

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

A new millennium is beginning. For the World Bank, it is a time to ask ourselves, how can we improve our effectiveness in the fight against poverty? It is also a time to act: with urgency and with responsibility. Urgency, because roughly two billion more people will be joining us on this planet in the next 25 years, and we must be ready for them. Responsibility, because the 2.8 billion poor who currently live on less than two dollars a day are our fellow human beings, and not just a statistic.



In January 2000, James D. Wolfensohn addressed the Security Council on the impact of HIV/AIDS on peace and security in Africa, marking the first time that the Council discussed a health issue as a threat to peace and security.

Achieving a world free of poverty is an enormous and complex undertaking. And solutions are far from simple. The challenges are multidimensional; they call for people, groups, and institutions to come together to play a wide range of roles in a collegial, collective effort. It is only with strong coalitions—local, national, regional, and global—that we will succeed in fighting poverty; that much is clear.

What does it take to reduce poverty?

Our strategy, at the **country level**, is rooted in a wealth of lessons from development experience. Some of the key lessons are: that development assistance leads to progress in sound policy and institutional environments; that economic growth is crucial but must be accompanied by government action targeted to meet poor people's needs and to address the social costs of reform; that reforms cannot be imposed from the outside but must be "home-grown"; that communities must have a voice and play a role in their own development; and that open economies grow faster than closed economies. Our recent work on poverty—economic analysis as well as consultations with poor people—reveals that

people in poverty are an asset, not a liability. It is imperative that we give them opportunities, that we empower them, and that we ensure their security.

Drawing on these lessons, our work is guided by the following principles:

➤ **Country ownership:** A country's progress depends fundamentally on its directing the policy agenda. Actions taken without broad buy-in have too often turned out to be unsustainable. Success requires that consensus-building by all stakeholders be part of the action agenda.

➤ **Long-term integrated approach:** To achieve sustainable growth, crucial for poverty reduction, poverty reduction strategies must be multidimensional. These strategies must address macroeconomic as well as social, environmental, and institutional needs. Progress must occur on all fronts, ranging from governance, anticorruption, and judicial and financial systems to health, education, and transport policies.

➤ **Partnership:** Collaborative relationships, shared objectives, and a mutually agreed-upon division of labor are crucial. We need to go beyond aid coordination: we need to align strategies, be selective, draw on mutual expertise, and reduce wasteful competition and duplication among donors.

➤ **Results focus:** It is crucial to have development outcomes as our guides, and these must flow directly from the long-term vision. Countries must set poverty reduction targets, lay out public policy actions to achieve them, and work with civil society to monitor progress.

We put forward this vision last year to the global community under a pilot approach we call the Comprehensive Development Framework (CDF). I am heartened that it is increasingly a shared vision. More countries and more partners are testing the CDF approach and participating in this work-in-progress. Our work with these countries in fiscal 2000 has advanced: their interest creates the learning ground, their experience will define the way forward. Continuing this theme is our joint endeavor with the IMF to help those

countries eligible for debt relief, under the Heavily Indebted Poor Countries (HIPC) Initiative, to produce Poverty Reduction Strategy Papers (PRSPs).

Our strategy to fight poverty also requires action at the **global level**. There is much that can be done to promote disease reduction globally through greater use of cost-effective vaccines; to raise awareness of the impact of HIV/AIDS on development; to address transnational challenges such as the prevention of financial crises; to provide concerted debt relief to poor countries; and to preserve the world's natural resources. Each of these efforts could have a profound impact on poverty. In addition, empowering people with knowledge and technology could have far-reaching benefits. The Bank has taken important steps to advance the concept of the "Knowledge Bank," including efforts to develop the framework for a Global Development Gateway, being conceived as an Internet-based vehicle facilitating the provision and exchange of information.

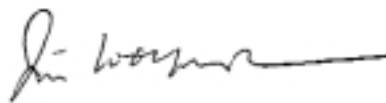
At both country and global levels, our emphasis is on demand-driven services and aid effectiveness. The past year's decline in lending relative to the previous year's record volume attests to this evolution. Emerging market countries have needed substantially less financial support due to the strong recovery of global financial markets and a resumption of access to private capital. Other countries are indeed in need but lack the circumstances (national peace as well as sound policies and institutions) that would permit an effective use of financial aid. Lower lending also reflects smaller-sized operations, through which the "New Bank" has responded to country needs to adopt pilot approaches and build institutional capacity as prerequisites to successful development efforts. The Bank has, moreover, increased its reliance on nonlending services in the policy dialogue, recognizing their key role in building support for development efforts.

I cannot stress enough the importance of partnerships. The task ahead is too formidable for any single institution or set of institutions to tackle. Every one of us has a role to play: private sector, public sector, civil society, nongovernmental organizations (NGOs), academia, religious

groups, multilateral and bilateral donors, and development organizations. If we are to achieve the United Nations-based international development targets, we all need to work together (see Box 1.1). Halving poverty levels by 2015 is possible, but only if we concert our efforts in a new way.

It is my firm conviction that the Bank has a crucial role to play in this challenge. As a cooperative, we enjoy the backing of nearly every nation of the world in pursuing our mission. As a development institution with a half-century of experience across countries and sectors, we have a vast array of lessons that we continue to build on every day. As a global institution with offices throughout the world, we have an unparalleled reach, growing in leaps and bounds in this age of communication, which is helping us get closer to the people we serve, and to share knowledge that is key to empowerment and progress. As a strong financial institution and leader in capital markets, we mobilize funding on good terms and tailor it to meet long-term development needs typically unmet by private creditors. And as a multinational employer, we are blessed with a rich pool of skills and talent, a group of people with an unequalled professionalism and devotion to fighting against poverty. I am enormously indebted to them.

The World Bank's track record shows clearly that we are making a difference, and that we are learning and adapting to client needs. Our task is to build on all that we have achieved. We, as a global community, can go down the business-as-usual path and see the numbers of poor grow steadily, decade after decade; or we can innovate and follow the path with more unknowns but infinitely more promise. For the Bank the choice is clear: we have embarked on a path of change, and we are committed to listening, learning, and acting in partnership until more and more people partake in the many opportunities that the new era of growth, technology, and global development has to offer.



JAMES D. WOLFENSOHN