Remarks at the Annual Conference on Development Economics

by
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I want to say without equivocation that I think the ten years of the ABCDE have been an extremely important contribution to what we are doing here at the Bank Group. Looking back on some of the topics that you have discussed, I was particularly struck by the speech that was made in 1980 by Ravi Kanbur on projects versus policy reform. One of the things that I am deeply concerned about in running an institution such as this, is how we can get projects that do in fact achieve the results we want to achieve. That may require a lot of new thinking.

As many of you know, last week-end heads of governments met in Santiago at the Summit of the Americas to try and talk about where Latin America is going. And what was fascinating to me, in listening to the day and half of the meetings, was that there was very very little talk about macroeconomic theory in the traditional sense. There was an acceptance of the fact that we want to have an open market, that monetary and fiscal policy are very important, that you need to have many of the tools and visions of economics described in the so-called Washington Consensus. That was at the outset of the meeting.

But by the end of the day and a half, there was a general belief that the Washington Consensus is over, that we now need a new Santiago Consensus. That, yes, it is crucial to have economic growth and it is crucial to adhere to policies which are tried and true in terms of balance, in terms of equilibrium, in terms of monetary and fiscal policy. But the real issues as we go forward, are the issues of equity and social justice. The real issues are the issues of inclusion. The real issues are how can you deal with poverty within the framework of environmental sustainability, with inclusive and sustainable programs, with participation, and with results that can make a big enough difference. And if any of you get time to read the Santiago Consensus, you will see that there is very little talk of the agenda items that dominated ABCDE ten years ago. The agenda has moved on.

The challenge now is how, in moving forward with our notion of market economics and open markets and linked markets and regional markets, we can get the benefits through to the people.

And so as our first item in the Santiago Consensus we put education. Education is at the center, its the key to unlock opportunity. And then health care, and then infrastructure, and rural roads, because if you cannot move people around, you cannot get them to school. And then a justice system. You cannot have equity unless you have a functioning
justice system. You have to have a legal system that works. You have to get rid of the distortions in the economy that result from crime and drugs. You need to deal with the issue of civil safety. Not as an essential element in economic theory, but as a practical barrier to implementation. And there are other issues which must be included: a functioning financial system, communications, an urban and rural strategy, power and sanitation. This is not an exhaustive list, but it gives a sense of a much more rounded and integrated approach to development. And, of course, included in this must be good macroeconomic policy and open trade.

But even if you decide on all this, how do you implement it? Traditionally we've seen the government as the key player. But governments themselves are no longer just the administration or the presidency, governments may include parliaments. It surely is so in our country, where the president is subject so often to Congress. So when we talk of government itself, we are not just thinking of a single leader, we are thinking of a complex set of inter-relationships within the framework of government which is itself changing, and has changed. So that the simple notion of "the government will do something" is no longer a simple notion.

In addition to working with governments, we must work with civil society. Ten years ago one in four countries was democratic. Now it is two in three. Ten years ago you had a billion people in the market system, today you have five billion. That has brought with it, the chance for civil society to take on responsibilities it never had before.

And then there is the private sector. In the last seven years there has been a fantastic change in the weighting between the net flow of funds from the official institutions compared with the private sector --to the point where today private sector flows are six times official flows. But there is also the issue of how we can integrate the private sector into economies so that investors are not only looking at the profit motive, but are part of the social sector.

And finally there is us - the multilateral institutions and the bilateral institutions. How do we give effect to our policies, when all of us are running around treading on each others toes, giving competing advice, taking up the valuable time of our clients?

These were the kinds of issues that were being raised in Santiago. It was a totally different debate than would have been held ten years ago.

And I am fascinated to see that in your own discussions here at ABCDE you are now extending your debate far beyond the programs of earlier years. You are now dealing with geography, political economy, and ethnic conflict because you know that these are issues that are absolutely central to the results you want to achieve. Good economic policy alone, is no longer enough.

We at the Bank are also trying to change. We are trying to deal with these new interfaces: working with our clients in a more responsive and less dogmatic fashion; asking ourselves how we can differentiate between
economies; building a Knowledge Bank so that we can leverage knowledge as a key driver of development.

And that has led us to the last thing that we are looking at - the issue that is really preoccupying me at the moment. As you know, the whole process in our institution was devoted to getting a project approved. The first thing we did was to try and change this approval culture to an implementation culture, where we would judge ourselves by our results. Because how much money you lend and how many projects you support may be a useful indicator of sorts, but it is meaningless unless you can apply those projects and unless they can be developmentally effective.

But even if we have successful projects, it may not be enough. The fact is that we are putting all the money out there and poverty is increasing and inequity is increasing. And it raises the question, "How can we go beyond projects?"

We need to develop a way we can deliver not just projects but strategies that will apply over a longer period of time and continue through political cycles. We need to think in terms of intersectoral strategies. Because you cannot just deal with education if you do not think of health strategy, you cannot think of education and health unless you think of rural roads to get people around. And we need to think in terms of partnership about how we can bring the four partners together and agree long-term national strategies which can put all the component parts of development in place.

I wish I was smart enough to know how to do all this. You are all undoubtedly a lot smarter. If you can help me on these issues during the next year and think about them at the next ABCDE, I would be very happy indeed.

Thank you all very much.