

# Presentation by World Bank Group President Robert B. Zoellick to the Panel: "New Development Challenges and New Development Partnerships - the Relevance and Urgency of Aid Reform"

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[Transcript]

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MR. ZOELLICK: [in progress] on the global stage. This morning, Donald Kaberuka and I had a chance to meet with some of you. We had a session with African ministers, to talk about the challenges of high food and fuel prices. As we close, Donald made what I thought is an excellent suggestion, and that is as we leave this conference, we try to do so with a focus on practical steps that we continue to support the provision of nutritious food and increasing the production and productivity of agriculture, especially for small holders.

So, in my comments this morning, I'm going to try to raise a few of those points, because I think that breakfast was a very concrete reminder about what aid effectiveness is about, because as the double jeopardy of food and fuel prices could end up pushing some 100 million people back to poverty, reversing a lot of good work done by the people in this room and most importantly the countries themselves.

Now, of course, it's common sense that we have to try to make aid work better, but let's consider a few facts to see what that challenge is about.

On average, there are now some 33 donors for each country. In 2007, these donors conducting an astonishing 14,000 missions to 54 countries, and only 18 percent of those were done with another donor. The average country hosts 260 donors a year. Vietnam had 752 in 2007. Tanzania had 407, and that was only because Tanzania has imposed some quiet periods to allow its ministers to work and not lead missions. Cambodia had 22 different donors in the health sector alone, with 109 separate projects. And as we had more donors, we had more transactions of smaller sizes. So, in 2006, there were more than 70,000 aid transactions, the average project size was \$1.7 million.

Now, these are well intentioned, but there's a problem here, and these facts drive home what I think is the most critical part of the effort starting in Paris and being carried forth today, which is that partner countries have to be in the drivers seat. But we can't just leave this as a slogan. It means that donors have to try to work and support and build the capacity for country ownership, and national ownership needs to be matched with national responsibility, issues of good governance, transparency, anticorruption, and accountability.

But if these are combined with the foundations of a dynamic private sector, especially with property rights, rule of law, basic security, we can see real progress. Let's just consider these results which are often not appreciated in the wider world.

Between 1997 and 2007, a decade period, Sub-Saharan Africa had 17 countries, 34 percent of the population, that grew on average 5.9 percent without oil resources. Another eight oil-producing countries, with about 30 percent of the population, so we're almost up to two-thirds, grew on average 8.1 percent. And the last third was represented by this problem of post-conflict countries.

For the first time in three decades, Sub-Saharan Africa's growth rate is now the same as the rest of developing world if you exclude China and India. Now, these are some pretty [inaudible] prospects.

Now, this format that we have today is supposed to encourage greater interchange on these topics. It's a good idea. I know there's been a lot of the discussion about the Accra Action Agenda, and I think it includes a number of good steps, but try to push this discussion forward a little bit and let me suggest a few other points.

First, in a practical sense, this problem of hunger and malnutrition accentuated by high food prices is not going to go away soon. So, the World Food Programme and others are going to need more flexible and more predictable food assistance. About 90 percent of the World Food Programme's funding is restricted with earmarks. Now, if coming out of this conference and in the weeks and months that follow, donors can just supply some more support and flexibility, then the World Bank can help work with the World Food Programme to cut costs and facilitate assistance by using some risk management

tools. This would be a very practical step of improving effectiveness in the food and hunger area.

Second, export bans and restrictions are making this food problem much worse. As I mentioned to President Johnson-Sirleaf, the World Bank has actually released the funds she talked about, but the World Food Programme and we have had a hard time being able to buy the food locally, so we had to import it, I think, from Turkey, and that's why the delay has occurred. It shows the practical aspects of disbursement related to food.

The World Food Programme, in my view, should be exempt from these export bans. If you can't exempt everybody, at least exempt the World Food Programme and humanitarian partners.

MR. ZOELLICK: I would also suggest we do it for poor countries.

Now, of course, this raises a problem: At the breakfast, one of our partners mentioned why they put an export ban in. Tim Thahane of Lesotho mentioned the need to develop some regional programs, perhaps regional stops, and this is another area where I think we at the Bank can help.

Third, the possibilities to expand transparency and boost effective development are just starting to be tapped. Whether it's a question of posting budgets for schools on the door, or whether it's a question of working with extractive industries, the potential gains are very great.

One important idea is for donors and recipients to report their funding in ways that eases tracking and accountability. In this context, I think the UK's International Aid Trade Transparency Initiative is highly timely and very useful.

Fourth, we should be channeling more aid through national budgets. Parallel systems certainly underline the most important outcome we could have, which is national responsibility.

Take Afghanistan. Two-thirds of the assistance to Afghanistan is outside the national budget. How can you build ownership? How can you build legitimacy if you don't have the national budget being responsive?

And it fits right back to our clients' discussion about agriculture, because one of the topics that came up from the ministers is, to make agriculture work, we need to make small holder development work. That means irrigation assistance, that means storage assistance, that means road assistance.

For Africa as a whole, you now have--we have the CAADPA Program. So, this is an example of how we need to build in the support for national programs.

Fifth, as President Johnson-Sirleaf recently underscored in a very excellent op-ed, the private sector will ultimately be the key to having inclusive and sustainable development. Governments need to free markets to be able to work for their people. They need to make it easier and safer to do business. And by doing so, they can foster the best forms of aid, self-help through jobs, and savings, and investment.

This morning, again, the topic came up of how you help small holders with extension services, fertilizers, marketing, finance and, as a number have mentioned, drawing on the South-South experience. This is how you can combine the public and private effectively.

Sixth, donors need to be more flexible and innovative in creating partnerships with new players. I'm delighted that we have so many foundations and civil society groups joining this effort. I found them to be extremely useful in prodding, thinking, and trying to come up with new ideas.

The World Bank Group is in particular trying to develop the notion of South-South exchange, trying to draw the experience of some of the rising economic players such as India and China and Brazil and Mexico.

Also, we have some of the Arab development institutions here who are playing an increasingly important role. And as the recent conference here in Ghana also suggested, and as Kemal mentioned, this is going to have to be connected to another bigger challenge, that of climate change.

Seventh, we have to make our assistance faster, more flexible, and especially given the need to respond to global economic shocks. That's why I'm pleased the Bank Board agreed to create this global fund finance facility to allow us to move more quickly.

But all of us have much more to do. Again, at the breakfast discussion, the real experience of ministers is they might lower tariffs, they might have to do some budget challenges. So,

that brings you right back to fiscal policy. So, the IMF has been very helpful in trying to be more flexible and adaptable in dealing with some of these budgetary issues, but also trying to ward off the dangers of inflation.

Eighth, we have to make greater use of multi-donor trust funds: the ease, the cost, and some of the administrative burdens. A lot of the big countries want their flag on every project. I can understand that, but please recognize it involves a cost. And if you think about all the donors involved, we can save a lot of time, with a lot of improvement and efficiency if we can do [inaudible] trust funds.

Ninth, I think all of us have to keep our eye on fostering continuous innovation. As the world changes, so must we. Donors can start to use innovative financial instruments to better manage developing country needs. We're looking at how we can use crop insurance to help some of these small farmers, or disaster insurance, or working with countries on some sovereign local currency financing, avoiding the foreign exchange risk, trying to create local currency, invest in bond markets to help deepen the financing abilities, and, importantly, trying to link developing country equity markets with the new holders of capital in sovereign wealth funds.

In addition, this also applies to agriculture. Some of our speakers this morning talked about the criticality of traditional crops, but in Sub-Saharan Africa, only 11 percent of the plantings involve improved seed varieties; that's compared with 55 percent in South Asia, and 48 percent in the Mid-East.

Finally, donor countries have to keep their promises. Effectiveness, there's a lot that can be accomplished with that, but it does have to be combined with real resources. And so far, donors are short some \$39 billion of the target they set in Gleneagles for \$130 billion a year. So, let's focus on practical steps.

In July, around the time of the G8 meeting, President Barroso of the European Commission announced a proposal to try to devote €1 billion that wasn't needed for the common agricultural program to help with this problem of agriculture and food. It took some courage for the Commission to do this, because it is going to involve some change in rules.

Well, we've got member states here, we've got members of the European Parliament very interested. In September, in the next weeks, this decision of €1 billion is going to be made. So, we want to focus on practical steps, we want to focus on effectiveness. Let's leave this meeting with a vote of support of the Commission's proposal and get this done so that people can put real resources to support the efforts that we are talking about in communiqués.

So, as this quick list makes clear, there's some pretty exciting possibilities out there to improve performance and effectiveness. It is certainly a worthy challenge, and I would well note it's a vital one. So, thank you.

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