Coalitions for Change*

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This paper, an edited version of the address to the Board of Governors of the World Bank in September 1999, argues that the challenge of development is one which demands a joint effort; coalitions across a wide spectrum which will make the difference in their collective effort to reduce the alarming numbers of people in poverty. Those that need to come together include the traditional multilateral institutions like the World Bank Group, the United Nations system and the International Monetary Fund. Their collective effort in turn must include governments in the industrialized world and the developing world; it must include the private sector and, most importantly, it must include civil society in all its incarnations. For peace and stability to be achieved in the world, the global community has to lift its sights to bring about an equitable development that includes all the citizens of the world.

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I have outlined several aspects of the role of the World Bank Group in the past with the emphasis falling in different areas.

In 1995, I emphasized the challenge of development, the need to educate girls and address the burden of debt. I saw the need for the World Bank to reorganize within and to embrace partnerships outside with a wholly new vigor; partnerships with other official aid and development institutions, with civil society, and the private sector; to listen to and work more closely with the governments and people of the countries that the World Bank serves.

In 1996, I emphasized the Bank's role as a Knowledge Bank. I discussed the "cancer of corruption" as well. The World Bank committed itself to join concerned governments to fight corruption wherever the Bank found it. And, since that time, the World Bank has pushed ahead vigorously with that agenda. Later in 1996, the World Bank and the International Monetary Fund articulated the approach to debt forgiveness for the poorest countries. The Heavily Indebted Poor Countries' (HIPC) initiative has made a real difference and further progress has now been made following the changes suggested at the Cologne Summit in 1999.

In 1997, I discussed "The Challenge of Inclusion," the need to think of development in human terms and to bring the weakest and the most vulnerable from the margins of society to the center stage.

In 1998, with the Asian financial crisis dominating our concerns, I discussed "The Other Crisis," the human crisis of those condemned to poverty as well as those who had found hope and seen it roughly snatched away. I discussed the special role of the World Bank and the IMF in dealing with the impact of the crisis on people, and of the urgent need to look beyond financial solutions, to take the social and the structural together with macroeconomic measures.

It is tempting to take comfort in the thought that the financial crisis has passed though, for millions, the other crisis still lives. It is tempting to put off the needed reforms though, for millions, those reforms still matter. It is tempting to talk of safe passage though, for millions of poor and unemployed, there is still no sight of harbor.

On the threshold of a new millennium, we must take stock and ask ourselves some fundamental questions. Will we seize the moment to raise our sights for a better world? Will we begin to judge our efforts not by the prosperity of a few but by the needs of many? Will we be prepared to hold ourselves accountable, to make the effort necessary to bring about change?

For what is the millennial world we see?

Over the last forty years, life expectancy has risen more than it did in the past 4,000 years. It is a world where the communications revolution holds out the promise of universal access to knowledge. It is a world where democratic culture has opened up opportunities for many. It is a world where 5.7 billion people live in a market economy compared with 2.9 billion only twenty years ago.

But, if we look more closely, we see something else.

Per capita incomes have stagnated or declined in 1999 in all regions except for the East and South Asia. In the developing world, with the exception of China, one million more people live in poverty in 1999 than a decade ago. In at least ten countries in Africa, the scourge of AIDS has reduced life expectancy by seventeen years. There are more than thirty three million cases of AIDS, of which twenty two million are in Africa. As many as 1.5 billion people still lack access to safe water and 2.4 million children die each year of waterborne diseases. One hundred and twenty-five million children still do not go to primary schools. 1.8 million people die annually of indoor air pollution. It is a world where the information gap is widening and the forests are being destroyed at the rate of an acre a second.

The picture is mixed and the challenges are great. But, this is a moment in history when we can set a new course to a world of greater peace, equity, and security. It is time not just for review, but for action.

The World Bank decided that in order to map the course for our future, we needed to know more about our clients as individuals. The World Bank launched a study entitled, "Voices of the Poor" and spoke to them about their hopes, their aspirations, and their realities. Teams from the World Bank and from non-governmental organizations have gathered the voices of 60,000 men and women in sixty countries. The study's findings are presented below:

Poverty is much more than a matter of income alone. The poor seek a sense of well-being which is peace of mind; it is good health, community, and safety. It is choice and freedom as well as a steady source of income.

Well-being is having the chance to grasp new economic opportunities; something the poor feel much less able to do than a decade ago.

In addition, well-being is personal security. More women are working outside the household, now trying to make ends meet. But, gender inequality at home persists, and domestic violence is on the rise.

And, corruption is a daily fact of life as the poor try to access public services and make a living.

We asked the poor what might make the greatest difference in their lives. They replied by saying organizations of their own so that they may negotiate with the government, with traders, and with non-governmental organizations. They want direct assistance through the community-driven programs so they may shape their own destinies. Local ownership of funds is needed to help them stop corruption. They want non-governmental organizations and governments to be accountable to them.

Here are their worlds in their own words.

An old woman in Africa said, "A better life for me is to be healthy, peaceful, and to live in love without hunger."

A middle-aged man in Eastern Europe said, "To be well is to know what will happen to me tomorrow."

A young man in the Middle East said, "Nobody is able to communicate our problems. Who represents us? Nobody."

A woman in Latin America said, "I do not know whom to trust, the police or the criminals. Our public safety is ourselves. We work and hide indoors."

A mother in South Asia said, "When my child asks for something to eat, I say the rice is cooking until he falls asleep from hunger for there is no rice."

These are strong voices – voices of dignity. Many represent a new generation seeking control of their lives. These people are assets, not objects of charity. They can build their future if they are given opportunity and hope. They are talking about security, peace, family, freedom, and finally, a better life for their children. We must hear their aspirations because they are no different from our own, no matter where we live.

The crisis is not over. The challenge has barely begun. By October 1999, our global population will reach six billion. If the current trends continue, we will not meet the International Development Goal of halving poverty by 2015, nor the goal of universal primary education. In addition, we will not meet the International Development Goal of reversing the current loss of environmental resources, both nationally and globally, by that date. The population of our planet will grow to eight billion within the next twenty-five years. Of the six billion today, three billion live under two dollars a day and 1.3 billion live under one dollar a day. These extraordinary statistics may rise to four billion and 1.8 billion respectively. This is not a legacy to leave our children. In the future, the number of conflicts will likely be higher, the quality of our environment worse, and the disparities between the rich and the poor wider.

The voices of the poor will be louder; but will they be heard?

What have we learned about development? We have learned that development is possible but not inevitable. We have learned that growth is essential but not sufficient to ensure poverty reduction. We have learned that we must put poverty front and center of our agenda. We have learned that the social and structural aspects should go hand in hand with macroeconomic and financial considerations. We have learned that for effective development, we need local ownership and local participation. Development can no longer be done behind closed doors in Washington or Western capitals or any capital for that matter.

At a recent meeting in Stockholm to assess progress on the Comprehensive Development Framework (CDF), President Mkapa of Tanzania said that the ownership of development policies and programs was not only an understandably nationalist yearning and an inherent and sovereign right, but created the most fervent disposition and conditions for hard work and for self-development, both at the national and the local level. He continued to say that people must be encouraged and facilitated to be owners of their development – not just beneficiaries, but "doers" of development.

We must heed this call as we plan our development agendas ahead. However, we must go further. We must recognize our own role in helping, not hindering, those doers of development by better coordinating our own activities. It is shameful that Tanzania must produce 2,400 quarterly reports a year for its donors. It is shameful that Tanzania must suffer 1,000 missions from donors every year. And, Tanzania is by no means alone.

So, how do we proceed? It was in recognition of the need to better coordinate our efforts, to recognize the holistic nature of development, and to put the country firmly in the driver's seat that we came to launch the Comprehensive Development Framework in 1999.

The World Bank's aim was simple: to bring the social and structural aspects of development together with the macroeconomic and financial aspects so as to establish a much more balanced and effective approach. Our aim was to bring all the players together to leverage all of our activities. Our aim was to work with the broad development community, the United Nations, the European Union, bilaterals, regional development banks, civil society, and the private sector to build a new generation of genuine partnerships.

What are the results so far? Together with our partners, the CDF is now being piloted in thirteen countries. We are learning to cooperate and coordinate our work better at the local level.

After discussions with many ministers, it appears that the approach of the CDF is now widely supported. The CDF is not a blueprint but a process through which we can all pursue results-driven and long-term development with the country in the driver's seat and in partnership with the broad development community.

The Development Assistance Committee of the Organization for Economic Co-operation and Development is soon expected to report on its review of the bilateral and multilateral initiatives along similar lines to the CDF. It will conclude that the need for partnership and more coordinated efforts is widely recognized and accepted.

The World Bank has reached a historic agreement with the International Monetary Fund to have a common Poverty Reduction Strategy developed with our client governments. We will take a balanced approach, linking the macroeconomic and financial parameters with the human, structural, and social aspects in one document that will guide the programs of each institution.

In the course of 1998 and 1999, we have learned that the causes of financial crises and poverty are one and the same. Countries may come up with the sound fiscal and monetary policy. However, if they do not have good governance, if they do not confront the issue of corruption, if they do not have a complete legal system which protects human rights, property rights, and contracts, which gives a framework for bankruptcy

laws and a predictable tax system, if they do not have an open and regulated financial system and appropriate regulation and behavior that is transparent, their development is fundamentally flawed and will not last.

What is the use of the lawbook if the judges are corrupt, if the poorest and the most vulnerable expect only brutality from the police? What is the use of constitutional protection if women face discrimination in the marketplace and violence at home? What is the use of foreign investment, if there are no accounting standards, no requirements for transparency, no contract laws, and no predictable and fair tax system? What is the use of privatization if there are no social safety nets to deal with unemployment, no rules to protect the public from private monopoly?

Flawed institutional development and governance and the lack of adequate and fairly paid staff gnaw destructively at policymaking, service delivery, and accountability.

We have learned, both from general experience and from the pilot CDF programs at the World Bank, that the strengthening of the organization, human capacity, and structure of the state, both at the central and local levels, is the first priority in the course of facing the challenge to reduce poverty. We have learned that when we sequence the steps of the CDF, we must give the greatest emphasis first to strengthening governance and capacity building in government and civil society.

This experience is confirmed by a recent UNDP survey of one hundred and fifty resident coordinators. Over one half of the respondents gave top priority to the need to strengthen governance and build capacity. It is supported by a recent survey of over 3,600 private firms in sixty-nine countries which identified the need for strong institutions and rule-making. It is supported by our own consultations with the poor who repeated the same cries over and over again: too much corruption, too much violence, too much powerlessness and weakness. They long for a system that gives them equity and voice. And if they cannot have this through the ballot box or through the government, they want it through informal organizations outside the government.

What would it really take to move from powerlessness to a democratic culture? What would it take to move from weakness to capacity for action? What would it take to move from violence to peace and equity?

First and foremost, it will take real commitment from the leadership of each country, both elected leaders and those with financial power and influence. It will take willingness to reform the systems of government, regulations, and institutions; it will take strong support for building capacity. It will take having police forces that are no longer seen as agents of oppression rather than protection and security. It will take strong local institutions to bring government closer to the poor. It will take empowering local people to design and implement their own programs because far less is lost in corruption when a community manages its own resources.

Governance and capacity are the key factors, whether you look at it from the government or the community level; whether you look through the prism of financial crisis, or human need; whether you speak to investors, bankers, or the dispossessed. In order to reduce poverty, our work must be focused on governance, institutions, and capacity building.

Studies have already found that good governance is associated with higher GNP per

capita, higher adult literacy, and lower infant mortality. Bad governance, associated with lower accountability, less transparency, higher corruption and crime, is found to be the number one impediment to development and poverty reduction. Weak governance threatens to undermine HIPC which will only work if the resources that are freed are purposefully used for poverty reduction. With weak governance, there will be no progress in education, health, water, energy, or rural and urban development. Weak governance threatens to marginalize countries and peoples from the economic mainstream and will keep them on the margins. For if lending is only effective in countries with sound policies and sound institutions, who will lend to the poor performers?

We do not have all the answers. We can only have success in partnership with others in the development community, including civil society and the private sector. In the months ahead, the World Bank will join with UNDP, which has skills and experience in this area, and also with others to look at what each of us is doing on governance and capacity building. We will assess the strengths and experiences that each of us brings, and determine how we might all go forward together.

Such an agenda requires that we focus on the inter-relatedness of the systems that work and make societies function effectively. It requires that we focus on sound public governance systems with checks and balances and that governments take up the fight against corruption.

It requires building the legal and judicial systems that protect the rights of citizens and their endeavors, going beyond the big-ricket governments and business deals. Corruption is a core poverty issue, robbing from the poor the little that they have. We must focus on the financial and banking systems that inspire equal confidence in global investors and peasant farmers with small savings, especially women. We must have modern corporate procedures including accounting, audit, and disclosure policies at the highest level. We must focus on microcredit schemes, on finance for small and medium-sized enterprises, and on micro-insurance schemes that work in both times of crisis and in ordinary times.

We must train well-organized, motivated civil servants and civic leaders who see the purpose of their jobs in delivery to the communities that they serve. We must remember that this training rests in turn on effective teaching and learning. We must concentrate on building strong local official and civil society institutions that inspire trust. For there can be no doubt that the local level is the real key to effective poverty reduction.

It takes more than changing formal rules to build these institutions. It means changing the informal rules and norms. It also means building people, building values, building skills and incentives that can support people committed to the changes.

There is a new model emerging in Africa, the Partnership for Capacity Building. It has taken two years to move from the conceptual stage to action. It is African-led and will be implemented by the Africans. It involves the direct support and collaboration of the World Bank, the IMF, UNDP, and the African Development Bank, and it is based on partnership with the private sector and civil society. We have pledged one hundred and fifty million dollars to a supporting fund. We will all join our African colleagues to support them in a coordinated and urgent effort to achieve their objectives.

But we must remember President Mkapa's enjoinder. We must create the doers of

development. Too many capacity building efforts have floundered in the past because they have not been rooted in the local ownership.

There has been much discussion about the complexity of reaching our goals at the country level, but we know that nations are dependent on one another. We know that nations are no longer the sole masters of their destinies. We need global rules and global behavior. We need a new international development architecture to parallel the new global financial architecture.

What might such an international development architecture look like?

First, it would be a coalition built on the cooperation of all the players, the United Nations, governments, multilaterals, the private sector, and civil society. It would be a coalition between the recipients, donors and the citizens of donor countries. It would be a coalition based on results. There must be effective performance in utilizing development assistance; it must be without corruption and the assistance must reach the poor. Voters in donor countries want to see that their assistance makes a difference.

Second, it would be a coalition that recognizes the need to break the chains of debt and also recognizes that we must have the resources to go much further and break the chains of poverty. The HIPC debt forgiveness which the World Bank has announced is the beginning of our challenge, not the end.

Third, it would be a coalition that recognizes the need for a trade system which works, with rules and norms that are fair, comprehensive, and inclusive.

Fourth, it would be a coalition that recognizes that the environment knows no borders. We need to implement international agreements on climate change, desertification, and biological diversity. We must act on these global conventions. We must ensure that the Global Environment Facility is fully funded to do its work.

Fifth, it would be a coalition that recognizes the power of modern research to democratize health; to harness new vaccines for eradicating AIDS, malaria, TB, and polio.

Sixth, it would be a coalition to make the information revolution truly universal; to bridge the growing knowledge gap, to connect all developing and transitional economies to the world and to each other, to be a real vehicle for sharing and learning via satellite, email, and the Internet. For there is no doubt that the technological revolution will have an enormous impact on the substance of development.

Globalization can be more than the unleashed forces of the global market. It can also be the unleashing of our combined effort and expertise to reach global solutions.

We need to build coalitions for change. Coalitions with the private sector which will invite foreign investment, create jobs, promote the transfer of technology and skills, and foster social responsibility. We need coalitions with civil society and communities to mobilize the kind of grassroots support we have seen behind the debt campaign and to extend it health, to education for all, to participation, and to poverty reduction. We need coalitions with governments to assist them in taking charge of their own development agendas with the participation of their citizens. Coalitions with each other put an end to the turf battles, the wastage, and the duplication. We need coalitions

with the religions, trade unions, and foundations to benefit our common work. Coalitions of commitment to the seven United Nations pledges on sustainable development, gender, education, infant and child mortality, maternal mortality, reproductive health, and the environment. The World Bank's commitment is to work with all our partners to help build those coalitions for change and to begin to put in place a new development architecture.

This is a complex agenda and the World Bank is gearing up to meet this challenge. On governance, we are already spending over five billion dollars a year on the civil service reforms, budget management, tax administration, decentralization, legal reform, judicial reform, and institution building.

We are working with about twenty four countries on anti-corruption programs. We help to train judges and run public national workshops which bring corruption into the bright glare of sunlight. We even train investigative journalists conscious that a free and professional press is a society's voice.

On knowledge, we have made dramatic progress since 1996. Our Knowledge Bank brings us closer together through distance learning using satellite connectivity. It takes knowledge to far-away places by closing the information infrastructure gap, reaching students through the African Virtual University and through the World Bank WorldLinks programs connecting school children in the industrialized world with their brothers and sisters in the developing world.

We have a major project to clear slums with programs built on the efforts of the local people by introducing land titles and self-sustaining infrastructure projects. With the World Wildlife Fund, we have built a powerful alliance to save our forests; with the private sector, the United Nations, and the foundations, we are building a Global Alliance for Vaccines and Immunization, an AIDS Vaccine Task Force, and a malaria initiative. With over 140 different partners, we have already wrestled river blindness into submission. This stands as a marvelous example of what we can do together. Furthermore, we are working with local communities to build partnerships from the bottom up through local democratic institutions, as in India. We have learned that the best and most effective projects we have are those that are locally based and close to our real clients, people in poverty in the rural and urban communities. We have learned that local ownership and involvement must be central to our architecture.

Staffed with 10,000 extraordinarily gifted and committed workers at the World Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), the World Bank Group is ready for the challenge. On the threshold of a new millennium, so much that could be possible is within our grasp.

We must have the courage and the leadership to reach out and grasp it. We should finally recognize that we live in one world. We are linked by financial systems, by communications. We are linked by environment and by trade. Migration knows no borders; crime knows no borders; drugs, war, and peace know no borders. Only national budgets stop short at frontiers. Only national elections pay little heed to the larger world.

We need the leadership to explain to people that national interests are international. We must reaffirm our commitment to development, a real commitment to act on the

generous statements made by so many of the leaders of industrialized countries toward the developing countries. We must find the commitment to meet the recommended level of 0.7 percent of GNP for the Official Development Assistance. And leaders of the developing and transitional economies must reaffirm their commitments to carry out their promises to bring about good governance, equality, and growth.

These commitments need a human and moral aspect as well. There needs to be a passionate rededication to each other as we enter the next century. All of us have to assume a responsibility for global equity, which is the only assurance of peace. The voices of the poor command this commitment.

A father from the eastern Europe said, "Poverty is humiliation, the sense of being dependent on them, and of being forced to accept rudeness, insults, and indifference when we seek help."

Bashiranbibi from the south Asia said, "At first I was afraid of everyone and everything: my husband, the village, the police. Today I fear no one. I have my own bank account. I am the leader of my village's savings group. I tell my sisters about our movement."

We must look forward, and commit ourselves to bring about the day when the poor of the world, the hopeful youth, the aged, the street children, the disabled, the rural workers, the slum dwellers, will all be able to cry out, "Today I fear no one. Today I fear no one."