

• P R E S S R E L E A S E •



World Bank

1818 H STREET, N.W., WASHINGTON, DC 20433

Contacts:
Marshall Hoffman -703-820-2244
Klas Bergman -202-473-3798
Radio -Marie-Christine Bonzom -202-473-0697

**Embargoed for: Not for publication or broadcast until:
Tuesday, July 19, 1994 - 4:00 p.m. EDT (20:00 GMT)
Exclusively released from Washington, DC**

Lewis T. Preston, President of the World Bank, and Armeane Choksi, World Bank Vice President for Human Resources, Development & Operations Policy, will hold a news conference on Tuesday, July 19 at the Bank - 701 18th St., N.W., Washington, D.C., Rm. J-1050 at 10:30 a.m.

World Bank Sets New Agenda Fresh Policies To Guide Institution Into Next Century

The World Bank, founded in 1944 to assist the drive for global recovery and prosperity after World War II, is changing to meet the challenges of the post-Cold War era, says the Bank's President, Lewis T. Preston, in a special report issued to mark its 50th anniversary.

The report —The World Bank Group: Learning from the Past, Embracing the Future—says the Bank, working with its partners and borrowing countries, will strengthen its efforts to meet fundamental development objectives such as universal primary education, access to a minimum package of health care, and the elimination of malnutrition within the next generation.

"The world has been transformed since the historic 1944 conference at Bretton Woods, New Hampshire (which led to the Bank's creation)," says Preston, noting in particular the accelerating pace of economic, political and technological change in the post-Cold War period. "The Bank is proud to have played a part in the remarkable development progress achieved since Bretton Woods, but new emphases and fresh approaches are needed as we confront the challenges now before us. This report constitutes our vision of the Bank's future directions, based on a realistic appraisal of the needs, a critical self-examination, and a careful assessment of how we must change to best serve our member governments and their peoples."

The report cites five major "challenges" that will dominate the development agenda and shape the Bank's future work:

- *Pursuing economic reforms* –to promote a pattern of broad-based growth to reduce poverty.
- *Investing in people* –through expanded programs for education, health care, nutrition and family planning—so that the poor can participate in and contribute to growth.
- *Protecting the environment* –so that growth and poverty reduction can be lasting, helping tomorrow's generations as well as today's.
- *Stimulating the private sector* –so that countries can become more productive and thus boost growth and create jobs.
- *Reorienting government* -- so that the public sector can complement private enterprise and undertake essential tasks such as human resource development and environmental protection.

To address these challenges, the Bank must be "leaner, more agile and more responsive to changing client needs," Mr. Preston says.

The report stresses that while external financial assistance remains vital to stimulate economic growth and reduce poverty, political commitment to reform, and effective implementation by the developing countries themselves are even more important. In support of these efforts, the Bank has successfully combined policy advice, technical assistance and lending in its programs over the past 50 years. It has supported more than 6,000 operations in some 140 countries with more than \$300 billion in financing. In the next decade, projections indicate that about \$200 billion of new funding could be made available.

World Bank loans are the largest single source of external finance for development -- some \$20 billion a year -- but they also play a vital catalytic role, generating many times the amount of money for each Bank dollar.

The global effort to reduce poverty and promote human development, to which the Bank has contributed, has shown significant results over the last generation: a doubling of incomes per person; a 50 percent increase in life expectancy; and a halving of infant mortality.

The Bank began by helping with the reconstruction of postwar Europe and Japan. Since then, working with its member countries and other partners, it has contributed to the increase of food production in South Asia; the promotion of growth and poverty reduction in East Asia; the resolution of the debt crisis in Latin America; and the improvement in basic health and literacy in Sub-Saharan Africa. More recently, the Bank has begun to assist

with economic transformation in Eastern Europe and the former Soviet Union, and to help with investment in peace in the West Bank and Gaza.

But enormous challenges remain: more than a billion people in the developing world struggle to survive on less than a dollar a day; two out of every five people do not have basic sanitation or clean water; and 100 million children do not have access to even primary education.

To respond to this development agenda in the context of rapid global change, Mr. Preston says that "the Bank has to change." The report sets forth six principles that will guide the Bank's actions:

- **Selectivity** -- identifying, at the country level, the strategic interventions through which the Bank can maximize its own impact and help catalyze the maximum potential of others;
- **Partnership** -- seeking out alliances and effective relationships with other members of the international community -- multilateral, bilateral, governmental, non-governmental and private;
- **Client-orientation**-- responding more effectively to the needs of clients and facilitating their participation in the design and implementation of Bank-supported programs;
- **Results-orientation** -- looking beyond lending commitments and concentrating on maximizing development impact, better quality of service, greater efficiency and more accountability for performance;
- **Cost-effectiveness** -- ensuring that scarce development resources are spent wisely and efficiently by streamlining bureaucratic processes and reducing paperwork;
- **Financial integrity** -- continue to accord the highest priority to financial prudence, because the institution's ability to provide both resources and the best possible service to its clients ultimately rests on its high standing in the financial markets.

The consistent application of these six guiding principles and the increased emphasis on efficiency, cost effectiveness, and results will require change at the Bank. "The Bank of the future will measure its success not simply by the volume of its financial commitments, but by the quality and efficiency of its services, the effectiveness of the projects and programs it supports, and the depth and quality of the partnerships it develops," said Mr. Preston.

FIVE DEVELOPMENT CHALLENGES

1. Pursuing Economic Reforms

Developing countries are accelerating and deepening their policy and institutional reforms to enhance growth, improve living standards, and reduce poverty. Most nations now strive for "market-friendly" approaches to development - with an emphasis on the private sector to create jobs and incomes. The Bank Group has been a strong supporter of the business environment in all its dimensions through its support for economic policy reforms in its borrowing countries.

Where countries have successfully completed macro-economic stabilization and the first phase of adjustment reforms, the Bank will assist them with a "second generation" of reforms to consolidate achievements. What is required will vary from country to country, but the menu will include improving legal and regulatory frameworks, developing capital markets, and reforming the civil service.

Promoting human resource development and protecting the environment will continue to be emphasized. In addition, the Bank will help governments to deal with the social and environmental impact of policy reforms; develop new approaches to improve the efficiency of the civil service and public enterprises; and support regional cooperation in order to strengthen participation by the developing countries in the global economy.

2. Investing in People

The Bank new report calls it "intolerable" that hundreds of millions of people still lack access to minimally acceptable levels of education, health, nutrition and family planning services. To help address this fundamental issue, "the Bank will continue to increase total lending devoted to investments in people," the report said. Bank lending for human resource development has already increased sharply, from an average of about 5 percent of total lending in the early 1980s to about 17 percent (over \$3 billion) in fiscal 1994.

"We are giving much greater priority to the role of women in development," Mr. Preston says, "and we will give intensified emphasis to early childhood development, including immunizations, provision of vitamins and other nutritional supplements, and preschool educational programs."

In education, the Bank's emphasis will be on assisting countries to increase access to quality primary schooling. In health, a core package of cost-effective public health and clinical services is the priority. The Bank will also pursue a comprehensive approach to population policy, underscoring the demand for and supply of family planning services, women's health and education.

3. Protecting the Environment

Between now and the year 2030, the GNP of the developing countries is projected to grow five-fold. Environmental pollution and natural resource degradation will rise unless sound policies to ensure sustainability and strong institutions are put into place. Urban areas will pose especially difficult challenges because some 90 percent of the projected global population increase of 3.7 billion is expected to be there.

In recent years, the Bank has substantially increased its environmental work. There are now more than 100 Bank projects that specifically address environmental problems in 50 countries, representing a commitment of \$5 billion. The Bank has also assisted 77 low-income countries to prepare environmental action plans.

In the future, the Bank will expand its efforts to:

- Assist borrowing countries to prepare, update and implement environmental strategies and action plans;
- Promote innovative and participatory processes in urban management, assisting cities to formulate environmental management strategies and helping to mobilize the financial resources needed for their implementation;
- Help mobilize resources for innovative agricultural research that will increase production while protecting the environment.

4. Stimulating Private Sector Development

The Bank Group is currently implementing a greatly increased program of activities to enhance the role of the private sector in development -- through a broad range of support for policy reforms and investments. In particular, the International Finance Corporation (IFC) -- established in 1956 to promote private enterprise development in the developing world - has increased its own investments sharply from \$609 million in fiscal 1985 to an estimated \$2.4 billion in fiscal 1994. IFC's investments are projected to grow by about 12 percent a year until the end of the decade. The role of another Bank affiliate -- the Multilateral Investment Guarantee Agency (MIGA) -- in providing insurance against non-commercial risk, is also increasing (its insurance portfolio now exceeds \$1 billion).

To stimulate private sector development further, the Bank Group will:

- Undertake operations aimed at strengthening the development of financial institutions and capital markets in developing countries;

- Continue to support privatization;
- And expand innovative ways of assisting small-and-medium scale business.

5. Reorienting Government

In order to strengthen the complementarities between a leaner and more efficient government and a revitalized private sector, the Bank will:

- Work in partnership with countries and other development agencies to strengthen institutional development;
- Place greater emphasis on the legal framework for development;
- Assist Bank borrowers improve the accountability and transparency of their economic systems.

The Bank's Fundamental Objective

In helping developing countries to meet the unfinished development agenda, the Bank Group -- which is now virtually universal in its membership -- will bring to bear the key lessons from 50 years of experience. Mr. Preston emphasized that "the Bank's fundamental objective remains constant: helping borrowers reduce poverty and improve living standards through sustainable growth and investment in people."

* * *