

Message from the President of the World Bank and Chairman of the Board of Directors



During his visit to China in May 2002, Mr. Wolfensohn attended a ceremony to celebrate China's joining the Development Gateway Foundation as a Founding Member. He also launched the China Development Gateway together with senior officials of the Chinese government.

The past year has been one of extraordinary global anxiety and uncertainty, including the continuing economic slowdown, the conflict in Iraq, and the impact of a new disease, sudden acute respiratory syndrome (SARS). In this context it is more important than ever that we work with our development partners to redouble efforts to reduce world poverty.

The pledges made at the International Conference on Financing for Development at Monterrey in March 2002 underscored the importance of the collective effort needed to attain the Millennium Development Goals (MDGs), including the goal of reducing poverty by half by the year 2015. The Monterrey Consensus provides a framework of actions and accountabilities for all parties, developed and developing countries alike. All are agreed that we must now focus on implementation and augment the impact of our collective efforts.

For the World Bank this has translated into a special focus on implementation in four priority sectors that are key to meeting some of the MDGs—education for

all, HIV/AIDS, water and sanitation, and health. Working with our partners in these areas we have learned a number of lessons that can be applied going forward. First, support must be based on country-driven programs set in a sound policy environment. Second, where the right policy environment exists, the international community needs to be ready to provide the additional support to help countries meet their targets. Third, resources must reach countries in the right form—that is, aligned with their budget cycles, untied from donor-driven imperatives, and with simplified and harmonized donor procedures. Meeting the MDGs not only will require more development assistance but also will require that assistance to be used even more effectively.

The approach embedded in the Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Papers (PRSPs) helps us all respond to the challenge of improving development effectiveness—and that approach is increasingly taking root in many of the poorest countries. We also have begun to better

understand how the CDF principles can be applied in middle-income countries to address issues of poverty and equity. In addition, we are making special efforts to assist the group of low-income countries that suffers from weak policies and governance, including those with long-standing conflicts. Without progress in those countries, the MDGs will not be met.

In partnership with others, the Bank's support to the poorest countries has included debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative. Over time this will reduce debt stocks and debt-service burdens by an estimated \$40 billion from all creditors. In the past year our own internal review of HIPC has indicated that there are areas where we can improve the initiative even further—and action is under way to implement the changes. The 13th Replenishment of the International Development Association (IDA-13) agreement to provide grants to the poorest and debt-vulnerable countries is also a significant step forward.

Monterrey underscored the central importance of trade in attaining the MDGs. At the Doha meeting on trade last year, the international community made a commitment to collective action that holds the promise of truly integrating trade with development. As we approach the halfway mark of the Doha Round, the challenge of translating that commitment into concrete results looms large. Agriculture is the most crucial and most difficult issue on the agenda—and market restrictions and subsidies in agriculture are the most important external impediments to tackling poverty in the developing countries. In fact, the amounts of aid needed globally by all the developing countries to reach the MDGs represent a fraction of what is spent on agricultural subsidies by developed countries. Action on the trade agenda is a top priority for the international community.


Private sector investment and productivity are also needed to accelerate growth and achieve the MDGs. For vital investments in sectors of the economy such as infrastructure, for example, much of the investment continues to come from the public sector, which funds 75 percent to 80 percent of the estimated \$250–\$300 billion of annual infrastructure investment in developing countries. Throughout the developing

world, more than 1.2 billion people lack access to safe water, and nearly twice as many do not have improved sanitation. Given the scale of the needs, the World Bank Group, with the support of our Board and in partnership with many other development actors, will increase our investment in infrastructure. And through our focus on policy reform and capacity building we will aim to leverage additional financial support from both public and private sources.

Our actions must lead to development that is sustainable. The World Summit on Sustainable Development held last year in Johannesburg, South Africa, emphasized the need to move toward a sustainable future, combining environmental responsibility with social equity. The Bank Group will continue to take fully into consideration the effect of our development programs on future generations.

Strengthening our partnerships has become a core objective of the Bank in recent years. Two principles have been key in our search for better coherence and cooperation. First, in the interests of efficiency and effectiveness the Bank has sought to work increasingly closely with all relevant partners, deferring to their work and judgments in areas where they have comparative advantage. Second, at the country level we have stressed the principle that all partners must align behind country-owned strategies. Ultimately, increased effectiveness and a better chance for sustainable and successful development can be ensured when the countries truly steer their own development with the full support of the international community.

During the past year we have made important inroads in that regard. But we all must step up our efforts if we are to meet our joint goal of cutting poverty in half by the year 2015. I can assure you that the dedicated and talented staff of the World Bank Group is committed to this endeavor in the period ahead.



James D. Wolfensohn