is not a panacea.

Adjustment is, however, a precondition for growth. And without growth, it is impossible to build economies and raise the living standards of the people within them -- including the very poorest people.

Protection for the Poor

It is also clear that the social dimension in adjustment requires more attention. The Bank gives high priority to your efforts to ensure that the most vulnerable groups are protected during the reform process.

In late 1987, we initiated -- again, in partnership with the United Nations Development Programme, the African Development Bank and other donors -- a Social Dimensions of Adjustment project.

The aim of the project is to increase the ability of African governments -- 25 participants so far -- to gather and analyze data on the most vulnerable groups so that social measures to shield them can be made part of adjustment programs from the beginning.

But let us never confuse the causes of reform with its effects.

It is the poor who suffer most when countries do not make the necessary adjustments and when budgets for health, education and social services dry up.

Dr. Joe Abbey, Ghana's High Commissioner to the United Kingdom, captured this point well when he said that his country's "social dimensions" program was aimed not at mitigating the costs of adjustment, but rather at "mitigating the costs of not adjusting."

Investing for the Long Term

Without economic policy reforms, Africa's future prospects are dim. But while focusing on the vital macro-economic issues, we must not lose sight of the bread-and-butter aspects of development -- investments in agriculture, industry and the social sectors.

The Bank is steadily pursuing not only those investments, but also new ideas and approaches to make them genuinely productive.

That is why we more than doubled our lending last year for education, population, health and nutrition.

That is why we have highlighted the importance of environmental issues in the policy dialogue and initiated action programs in several countries. The health of nations tomorrow depends on managing the wealth of nature today.

Out of that concern with the future, the Bank is currently preparing a Long Term Perspectives Study on Sub-Saharan Africa. It will focus on what is required to achieve sustainable growth with equity over the next 30 years.

Population Planning

Right now, the prospects of such development in Africa are hostage to the pressure of population growth. I will not hide from you my alarm at current demographic trends or my conviction that we must join in vigorous action to control them.

Population growth rates in Africa are running ahead of economic advance. They are vitiating progress toward recovery.

Let me be clear, because I know this is a sensitive issue. I speak as a partisan for development, urging that you join with the Bank in designing effective measures to slow the rate of population growth so that your people can achieve a higher quality of life.

Even if fertility were reduced to two children per African family tomorrow, the continent's population would continue to expand for 60 to 70 years. It would double before it stabilizes. This reality should cause concern for the degree of difficulty failure to stabilize the population would entail.

Effective population planning measures help raise the standard of living. They have done so in the West and in the poor nations of East Asia. They can do so in Africa -- with your committed backing.

You must help create an environment in which families know they can make a choice. The World Bank will join you vigorously and generously in supporting effective population choices.

Private Sector Development

The final partnership I urge on you today is new teamwork with the private sector in your own countries and abroad. Again, pragmatism is my motive as it should be your guide.

Whether you picture the private sector as a poor woman on the edge of the Sahara drying salt with the heat of the sun instead of scarce firewood, or as the owner of one intercity bus line, or as a foreign expert on the maintenance of heavy equipment, the truth is that entrepreneurs are the best source and smoothest conduit for development technology and skills.

Africa must do more to tap their energies and their resources, for they are the most effective creators of wealth, spreaders of knowledge and investors for the future. The job of government is to make them welcome and to ensure that their drive brings growth, profits and competitive strength to the entire society.

The World Bank Group is better positioned than ever to assist you in designing policy reforms that can free domestic savings for private sector development and can attract foreign capital to new ventures.

Both the insurance coverage of MIGA and its knowledge of promotion will soon be at your service.

And you will find the Bank's own private sector development activities better coordinated and more attuned to your needs.

The International Finance Corporation again increased its Sub-Saharan activity last year with a particularly striking increase in equity investments. And building upon the success of the Africa Project Development Facility, IFC has recently established a new Africa Enterprise Fund, initially capitalized at US\$60 million, to support projects developed by African entrepreneurs.

Conclusion

One such entrepreneur, Godfrey Amachree, the Nigerian chief and businessman, has said: "I dare to hope for the future of my Africa."

Mr. Chairman, Governors -- the World Bank also hopes for the future of Africa, a future of sustained growth and shared prosperity.

More than hoping, the Bank is working with its African member countries to make that future a reality. In partnership with you, we are prepared to do whatever it takes as long as it takes to achieve that shared and noble vision.

Thank you.

IDA DEPUTIES

Talking Points for IDA Deputies Reception

Barber B. Conable

President, World Bank Group

Berlin (West), September 24, 1988

Thank you for joining in effort to continue to provide adequate concessional financing to poorest countries and impressing on your governments the importance of IDA as centerpiece of this effort.

Generosity is recognized by farmers on the Bolivian altiplano, the fishermen of Lake Malawi, the farmers of Andhra Pradesh, the municipal officials of Zhang-Zhou, the school teachers of Rwanda, among others.

Negotiations over coming months will involve intricate discussions on burden-sharing and budgetary impacts. Must not lose sight of the importance of this international effort to improve the lot of poorest people on our planet.

Challenging task - wish you success and offer thanks.

MR. CONABLE'S REMARKS FOR THE IDA DEPUTIES RECEPTION

Ladies and Gentlemen:

I want to take this opportunity ~~to join this group of IDA deputies~~ ~~and~~ to thank you for joining us in an effort to continue to provide adequate concessional financing to the poorest countries. During the little over two years that I have been President of the Bank group, there has been no issue on which I have found such agreement among your governments as IDA's role as the centerpiece of concessional flows to the poorest countries. We owe a large debt of gratitude to you and your predecessors for making your authorities aware of what IDA is achieving.

As you know, the schedule is very hectic this week and I know you will understand that I can only stay briefly. The message that I would like to leave with you, however, is simple -- and I have learned it on my travels since I joined the Bank. The generosity of your governments in supporting IDA is recognized alike by farmers on the Bolivian altiplano, the fishermen of Lake Malawi, the farmers of Andhra Pradesh, the municipal officials of Zhang-Zhou, and the school teachers of Rwanda. I know these negotiations over the coming months will be taken up with intricate discussions on burden-sharing and the budgetary impacts on your governments, but please don't lose sight of what this replenishment is about -- the international effort to improve the lot of the poorest people on our planet. This is a challenging task and I wish you every success in your efforts in the months ahead.

Thank you.

Remarks of Barber B. Conable
President, The World Bank Group

MIGA INVESTMENT POLICY FORUM
Berlin (West), September 25, 1988

Governors, Panel Speakers, Special Guests, Ladies and
Gentlemen:

Welcome to MIGA's first forum on the promotion of
foreign investment for development.

It is my privilege to introduce our host, the
Governor of the World Bank, the IFC and MIGA for the Federal
Republic of Germany, Hans Klein, Federal Minister for
Economic Cooperation. Minister Klein ---

(Minister Klein's Remarks)

Thank you, Minister Klein.

* * * * *

The statements we are about to hear from our panel of
distinguished national policymakers and business executives
will highlight the profound changes for foreign investment
that have been occurring in the political environments of
many developing countries. Indeed, the creation of MIGA
reflects this more positive and pragmatic political
attitude. In all regions, across the spectrum of economic
philosophies, governments in recent years have been
receptive to a larger role for foreign private investment,
subject to safeguards of national interests.

The practical issue for most members of MIGA is no
longer whether, but how to attract additional foreign
investment for national development. Many countries have
gone beyond policy declarations to adopt liberalized and
clearer investment codes, simplify their procedures and
offer financial incentives to foreign investors. But I am
also conscious of the fact that many have not. A lot needs
to be done by many developing countries to use effectively
the immense potential of the private sector.

Today, we will hear about investment promotion in China, Ghana and Turkey. Other delegates are invited to describe recent changes in their national programs, as well. By exchanging experiences, we can strengthen performance.

One of MIGA's main purposes is to help members improve their investment promotion and regulation policies and procedures. MIGA will serve this purpose by:

-- organizing opportunities, such as this, to exchange experiences and views among policymakers of member countries and managers of investment promotion, and between them and foreign investors.

-- cooperating with members to attract investors to particular development programs or projects.

-- providing technical assistance to requesting members; and

-- conducting research and preparing publications useful for members.

Of course member governments will need more than just these MIGA services to remove all deterrents to foreign investment. Members sometimes will want to combine technical assistance on investment promotion with broader World Bank Group technical and financial support for sectoral development efforts. MIGA's guarantee program also may lead to suggestions for improving a member country's ability to foreign investment.

The application of these suggestions may require the specialized expertise of the Foreign Investment Advisory Service. FIAS now is a service of the IFC, but its Board of Directors has agreed -- and I hope the MIGA Board will soon agree -- to make FIAS a joint facility of these two Bank Group agencies. Under this plan, FIAS will provide member governments with the combined expertise of the Bank Group to promote foreign direct investment.

We are most fortunate to have on our panel today policymakers from three member countries which have made changes in policies and programs to attract foreign investment. Finance Minister Kwesi Botchwey of Ghana, Deputy Minister of Finance Xiang Huai Cheng of China, and Under Secretary of the State Planning Organization Ali Tigrel of Turkey.

Responding to these government officials' presentations will be four commentators -- Thomas Bata for the International Chamber of Commerce, Gerald Blakey of the West Africa Committee of Investors, Abraham Katz of the U. S. Council for International Business, and Lorenz Schomerus of the German Ministry of Economy.

The floor will then be opened for intervention from other participants and for questions to the speakers.

Minister Botchwey, may I ask you to begin the discussion?

* * * * *

REMARKS BY BARBER B. CONABLE
AT THE ARGENTINE PRESS CONFERENCE

Ladies and Gentlemen of the Press --

Ten days ago, I travelled to Argentina. On that occasion, I held frank discussions with President Alfonsin and members of the economic team --including Minister Sourrouille-- on the state of the economy and on the Government's plan to put it on a sounder footing. We also discussed the possibility of Bank support for these efforts.

In the wake of my visit, Bank staff and government officials have continued to work on designing a program which will strengthen the country's finances, reduce inflation, streamline its public enterprises and revive economic growth.

This afternoon, I am pleased to announce that we have reached agreement with the Authorities on such a program. I am also pleased to advise you that, in support of Argentina's program, I am prepared to recommend to our Executive Directors the approval of two sectoral adjustment loans totalling \$700 million. These fast disbursing loans will support reforms in the financial sector and in trade policy. They will also be linked to agreed macroeconomic measures. Both loans have been negotiated and will move promptly to our Board for consideration and approval.

In addition, we have agreed in principle on two investment loans totalling \$550 million for low cost housing and power development. These will bring total commitments under these four loans to \$1.25 billion.

Let me be blunt. Argentina faces difficult problems and a tough battle to escape the low growth/high debt/high inflation trap it is in. But I am convinced that the program the Government has designed is a major step in the right direction. If executed with perseverance and backed by the international financial community, it will enable the country to improve significantly its macroeconomic performance.

I am confident of the Government's commitment to this program. For this reason, I am recommending this package of loans to our Executive Directors. And on this basis, I call upon other members of the financial community to support Argentina's efforts.

DEVELOPMENT
COMMITTEE



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ANNUAL MEETING
ADDRESS

BOARDS OF GOVERNORS • 1988 ANNUAL MEETINGS • BERLIN (WEST)

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September 27, 1988

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Tuesday, September 27, 1988

Address by Barber B. Conable
to the Board of Governors of the World Bank Group

Introduction

Mr. Chairman, Governors, Ladies and Gentlemen --

May I, too, welcome you to these Annual Meetings. I am pleased to be addressing you here in the heart of Europe. I wish to thank Chancellor Kohl, the Government of the Federal Republic of Germany, Mayor Diepgen and the authorities and the people of West Berlin for their hospitality.

This great continent stands at the threshold of new economic prosperity as the largest integrated market in the world. Europe's postwar transformation shows how hope, combined with enlightened international cooperative action, can yield great progress. We must apply the same spirit in our effort to provide rising prosperity and renewed hope for the poor people of the world.

Such hope, reinforced by international cooperation and assistance, can yield miracles. I have seen the difference that a village well or a rural health clinic can make. I have seen the grateful eyes of women having access to fresh, clean water for the first time since becoming mothers. From small investments -- a metal plow, a sack of seed, a biology textbook, a line of credit for a trucking firm, a bulldozer to make a dirt road passable in bad weather -- new worlds of opportunity can emerge.

As Francis Bacon so aptly stated, "...in this theatre of man's life it is reserved only for God and angels to be lookers on." We at the World Bank are determined not to be onlookers. We will continue to put all our energies into fighting poverty through sustainable, equitable growth.

Mr. Chairman, this is what I want to talk about today -- sustainable growth with equity -- and what we must do to turn our commitment to development into reality.

Resources for Action

Before doing this, however, I want to outline some of the highlights of the past year. At our last Annual Meetings, I called on you for increased support for our urgent development efforts. In response to that appeal:

- Shareholders approved the General Capital Increase, which will allow us to increase Bank lending by 10 percent per year through the early 1990s.
- The international community demonstrated its strong commitment to the poorest countries by agreeing to IDA's eighth and largest replenishment.
- Donors boosted their co-financing support for IDA's adjustment operations in Sub-Saharan Africa, and made some progress in reducing Africa's official debt.
- The Multilateral Investment Guarantee Agency (MIGA) became an operational reality.

I am most grateful for your support. This added strength, combined with the continued confidence of the financial markets, will allow us to act resolutely and effectively. I am counting also on continued close cooperation with our sister organization, the International Monetary Fund.

The Bank will put these additional resources to work to foster growth and an equitable distribution of the fruits of that growth. We will encourage the process of economic policy reform, while helping to protect the poor from added hardships. The Bank will focus fresh effort in the fields of hunger, population, education and environmental protection. In the crucial area of finance, we will mobilize greater resources to ease debt burdens and ensure that growth expands and poverty recedes.

A Central Goal: Reducing Poverty

Let me focus now on the central goal of the Bank: the reduction of poverty. Poverty on today's scale prevents a billion people from having even minimally acceptable standards of living. To allow every fifth human being on our planet to suffer such an existence is a moral outrage. It is more: it is bad economics, a terrible waste of precious development resources. Poverty destroys lives, human dignity and economic potential. It must be fought with resolution, and overcome with sustainable growth.

The World Bank is dedicated to attacking poverty and beating it back. Our experience makes us confident. It also teaches us that simplistic solutions will not work.

Instead, we need determined and sustained action on five major fronts:

- securing economic growth;
- combatting hunger;
- curbing excessive population growth;
- investing in education; and
- protecting the interests of the poor during the process of economic adjustment.

First and foremost, we must have growth. Growth provides the poor with access to better markets and opportunities. It provides the resources for public and private programs vital to the poor. It helps sustain the broad-based political support the anti-poverty effort needs.

Sensible macroeconomic policies are essential for that growth and for a successful attack on poverty. The Bank supports such policies through lending for adjustment, which now accounts for a quarter of our new commitments.

Second, the impact of economic growth must be strengthened by direct action to combat hunger. Hunger takes many forms and has many specific causes. We all are aware of the natural disasters in Bangladesh, the social deprivation in Brazilian favelas, the economic backwardness in Northeast Thailand, to mention a few. Remedial measures must address these differences realistically.

In Sub-Saharan Africa, over one hundred million people -- one person in four -- do not get enough to eat. Dramatic emergencies are an all-too-frequent reminder of the tragedy of poverty.

To fight hunger, African countries need economic growth, especially in agriculture. I attach the highest importance to the Bank's efforts to expand agricultural research. We will continue to support national programs which bring the needed technology and services to small farmers. By the end of this year, such programs will be underway with Bank support in 31 African countries.

The Bank will work persistently with African governments, official and non-government donors, and other international institutions to make food security a reality. This will require more external resources, improved capacity to deal with droughts and other food emergencies, better policies to stabilize food prices and stronger institutions. Within five years, I am confident that our collective action can put in place food security programs across the continent.

The numbers of absolute poor are even larger in other parts of the world. Similar approaches of collaborative problem-solving and action are essential.

Third, it is imperative that developing countries renew and expand efforts to limit population growth. Some countries have made great progress in this area. Even so, many nations will double their already large populations early in the next century.

Mr. Chairman, allow me to speak plainly. I realize that population policy touches upon sensitive cultural and religious values. But the societies in which population is growing so fast must accept that many -- perhaps most -- of these new lives will be miserable, malnourished and brief. With today's population growth rates, badly-needed improvements in living standards cannot be achieved, public resources for necessary services are over-stretched, and the environment is severely damaged.

By contrast, effective family planning programs in countries as different as Mexico and Indonesia show large savings over time in public health and education expenditures -- to say nothing of the benefits to the families.

Given the magnitude and severity of the problem, it is alarming that many governments are failing to implement sensible population policies. It is also distressing that international assistance for population activities has declined. These trends must be reversed.

A vital part of the Bank's work involves development activities that have a strong impact on population. Many projects improve economic opportunity and education for poor people, particularly women and girls. We are financing health and safe motherhood programs, and we will expand our direct support for family-related activities. Population issues will be prominent in our dialogue with governments.

Fourth among the Bank's anti-poverty priorities is the need to focus on a vital resource for growth, the limitless capacity of the human mind. The productivity of an educated workforce is the most reliable engine of economic growth.

Knowing this, the Bank and its members cannot ignore the disturbing evidence that investment in education has declined as the need for it has risen. The gap in per-pupil spending between low-income and industrial countries is now almost four times what it was a generation ago.

Enrollment is lagging, as well. At the primary level alone, 100 million youngsters who should have been attending schools in 1985 were not. Can we afford to cut off so many young people from active, productive futures?

Modest investments in education, wisely and steadily made, pay great dividends in fostering growth and reducing poverty. "There is no force," Jose Marti wrote a century ago, "that will not eventually succumb to trained human intelligence."

I will give education heightened priority. Countries which undertake to reform and upgrade their education systems will find the Bank a supportive partner.

Fifth, governments and donors need to do more to protect the poor during the adjustment process. Policy reform is in the best long-term interests of the poor. Distortions and misconceived economic policies harm them more than others. Poor people can get hurt, however, in the transitional process of correcting past mistakes. We have a special duty to encourage and finance measures which keep their short-term interests in mind.

While growth is essential, growth alone cannot overcome these hardships. Deliberate measures must be taken to deal with the social consequences of adjustment. The adverse impact on poor people's income and consumption must be reduced. This is the focus of the Social Dimensions of Adjustment Program, a Bank-managed multi-agency effort now underway in a score of African countries.

Social programs for the poor must be protected. Initiatives, such as Bolivia's Emergency Social Program and Ghana's Program of Action to Mitigate the Social Costs of Adjustment, are Bank-financed examples of how this can be done.

These five priorities -- securing economic growth, combatting hunger, curbing excessive population growth, investing in education and protecting the poor during adjustment -- will guide the World Bank's renewed effort to reduce poverty.

But let me stress -- effective implementation, not noble intention, is the crucial test. Effective implementation demands that poverty measures focus directly on those in need, and that available resources be used more efficiently. Hence, Bank lending in the social sectors will support better design, targetting and delivery of services for the poor.

Poverty is not an economic abstract, nor is it homogeneous. In different ways it afflicts males and females, the young and the old, families and people alone, rural and urban dwellers. It must be dealt with through realistic programs which acknowledge the diversity of human conditions.

Government policies and public programs play a critical role in poverty alleviation. But governments cannot do everything. Non-government organizations in many developing countries have enormous potential for flexible and effective action. I have encouraged Bank staff to initiate a broadened dialogue with NGOs. Some 150 Bank projects have been identified where NGOs can play a cooperative role. I hope, and fully expect, that this collaboration will continue and flourish.

The objectives which I have outlined today are ambitious. They depend on the commitment of governments to initiate and sustain change in difficult times. The Bank is prepared to assist member countries that are willing to make a commitment to growth with equity. We have the ideas, the resources and a dedicated staff of men and women who are committed to development.

Action for the Environment

Let me turn, now, to another matter which is inextricably linked to poverty alleviation -- safeguarding the physical environment. The poor are the least able to escape the consequences of environmental damage caused by others. They are likely to be prime victims when loggers clear tropical forests recklessly, or when toxic waste is shipped unregulated to poor countries and dumped without regard to risk. This is a growing practice which the international community must not tolerate.

We have a collective responsibility to break this vicious cycle of poverty and environmental degradation. We must do so in ways which provide growth, higher productivity and secure incomes for poor people. I am determined that the Bank take a leading role in this common effort.

The Bank's expanded environment staff is active in programs to preserve biological diversity, in air and water pollution control projects, in water and sanitation improvement and urban upgrading, and in helping countries develop the capacity to manage industrial hazards.

Some \$200 million of Bank and IDA resources are being invested in projects in about 30 countries to combat desertification and conserve the potential of arid lands. We also are strengthening our own internal review and awareness of the environmental consequences of all projects we finance.

Last year I told you the Bank would expand support for forest management. Our forestry lending last fiscal year reached \$193 million and included an innovative forest rehabilitation project in China. In Brazil, Indonesia, Madagascar and the Philippines, we are collaborating with governments on national environmental programs with major forest conservation components.

We have come a long way in a short time. Both we and our member governments need to do far more. There is an equally urgent need for the world community to contain the global environmental threats to our common future.

An Agenda for Growth

Mr. Chairman, I have repeatedly stressed the importance of growth. Developing countries can only make significant progress in reducing poverty and in safeguarding the environment if they are undergoing healthy expansion. The Bank is, above all, an international partnership for growth. To facilitate growth, however, progress is needed in four major areas:

- first, better international economic policies and more open trade;
- second, deeper and more persevering structural reforms by developing countries;
- third, stronger, more sustained international financing to support economic reform and development efforts; and
- fourth, the creation of an economic environment for vigorous private sector growth in developing countries.

Let me address these four central issues, each one vital to long-term progress.

An Improved World Environment

For healthy growth to occur, there must be an expanding global economy. The world economy has, in fact, fared better than many had thought possible following last year's fall in the stock market. The outlook remains clouded, however, by inflationary trends, continued uncertainties over financial imbalances and exchange rates, and increasing protectionism in the industrialized world.

Coordinated, growth-oriented and outward-looking policies in the developed world are essential. The cooperative gains of recent summit agreements must continue. Negotiators and principals must act with courage in the Uruguay Round discussions, in preparations for the Lome IV agreements, and in the run-up to 1992 in Europe. The success of the Uruguay Round, especially the reform of agricultural trade, is critical for developing countries. In short, industrial countries must not shirk their special responsibilities for the health and stability of a growing international economy.

Need for Deeper Adjustment

To take advantage of the opportunities for growth, developing countries must undertake, and persist with, deeper adjustment than most have so far managed. Our research shows that countries which have undertaken deeper structural reforms have had better growth and stronger balance of payments performance than those whose reforms were patchy or short-lived.

Successful adjustment takes long and sustained effort. For this reason,

- we will increasingly base our lending on the implementation of multi-year adjustment programs;
- we and our borrowers will need to pay more attention to the fiscal dimension of adjustment, the management and financing of the public sector; and
- we will place stronger emphasis on institutional reform.

External Finance for Growth

Growth cannot be sustained unless it is adequately financed, and external finance is critical to continuity. Current flows of resources are inadequate to meet developing countries' minimum needs.

The Bank is committed to carrying its share of the burden. In Fiscal Year 1988, new Bank Group commitments to our borrowers topped \$20 billion for the first time. Our gross disbursements also reached an all-time record of more than \$15 Billion, and the Bank Group's net disbursements to its current borrowers totaled \$7.6 Billion.

The progress made to reduce the burden of debt service in low-income countries has been encouraging. The Bank's Special Program of Assistance for Sub-Saharan Africa and the Enhanced Structural Adjustment Facility of the Fund are in place. The Toronto Summit offered a broad menu of debt relief options to low-income debtors. The Paris Club is now working out the technicalities. Speedy action is important.

I am pleased to report that our Board has approved the immediate use of IDA reflows to increase IDA's commitment authority by an additional 525 million SDR annually starting this fiscal year. A portion of the IDA reflows and IDA's net income will be used to supplement adjustment operations in IDA-only countries, taking into account their debt service obligations to the IBRD.

But we cannot overlook the fact that the heavily indebted middle-income countries continue to experience persistent stagnation and low growth. The Bank's approach has been to support investments and new money flows. If this is not sufficient to restore and sustain growth, we must explore further collaborative solutions. I believe a pragmatic, evolutionary approach to the debt crises in the heavily indebted middle-income countries should:

- preserve the case-by-case approach;
- strengthen investment and stimulate growth in the indebted countries;
- provide financial support by catalyzing new money and facilitating voluntary debt reductions; and
- be linked to good performance under an adjustment program.

Critical Role for the Private Sector

Mr. Chairman, open trade, economic reform and adequate finance can provide essential opportunities for growth. But we also must make use of the full potential of the private sector. We must create conditions in which entrepreneurs, farmers and workers can save, invest and produce efficiently. This is a pragmatic imperative, not an ideological abstraction.

For years, the Bank has provided substantial support to the private sector. The Bank has lent billions for agriculture, industry and infrastructure. This support will continue. But we will do more:

- Our adjustment lending and other operations must encourage greater private initiative and help dismantle monopolies and special privileges for any group -- private or public.
- We will stress the urgently needed reforms of domestic financial systems, markets and instruments to mobilize domestic savings and venture capital.
- We will provide advice, technical services and finance to assist in the reform or privatization of state enterprises.

- Through IFC, we will extend stronger support for capital market development.
- MIGA will offer advice and guarantees to promote private ventures and development.

I am committed to use our institutional strength -- the financial and intellectual power of the Bank, the corporate agility of IFC, and soon the risk coverage of our new affiliate, MIGA. We will leverage our own resources with commitments from the international and domestic private sector.

Private sector involvement is not a panacea. But private entrepreneurs command much-needed resources, and have access to new technologies, management skills and markets. No economy should waste such a potential.

Conclusion

In closing, I want to reiterate that we must work together. The stubborn fact of the Eighties is that growth has been inadequate. Poverty is still on the rise and the environment is poorly protected. Unchanged, these realities would deny our children a peaceful, decent and livable world.

We cannot afford to give up. We must build, instead, on what has been achieved and what has been learned over four decades of development experience. We will not succeed immediately, and we will not succeed everywhere. But we are entering a period of greater opportunities for partnership and cooperation.

Let us seize these opportunities pragmatically and urgently. Let us, together, rededicate our energies, our will, our strength to the challenge of growth, the promise of equity, the work of development. With your continued support, we are determined to carry our mission forward with vision, competence, compassion and courage.

Thank you.

CHAIRMEN, GOVERNORS, LADIES AND GENTLEMEN -- MAY
I, TOO, WELCOME YOU TO THESE ANNUAL MEETINGS. I AM PLEASED
TO BE ADDRESSING YOU HERE IN THE HEART OF EUROPE. I WISH TO
THANK CHANCELLOR KOHL, THE GOVERNMENT OF THE FEDERAL
REPUBLIC OF GERMANY, MAYOR DIEPGEN AND THE AUTHORITIES AND
THE PEOPLE OF WEST BERLIN FOR THEIR HOSPITALITY.

THIS GREAT CONTINENT STANDS AT THE THRESHOLD OF
NEW ECONOMIC PROSPERITY AS THE LARGEST INTEGRATED MARKET IN
THE WORLD. EUROPE'S POSTWAR TRANSFORMATION SHOWS HOW HOPE,
COMBINED WITH ENLIGHTENED INTERNATIONAL COOPERATIVE ACTION,
CAN YIELD GREAT PROGRESS. WE MUST APPLY THE SAME SPIRIT IN
OUR EFFORT TO PROVIDE RISING PROSPERITY AND RENEWED HOPE FOR
THE POOR PEOPLE OF THE WORLD.

SUCH HOPE, REINFORCED BY INTERNATIONAL COOPERATION AND ASSISTANCE, CAN YIELD MIRACLES. I HAVE SEEN THE DIFFERENCE THAT A VILLAGE WELL OR A RURAL HEALTH CLINIC CAN MAKE. I HAVE SEEN THE GRATEFUL EYES OF WOMEN HAVING ACCESS TO FRESH, CLEAN WATER FOR THE FIRST TIME SINCE BECOMING MOTHERS. FROM SMALL INVESTMENTS -- A METAL PLOW, A SACK OF SEED, A BIOLOGY TEXTBOOK, A LINE OF CREDIT FOR A TRUCKING FIRM, A BULLDOZER TO MAKE A DIRT ROAD PASSABLE IN BAD WEATHER -- NEW WORLDS OF OPPORTUNITY CAN EMERGE.

AS FRANCIS BACON SO APTLY STATED, "...IN THIS THEATRE OF MAN'S LIFE IT IS RESERVED ONLY FOR GOD AND ANGELS TO BE LOOKERS ON." WE AT THE WORLD BANK ARE DETERMINED NOT TO BE ONLOOKERS. WE WILL CONTINUE TO PUT ALL OUR ENERGIES INTO FIGHTING POVERTY THROUGH SUSTAINABLE, EQUITABLE GROWTH.

THIS IS WHAT I WANT TO TALK ABOUT TODAY -- SUSTAINABLE GROWTH WITH EQUITY -- AND WHAT WE MUST DO TO TURN OUR COMMITMENT TO DEVELOPMENT INTO REALITY.

(PAUSE)

BEFORE DOING THIS, HOWEVER, I WANT TO OUTLINE SOME OF THE HIGHLIGHTS OF THE PAST YEAR. AT OUR LAST ANNUAL MEETINGS, I CALLED ON YOU FOR INCREASED SUPPORT FOR OUR URGENT DEVELOPMENT EFFORTS. IN RESPONSE TO THAT APPEAL:

- SHAREHOLDERS APPROVED THE GENERAL CAPITAL INCREASE, WHICH WILL ALLOW US TO INCREASE BANK LENDING BY 10 PERCENT PER YEAR THROUGH THE EARLY 1990s.
- THE INTERNATIONAL COMMUNITY DEMONSTRATED ITS STRONG COMMITMENT TO THE POOREST COUNTRIES BY AGREEING TO IDA'S EIGHTH AND LARGEST REPLENISHMENT.
- DONORS BOOSTED THEIR CO-FINANCING SUPPORT FOR IDA'S ADJUSTMENT OPERATIONS IN SUB-SAHARAN AFRICA, AND MADE SOME PROGRESS IN REDUCING AFRICA'S OFFICIAL DEBT.
- THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA) BECAME AN OPERATIONAL REALITY.

I AM MOST GRATEFUL FOR YOUR SUPPORT. THIS ADDED STRENGTH, COMBINED WITH THE CONTINUED CONFIDENCE OF THE FINANCIAL MARKETS, WILL ALLOW US TO ACT RESOLUTELY AND EFFECTIVELY. I AM COUNTING ALSO ON CONTINUED CLOSE COOPERATION WITH OUR SISTER ORGANIZATION, THE INTERNATIONAL MONETARY FUND.

THE BANK WILL PUT THESE ADDITIONAL RESOURCES TO WORK TO FOSTER GROWTH AND AN EQUITABLE DISTRIBUTION OF THE FRUITS OF THAT GROWTH. WE WILL ENCOURAGE THE PROCESS OF ECONOMIC POLICY REFORM, WHILE HELPING TO PROTECT THE POOR FROM ADDED HARDSHIPS. THE BANK WILL FOCUS FRESH EFFORT IN THE FIELDS OF HUNGER, POPULATION, EDUCATION AND ENVIRONMENTAL PROTECTION. IN THE CRUCIAL AREA OF FINANCE, WE WILL MOBILIZE GREATER RESOURCES TO EASE DEBT BURDENS AND ENSURE THAT GROWTH EXPANDS AND POVERTY RECEDES.

(PAUSE)

LET ME FOCUS NOW ON THE CENTRAL GOAL OF THE BANK:
THE REDUCTION OF POVERTY.

POVERTY ON TODAY'S SCALE PREVENTS A BILLION PEOPLE FROM HAVING EVEN MINIMALLY ACCEPTABLE STANDARDS OF LIVING. TO ALLOW EVERY FIFTH HUMAN BEING ON OUR PLANET TO SUFFER SUCH AN EXISTENCE IS A MORAL OUTRAGE. IT IS MORE: IT IS BAD ECONOMICS, A TERRIBLE WASTE OF PRECIOUS DEVELOPMENT RESOURCES. POVERTY DESTROYS LIVES, HUMAN DIGNITY AND ECONOMIC POTENTIAL. IT MUST BE FOUGHT WITH RESOLUTION, AND OVERCOME WITH SUSTAINABLE GROWTH.

THE WORLD BANK IS DEDICATED TO ATTACKING POVERTY AND BEATING IT BACK. OUR EXPERIENCE MAKES US CONFIDENT. IT ALSO TEACHES US THAT SIMPLISTIC SOLUTIONS WILL NOT WORK.

INSTEAD, WE NEED DETERMINED AND SUSTAINED ACTION ON
FIVE MAJOR FRONTS:

- SECURING ECONOMIC GROWTH;
- COMBATTING HUNGER;
- CURBING EXCESSIVE POPULATION GROWTH;
- INVESTING IN EDUCATION; AND
- PROTECTING THE INTERESTS OF THE POOR DURING
THE PROCESS OF ECONOMIC ADJUSTMENT.

FIRST AND FOREMOST, WE MUST HAVE GROWTH. GROWTH
PROVIDES THE POOR WITH ACCESS TO BETTER MARKETS AND
OPPORTUNITIES. IT PROVIDES THE RESOURCES FOR PUBLIC AND
PRIVATE PROGRAMS VITAL TO THE POOR. IT HELPS SUSTAIN THE
BROAD-BASED POLITICAL SUPPORT THE ANTI-POVERTY EFFORT NEEDS.

SENSIBLE MACROECONOMIC POLICIES ARE ESSENTIAL FOR
THAT GROWTH AND FOR A SUCCESSFUL ATTACK ON POVERTY. THE
BANK SUPPORTS SUCH POLICIES THROUGH LENDING FOR ADJUSTMENT,
WHICH NOW ACCOUNTS FOR A QUARTER OF OUR NEW COMMITMENTS.

SECOND, THE IMPACT OF ECONOMIC GROWTH MUST BE STRENGTHENED BY DIRECT ACTION TO COMBAT HUNGER. HUNGER TAKES MANY FORMS AND HAS MANY SPECIFIC CAUSES. WE ALL ARE AWARE OF THE NATURAL DISASTERS IN BANGLADESH, THE SOCIAL DEPRIVATION IN BRAZILIAN FAVELAS, THE ECONOMIC BACKWARDNESS IN NORTHEAST THAILAND, TO MENTION A FEW. REMEDIAL MEASURES MUST ADDRESS THESE DIFFERENCES REALISTICALLY.

IN SUB-SAHARAN AFRICA, OVER ONE HUNDRED MILLION PEOPLE -- ONE PERSON IN FOUR -- DO NOT GET ENOUGH TO EAT. DRAMATIC ^{Food} EMERGENCIES ARE AN ALL-TOO-FREQUENT REMINDER OF THE TRAGEDY OF POVERTY.

TO FIGHT HUNGER, AFRICAN COUNTRIES NEED ECONOMIC GROWTH, ESPECIALLY IN AGRICULTURE. I ATTACH THE HIGHEST IMPORTANCE TO THE BANK'S EFFORTS TO EXPAND AGRICULTURAL RESEARCH. WE WILL CONTINUE TO SUPPORT NATIONAL PROGRAMS WHICH BRING THE NEEDED TECHNOLOGY AND SERVICES TO SMALL FARMERS. BY THE END OF THIS YEAR, SUCH PROGRAMS WILL BE UNDERWAY WITH BANK SUPPORT IN 31 AFRICAN COUNTRIES.

THE BANK WILL WORK PERSISTENTLY WITH AFRICAN GOVERNMENTS, OFFICIAL AND NON-GOVERNMENT DONORS, AND OTHER INTERNATIONAL INSTITUTIONS TO MAKE FOOD SECURITY A REALITY. THIS WILL REQUIRE MORE EXTERNAL RESOURCES, IMPROVED CAPACITY TO DEAL WITH DROUGHTS AND OTHER FOOD EMERGENCIES, BETTER POLICIES TO STABILIZE FOOD PRICES AND STRONGER INSTITUTIONS. WITHIN FIVE YEARS, I AM CONFIDENT THAT OUR COLLECTIVE ACTION CAN PUT IN PLACE FOOD SECURITY PROGRAMS ACROSS THE CONTINENT.

THE NUMBERS OF ABSOLUTE POOR ARE EVEN LARGER IN OTHER PARTS OF THE WORLD. SIMILAR APPROACHES OF COLLABORATIVE PROBLEM-SOLVING AND ACTION ARE ESSENTIAL.


THIRD, IT IS IMPERATIVE THAT DEVELOPING COUNTRIES RENEW AND EXPAND EFFORTS TO LIMIT POPULATION GROWTH. SOME COUNTRIES HAVE MADE GREAT PROGRESS IN THIS AREA. EVEN SO, MANY NATIONS WILL DOUBLE THEIR ALREADY LARGE POPULATIONS EARLY IN THE NEXT CENTURY.

PLEASE ALLOW ME TO SPEAK PLAINLY. I REALIZE THAT POPULATION POLICY TOUCHES UPON SENSITIVE CULTURAL AND RELIGIOUS VALUES. BUT THE SOCIETIES IN WHICH POPULATION IS GROWING SO FAST MUST ACCEPT THAT MANY -- PERHAPS MOST -- OF THESE NEW LIVES WILL BE MISERABLE, MALNOURISHED AND BRIEF. WITH TODAY'S POPULATION GROWTH RATES, BADLY-NEEDED IMPROVEMENTS IN LIVING STANDARDS CANNOT BE ACHIEVED, PUBLIC RESOURCES FOR NECESSARY SERVICES ARE OVER-STRETCHED, AND THE ENVIRONMENT IS SEVERELY DAMAGED.

BY CONTRAST, EFFECTIVE FAMILY PLANNING PROGRAMS IN COUNTRIES AS DIFFERENT AS MEXICO AND INDONESIA SHOW LARGE SAVINGS OVER TIME IN PUBLIC HEALTH AND EDUCATION EXPENDITURES -- TO SAY NOTHING OF THE BENEFITS TO THE FAMILIES.

GIVEN THE MAGNITUDE AND SEVERITY OF THE PROBLEM, IT IS ALARMING THAT MANY GOVERNMENTS ARE FAILING TO IMPLEMENT SENSIBLE POPULATION POLICIES. IT IS ALSO DISTRESSING THAT INTERNATIONAL ASSISTANCE FOR POPULATION ACTIVITIES HAS DECLINED. THESE TRENDS MUST BE REVERSED.

A VITAL PART OF THE BANK'S WORK INVOLVES DEVELOPMENT ACTIVITIES THAT HAVE A STRONG IMPACT ON POPULATION. MANY PROJECTS IMPROVE ECONOMIC OPPORTUNITY AND EDUCATION FOR POOR PEOPLE, PARTICULARLY WOMEN AND GIRLS. WE ARE FINANCING HEALTH AND SAFE MOTHERHOOD PROGRAMS, AND WE WILL EXPAND OUR DIRECT SUPPORT FOR FAMILY-RELATED ACTIVITIES. POPULATION ISSUES WILL BE PROMINENT IN OUR DIALOGUE WITH GOVERNMENTS.



FOURTH AMONG THE BANK'S ANTI-POVERTY PRIORITIES IS THE NEED TO FOCUS ON A VITAL RESOURCE FOR GROWTH, THE LIMITLESS CAPACITY OF THE HUMAN MIND. THE PRODUCTIVITY OF AN EDUCATED WORKFORCE IS THE MOST RELIABLE ENGINE OF ECONOMIC GROWTH.

KNOWING THIS, THE BANK AND ITS MEMBERS CANNOT IGNORE THE DISTURBING EVIDENCE THAT INVESTMENT IN EDUCATION HAS DECLINED AS THE NEED FOR IT HAS RISEN. THE GAP IN PER-PUPIL SPENDING BETWEEN LOW-INCOME AND INDUSTRIAL COUNTRIES IS NOW ALMOST FOUR TIMES WHAT IT WAS A GENERATION AGO.

ENROLLMENT IS LAGGING, AS WELL. AT THE PRIMARY LEVEL ALONE, 100 MILLION YOUNGSTERS WHO SHOULD HAVE BEEN ATTENDING SCHOOLS IN 1985 WERE NOT. CAN WE AFFORD TO CUT OFF SO MANY YOUNG PEOPLE FROM ACTIVE, PRODUCTIVE FUTURES?

MODEST INVESTMENTS IN EDUCATION, WISELY AND STEADILY MADE, PAY GREAT DIVIDENDS IN FOSTERING GROWTH AND REDUCING POVERTY. "THERE IS NO FORCE," JOSE MARTI WROTE A CENTURY AGO, "THAT WILL NOT EVENTUALLY SUCCUMB TO TRAINED HUMAN INTELLIGENCE."

I WILL GIVE EDUCATION HEIGHTENED PRIORITY. COUNTRIES WHICH UNDERTAKE TO REFORM AND UPGRADE THEIR EDUCATION SYSTEMS WILL FIND THE BANK A SUPPORTIVE PARTNER.

FIFTH, GOVERNMENTS AND DONORS NEED TO DO MORE TO
PROTECT THE POOR DURING THE ADJUSTMENT PROCESS. POLICY
REFORM IS IN THE BEST LONG-TERM INTERESTS OF THE POOR.
DISTORTIONS AND MISCONCEIVED ECONOMIC POLICIES HARM THEM
MORE THAN OTHERS. POOR PEOPLE CAN GET HURT, HOWEVER, IN THE
TRANSITIONAL PROCESS OF CORRECTING PAST MISTAKES. WE HAVE A
SPECIAL DUTY TO ENCOURAGE AND FINANCE MEASURES WHICH KEEP
THEIR SHORT-TERM INTERESTS IN MIND.

WHILE GROWTH IS ESSENTIAL, GROWTH ALONE CANNOT
OVERCOME THESE HARDSHIPS. DELIBERATE MEASURES MUST BE TAKEN
TO DEAL WITH THE SOCIAL CONSEQUENCES OF ADJUSTMENT. ^{POSSIBLE}
~~THE~~
ADVERSE IMPACT ON POOR PEOPLE'S INCOME AND CONSUMPTION MUST
BE ^{AVOIDED} ~~REDUCED~~. THIS IS THE FOCUS OF THE SOCIAL DIMENSIONS OF
ADJUSTMENT PROGRAM, A BANK-MANAGED MULTI-AGENCY EFFORT NOW
UNDERWAY IN A SCORE OF AFRICAN COUNTRIES.

SOCIAL PROGRAMS FOR THE POOR MUST BE PROTECTED.
INITIATIVES, SUCH AS BOLIVIA'S EMERGENCY SOCIAL PROGRAM AND
GHANA'S PROGRAM OF ACTION TO MITIGATE THE SOCIAL COSTS OF
ADJUSTMENT, ARE BANK-FINANCED EXAMPLES OF HOW THIS CAN BE
DONE.

THESE FIVE PRIORITIES -- SECURING ECONOMIC GROWTH,
COMBATTING HUNGER, CURBING EXCESSIVE POPULATION GROWTH,
INVESTING IN EDUCATION AND PROTECTING THE POOR DURING
ADJUSTMENT -- WILL GUIDE THE WORLD BANK'S RENEWED EFFORT TO
REDUCE POVERTY.

BUT LET ME STRESS -- EFFECTIVE IMPLEMENTATION, NOT
NOBLE INTENTION, IS THE CRUCIAL TEST. EFFECTIVE
IMPLEMENTATION DEMANDS THAT POVERTY MEASURES FOCUS DIRECTLY
ON THOSE IN NEED, AND THAT AVAILABLE RESOURCES BE USED MORE
EFFICIENTLY. HENCE, BANK LENDING IN THE SOCIAL SECTORS WILL
SUPPORT BETTER DESIGN, TARGETTING AND DELIVERY OF SERVICES
FOR THE POOR.

POVERTY IS NOT AN ECONOMIC ABSTRACT, NOR IS IT
HOMOGENEOUS. IN DIFFERENT WAYS IT AFFLICTS MALES AND
FEMALES, THE YOUNG AND THE OLD, FAMILIES AND PEOPLE ALONE,
RURAL AND URBAN DWELLERS. IT MUST BE DEALT WITH THROUGH
REALISTIC PROGRAMS WHICH ACKNOWLEDGE THE DIVERSITY OF HUMAN
CONDITIONS.

GOVERNMENT POLICIES AND PUBLIC PROGRAMS PLAY A CRITICAL ROLE IN POVERTY ALLEVIATION. BUT GOVERNMENTS CANNOT DO EVERYTHING. NON-GOVERNMENT ORGANIZATIONS IN MANY DEVELOPING COUNTRIES HAVE ENORMOUS POTENTIAL FOR FLEXIBLE AND EFFECTIVE ACTION. I HAVE ENCOURAGED BANK STAFF TO INITIATE A BROADENED DIALOGUE WITH NGOS. SOME 150 BANK PROJECTS HAVE BEEN IDENTIFIED WHERE NGOS CAN PLAY A COOPERATIVE ROLE. I HOPE, AND FULLY EXPECT, THAT THIS COLLABORATION WILL CONTINUE AND FLOURISH.

(PAUSE)

THE OBJECTIVES WHICH I HAVE OUTLINED TODAY ARE AMBITIOUS. THEY DEPEND ON THE COMMITMENT OF GOVERNMENTS TO INITIATE AND SUSTAIN CHANGE IN DIFFICULT TIMES. THE BANK IS PREPARED TO ASSIST MEMBER COUNTRIES THAT ARE WILLING TO MAKE A COMMITMENT TO GROWTH WITH EQUITY. WE HAVE THE IDEAS, THE RESOURCES AND A DEDICATED STAFF OF MEN AND WOMEN WHO ARE COMMITTED TO DEVELOPMENT.

(PAUSE)

LET ME TURN, NOW, TO ANOTHER MATTER WHICH IS
INEXTRICABLY LINKED TO POVERTY ALLEVIATION -- SAFEGUARDING
THE PHYSICAL ENVIRONMENT. THE POOR ARE THE LEAST ABLE TO
ESCAPE THE CONSEQUENCES OF ENVIRONMENTAL DAMAGE CAUSED BY
OTHERS. THEY ARE LIKELY TO BE PRIME VICTIMS WHEN LOGGERS
CLEAR TROPICAL FORESTS RECKLESSLY, OR WHEN TOXIC WASTE IS
SHIPPED UNREGULATED TO POOR COUNTRIES AND DUMPED WITHOUT
REGARD TO RISK. THIS IS A GROWING PRACTICE WHICH THE
INTERNATIONAL COMMUNITY MUST NOT TOLERATE.

WE HAVE A COLLECTIVE RESPONSIBILITY TO BREAK ^{The} ~~THE~~
VICIOUS CYCLE OF POVERTY AND ENVIRONMENTAL DEGRADATION. WE
MUST DO SO IN WAYS WHICH PROVIDE GROWTH, HIGHER PRODUCTIVITY
AND SECURE INCOMES FOR POOR PEOPLE. I AM DETERMINED THAT
THE BANK TAKE A LEADING ROLE IN THIS COMMON EFFORT.

THE BANK'S EXPANDED ENVIRONMENT STAFF IS ACTIVE IN
PROGRAMS TO PRESERVE BIOLOGICAL DIVERSITY, IN AIR AND WATER
POLLUTION CONTROL PROJECTS, IN WATER AND SANITATION
IMPROVEMENT AND URBAN UPGRADING, AND IN HELPING COUNTRIES
DEVELOP THE CAPACITY TO MANAGE INDUSTRIAL HAZARDS.

SOME \$200 MILLION OF BANK AND IDA RESOURCES ARE BEING INVESTED IN PROJECTS IN ABOUT 30 COUNTRIES TO COMBAT DESERTIFICATION AND CONSERVE THE POTENTIAL OF ARID LANDS. WE ALSO ARE STRENGTHENING OUR OWN INTERNAL REVIEW AND AWARENESS OF THE ENVIRONMENTAL CONSEQUENCES OF ALL PROJECTS WE FINANCE.

LAST YEAR I TOLD YOU THE BANK WOULD EXPAND SUPPORT FOR FOREST MANAGEMENT. OUR FORESTRY LENDING LAST FISCAL YEAR REACHED \$193 MILLION AND INCLUDED AN INNOVATIVE FOREST REHABILITATION PROJECT IN CHINA. IN BRAZIL, INDONESIA, MADAGASCAR AND THE PHILIPPINES, WE ARE COLLABORATING WITH GOVERNMENTS ON NATIONAL ENVIRONMENTAL PROGRAMS WITH MAJOR FOREST CONSERVATION COMPONENTS.

WE HAVE COME A LONG WAY IN A SHORT TIME. BOTH WE AND OUR MEMBER GOVERNMENTS NEED TO DO FAR MORE. THERE IS AN EQUALLY URGENT NEED FOR THE WORLD COMMUNITY TO REDUCE THE GLOBAL ENVIRONMENTAL THREATS TO OUR COMMON FUTURE.

(PAUSE)

IN MY REMARKS TODAY, I HAVE REPEATEDLY STRESSED THE IMPORTANCE OF GROWTH. DEVELOPING COUNTRIES CAN ONLY MAKE SIGNIFICANT PROGRESS IN REDUCING POVERTY AND IN SAFEGUARDING THE ENVIRONMENT IF THEY ARE UNDERGOING HEALTHY EXPANSION. THE BANK IS, ABOVE ALL, AN INTERNATIONAL PARTNERSHIP FOR GROWTH. TO FACILITATE GROWTH, HOWEVER, PROGRESS IS NEEDED IN FOUR MAJOR AREAS:

- FIRST, BETTER INTERNATIONAL ECONOMIC POLICIES AND MORE OPEN TRADE,
- SECOND, DEEPER AND MORE PERSEVERING STRUCTURAL REFORMS BY DEVELOPING COUNTRIES,
- THIRD, STRONGER, MORE SUSTAINED INTERNATIONAL FINANCING TO SUPPORT ECONOMIC REFORM AND DEVELOPMENT EFFORTS, AND
- FOURTH, THE CREATION OF AN ECONOMIC ENVIRONMENT FOR VIGOROUS PRIVATE SECTOR GROWTH IN DEVELOPING COUNTRIES.

LET ME ADDRESS THESE FOUR CENTRAL ISSUES, EACH ONE VITAL TO LONG-TERM PROGRESS.

FOR HEALTHY GROWTH TO OCCUR, THERE MUST BE AN EXPANDING GLOBAL ECONOMY. THE WORLD ECONOMY HAS, IN FACT, FARED BETTER THAN MANY HAD THOUGHT POSSIBLE FOLLOWING LAST YEAR'S FALL IN THE STOCK MARKET. THE OUTLOOK REMAINS CLOUDED, HOWEVER, BY INFLATIONARY TRENDS, CONTINUED UNCERTAINTIES OVER FINANCIAL IMBALANCES AND EXCHANGE RATES, AND INCREASING PROTECTIONISM IN THE INDUSTRIALIZED WORLD.

COORDINATED, GROWTH-ORIENTED AND OUTWARD-LOOKING POLICIES IN THE DEVELOPED WORLD ARE ESSENTIAL. THE COOPERATIVE GAINS OF RECENT SUMMIT AGREEMENTS MUST CONTINUE. NEGOTIATORS AND PRINCIPALS MUST ACT WITH COURAGE IN THE URUGUAY ROUND DISCUSSIONS, IN PREPARATION FOR THE LOME IV AGREEMENTS, AND IN THE RUN-UP TO 1992 IN EUROPE. THE SUCCESS OF THE URUGUAY ROUND, ESPECIALLY THE REFORM OF AGRICULTURAL TRADE, IS CRITICAL FOR DEVELOPING COUNTRIES. IN SHORT, INDUSTRIAL COUNTRIES MUST NOT SHIRK THEIR SPECIAL RESPONSIBILITIES FOR THE HEALTH AND STABILITY OF A GROWING INTERNATIONAL ECONOMY.

TO TAKE ADVANTAGE OF THE OPPORTUNITIES FOR GROWTH,
DEVELOPING COUNTRIES MUST UNDERTAKE, AND PERSIST WITH,
DEEPER ADJUSTMENT THAN MOST HAVE SO FAR MANAGED. OUR
RESEARCH SHOWS THAT COUNTRIES WHICH HAVE UNDERTAKEN DEEPER
STRUCTURAL REFORMS HAVE HAD BETTER GROWTH AND STRONGER
BALANCE OF PAYMENTS PERFORMANCE THAN THOSE WHOSE REFORMS
WERE PATCHY OR SHORT-LIVED.

SUCCESSFUL ADJUSTMENT TAKES LONG AND SUSTAINED
EFFORT. FOR THIS REASON,

- WE WILL INCREASINGLY BASE OUR LENDING ON THE
IMPLEMENTATION OF MULTI-YEAR ADJUSTMENT
PROGRAMS.
- WE AND OUR BORROWERS WILL NEED TO PAY MORE
ATTENTION TO THE FISCAL DIMENSION OF
ADJUSTMENT, THE MANAGEMENT AND FINANCING OF
THE PUBLIC SECTOR.
- WE WILL PLACE STRONGER EMPHASIS ON
INSTITUTIONAL REFORM.

GROWTH CANNOT BE SUSTAINED UNLESS IT IS ADEQUATELY FINANCED, AND EXTERNAL FINANCE IS CRITICAL TO CONTINUITY. CURRENT FLOWS OF RESOURCES ARE INADEQUATE TO MEET DEVELOPING COUNTRIES' MINIMUM NEEDS.

THE BANK IS COMMITTED TO CARRYING ITS SHARE OF THE BURDEN. IN FISCAL YEAR 1988, NEW BANK GROUP COMMITMENTS TO OUR BORROWERS TOPPED \$20 BILLION FOR THE FIRST TIME. OUR GROSS DISBURSEMENTS ALSO REACHED AN ALL-TIME RECORD OF MORE THAN \$15 BILLION, AND THE BANK GROUP'S NET DISBURSEMENTS TO ITS CURRENT BORROWERS TOTALED \$7.6 BILLION.

THE PROGRESS MADE TO REDUCE THE BURDEN OF DEBT SERVICE IN LOW-INCOME COUNTRIES HAS BEEN ENCOURAGING. THE BANK'S SPECIAL PROGRAM OF ASSISTANCE FOR SUB-SAHARAN AFRICA AND THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY OF THE FUND ARE IN PLACE. THE TORONTO SUMMIT OFFERED A BROAD MENU OF DEBT RELIEF OPTIONS TO LOW-INCOME DEBTORS. THE PARIS CLUB IS NOW WORKING OUT THE TECHNICALITIES. SPEEDY ACTION IS IMPORTANT.

I AM PLEASED TO REPORT THAT OUR BOARD HAS APPROVED THE IMMEDIATE USE OF IDA REFLOWS TO INCREASE IDA'S COMMITMENT AUTHORITY BY AN ADDITIONAL 525 MILLION SDR ANNUALLY STARTING THIS FISCAL YEAR. A PORTION OF THE IDA REFLOWS AND IDA'S NET INCOME WILL BE USED TO SUPPLEMENT ADJUSTMENT OPERATIONS IN IDA-ONLY COUNTRIES, TAKING INTO ACCOUNT THEIR DEBT SERVICE OBLIGATIONS TO THE IBRD.

BUT WE CANNOT OVERLOOK THE FACT THAT THE HEAVILY INDEBTED MIDDLE-INCOME COUNTRIES CONTINUE TO EXPERIENCE PERSISTENT STAGNATION AND LOW GROWTH. THE BANK'S APPROACH HAS BEEN TO SUPPORT INVESTMENTS AND NEW MONEY FLOWS. IF THIS IS NOT SUFFICIENT TO RESTORE AND SUSTAIN GROWTH, WE MUST EXPLORE FURTHER COLLABORATIVE SOLUTIONS. I BELIEVE A PRAGMATIC, EVOLUTIONARY APPROACH TO THE DEBT CRISES IN THE HEAVILY INDEBTED MIDDLE-INCOME COUNTRIES SHOULD:

- FIRST, PRESERVE THE CASE-BY-CASE APPROACH;
- SECOND, STRENGTHEN INVESTMENT AND STIMULATE GROWTH IN THE INDEBTED COUNTRIES;
- THIRD, PROVIDE FINANCIAL SUPPORT BY CATALYZING NEW MONEY AND FACILITATING VOLUNTARY DEBT REDUCTIONS; AND
- FOURTH, BE LINKED TO GOOD PERFORMANCE UNDER AN ADJUSTMENT PROGRAM.

(PAUSE)

OPEN TRADE, ECONOMIC REFORM AND ADEQUATE FINANCE

CAN PROVIDE ESSENTIAL OPPORTUNITIES FOR GROWTH. BUT WE ALSO
MUST MAKE USE OF THE FULL POTENTIAL OF THE PRIVATE SECTOR.
WE MUST CREATE CONDITIONS IN WHICH ENTREPRENEURS, FARMERS
AND WORKERS CAN SAVE, INVEST AND PRODUCE EFFICIENTLY. THIS
IS A PRAGMATIC IMPERATIVE, NOT AN IDEOLOGICAL ABSTRACTION.

FOR YEARS, THE BANK HAS PROVIDED SUBSTANTIAL
SUPPORT TO THE PRIVATE SECTOR. THE BANK HAS LENT BILLIONS
FOR AGRICULTURE, INDUSTRY AND INFRASTRUCTURE. THIS SUPPORT
WILL CONTINUE. BUT WE WILL DO MORE.

- OUR ADJUSTMENT LENDING AND OTHER OPERATIONS
MUST ENCOURAGE GREATER PRIVATE INITIATIVE AND
HELP DISMANTLE MONOPOLIES AND SPECIAL
PRIVILEGES FOR ANY GROUP -- PRIVATE OR PUBLIC.
- WE WILL STRESS THE URGENTLY NEEDED REFORMS OF
DOMESTIC FINANCIAL SYSTEMS, MARKETS AND
INSTRUMENTS TO MOBILIZE DOMESTIC SAVINGS AND
VENTURE CAPITAL.

- WE WILL PROVIDE ADVICE, TECHNICAL SERVICES AND FINANCE TO ASSIST IN THE REFORM OR PRIVATIZATION OF STATE ENTERPRISES.
- THROUGH IFC, WE WILL EXTEND STRONGER SUPPORT FOR CAPITAL MARKET DEVELOPMENT.
- MIGA WILL OFFER ADVICE AND GUARANTEES TO PROMOTE PRIVATE VENTURES AND DEVELOPMENT.

I AM COMMITTED TO USE OUR INSTITUTIONAL STRENGTH -- THE FINANCIAL AND INTELLECTUAL POWER OF THE BANK, THE CORPORATE AGILITY OF IFC, AND SOON THE RISK COVERAGE OF OUR NEW AFFILIATE, MIGA. WE WILL LEVERAGE OUR OWN RESOURCES WITH COMMITMENTS FROM THE INTERNATIONAL AND DOMESTIC PRIVATE SECTOR.

PRIVATE SECTOR INVOLVEMENT IS NOT A PANACEA. BUT PRIVATE ENTREPRENEURS COMMAND MUCH-NEEDED RESOURCES, AND HAVE ACCESS TO NEW TECHNOLOGIES, MANAGEMENT SKILLS AND MARKETS. NO ECONOMY SHOULD WASTE SUCH POTENTIAL.

(PAUSE)

LADIES AND GENTLEMEN, IN CLOSING, I WANT TO REITERATE THAT WE MUST WORK TOGETHER. THE STUBBORN FACT OF THE EIGHTIES IS THAT GROWTH HAS BEEN INADEQUATE. POVERTY IS STILL ON THE RISE AND THE ENVIRONMENT IS POORLY PROTECTED. UNCHANGED, THESE REALITIES WOULD DENY OUR CHILDREN A PEACEFUL, DECENT AND LIVABLE WORLD.

WE CANNOT AFFORD TO GIVE UP. WE MUST BUILD, INSTEAD, ON WHAT HAS BEEN ACHIEVED AND WHAT HAS BEEN LEARNED OVER FOUR DECADES OF DEVELOPMENT EXPERIENCE. WE WILL NOT SUCCEED IMMEDIATELY, AND WE WILL NOT SUCCEED EVERYWHERE. BUT WE ARE ENTERING A PERIOD OF GREATER OPPORTUNITIES FOR PARTNERSHIP AND COOPERATION.

LET US SEIZE THESE OPPORTUNITIES PRAGMATICALLY AND URGENTLY. LET US, TOGETHER, REDEDICATE OUR ENERGIES, OUR WILL, OUR STRENGTH TO THE CHALLENGE OF GROWTH, THE PROMISE OF EQUITY, THE WORK OF DEVELOPMENT. WITH YOUR CONTINUED SUPPORT, WE ARE DETERMINED TO CARRY OUR MISSION FORWARD WITH VISION, COMPETENCE, COMPASSION AND COURAGE.

THANK YOU.

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

~~WTF~~
AMS

CORRESPONDENCE DATE : 88/10/03 DUE DATE : 00/00/00
LOG NUMBER : 881003001 FROM : SEC Dept.
SUBJECT : 1988 Annual Meetings Berlin (West).
Salient Points of Speeches - Third Day.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Boards of Governors • 1988 Annual Meetings • Berlin(West)

Through August 21, 1988

October 3, 1988

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TO: Mr. Barber B. Conable
FROM: Secretary's Department
SUBJECT: Salient Points of Speeches -- Third Day

Attached are the salient points relevant to the Bank made in the Governors' speeches delivered on Thursday, September 29, 1988. Also included are the speeches by the Governors for Sudan, India, the Netherlands, the Philippines, and Papua New Guinea, which were not available earlier.

Speeches by the Governors for Hungary, Australia, Libya, Portugal and Afghanistan, for which texts were not available, have not been included.

The first sheet is a Table of Contents covering all three days. Also included is a subject index.

Attachments

cc: The Chairman
F. Aguirre-Sacasa
D. Bock
S. Burmester
J. E. Camacho
W. J. Cosgrove
M. Dehejia
S. Fischer
R. H. Frank
J. Grenfell
M. Haug
D. Hopper
S. Husain
A. Iida
K. Inakage
E. V. K. Jaycox
W. Kaffenberger
A. Karaosmanoglu
B. Kavalsky
O. Lafourcade
J. Parmar
M. Qureshi
V. Rajagopalan
D. Roth
Y. Rovani
W. Ryrie
H. Scott
A. Shakow
E. Stern
Y. Terasawa
T. Thahane
W. Thalwitz
H. Vergin
F. Vogl
W. Wapenhans
J. Wood

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Delivered Tuesday, September 27, 1988

SUDAN - Minister of Finance and Economic Planning Omer Nour El Daim (Bank)
(speaking on behalf of the Arab Governors)

Debt Strategy: Little progress has been made in moving out of the crisis management stage. While the new initiatives and financing packages are welcome, adjustment programs will be unsustainable without an adequate net flow of resources to debtor countries.

Adjustment Lending: Some of the middle- and lower-income countries in the Arab region have not been able to use the Bank's adjustment lending facilities, although there is an urgent need for them. To the extent that this is attributable to undue rigidity in conditionality, the Bank should seek a more gradual and pragmatic approach.

Trade: There should be a follow-up to the Development Committee trade paper. Technical assistance to countries involved in the Uruguay Round should be continued and deepened. Bank documents should more fully analyze the export prospects and the impact of trade barriers on its borrowers.

Environment: The Bank should coordinate a multinational policy response to the deteriorating world environment. Environmental safeguards should also be built into the design of Bank projects at an early stage. However, the Bank should avoid undue emphasis on areas where other organizations have a comparative advantage.

Lending Program: Regional studies could be pursued to help identify projects and programs for Bank financing. Power, telecommunication, irrigation, and education projects could also be approached from a regional point of view. Projects and sector investment lending should be expanded in the Arab countries, whose levels and shares of total Bank lending have not been adequate.

IDA: It is encouraging that more cofinancing and a higher share of IDA has been mobilized for Sub-Saharan Africa. However, the inadequate attention given to the heavily-indebted lower middle-income countries, including some in the Arab Region, is disappointing.

IFC/MIGA: The launching of MIGA and the increase in IFC operations is welcome; the Arab countries will cooperate with both to promote the flow of investment into the region.

Fund Quota Increase: The Ninth General Review should lead to an increase in the size of the Fund.

Delivered Tuesday, September 27, 1988

INDIA - Minister of Finance S.B. Chavan (Bank and Fund)

Adjustment Lending: Excessively tight conditionality and the consequent disruption of timely availability of finance are in large part responsible for the disenchantment with adjustment lending. It must be recognized that:

- 1) the transition involved in adjustment cannot be readily determined by application of mechanical criteria;
- 2) the range of policy conditionality associated with each adjustment loan should be realistically limited; and
- 3) there should be greater willingness to extend adjustment lending based on actions already taken by governments, without the imposition of fresh conditionality.

It is hoped that the review undertaken recently by the Bank Board will help in the evolution of future policy on adjustment lending.

Poverty: Welcomes the Bank's renewed focus on poverty in its lending program and analytical work.

Resource Transfers: A key constraint of world economic growth has been the insufficient flow of capital on appropriate terms to developing countries. Net transfers from the Bank became negative this year. To avoid another debt crisis, we must remember the lesson of the 1970s: it is imprudent to rely excessively on private capital to fund long-term development in poor countries.

Bank Financial Programs: The Bank's review of its financial policies, including of the currency pool system, is encouraging. The positive decision to readjust the repayment terms of IBRD loans is also welcome. However, the effective cost of borrowing from the Bank is still high and has to be reduced.

IDA: Hopefully, substantial progress on significant increases in IDA-9 resources will be made by the time the Development Committee meets in April 1989. Increasingly, the commitment of fresh IDA funds has been channeled towards Sub-Saharan Africa, but the problems of low income and persistent poverty occur elsewhere.

IDA Reflows: The Bank should seriously consider using IDA reflows, through a special facility, to subsidize the interest rate charged on IBRD loans to low-income countries. This interest subsidy should be limited to financing basic infrastructure and direct lending for poverty projects.

Fund Quota Increase: Supports an increase and believes quotas should be distributed on an equiproportional basis.

Delivered Tuesday, September 27, 1988

NETHERLANDS - Minister of Finance H. Onno Ruding (Bank)

Debt Strategy: Welcomes the inventiveness displayed in the new financing packages. But banks should not skew these packages exclusively in the direction of debt reduction. New money must also play a role.

Bank's role: The Bank and Fund can encourage new commercial financing and generously support adjustment programs, but there must first be clear evidence of political will by the debtor country to tackle problems seriously.

Adjustment Lending: Adjustment creates more room to target government policies towards social and economic goals. PFPs could play a role in this respect by offering a general framework in which to pursue an integrated approach. But the Bank and Fund, despite the need for collaboration, must keep a clear separation of duties.

Poverty: The Bank should continue to integrate poverty alleviation activities in all its operations, concentrating on the structural and long-term aspects such as strengthening the income-generating capacity of the poor and enhancing the effectiveness of social expenditures.

Core poverty program: Such a program in the Bank would create the wrong impression that growth and poverty alleviation are conflicting goals. It could well endanger the need for greater attention to poverty issues in regular Bank activities.

Impact of adjustment: It is imperative to increase the emphasis on poverty alleviation within the context of adjustment programs. Strongly favors an integrated structural approach with strong government involvement. To be sustainable, programs must have a limited number of relatively simple and unambiguous conditions and targets. Special attention must also be given to strengthen the institutional capacity to implement the policies.

Coordination: It is of vital importance that the wide experience of bilateral donors and NGOs is used and coordinated. The Bank could play a vital central role to ensure an adequate flow of concessional resources to countries with sound adjustment strategies.

Population: Shares Mr. Conable's view that the Bank should step up its efforts in the field of population policies and integrate them into Bank programs. Programs should go beyond birth control to health care and education, to increase the involvement of target groups.

NETHERLANDS (Continued)

Environment: Appreciates the guidelines established by the Bank. These must now be effectively implemented. The Bank should integrate environmental concerns in all its programs and make them a criterion in project appraisal. The Bank should also improve donor coordination and strengthen the institutional capacity of developing countries in environmental protection.

Trade: The propensity to protect runs counter to a resolution of the debt problem and discourages countries from pursuing the outward-looking strategies recommended by the Bank and Fund. Therefore, it is absolutely necessary to improve access to industrial markets in the Uruguay Round.

Arrears: Sizeable and mounting arrears in the Bank and Fund cannot be tolerated. The special role of these institutions grants them preferred creditor status.

MIGA: Pleased that the agency has become operational. To give it the good start it deserves, its staff should be brought to the projected level as soon as possible and a large number of countries should take up membership soon.

Valuation of Bank Capital: The SDR is a stabilizing element in calculations and operations. As a matter of principle, it is neither logical nor fair to base the standard of value on the currency of a single country. The Bank Board Committee in charge of this issue is urged to heed this conviction.

Fund Quota Increase: Favors a substantial increase.

Delivered Wednesday, September 28, 1988

PHILIPPINES - Secretary of Finance Vicente R. Jayme (Bank)

Debt Strategy: The current approach has severe limitations because of debtor fatigue and insufficient financing. It has become clear that debt reduction would benefit debtor and creditor alike. There can be no effective and long-run solution to the global debt crisis without the necessary political consensus. To solve the crisis and ensure adjustment with growth, there needs to be:

- 1) A medium-term framework for financing and debt reduction that ensures equitable burden-sharing.
- 2) Adequate safeguards to insulate debtor economies from external shocks. In this regard, perhaps the Bank could fill gaps left by the Fund's contingency facility.
- 3) Additional concessional financing support by official creditors and greater debt relief over a longer timeframe under the Paris Club. If this is not forthcoming, official creditors should reduce debt burdens. The Bank must act more courageously to enhance debt reduction by providing credit enhancement through its cofinancing instruments.
- 4) A high-level commission to consider proposals for an international debt facility which could provide guarantees in exchange for debt reduction in adjusting countries on a case-by-case basis.

Welcome as they are, the Paris Club concessions continue to be limited to a small number of the very poorest countries. Intermediate cases like the Philippines are in danger of "falling between the cracks."

Delivered Wednesday, September 28, 1988

PAPUA NEW GUINEA - Minister for Trade and Industry Galeva Kwarara (Bank)

Debt Strategy: Appeals to industrial countries and international financial institutions to seriously consider writing off parts or all of the outstanding debts of certain developing countries on a case-by-case basis.

Resource Transfers: Despite projections that Bank commitments will rise by 60 percent by 1993, it will not reverse the deterioration in net disbursements. More work needs to be done to avoid slippages. Furthermore, the increase in Bank resources may still prove insufficient if the heavily-indebted countries are to be adequately supported.

Bank Lending Program: Procurement procedures need further simplification and relaxation. Design standards in transport projects can become unnecessarily expensive and are often not justified. Also, more national entrepreneurs should be able to participate in these projects.

Aid Coordination: The Bank conducted a very successful consultative group meeting last year for Papua New Guinea in Tokyo.

IDA: There needs to be a significant increase in IDA-9 resources. The issue of graduation into or out of IDA must be reviewed. IDA donors and the Bank should set more practical and fair eligibility requirements. The criteria based on statistical per capita measures are no longer appropriate.

IFC: Urges IFC to give greater attention to the private sector in small island nations. The current scope and magnitude of projects should be reviewed with the goal of reducing the minimum requirement level.

Other Regional/Country Concerns: The Bank has argued that the volume of business does not warrant the establishment of a regional office in the South Pacific. However, Washington is too far away and the time spent by officials in each country is insufficient. A regional office would both increase the volume of business and enhance coordination between the Bank and the region.

Delivered Thursday, September 29, 1988

NEPAL - Minister of Finance Bharat Bahadur Pradhan (Bank)

Poverty: Social projects provide some temporary relief, but it is equally important to develop the economic infrastructure to improve the productive base. A balanced investment program on a significantly higher level is a crying need.

Resource Transfers: The volume of resources is still insufficient to meet the needs of developing countries for growth, poverty reduction, and structural reform.

Bank Lending Program: Hopes that the increase in Bank resources will lead to a stepped-up lending program.

IDA: Urges donors to release their installments and reduce current shortfalls.

Fund Quota Increase: A doubling of the quota, combining general and selective increases, would be both equitable and appropriate.

Delivered Thursday, September 29, 1988

ROMANIA - Minister of Finance Gheorghe Paraschiu (Bank and Fund)

Debt Strategy: President Ceausescu has proposed that a commission be created to prepare for an international conference under the auspices of the UN. The commission would submit proposals on:

- 1) A global solution to the debt crisis and on a future credit system that must be equitable and balanced.
- 2) The establishment of an interest rate ceiling of 4 to 5 percent to be applied to international borrowing, irrespective of the rates prevailing on domestic markets.

As part of the work of the conference, developed countries must cancel the external debts of the poorest countries and substantially reduce and reschedule the remaining long-term debt of low-income countries. There should also be relief from the impact of high interest rates and exchange rate fluctuations.

Bank's role: In practice, the Bank and Fund have acted in the interests of the rich countries. These institutions must ensure an increase in capital flows on concessional terms to developing countries without imposing conditions and without interfering in their domestic affairs. Savings from staff cuts of 15-25 percent could be applied to ease the debt burden of developing countries.

Bank Shareholding/Voting Power: Concrete measures are required to democratize the Bank and Fund.

Fund Quota Increase: Supports a quota increase.

Delivered Thursday, September 29, 1988

BELGIUM - Minister of Finance Philippe Maystadt (Bank)

Debt Strategy: The persistent problems of debtor countries mandate a differentiated approach for LICs and MICs.

LICs: The Bank's Special Program of Assistance for Sub-Saharan Africa could serve as a model for "controlled reciprocity," under which the adjustment efforts of debtor countries are accompanied by debt relief and quick-disbursing resources. In all cases, adjustment efforts are both the prerequisite and the catalyst for relief measures.

MICs: Market-based techniques are required, including debt reduction, debt rescheduling, and the provision of new money.

Bank's role: Suggests that PFPs be extended to some of the middle-income countries. The Bank and Fund must also channel the efforts of commercial banks to ensure that the efforts of adjusting countries receive financial support.

Commercial banks: Following the model of the Fund's contingency facility, the banks could incorporate repayment arrangements into their loans that allow for the impact of exogenous shocks.

Poverty: Approves a core poverty program for the Bank, but this should not make the Bank lose sight of other means of attacking the problem directly. First, the Bank should advise member countries on poverty issues. Second, the Bank can finance social projects aimed at selective investments in health, education, or urban rehabilitation. Such "flagship" projects are justified more by their demonstration effect than by their profitability. Recently revived interest in social projects is a needed correction to the Bank's focus on macroeconomic issues since the outbreak of the debt crisis.

IFC: It is a pleasure to note the remarkable increase, both quantitatively and qualitatively, in IFC's activities.

MIGA: On September 23 the Government approved Belgium's participation in MIGA, whose objectives are wholeheartedly supported.

Fund Quota Increase: Favors a doubling in quotas.

Delivered Thursday, September 29, 1988

KIRIBATI - Vice President and Minister of Finance Teatao Teannaki (Fund)
(speaking on behalf of Kiribati, Solomon Islands, Vanuatu,
and Western Samoa)

Other Regional/Country Concerns: There has been a small but welcome increase in manpower for and involvement with the South Pacific by the Bank, with specific focus on fisheries, forestry, minerals, and tourism. Since the staffs of the island nations are so hard-pressed, a greater Bank effort to have joint missions and reports with the Fund would be helpful.

Fund Quota Increase: When the Ninth Review takes place, small island quotas should be tripled.

Address by Barber B. Conable, President
to the Board of Governors of the World Bank Group
Berlin (West), September 27, 1988

Chairmen, Governors, Ladies and Gentlemen -- May I, too, welcome you to these Annual Meetings. I am pleased to be addressing you here in the heart of Europe. I wish to thank Chancellor Kohl, the Government of the Federal Republic of Germany, Mayor Diepgen and the authorities and the people of West Berlin for their hospitality.

This great continent stands at the threshold of new economic prosperity as the largest integrated market in the world. Europe's postwar transformation shows how hope, combined with enlightened international cooperative action, can yield great progress. We must apply the same spirit in our effort to provide rising prosperity and renewed hope for the poor people of the world.

Such hope, reinforced by international cooperation and assistance, can yield miracles. I have seen the difference that a village well or a rural health clinic can make. I have seen the grateful eyes of women having access to fresh, clean water for the first time since becoming mothers. From small investments -- a metal plow, a sack of seed, a biology textbook, a line of credit for a trucking firm, a bulldozer to make a dirt road passable in bad weather -- new worlds of opportunity can emerge.

As Francis Bacon so aptly stated, "...in this theatre of man's life it is reserved only for God and angels to be lookers on." We at the World Bank are determined not to be onlookers. We will continue to put all our energies into fighting poverty through sustainable, equitable growth.

This is what I want to talk about today -- sustainable growth with equity -- and what we must do to turn our commitment to development into reality.

(Pause)

Before doing this, however, I want to outline some of the highlights of the past year. At our last Annual Meetings, I called on you for increased support for our urgent development efforts. In response to that appeal:

- Shareholders approved the General Capital Increase, which will allow us to increase Bank lending by 10 percent per year through the early 1990s.
- The international community demonstrated its strong commitment to the poorest countries by agreeing to IDA's eighth and largest replenishment.

- Donors boosted their co-financing support for IDA's adjustment operations in Sub-Saharan Africa, and made some progress in reducing Africa's official debt.
- The Multilateral Investment Guarantee Agency (MIGA) became an operational reality.

I am most grateful for your support. This added strength, combined with the continued confidence of the financial markets, will allow us to act resolutely and effectively. I am counting also on continued close cooperation with our sister organization, the International Monetary Fund.

The Bank will put these additional resources to work to foster growth and an equitable distribution of the fruits of that growth. We will encourage the process of economic policy reform, while helping to protect the poor from added hardships. The Bank will focus fresh effort in the fields of hunger, population, education and environmental protection. In the crucial area of finance, we will mobilize greater resources to ease debt burdens and ensure that growth expands and poverty recedes.

(Pause)

Let me focus now on the central goal of the Bank: the reduction of poverty.

Poverty on today's scale prevents a billion people from having even minimally acceptable standards of living. To allow every fifth human being on our planet to suffer such an existence is a moral outrage. It is more: it is bad economics, a terrible waste of precious development resources. Poverty destroys lives, human dignity and economic potential. It must be fought with resolution, and overcome with sustainable growth.

The World Bank is dedicated to attacking poverty and beating it back. Our experience makes us confident. It also teaches us that simplistic solutions will not work.

Instead, we need determined and sustained action on five major fronts:

- securing economic growth;
- combatting hunger;
- curbing excessive population growth;
- investing in education; and
- protecting the interests of the poor during the process of economic adjustment.

First and foremost, we must have growth. Growth provides the poor with access to better markets and opportunities. It provides the resources for public and private programs vital to the poor. It helps sustain the broad-based political support the anti-poverty effort needs.

Sensible macroeconomic policies are essential for that growth and for a successful attack on poverty. The Bank supports such policies through lending for adjustment, which now accounts for a quarter of our new commitments.

Second, the impact of economic growth must be strengthened by direct action to combat hunger. Hunger takes many forms and has many specific causes. We all are aware of the natural disasters in Bangladesh, the social deprivation in Brazilian favelas, the economic backwardness in Northeast Thailand, to mention a few. Remedial measures must address these differences realistically.

In Sub-Saharan Africa, over one hundred million people -- one person in four -- do not get enough to eat. Dramatic emergencies are an all-too-frequent reminder of the tragedy of poverty.

To fight hunger, African countries need economic growth, especially in agriculture. I attach the highest importance to the Bank's efforts to expand agricultural research. We will continue to support national programs which bring the needed technology and services to small farmers. By the end of this year, such programs will be underway with Bank support in 31 African countries.

The Bank will work persistently with African governments, official and non-government donors, and other international institutions to make food security a reality. This will require more external resources, improved capacity to deal with droughts and other food emergencies, better policies to stabilize food prices and stronger institutions. Within five years, I am confident that our collective action can put in place food security programs across the continent.

The numbers of absolute poor are even larger in other parts of the world. Similar approaches of collaborative problem-solving and action are essential.

Third, it is imperative that developing countries renew and expand efforts to limit population growth. Some countries have made great progress in this area. Even so, many nations will double their already large populations early in the next century.

Please allow me to speak plainly. I realize that population policy touches upon sensitive cultural and religious values. But the societies in which population is growing so fast must accept that many -- perhaps most -- of these new lives will be miserable, malnourished and brief. With today's population growth rates, badly-needed improvements in living standards cannot be achieved, public resources for necessary services are over-stretched, and the environment is severely damaged.

By contrast, effective family planning programs in countries as different as Mexico and Indonesia show large savings over time in public health and education expenditures -- to say nothing of the benefits to the families.

Given the magnitude and severity of the problem, it is alarming that many governments are failing to implement sensible population policies. It is also distressing that international assistance for population activities has declined. These trends must be reversed.

A vital part of the Bank's work involves development activities that have a strong impact on population. Many projects improve economic opportunity and education for poor people, particularly women and girls. We are financing health and safe motherhood programs, and we will expand our direct support for family-related activities. Population issues will be prominent in our dialogue with governments.

Fourth among the Bank's anti-poverty priorities is the need to focus on a vital resource for growth, the limitless capacity of the human mind. The productivity of an educated workforce is the most reliable engine of economic growth.

Knowing this, the Bank and its members cannot ignore the disturbing evidence that investment in education has declined as the need for it has risen. The gap in per-pupil spending between low-income and industrial countries is now almost four times what it was a generation ago.

Enrollment is lagging, as well. At the primary level alone, 100 million youngsters who should have been attending schools in 1985 were not. Can we afford to cut off so many young people from active, productive futures?

Modest investments in education, wisely and steadily made, pay great dividends in fostering growth and reducing poverty. "There is no force," Jose Marti wrote a century ago, "that will not eventually succumb to trained human intelligence."

I will give education heightened priority. Countries which undertake to reform and upgrade their education systems will find the Bank a supportive partner.

Fifth, governments and donors need to do more to protect the poor during the adjustment process. Policy reform is in the best long-term interests of the poor. Distortions and misconceived economic policies harm them more than others. Poor people can get hurt, however, in the transitional process of correcting past mistakes. We have a special duty to encourage and finance measures which keep their short-term interests in mind.

While growth is essential, growth alone cannot overcome these hardships. Deliberate measures must be taken to deal with the social consequences of adjustment. The adverse impact on poor people's income and consumption must be reduced. This is the focus of the Social Dimensions of Adjustment Program, a Bank-managed multi-agency effort now underway in a score of African countries.

Social programs for the poor must be protected. Initiatives, such as Bolivia's Emergency Social Program and Ghana's Program of Action to Mitigate the Social Costs of Adjustment, are Bank-financed examples of how this can be done.

These five priorities -- securing economic growth, combatting hunger, curbing excessive population growth, investing in education and protecting the poor during adjustment -- will guide the World Bank's renewed effort to reduce poverty.

But let me stress -- effective implementation, not noble intention, is the crucial test. Effective implementation demands that poverty measures focus directly on those in need, and that available resources be used more efficiently. Hence, Bank lending in the social sectors will support better design, targetting and delivery of services for the poor.

Poverty is not an economic abstract, nor is it homogeneous. In different ways it afflicts males and females, the young and the old, families and people alone, rural and urban dwellers. It must be dealt with through realistic programs which acknowledge the diversity of human conditions.

Government policies and public programs play a critical role in poverty alleviation. But governments cannot do everything. Non-government organizations in many developing countries have enormous potential for flexible and effective action. I have encouraged Bank staff to initiate a broadened dialogue with NGOs. Some 150 Bank projects have been identified where NGOs can play a cooperative role. I hope, and fully expect, that this collaboration will continue and flourish.

(Pause)

The objectives which I have outlined today are ambitious. They depend on the commitment of governments to initiate and sustain change in difficult times. The Bank is prepared to assist member countries that are willing to make a commitment to growth with equity. We have the ideas, the resources and a dedicated staff of men and women who are committed to development.

(Pause)

Let me turn, now, to another matter which is inextricably linked to poverty alleviation -- safeguarding the physical environment. The poor are the least able to escape the consequences of environmental damage caused by others. They are likely to be prime victims when loggers clear tropical forests recklessly, or when toxic waste is shipped unregulated to poor countries and dumped without regard to risk. This is a growing practice which the international community must not tolerate.

We have a collective responsibility to break this vicious cycle of poverty and environmental degradation. We must do so in ways which provide growth, higher productivity and secure incomes for poor people. I am determined that the Bank take a leading role in this common effort.

The Bank's expanded environment staff is active in programs to preserve biological diversity, in air and water pollution control projects, in water and sanitation improvement and urban upgrading, and in helping countries develop the capacity to manage industrial hazards.

Some \$200 million of Bank and IDA resources are being invested in projects in about 30 countries to combat desertification and conserve the potential of arid lands. We also are strengthening our own internal review and awareness of the environmental consequences of all projects we finance.

Last year I told you the Bank would expand support for forest management. Our forestry lending last fiscal year reached \$193 million and included an innovative forest rehabilitation project in China. In Brazil, Indonesia, Madagascar and the Philippines, we are collaborating with governments on national environmental programs with major forest conservation components.

We have come a long way in a short time. Both we and our member governments need to do far more. There is an equally urgent need for the world community to reduce the global environmental threats to our common future.

(Pause)

In my remarks today, I have repeatedly stressed the importance of growth. Developing countries can only make significant progress in reducing poverty and in safeguarding the environment if they are undergoing healthy expansion. The Bank is, above all, an international partnership for growth. To facilitate growth, however, progress is needed in four major areas:

- first, better international economic policies and more open trade,
- second, deeper and more persevering structural reforms by developing countries,
- third, stronger, more sustained international financing to support economic reform and development efforts, and
- fourth, the creation of an economic environment for vigorous private sector growth in developing countries.

Let me address these four central issues, each one vital to long-term progress.

For healthy growth to occur, there must be an expanding global economy. The world economy has, in fact, fared better than many had thought possible following last year's fall in the stock market. The outlook remains clouded, however, by inflationary trends, continued uncertainties over financial imbalances and exchange rates, and increasing protectionism in the industrialized world.

Coordinated, growth-oriented and outward-looking policies in the developed world are essential. The cooperative gains of recent summit agreements must continue. Negotiators and principals must act with courage in the Uruguay Round discussions, in preparation for the Lome IV agreements, and in the run-up to 1992 in Europe. The success of the Uruguay Round, especially the reform of agricultural trade, is critical for developing countries. In short, industrial countries must not shirk their special responsibilities for the health and stability of a growing international economy.

To take advantage of the opportunities for growth, developing countries must undertake, and persist with, deeper adjustment than most have so far managed. Our research shows that countries which have undertaken deeper structural reforms have had better growth and stronger balance of payments performance than those whose reforms were patchy or short-lived.

Successful adjustment takes long and sustained effort. For this reason,

- We will increasingly base our lending on the implementation of multi-year adjustment programs.

-- We and our borrowers will need to pay more attention to the fiscal dimension of adjustment, the management and financing of the public sector.

-- We will place stronger emphasis on institutional reform.

Growth cannot be sustained unless it is adequately financed, and external finance is critical to continuity. Current flows of resources are inadequate to meet developing countries' minimum needs.

The Bank is committed to carrying its share of the burden. In Fiscal Year 1988, new Bank Group commitments to our borrowers topped \$20 billion for the first time. Our gross disbursements also reached an all-time record of more than \$15 Billion, and the Bank Group's net disbursements to its current borrowers totaled \$7.6 Billion.

The progress made to reduce the burden of debt service in low-income countries has been encouraging. The Bank's Special Program of Assistance for Sub-Saharan Africa and the Enhanced Structural Adjustment Facility of the Fund are in place. The Toronto Summit offered a broad menu of debt relief options to low-income debtors. The Paris Club is now working out the technicalities. Speedy action is important.

I am pleased to report that our Board has approved the immediate use of IDA reflows to increase IDA's commitment authority by an additional 525 million SDR annually starting this fiscal year. A portion of the IDA reflows and IDA's net income will be used to supplement adjustment operations in IDA-only countries, taking into account their debt service obligations to the IBRD.

But we cannot overlook the fact that the heavily indebted middle-income countries continue to experience persistent stagnation and low growth. The Bank's approach has been to support investments and new money flows. If this is not sufficient to restore and sustain growth, we must explore further collaborative solutions. I believe a pragmatic, evolutionary approach to the debt crises in the heavily indebted middle-income countries should:

- first, preserve the case-by-case approach;
- second, strengthen investment and stimulate growth in the indebted countries;
- third, provide financial support by catalyzing new money and facilitating voluntary debt reductions; and
- fourth, be linked to good performance under an adjustment program.

(Pause)

Open trade, economic reform and adequate finance can provide essential opportunities for growth. But we also must make use of the full potential of the private sector. We must create conditions in which entrepreneurs, farmers and workers can save, invest and produce efficiently. This is a pragmatic imperative, not an ideological abstraction.

For years, the Bank has provided substantial support to the private sector. The Bank has lent billions for agriculture, industry and infrastructure. This support will continue. But we will do more.

- Our adjustment lending and other operations must encourage greater private initiative and help dismantle monopolies and special privileges for any group -- private or public.
- We will stress the urgently needed reforms of domestic financial systems, markets and instruments to mobilize domestic savings and venture capital.
- We will provide advice, technical services and finance to assist in the reform or privatization of state enterprises.
- Through IFC, we will extend stronger support for capital market development.
- MIGA will offer advice and guarantees to promote private ventures and development.

I am committed to use our institutional strength -- the financial and intellectual power of the Bank, the corporate agility of IFC, and soon the risk coverage of our new affiliate, MIGA. We will leverage our own resources with commitments from the international and domestic private sector.

Private sector involvement is not a panacea. But private entrepreneurs command much-needed resources, and have access to new technologies, management skills and markets. No economy should waste such potential.

(Pause)

Ladies and Gentlemen, in closing, I want to reiterate that we must work together. The stubborn fact of the Eighties is that growth has been inadequate. Poverty is still on the rise and the environment is poorly protected. Unchanged, these realities would deny our children a peaceful, decent and livable world.

We cannot afford to give up. We must build, instead, on what has been achieved and what has been learned over four decades of development experience. We will not succeed immediately, and we will not succeed everywhere. But we are entering a period of greater opportunities for partnership and cooperation.

Let us seize these opportunities pragmatically and urgently. Let us, together, rededicate our energies, our will, our strength to the challenge of growth, the promise of equity, the work of development. With your continued support, we are determined to carry our mission forward with vision, competence, compassion and courage.

Thank you.

①MH

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/10/14 DUE DATE : 00/00/00
LOG NUMBER : 881017015 FROM : Francisco Aguirre-Sa
SUBJECT : Berlin Speech - Encls. videotape of BBC's speech.

OFFICE ASSIGNED TO FOR ACTION : (2) Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- ✓ _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

June would like to see ass.

COMMENTS :



October 14, 1988

Mr. Conable:

Videotape of Your Berlin Speech

1. A lot of us spent time watching you rehearse your Berlin speech with the teleprompter and providing you with feedback. To the best of my knowledge, however, you have not had a chance to see and judge your own performance.

2. To correct this, I attach a videotape of the Berlin speech. It is your own personal copy and there is no need to return it. You may wish to share it with friends and family who were not in Berlin.

3. Owing to a technical snafu, you will note that there is no audio for about a minute of the speech. Otherwise, the tape is of good quality.

4. The European Office sent me an interesting retrospective on the Berlin Annual Meetings. I also attach it for your information.

FAS

Francisco Aguirre-Sacasa

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: October 7, 1988

TO: Files

FROM: Olivier Lafourcade *OL*

EXTENSION.

SUBJECT: Berlin Annual meetings -- results and lessons learned.

"The Two Worlds of Berlin" was the headline of an article describing the Annual Meetings in the Hamburg newspaper "Die Zeit". The world of the International Conference Center was not that different from any other Annual Meeting, and while delegates could not help but be aware of -- and reassured by -- the extensive security, they saw little of the other world of the Alternative Congress, People's Tribunal, and street demonstrations. About 90 percent of the press coverage was on the issues of the Annual Meetings themselves with all papers carrying some news stories on the street protests.

The Official Meetings -- Press Perspectives.

From the media point of view, these were the Annual Meetings at which:

* The United States failed to take center stage and Japan wasn't quite able to. While the U.S. election and the illness of Emperor Hirohito were important factors, there was some speculation that this could augur a very modest shift in influence away from the U.S. and towards Japan and Europe in the Bretton Woods institutions.

* The calls for global debt relief from the Alternative Congress received little support in the official meetings. The Brazilian package was signed, Argentina reached agreement with the Bank, and Peru started talking to the Bank and the Fund, indicating a reconsideration of "go-it-alone" policies. There appeared to be some convergence of views on the need for case-by-case debt reduction.

* The Bank's loan package to Argentina established that, given their different mandates, the Bank can reach an agreement without a Fund program yet being in place. Thanks in part to good advance briefing by the Bank of selected journalists, the media found they could accept this scenario, the U.K. could not (although there was some question about whether the British attitude was dictated by a desire for IMF purity or by old war wounds) and the commercial bankers remained unconvinced.

* Many journalists became convinced that the Bank is once again the champion of the poor following Mr. Conable's emotionally charged condemnation of poverty as a "moral outrage". Journalists were impressed with his delivery of the speech and many of the European correspondents had been conditioned by the heavy emphasis on poverty issues in briefings by European Office staff before the Annual Meetings.

* While the environment is not a new story, the environmental protests outside the official meetings inspired some journalists who had not addressed the issue before to examine the Bank's new policies. Assisted greatly by Mr. Piddington's and Mrs. Koch-Weser's constant availability for interviews, they were encouraged by what they found.

In short, compared with other Annual Meetings, the European press were generally more interested in development than monetary issues. However, while it was a "good meeting" for the Bank, a number of difficult questions were being asked as the journalists folded their portable PCs and headed home:

- * What are the new poverty initiatives envisaged by the Bank?
- * When will there be concrete evidence that the new environmental initiatives are having a positive effect on Bank operations?
- * In practical terms, how can debt be reduced?
- * Is the Argentine agreement a result of excessive U.S. influence on the Bank's management, and is the Bank's conditionality sufficient for the program to succeed.

The "Unofficial Meetings".

External Relations started planning for anticipated protest and threatened disruption of the Annual Meetings over two years ago. In November 1987 a detailed and comprehensive program of activities in both Berlin and the rest of the Federal Republic was finalized by the European Office, and was subsequently fully implemented with the participation of many (mostly German-speaking) staff from headquarters. This program sought to raise the level of understanding of Bank policies in general, but was also designed to develop a dialogue with critical groups. The thinking behind this was that the more professors and other "leaders" among the Bank's critics who could be drawn into a dialogue along with their student followers, the less support there would be for extremists whose efforts to cause disruption would succeed only if they carried a large number of people with them. Most seminars and other encounters in the period leading up to the Annual Meetings were initiated and planned by the European Office, but were ostensibly sponsored and organized by indigenous German groups and individuals including critics, thus enhancing the credibility of statements from participating Bank staff.

The comparatively peaceful outcome of the unofficial activities which took place in Berlin owes much to the skill of the police and other authorities responsible for security. At the same time, we believe that the program implemented by the Bank succeeded in making serious discussion preferable to violent hostility in the eyes of the vast majority of people opposed to the Bank's policies. It is worth noting that the "verdict" of the People's Tribunal was less hostile to the Bank than had been expected. Also, an established critic, Prof. Rainer Tetzlaff, a participant in the Alternative Congress, went on German national television, to defend the Bank and Fund while calling for their reform.

Calls in the last few days for an investigation into police curtailment of the rights of journalists (from Jesse Jackson and some Berlin politicians) appear inspired by a statement distributed at the end of the meetings purporting

to come from the working press covering the meetings. The tone of this statement and the fact that Reuters, listed as a signatory, flatly denounced it, suggests that it originated outside the Annual Meetings press room.

Following are some lessons from the Berlin experience:

* The Bank's point of view is most credible when it is not forced on people but emerges as a response to concerns expressed by others (even if the forum is created by the Bank).

* While the Bank cannot set the agenda, it can influence the direction of the debate provided it has early warning of the issues. The European Office keeps track of emerging issues, and exercises this influence, adjusting its own work program accordingly. However, it has sometimes been difficult to persuade headquarters to heed early warnings on issues (e.g. on the environment).

* Related to the above is the fact that headquarters staff tend to be more aware of criticisms of the Bank in the United States, than of criticism in Europe. Participation by senior staff in events in Germany over the last nine months helped raise their consciousness of European views on the Bank. They must continue to participate in European events.

* Berlin should not be seen as a "one-off" encounter with critics. The European office intends to build on the broader relationships established in Germany in its future work programs.

* The enhanced dialogue conducted by the European Office over the last four years with NGOs and academics throughout Europe saw its rewards in Berlin. Many of the non-German groups with whom we have established strong links went to Berlin and helped to ensure that the confrontation with the Bretton Woods institutions was vocal rather than violent.

Ultimately, success depends on the degree to which our efforts to explain the Bank's policies are seen to be part of an honest desire to engage in an intellectual debate of development issues and to understand and learn from criticism, rather than as a public relations effort to push preconceived positions.

cc: Messrs. D. Hopper
M. Qureshi
E. Stern
W. Wapenhans
F. Aguirre-Sacasa
F. Vogl
Mrs. M. Haug

TC