



***The Development Challenge Five Years After the Millennium Summit***

*By*

**Kemal Derviř**

**Administrator of the United Nations Development Program (UNDP) and Chair of the UN  
Development Group**

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C O N T E N T S

## Welcome and Introduction:

EDWARD W. SCOTT, JR., Chairman  
Center for Global Development

NANCY BIRDSALL, President  
Center for Global Development

## Featured Speaker:

KEMAL DERVIŞ, Administrator  
United Nations Development Programme

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## P R O C E E D I N G S

**MS. BIRDSALL:** Good afternoon, ladies and gentlemen. If I could encourage everyone to sit down in the back, I'm Nancy Birdsall and I'm very pleased to welcome all of you to this session with Kemal Derviş. It's always a pleasure to see not only a large crowd, but a high-quality crowd.

I want to start by taking advantage of Kemal's being here to introduce to all of you the Chairman of our Board, Ed Scott. We don't always have the opportunity to have him with us when we have major speakers. I think it's very appropriate that he is with us today because from the beginning he has taken a special interest in work that we'll be talking about in a minute of Kemal's.

Let me say about Ed Scott that many of you who know the Center know that it was his vision and his generosity that got us started, and it has been his continued engagement in the issues including an issue which Kemal and Ed share a lot of interest that has ensured that we continue to realize I'd say really the--part of our overall vision and mission which is it really matters what happens to people on the ground. You policy wonks can go on with a lot of talk in Washington and the best possible research, but if it isn't making a difference out there in improving people's lives, that's not the point.

So with that short introduction and my thanks to Ed, I'm turning over the floor to him. Ed?

[Applause.]

**MR. SCOTT:** Thank you very much. I'm the person who gets to speak without any considerable substance, so I'll just tell you how I feel about what's going on in the Center.

First I want to thank so many of you for coming here. Virtually every chair is taken. There are a few chairs up front, but not many, and I think it's a tribute to both the success of the Center and people's interest in what Kemal is going to talk about that has given us the opportunity to welcome such a large crowd of Washingtonians at the end of the week.

The center is now moving into its fourth year and we've engaged on a number of issues, and it's truly extraordinary the impact the Center has had on people's thinking. Those of you who read The Washington Post may have noticed that today's lead editorial is all about one of the centerpieces of the Center's work, the Index of Commitment to Development, and almost everywhere I go particularly on the Hill people are consistently complimentary of Nancy and complimentary of the work of the Center.

It was striking to me when yesterday we had an event we did jointly with the Council on Foreign Relations and the Africa Society where we heard from the President of Uganda, His Excellency Mr. Museveni, and it was very interesting to hear his observations about Africa, not just about his own country, but remarking about some of the issues with respect to the challenges of statehood in small states versus the changes that are occurring in the coming century and the need to think more and more in terms of regionalization the way the E.U. has done, the way Latin America is beginning to do and what the implications may eventually mean for Africa.

Africa has flirted with some forms of regionalization without a tremendous amount of success so far, but Kemal and I have talked about that issue a number of times. So it's kind of interesting how the Center's work around debt, around trade, around global governance, around global health care with the blockbuster book that Susan Levine and her group put together, and around the issue of failed states, by the way, has caused people to sit up and listen to what the Center has to say.

But having said all that, Nancy is dead right. I'm involved in a number of other nonprofit initiatives that touch on the issue of global poverty and global public health and one of them has to do with the work of the Global Fund. Now you see the G8 becoming very open to the issue of reducing global debt and you see the G8 becoming more and more supportive of the work of the Global Fund. So that a lot of the impediments to what's needed to begin to improve the situation of global poverty have been stripped away. The response to the tsunami is another example of how the global community has begun to more and more understand and step up to its responsibilities to help the poor countries.

But it's all about what happens on the ground, so it's very fitting I think and a great pleasure that one of our Visiting Fellows now has a core responsibility for that issue through the United Nations and through his stewardship over the UNDP Program.

It's a great pleasure to have all of you here. I think we're going to see even better things from the Center in the years ahead, and I thank you all for taking your time to be here and to listen to a person who is really making quite a contribution to the issue.

I'll turn the microphone back over now to Nancy to introduce Kemal.

[Applause.]

**MS. BIRDSALL:** Thank you, Ed. I know you all came to hear Kemal mostly, so let me go straight away to an introduction of him.

You have his biography. If any of you don't know him already, you can read a lot about his accomplishments so I won't repeat them saying only that he is now the head of the United Nations Development Programme. I'm sure we'll hear a little bit

from him about the ringer he may have been through, I'm not sure, over the last week or so in his first few weeks on the job.

The main thing I wanted to say is how fortunate we are to have Kemal as a friend of the Center, as a friend of development. He's a brilliant economist. He's been a politician as a member of Parliament. He shepherded Turkey through its financial crisis so he knows the business from the side of an emerging market economy.

Most of all I would say we're fortunate to have him at the United Nations. He has thought a lot about the problem and the challenge of better global governance. I hope some of you will take a look at his book which we have available for you.

We were lucky to get him in a small space between his work in Turkey and this very new and critical job for him, really the critical window when he had some time to think and we had the great benefit as having him as a visitor and a friend at the Center, and he prepared this book on what is the shared interest of Ed and Kemal which is this challenge of collective action in a world where we have a global system and a global economy, but not yet really a global polity.

Here is a man who stands for me for what the development challenge is all about which is he has a hard head, he's very hard-headed, and a very soft heart. Kemal?

[Applause.]

**MR. DERVIŞ:** Thank you so much Nancy and Ed, and to all of you many, many friends, the Center was really a great friend of mine and a great support to me while I was in politics. I was in Parliament, I was a Minister for a while, but for short periods I could escape, come to Nancy and Nancy's group and think, write a little bit, collect my thoughts, sometimes one week, sometimes three days, one time actually four weeks and that's when the book mostly got written.

But it was a tremendous support because when you're in Parliament or I was also in Europe at the European Convention drafting that rather ill-fated Constitution, but you get into day-to-day action and it's very hard to have the time to think and to collect your thoughts a little bit.

It was invaluable, and frankly, I recommend it to those who are in politics or in day-to-day kind of battles, sometime in the summer or sometime when people have time they should go to the Center for Global Development and spend about 10 days and they will be all the more effective I hope for it.

When we agreed with Nancy on this talk today, we chose the time right after the U.N. Summit, and really what I want to do today is share with you a little bit of what happened at the Summit, of course put it in the overall context of the debate on

development, on aid, on aid effectiveness heading also of course to the Summit of the WTO in Hong Kong, put it in that context.

But I want to share with you a little bit the spirit that I watched at the United Nations during the last 2 weeks. It was very, very hectic. And also tell you a little bit about the UNDP, the U.N. Development Group, because it's not just the UNDP, it's also the other development agencies, and how I think we fit into the overall fight against poverty and struggle for more equity and faster growth in the world.

On the Summit, it was remarkable. There were about 170 heads of state or heads of government who came, and of course foreign ministers, many economics ministers also. Not too many finance ministers, they're all arriving in Washington tonight or tomorrow, but there was really the whole world.

For me it was the first time and it was very interesting and I thought of Ed because you meet with the Foreign Minister of India or the Prime Minister of China or the Secretary of State of the United States, and then you meet with the Prime Minister of the Comoros, a very small, tiny country in the Pacific, but it's also a nation-state and we live today still in a world of nation-states.

Yet there is still something about the individual nation-state, and I sensed that very strongly at the U.N. General Assembly, that that's one dimension of the U.N. that is very valuable to these nation-states because it's one place where they come as equals in a sense, equals in a very limited sense, but nonetheless in a sense as equals. I want to reflect on that a little bit later because it makes things also very difficult, 190 people have to speak, 191 people have to speak, in ECOSOC more than 50 people have to speak.

It's not like at the World Bank and the IMF where the boards are representing groups, and even then I remember we thought there were too many board members at times. So it makes life very complicated in many ways. But on the other hand, it has a certain dimension of legitimacy which is absent from many other fora.

There was suspense about the outcome. The outcome document had to be negotiated. Consensus is not absolutely required, but very desirable, and in the end 191 heads of state agreed on an outcome document. Of course it had to have a minimum common denominator approach because there were so many conflicts and different views, but at the end of the day nonetheless there were substantive things in this outcome document to which I will come to now.

On the development side, and particularly of course for UNDP, and the UNDP has been with Mark Malloch Brown and of course the Secretary General himself, Kofi Annan, have been the champion of the MDGs over the last 5 years, the Millennium Development Goals. So for us it was a tremendous source of satisfaction and happiness when we had the President of the United States after lots of debate say very clearly the United States supports the Millennium Development goals, period, as The New York

Times said that day. That was a real breakthrough. Never did it happen at that level before.

I want to talk a little bit about that. Secretary Rice also made a very I think impressive speech in front of the General Assembly where her message was very clear, we want to support the United Nations, we want to work with the United Nations, we believe in the United Nations, we believe there is need for reform, for change, but we want to work with you. This is a partnership and we're part of it. Given all the debate that has proceeded the Summit, I think it was a major success, and I think the Secretary General deserves a lot of credit for that.

On the MDGs, the Millennium Development Goals, I must confess that when I was fighting the financial crisis in Turkey, I hadn't quite realized how much the MDGs had caught the imagination of the development community, of NGOs, of civil society of young people around the world, and of countries. When I got the job to head the UNDP, I got Emails from Turkish students and citizens. Turkey being a middle-income country is not in a sense at the heart of this development debate which is more focused on the less-developed countries, on the least-developed countries of Africa and so on, but I got a lot of Emails saying we're so happy that you're going to work for the Millennium Development Goals.

What I witnessed over the last weeks I think showed me how important really the Millennium Development Goals have become in the world for the development community, how much they have caught the imagination of people, how much support there is for the Millennium Development Goals. I think that was expressed at the highest levels at the U.N. General Assembly, but also in side events where there were of course famous musicians, African Presidents, U.N. people, people from the World Bank, from the IMF, NGOs.

There was one great event at the New York Boat House in Central Park which lasted apparently all night, I had to leave early, where there was a tremendous amount of positive energy. There were contributions announced. Sweden announced a contribution of an extra \$10 million for a Special Environment Fund. There was music, there was laughter, and there's a lot of positive energy in there and I think it's extremely valuable.

The reason is that these Millennium Development Goals are concrete. People can really relate to them. Mothers that don't die giving birth, children that survive the age of 5, people having access to clean water, these are things people really relate to, Ed as you said, things on the ground.

I'm an economist. I tend to think more in terms of per capita income, GDP and things of that sort, and of course these things are important and the Millennium Development Goals like any vector of things is imperfect, there are other things which are also important, but I think they have caught the imagination. It's a set of goals quite comprehensive about it which I think is a tremendous asset for all of us who work in the

development field because they allow us to mobilize energy, mobilize political support, mobilize enthusiasm, and I witnessed that over the last 2 weeks in New York.

They are of course in the whole tradition of human development, where the UNDP deserves a lot of credit. The Human Development Reports deserve a lot of credit for that. People like Mahbub ul-Haq and Amartya Sen contributed a lot to the formulation of this concept of human development, and now increasingly also human empowerment, and in a way, the Millennium Development Goals continue that tradition.

In terms of the state of the world, I don't want to go too deeply into it I think. On the one hand there is tremendous progress, no question about it. More people are being lifted out of poverty thanks to technology, thanks to international trade, thanks to private investment than ever before in history. But at the same time, there are deep pockets of poverty everywhere including in the richest countries, in fact, including even in the United States, but everywhere in the world.

Eighteen countries have fallen behind since 1990 in the Human Development Index, and there are tremendous inequalities. You can cite many statistics. The richest 20 percent have 75 percent of income, the poorest 20 percent have 1-1/2 percent of income, so the inequalities remain immense. Of course, they are very visible because of modern communication technology. Brezezinski has this book called *The Choice* and makes that point very forcefully that the visibility of inequality has increased so much that it has become politically much less acceptable and much less sustainable than it might have been in the past.

Amartya Sen talking about human development and the Human Development Reports which are one of the kind of brand trademarks of the U.N. on the development side relates the story of a conversation with Mahbub ul-Haq where Amartya tells Mahbub that the one number index he was devising at Mahbub's request, the Human Development Index, could not but be quite vulgar, quite oversimplified, because of the inescapable need to simplify if you want just one number. Mahbub replied, We need a measure of the same level of vulgarity as the GNP but one that is not as blind to social aspects of human life as the GDP is.

[Laughter.]

**MR. DERVIŞ:** And it's true. When you think of GDP it's also a very vulgar index. It's very useful, we're using it all the time, but it's a gross oversimplification and so is the Human Development Index, and the Human Development Index has really caught the imagination of people. It's a tremendous mobilizer. Of course, the poor people, meaning us, who have to publish the table every year have a big problem because somebody has to be at the bottom of the table, and of course that creates unhappiness. Then somebody is of course at the top, and I tell you the number of very rich country foreign ministers who came and said but how come we went from number three to number five, you'd better check your numbers, was quite amazing.

[Laughter.]

**MR. DERVIŞ:** If I were number five in Turkey it would be great. In Norway which I visited I made a little mistake because it hadn't been released yet and a clever journalist, and this was just before the Norwegian election, came to me and said, Is Norway again number one on the Human Development Index? And I said, yes, it is. I was not supposed to because it was under embargo but I forgot.

[Laughter.]

**MR. DERVIŞ:** And so the journalist said, Well, this is of course a great tribute to this government isn't it? And then of course I caught on and I said, well, human development, the governments cannot affect the index in 2 or 3 years, it takes a little more time to affect health and education and things like that. But it has caught the imagination, and so the MDGs also I think are a very valuable framework to work on.

The Summit for what it's worth, it's a declaration, but I think it's important. Every developing country has committed itself as part of the Summit Outcome Document to have an MDG-focused development plan by the end of the year 2006. I think it's important. It's important that we merge the poverty reduction strategy framework which is of course the overall framework supported by the Bretton Woods Institutions, and I myself contributed to it a few years ago, to get the MDGs into that to kind of merge the two energies, of course, they should be country-driven. But the fact that now as part of this Summit every country is on record as saying they will have a detailed kind of strategic approach to how they plan to achieve the Millennium Development Goals by the end of 2006 I think is extremely useful.

Of course, qualification, we don't want planning in that sense, rigid planning. There are many dangers in this approach also. But if we do it right, if we do it in an intelligent way, I think it gives us a great lever.

Let me address some of the issues that I think are being debated, and of course many of you are part of this debate, and the Center for Global Development is very much at the center of many of the controversial approaches and issues.

First, the feasibility. Are the MDGs feasible? Is it reasonable to say that by the year 2015 these objectives will be met and the subtargets will be met? I really didn't have much time, but in the last few days I thought about it, looked at numbers, looked at Jeff Sach's work, other people's work, and it's controversial of course. Who know? It all depends on the growth performance of the developing countries and of the world economy in the next 5 to 10 years. It depends on a lot of things.

It depends on how many countries can be rescued from conflict. Many of the big failures as you know in development are due to internal conflict. It depends very much on the progress of trade which is one of the big drivers of growth and development and poverty reduction, and so on and so forth.

But basically I do believe when you really look at it that the basic message is and should be that it is indeed feasible, that the technology we have, the knowledge we have, and the resources, I'll come to the resource issue in a little while, should be sufficient to broadly speaking meet these Millennium Development Goals, to cut material mortality by three-fourths and to make children survive their fifth year much more than in the past, and water access and so on and so forth.

One of the objectives, and I don't want to have an order of importance, but the one that I think about very often, is the objective of making sure that every child by the year 2015 gets at least a primary education. It's hard given the numbers and the percentages now. We're still in some countries quite far from it, particularly in Africa and also in some poor parts of Asia and Latin America.

But on the other hand, we have 10 years. Can we really not get organized as an international community to make sure that at least every child gets a primary education? Not giving a child a primary education basically takes the future away from that child. Without a primary education that child is robbed of her or his future.

You can be successful with a primary education and no secondary education, without a university education. There are examples of that. But if you're deprived in today's knowledge world of primary education, you're condemned. And given all the other things we're achieving in the world, I cannot accept that the international community cannot get organized to make sure that every child does get a primary education. I really am quite convinced about that.

Of course, institutions, resources, and as I said, conflict, all these things need to be addressed, but I think this is like the other Millennium Development Goals a valid goal, an ethically necessary goal, and I also think a feasible goal.

Resources. I think basically the key problem is institutions, not resources, and I'll get back to that, policies and institutions, much more than resources, but let's talk a little bit about resources and the Millennium Development Goals.

There are cost estimates, they are too mechanistic, they are too simplistic in many ways. They don't take into account sufficiently the institution building that's required. You can provide X number of mosquito nets or so many schools, but then if you can't organize the institutional framework within which the delivery takes place, this may be wasted. So in some ways I would think that the estimates we have are actually underestimates of the resource cost of delivering this.

On the other hand, there is some element of overestimation. Surjit Bhalla who is also a friend of many of ours has pointed out that sometimes the people who estimated these things mixed up PPP and nominal dollars so that in fact sometimes the cost estimates are exaggerated when you account for the fact that the nominal dollar can buy much more in PPP terms in poor countries, so we can debate, but I think there are biases in both directions. And I would say that in terms of the overall growth and

costing exercise, an additional \$50, \$60 or \$70 billion is in the ball park. I think it's a reasonable target and I would kind of invite the research community to do more refined work. But we need more resources. I think there is need for more resource mobilization.

This is of course assuming there is no catastrophic event, and unfortunately, we have to be ready for exogenous shocks that may come without necessarily fitting into the usual picture. I must say I'm very worried about the avian flu. I think this could be a major shock to the system, a major challenge to the poor countries. The infrastructure to handle this in the poor parts of middle-income countries and in the poor countries, it is just not there. I think we have some time to get organized and try to prevent, and in that sense it's a probability, it's not something we know will happen and we don't know exactly what form the virus will take, but I think it would be prudent to have a worst-case scenario also in mind.

Frankly, it's a little bit like the New Orleans jetties. You have to invest, and then if the storm doesn't come, okay, but if you don't invest and the storm does come, you're in deep, deep trouble. So many of these estimates at least in the short to medium term could face a major negative shock. And of course AIDS has been such a negative shock as you know. Life expectancy was increasing in a much broader-based way and then AIDS has been a major blow to many countries. So I think we need resources and we need resources that are deployed ahead of time in a contingency planning framework.

About Niger, I checked, I'm going to Niger soon to find out exactly what's happening there, but the U.N. did warn last year, 6 months ago, there's a real problem. The locust invasion has done tremendous damage, there is going to be hunger, and the funds weren't there in the beginning. Then finally when it came to the TV screens when we saw the children dying on the TV screens, then people came up with the money.

But then of course rescue is much more expensive. You could have shipped food to Niger and 10 percent of the cost of air-lifting food to Niger, and I'm just giving that as an example of why we need contingency resources in the system ready to be deployed when needed. If they're not needed, they'll be needed for the next emergency, unfortunately, but we're not organized sufficiently internationally to do this.

Official development assistance and the famous or infamous 0.7 percent of GDP target. Lots of debate on that. First of all, by the way, it's not part of the Millennium Development Goals. I checked, double-checked the original Millennium Development Goals. It's neither one of the eight goals nor one of the subtargets. American friends who have signed on to MDGs, that doesn't mean that you automatically sign onto the 0.7 percent of GDP.

That doesn't mean that I don't support the 0.7 percent target or guideline. I think it's important. It's part of course of the Monterrey Consensus and of the Monterrey Declaration. There it actually is explicitly.

Unfortunately Todd Moss isn't here. I don't see him, or is he here? There he is. Todd just wrote a paper which I read 2 days ago in the history of this 0.7 percent of GDP and the way it was derived from a needs and gap analysis of Harrod-Domar type planning model for the whole world and I think rightly points out that if you go that route it doesn't make much sense and you get very strange numbers.

But the point is, and I think Todd in that sense misses the point, it's a burden-sharing device. It's very simple. It's not some elaborate model of the world economy that tries to come at the amount of resources needed for 6 percent or 8 percent growth of this country or that country, it's simply a burden-sharing device. When you have a resource mobilization effort, it would seem reasonable to ask that rich countries broadly share the burden and that in terms of a fraction of their income, the taxpayers and citizens of rich countries roughly do the same amount. Why should a Dutch or Swedish citizen pay 10 times more for development than a Japanese, Italian or American? And I think that's it. That's the only reason. It could be 0.6, 0.7, 0.8, that's really not that important, but I do believe that in a world where we want to focus on development we need a device for burden-sharing, and that's the way that I look at the 0.7 percent.

I think it's still a very reasonable, modest number. In terms of comparing it to military expenditure, we still have a situation where for every dollar spent on development, the world spends \$10 on military spending, and it's not clear what it's getting for it. This is at the end of the Cold War, security is a big issue of course and one needs intelligence and defense against terrorism and all these things, it's very, very important, but why we need this massive military hardware is a mystery, frankly. Therefore, when you compare what goes to development in the budgets of rich countries to what's spent on old-style military hardware which I think is driven much more by business interests and lobbyists and--seeking and stuff like that, I think there is great room for actually achieving the 0.7 percent of GDP.

Another point on this general resource mobilization debate, I think we should seriously consider some of the other forms of burden-sharing that are proposed, and that's the way that I would look at proposals for taxing airline tickets or carbon emissions or things of that sort. I wouldn't look at it as a global tax because there is no global state and I can fully understand that people get nervous when we talk about global taxes. But if there is an agreement among rich countries to earmark some tax revenues for development, I think we can get a lot of mileage out of this.

As you probably know, the plane ticket tax initiative, 5 euro tax on plane tickets, if everybody did it, one could raise 8 to 10 billion euros or dollars just from that one source. In the U.K. there is already such a tax, so it's not as if the U.K. were going to impose a new tax, it's simply earmarking part the existing tax for that purpose. So if it

can be shared more broadly, I think this is a very reasonable way of approaching the resource mobilization challenge.

So I think the real problem is of course not 0.6 or 0.7, how do you raise it. I think we have to commit to raising these resources, and there is a tremendous amount of support for it now. I must say, the European Union despite huge fiscal problems decided we're going to go forward with this I think which is highly commendable.

But then there is of course the issue of the effectiveness of this aid, of these resources. That's the big issue. How will these resources be used? What avenues, what methods, what approaches to aid can really work? Let me touch a little bit on this topic.

To me the debate on aid effectiveness in a lot of the literature reminds me a lot of the earlier literature on the sources of growth and on how much is due to capital formation, how much is due to human capital accumulation, how much is due to the total fact of productivity growth, Solow's famous residual and all that kind of literature.

In a sense, what we're debating is the translation of capital resources into growth, and then of course into poor growth, equitable growth. We have examples in recent history of both types of situations. We have examples of very high investment rates not leading to much growth and development, and then you have other examples where high investment rates led to a lot of growth.

A clear example is of course the comparison between the ex-Soviet Union and China. The ex-Soviet Union invested 44 to 45 percent of its GDP for decades and arrived nowhere basically, and China invests also 40 to 45 percent of its GDP, some people say it's too much, and when you look at some of the Total Factor Productivity Growth numbers in China and the actual efficiency of investment, there are some doubts. Maybe it would be better for them to achieve these wonderful growth rates with less investment and higher productivity, but nonetheless, they're achieving the growth by investing. The resources are leading to growth. And there are other examples.

In terms of the aid stories, there are great failure stories in terms of aid, and then there are great success stories. The Marshall Plan was a great success. A very different context, of course, human capital was there, institutions at least had been destroyed but were there in the background. But also if you look at the European Community aid for accession countries in the more recent past, I think that also has been a very successful form of foreign assistance.

Spain is a very successful case was helped a lot by the European Community's aid effort. The whole infrastructure of Spain was built by European Union funds. And I think Central Europe also is benefiting a lot from the European Union. You again have I think a significant success story here. So in that sense you have both sides in the past.

When you look at the data and analyze aid, growth and all that, you often get results which are not very strongly supportive, broadly speaking, globally of the productivity of aid in the past. That's true. However, I want to remind you here of one major structural feature of the past which hopefully we have or at least we can overcome in the future, and that is aid was very politicized particularly during the Cold War. The Soviet Union provided aid to its client states, so to speak, and the West also provided a lot of economic aid in various forms primarily driven by political dynamics. Otherwise how can you explain the aid given to Mobutu's Zaire or other cases like that? Or Somoza in Nicaragua and so on and so forth?

So a lot of that aid was driven by political competition, it was focused on military and strategic objectives and did not have really, I'm not saying all of it, but a lot of it was driven by that and was not driven really by economic analysis and development objectives.

So therefore, all these regressions of the past to me are of limited value because if I remember my econometrics correctly, if there is a major structural change, your results are no longer valid for the future. So I think we face a new situation where the international community I think agrees much more than ever before on the nature of the challenge of development, agrees much more than before that development assistance really has to focus on development and, therefore, I think we have a chance to do much, much better now and in the future.

Level of ambition. Again also referring back to the Millennium Development Goals, we can be even more ambitious. I do remember once talking to Anne Krueger needing a 7 percent growth rate and she said, Why not 8 or 9 percent? Korea did it. Why can't you do it? And I think she was right, we're not quite making it yet, but getting close. Yes, of course, if we want to achieve the Millennium Development Goals and if we really mean what we say in that respect, yes, maybe in some countries the target should be 9, 10 or 11 percent, and why not? Others have been able to do it. You need high investment rates. Of course you need good policies, you need trade, you need competitive markets and all that. But in some sense I think because of past failures we may be suffering a little bit from excess pessimism.

Seven or eight percent growth is possible. One can achieve it, and many Asian countries have achieved it. Latin American countries are not. Chile is doing very well, but otherwise if you take the average in Latin America, it's much, much less. So we should say, Why? It doesn't have to be like that. And of course Africa should be able to achieve it.

Another point regarding the growth story is of course if we want to achieve our objectives it has to be pro-poor growth, it has to be equitable growth, and we do see many growth processes which are quite inequitable, and that also generates tremendous political problems. So growth is not enough by itself. We need it of course, but we also need to make a big effort to make it pro-poor.

Fiscal policy, expenditure, composition, the way we deal with debt, and this is a big topic, high-debt countries and how they can have pro-poor growth, and of course social services delivery and so on and so forth. So we have to single-mindedly really focus on the fact that growth has to be pro-poor.

I have to share with you that very often when you go to certain conferences and certain conferences relating more to the economic side of things, the financial side, the topic disappears. I've been at several conferences on the world economy and with high-level bankers and economists and so on, and it is amazing that you can spend 2 days in such a conference without anybody talking about income distribution or poverty reduction. It's all bond spreads and average growth rates and the safety of the financial system and so on which are important things, but I think if you let the whole global debate be driven by that, you will not get pro-poor growth. So we have to bring the social side and the income distribution side much more forcefully at the table.

Policy and institution building are of course keys, and in the U.N. this is sometimes hard to say but I'm saying it and it's not easy but I've said it also in the book which I wrote for the Center for Global Development, I am for conditionality. I am not saying that resources should be deployed without conditionality. I think conditionality can be a tremendously useful instrument to back reform, to back reformers in developing countries, and to prevent moral hazard and the failure of the whole aid effort.

So I think there have to be conditions on aid, there have to be conditions relating to macroeconomics, but also to income distribution and the social variables and the human development variables.

I think the Bank and the Fund have made a lot of progress in that direction and I hope this will go on. I think that should be as much the bread and butter of Bretton Woods conditionality as budget deficits as such or trade numbers or exchange rate policies and so on. Social achievements, what are you doing for your people, what is your health delivery, what is your education policy, these should be very much at the center of the debate and part of the conditionality delivering the increased resources. And of course, institution building I should add to that. It's not just one policy, but it's how you change the institutions.

To give you an example of my country, we had inflation averaging 70 percent for three decades. What really broke the back of inflation in Turkey I think more than anything else--

[End Side A, Begin Side B.]

**MR. DERVIŞ:** [In progress] --and I think conditionality helped that process. But there is one big problem with conditionality, and that is the legitimacy of the institutions that are bringing it, if you like, or the legitimacy of the whole debate. I've suffered from this tremendously in my own country as a Minister, and I know others are suffering from it.

So that was one of the main topics of the book for CGD is how to build a more legitimate system where good policy advice, conditionality, cooperation can take place but not in an environment where developing countries have the feeling that it's being imposed from abroad and that the G7 are running the world and so on and so forth.

Of course, that was a big part of Kofi Annan's proposals for U.N. reform and governance reform in a sense. Also on the security side because today the topic is economics, but I think we have the same problem on the security side. The Security Council that was created after the Second World War reflects those countries that won the Second World War, and fine, I'm glad they did. But this is not the world of today. How can we justify, for example, that India, a democracy with more than 1 billion people is not represented in the Security Council. So unless we change that we can't possibly have legitimacy in the international system.

And the same goes I think on the economic side. I forgot to jot down the numbers, but the IMF-World Bank Board, small countries such as Austria and Belgium have more votes than India, and that just cannot reflect the world of today. So I think if we want policy conditionality to be perceived as legitimate, if you really want to debate with the stakeholders in a country and convince them, the reformers have to be credible and have to be backed by credible institutions and that's why I believe we need deep, courageous and ambitious reform of global economic governance.

I'm not going to go into details today, but I think without that, the whole equation doesn't work, the whole grand bargain, the rich countries mobilize more resources for development, trade reform and all that, and on the other side the developing countries commit themselves to deep reform, to a strong fight against corruption, opening of markets, competitive economies and all that, that great bargain would be struck sufficiently without the global institutions being much more legitimate reflecting the world as it is today giving the developing countries much greater say in decision-making particularly the developing countries that are contributing to the system. I should say there is a big issue here of course that democratization in the developing countries is also a necessary part of that equation because if a developing country however big it may be has a government which is not at all democratic and doesn't reflect the will of its own citizens, then it's hard for people like us to convince others that that country should have a very big say in global economic governance. So democratization at the country level, but together with a strong drive towards democratization at the global level.

Very hard, obviously not something we're going to achieve this year or next year, but to end as head of the UNDP, I'm now in the job for 1 month basically, I think that's what the United Nations system is all about. The United Nations is a big family in a way the World Bank and the IMF are also part of this family. After all, we all travel on United Nations *laissez passer* and it's okay to have their own board and of course it's important that they have their autonomy, but I really do believe that whole system has to come together to create that new architecture. I believe the Outcome

Document of the Summit today didn't achieve this, of course, but opens the door, gives us a basis to work on this, gives us legitimacy to do this.

Now I think there will be a very difficult task ahead of us. It may take 5 years, it may take 10 years, but if we want to succeed, I think we have to mobilize the resources, work on the improvement of policies and at the same time a greatly improved global governance. Thanks a lot.

[Applause.]

**MS. BIRDSALL:** Kemal has agreed to take some time to answer questions. Lawrence, we can take 10 or 15 minutes, or even go until 7:00? I forget. He has very kindly agreed to manage that process on his own with apologies to any of you whom doesn't already know and he'll just point. But let me start if I may, and then I'll sit down and I'll disappear for a while and just listen.

First I wanted to say how pleased I am to hear you make a push for getting pro-poor growth and equitable growth more often on the agenda. Just a week ago or 10 days ago I was at a conference in Santiago of a sister organization, ECLAC-Sao Paulo, United Nations Commission for Latin America and the Caribbean. The conference was called Growth With Equity. All the sessions had good papers, one session focusing on equity and income distribution, and the others focusing insufficiently on the relevance of that for growth. Essentially all the rest of the talk was just as you say, and this is in Latin America which of course has among the most unequal societies we have anywhere in the world. So I hope you will carry that as a mission for you, the idea that we've got to move to pro-poor growth and especially equitable growth.

I have two questions. One is on aid effectiveness. There will be many questions from the audience. You said there has been a structural change since the end of the Cold War. We've had 15 years now since the end of the Cold War and I think there is a legitimate question in the minds of those of us who are pro-aid about from whence will come a structural change in the incentives that are driving the business of aid. And without some structural change in the business of aid, how can we see an increase in aid effectiveness?

If you could talk about that in the light of your new position it would be interesting because as Kemal mentioned, he's head of the United Nations Development Group which means the FAO, the WHO, the World Food Program, UNICEF, UNIFEM.

**MR. DERVIŞ:** Chairperson, Chairman.

**MS. BIRDSALL:** Chairperson. And as some of you may recall when Mark Malloch Brown was here in this same room, he referred to the effort to bring a kind of management reform that would make it easier to manage all these agencies which currently in a sense compete with each other as often as they cooperate.

How can you make progress just at the United Nations which has legitimacy, as you pointed out, in changing the incentives which are driving the way the aid business is operating?

**MR. DERVIŞ:** I don't know whether I should thank Nancy for this question. I probably shouldn't, but, no, of course it is a key question.

Just talking about the United Nations system is a good example of the problem. I think there are all together 38 agencies, some of them very, very small, and some of them invented at very different times and, frankly, one has to think about what one would do in the future. By the way, in the Outcome Document there is also this very interesting sentence which I hope we can follow, that all the mandates and activities that are going on in the United Nations and which were started more than 5 years ago should be reviewed and if necessary dealt with, whatever that means, but it means terminated.

It reminds me of a Turkish story which I have to share with you. There is this Turkish figure, Nasreddin Hoja, who is a kind of Soufi Hoja. He goes to his neighbor and borrows his pan, his pot, and then some days later the neighbor comes and asks for his pot and Hoja gives him his pot with a little pot inside, two pots. So the neighbor is very happy and he says, Well, but, you know, I only gave you one pot. And Hoja says, well, it gave birth to the small pot, so here you have the child also. So the neighbor says, very good.

A few weeks later he comes and borrows another pot. Nothing happens then for quite a while, so the neighbor again knocks on the door, Where is my pot? And Hoja says, well, it has died. And the neighbor says, How can a pot die? Well, you know, if it can give birth, it can die.

[Laughter.]

**MR. DERVIŞ:** So it's a good philosophy I think because some things just have to die, and it's very, very hard. So I think we need to first of all look at all these things and hopefully put some order in it.

Just to explain, there is a group of economic organizations, economic and social organizations, within the United Nations, and then there is the humanitarian organizations. They're separate. So the Head of the UNDP is at the same time the Chairperson of the Economic Group which includes ILO and the World Food Program and WHO and so on, and so it's economic broadly defined. But each of these organizations has their own board, their own funding sources, and this is probably going to be the toughest part of the job, but it's absolutely necessary.

I think one thing we want to do now and which is very much a mandate we have is to have the Resident Coordinator of UNDP or of the United Nations Development Program who is a UNDP staff member, even if she or he has another

origin, even if she comes from UNICEF, when she becomes Resident Coordinator she becomes a UNDP staff member. So that person should really be the coordinator of the whole United Nations system at the country level. That's the theory, and I think if we make that it will be a great contribution to cohesion.

My way of looking at it is in the whole preparation phase and planning phase there should be teamwork and collegial planning of who gets to be the Resident Coordinator in Tanzania or in Ghana or in Nigeria should be jointly planned by the various agencies. There should be personnel procedures, promotion policies and all that which are very collegial. Then evaluation should also be teamwork. So in other words, it shouldn't be just UNDP evaluating the Resident Coordinator in Tanzania or Nigeria, but we'll see about that.

Management should be clear-cut one line. In other words, no management by committee once that person is actually in the job. The person should report to the Head of UNDP because otherwise it won't work, we'll have a committee all the time and it won't work. So that's the proposal. The Secretary General is backing that, but I think we have to convince the whole system to work along these lines.

Going beyond the U.N. family, of course, every country wants its flag and there is nothing we can do to change that. The Danish taxpayer wants to know that the Danish development assistance is visible and wants to have the Danish flag. I'm using Denmark just as an example. So there will always be a great number of donors, and the Paris Declaration, I think there's lots of progress in terms of harmonization of procedures and so on.

But at the coordinating level in terms of the overall architecture, I do believe we should aim at the system whereby there are three major pillars of the multilateral system. One would be the World Bank and also speaking for the Regional Development Banks, and the IMF is not really in the ODA business that strongly so I'm not really including it, but let's say the Bretton Woods system but with the World Bank very much of course as the big IDA lender and grant giver there. The OECD DAC as representing the bilateral donors, and I think it works quite well. The OECD Secretariat does it quite well. And the U.N. Development Group representing the whole U.N. system. I think if we can have these three pillars working together, maybe we can make a lot more progress.

Mind you, the U.N. system is more than the Development Group. The humanitarian side is huge. When you actually look at the numbers, you'll be amazed in one particular year how many resources actually transit through U.N. agencies. Even an agency like UNICEF which is very well known, but I had no idea before my current job I must admit, spends \$2 billion in grants, just one agency, one of the big ones, but nonetheless. So if you add it all up together you find that if you put in the humanitarian part you will see that the U.N. system actually provides depending on the year \$8, \$10, \$12 billion dollars to development assistance, and that's a lot. It's bigger than the Bank, actually, in terms of sheer money.

So I think coordinating within the U.N. system is indeed very, very important. But these are my thoughts, my approaches, and will take time.

**MS. WILSON:** I'm Didi Wilson from the notorious World Bank. I have a soft ball and a hard ball. To prepare for this session I've just spent 2 weeks in Turkey not on business, having fun, and all I can say to anybody else who hasn't been there, go, and what wonderful young people you have.

Here's the other question. As you know, I work at the Department of Institutional Integrity in the Bank with some of your old friends. As we look at the issue of legitimacy and aid effectiveness, we have to look at it in a slightly different way which is in order to meet the MDGs and to put new resources into development, we can put new resources in or we can do better with the resources we have and measurably decrease the amount of fraud and abuse and corruption that is unfortunately associated with many of the development projects that we all would like to succeed better.

My question to you, knowing that we're working with probably more humility than in the past on very the tough nature of how do you show leadership in eliminating white-collar crime associated with the kinds of contracting we all do? What are you going to do at UNDP?

**MR. DERVIŞ:** Thank you. You know of course the whole Volcker Commission and all that was a big, sad story in a way, a big challenge. But I think when you actually read it carefully you will also see a lot of positive sides to it, a lot of advice on how to do things better.

I think at the heart of the problem, of course there were some dishonest people, a few actually in the end that were found out during that whole affair. Unfortunately, I remember we had some problems when I was at the World Bank, smaller but nonetheless misconduct problems and so on. In the corporate world we have it in a major way.

So there are two things first of all. One is to really follow-up, prosecute and go for it and punish. It's a very important thing that the example has to be there. This is working although there is an interesting twist to it, and that is legally the United Nations cannot sue anybody. It has to be a country. So what the United Nations can do is lift immunity, but then the country, wherever that person is, has to then follow-up and do the actual prosecution. It's just something for your information that that's the way it is, but people of course have to be prosecuted and one has to follow-up.

The other thing which is very, very important of course is clear lines of accountability, and that was a big mess also in the food for oil scandal because it wasn't clear who was calling the shots. The Security Council, the Secretariat of the Security Council, the Secretariat of the United Nations, it was a big, big mess. I know, for example that, Turkey and Jordan were the two countries most badly hit by the sanctions because they were the two countries who were trading as neighbors, trading with Iraq the

most. So when you impose sanctions you always have this problem that some countries bear a disproportionate burden for these sanctions. No one took real responsibility for solving this problem. So there are often lots of very messy accountabilities, and it was totally unclear who was really responsible for what.

That's why I said that in this whole U.N. reform business I think committee work is fine, planning together, evaluating together, but when we actually make decisions on operational matters, there the lines of responsibility have to be clear. It's tough because people are resenting that. There is a lot of talk saying we'll do more teamwork, we'll be more collegial, and I must say I'm going to be tough on that because, yes, collegial in a certain way, but not collegial when it comes to actually having responsibility and accountability. I don't want to be held accountable for something that was done in an unclear, nontransparent way, but I want to accept, of course, responsibility for things where I could actually make decisions, and I think that's the approach we really have to have. So that's really my answer. We have to do that.

In terms of the countries which is another big issue, the transparency and anticorruption fight in the development countries and in all the countries of the world, but particularly in the developing countries, we have to take it very seriously. But here, one big, big issue is Civil Service reform and Civil Service salaries, compensation and incentives and things of that sort.

I was Minister in Turkey. Turkey is a middle-income country, \$4,000 per capita, nominal, 7,000 PPP, not to be compared to some of the really poor countries. Despite that, I had colleagues and I greatly admire them, working for a monthly salary of \$800 or \$900, and I'm not talking about low-level bureaucrats. I'm talking about Director level, head of departments, people in the Debt Department were handling billions of dollars worth of bond offerings on salaries of \$1,000 a month. It was clean, touch wood. But we have to look at this problem of salaries in its face and really deal with it.

I met with the President of Lesotho in New York 3 days ago and he said all the nurses that are being trained are first going to South Africa and then to London. In Lesotho the AIDS incidence is 38 percent of adults. So there really is an issue of Civil Service salaries, incentives and reform which is very tough, and I think we're not addressing it enough. If we're serious about this, we must change Civil Service salaries. We may have to in the very poor countries finance it partly by aid, and of course we have to do it in sustainable ways, not that it's done 2 years and then collapses. But that is one dimension of this fight against corruption that I think is absolutely essential.

**QUESTION:** I'm coming from the German Marshall Fund. You mentioned the WTO and the Hong Kong Ministerial, so I'm just going to throw a few questions at you on trade and you can pick which ones you want to answer. Is the WTO part of the big family you referred to? What's the relationship in your view of trade liberalization and the Millennium Development Goals? What about in terms of the new framework for

aid, aid effectiveness? How do you see the whole momentum building behind aid for trade and trade capacity-building? I'll leave it at that. Thank you.

**MR. DERVIŞ:** The WTO is actually formally not part of the U.N. structure, but it's certainly part of the family in that sense. I should also say that really personally I have great respect for Pascal Lamy. I'm really happy he's there. We have exchanged Emails and we will meet on Saturday, and I think the WTO has a great leader in Pascal Lamy, so that's a great opportunity. He really knows his business. He's worked in this field. He knows all the details. And he's also a hard-working, hard-driving personality.

The WTO of course has no power at all on its own, less even than any one of us in the Bretton Woods or U.N. system. It's a facilitator, and that's it basically, but it can play a tremendous role I think.

Trade is the greatest engine of growth. In many ways historically you look at it, the evidence is overwhelming that trade creates tremendous opportunities for growth, for the spread of technology, for the spread of knowledge. It stimulates direct foreign investment. It creates resources and jobs. All that is absolutely true. In that sense, a lot of the critiques of trade I think miss the point on that.

However, I also do believe that it does in the short-term very often create winners and losers. It's not the kind of thing where everybody immediately wins. So I think it's very important, if you want it to work, if you want to go ahead, to have mechanisms by which you compensate at least the neediest and most vulnerable losers. Therefore, I think in this whole debate on trade one has to focus also on compensation mechanisms.

Incidentally, including in rich countries, I'm not talking only in poor countries, in rich countries some subsectors sometimes lose out. There is great fear, and I can go back to the European Constitution, I think basically the rejection in France and the Netherlands was fear of job losses, globalization, trade, which all got associated with that Constitution in the political discourse. So I think it's very important to focus on that and to face it.

In that context I would support the message of some economists who have often made that point that actually globalization and more open markets and more trade and all that probably requires more of government, of better government, a greater social policy component in government action than before. To compensate the losers, to manage the whole process you need an active public policy and an active government. So I think the two things are not at all in contradiction on the country. I think a better globalization, a competitive globalization, more open markets, require at the same time strong social policies on the part of the national and international public organization and authority. I think that's what I would like to underline in response to your question.

Finally, in terms of the poorest countries, I think it is important that the participation in liberalization is support by capacity-building, both soft and hard

capacity, infrastructure, negotiating capacity, policy capacity, and so that we as part of the Doha Round mobilize enough resources to support the poorest countries in their capacity-building so that they can really benefit from trade liberalization.

I think so far there hasn't been much progress, but I am optimistic that nonetheless after the Annual Meetings here which I think hopefully will be another impetus for development, and thanks to Pascal Lamy's leadership, there may be some real progress in Hong Kong.

**MR. SEWELL:** I'm John Sewell from the Wilson Center. A quick follow-up to the question you just had. Tuesday I think it is you're going to be in the Development Committee. There's a paper on the table to expand the program that's under your purview, the Integrated Framework, by giving it more staff and more substance. It's done a pretty good job in the least developing countries of doing two important things, embedding trade capacity-building and poverty, the PRSP, process, and of getting the donors in line to do trade capacity-building in particular countries.

The proposal is simple. It's to give some degree of institutionalization to the Global Framework, you can call this creeping multilateralism if you want, to create a fund for capacity-building so that the developing countries know there's money available when they undertake the tough steps to liberalize their own markets, and a fund for compensation of those who are hurt in the short-term by--erosion and so on and so forth.

My sense is that the powers that be in the institutions that write the paper for the Development Committee only liked the first part of that and don't like a new fund, and certainly don't like a compensatory mechanism. I would urge you to take a look at that because it's an opportunity to do two things, put in place a useful institution, and put a marker on the table at Hong Kong that the world is willing to respond to their capacity-building needs.

**MR. DERVIŞ:** Thank you. I'll take two others. I have to give Todd the chance to say something since I quoted him.

**MR. MOSS:** I'm Todd Moss from the Center. Thanks of course for mentioning the paper. I appreciate it, but it's actually sort of relevant. One of the motivations for us looking at that was that it seemed the aid target was playing so differently in Europe than it was here in the United States, and even if we can all agree among the major donors about the ends of what kind of world we want to see, it seems that there is in many senses a growing divide over the means. Things like the IFF or the airline tax which politically are basically dead here in Washington, and then we're treated to this sort of strange spectacle that we'll see this weekend where we have the U.S. and the anti-debt campaigners on one side arguing for the G8 plan, and we have the Northern Europeans kind of resisting on the other hand.

So my question for you is given the critical role that the U.S. has to play in the U.N. system and in international development efforts because of its sheer size and

influence, do you see a real growing divide that's emerging there? Is this bridgeable? Where do you think that's going to come out?

**MR. DERVIŞ:** One more on this side and then I will have to close.

**MR. MORROW:** I'm Dan Morrow now at George Washington University. Kemal, I think you probably left the Bank about 3-1/2 years ago.

**MR. DERVIŞ:** Five.

**MR. MORROW:** Five?

**MR. DERVIŞ:** Almost five.

**MR. MORROW:** You got involved in Turkish politics, and now you're coming back into the UNDP, so you have a 5-year gap really in being directly engaged in the broader development agenda.

I wanted to come back to question that Nancy put about changing the structure of the aid business and the way it's done. Has anything struck you about what has changed in those last 5 years? Is anything better now in the way that aid is delivered around the world than you knew 5 years ago when you were last at the World Bank?

**MR. DERVIŞ:** Thanks a lot, Dan. It's getting late so I'll try to be short.

I agree very much on the Integrated Framework. Given the importance I attach to trade and I think the importance it has for the whole development process, the capacity-building part, we should do more to give more optimism to the poorest countries to really help them profit from it and make them a real participant in the whole process. So that was an observation with which I agree a lot.

On the growing divide and, again, the structure of aid, Dan's last question, what struck me, I'll come to that as a last point because it helps me get back to the start in a way.

Todd, on the growing divide, first of all, I really sensed that there is a chance now also with the United States, the statements both by the President and by the Secretary of State to the United Nations were extremely supportive and positive. I was there, I was happy to listen. The message was very, very clear that we're here to work together and we support you, the United States supports the United Nations and needs the United Nations.

By the way, there was a very interesting event which didn't get much coverage in the press, but the United Nations among many others offered help to the post-Katrina effort and the help was accepted by the United States. The United Nations

has some real capacity and knowledge on emergency relief and things of that sort. So that's just one example of cooperation.

I think the message was very, very clear, and if you haven't had a chance to read it, I would recommend you read those two speeches, also the Secretary of State's speech, because it really was extremely supportive. So I think we should take that as a new beginning in a way, put a lot of the problems behind us, and then really engage on substance.

On many of the specific points, not only the Millennium Development Goals, but even the issue of unconventional forms of financing. I don't want to call them global taxes because they're not, they're taxes individual countries earmark for development which is different. But the U.S. has said we won't do it, but those who want to do it are welcome to do it. I think it won't work as well as if the U.S. itself were doing it, but it's at least a beginning because 6 months ago the atmosphere was very different. The debate was very, very negative between the Europeans and the U.S.

On the aid business, and here I want to come back. I forgot to do that. I think it's very important. Of course, aid resources are not everything, and the Commitment to Development Index which CGD developed makes that point very forcefully and very, very well. A country's trade policies, a country's policies towards migration, migration is a huge means for people to better their lives and if countries are more open to migration, that that contributes a tremendous amount to development, not directly to the people, indirectly through remittances and so on.

So clearly by looking at the whole development effort, what Nancy and her team have done, the Commitment to Development Index, like any index, like GNP or HDI, it's not the perfect index, I'm sure one can criticize it, but it brings home the idea that there are all these variables that need to be taken into account.

Nonetheless, the actual aid target remains important because as opposed to many of the others, it's actually a sacrifice citizen taxpayers make. By opening your economy, some people make the sacrifice to protect industries, but the overall country gains. So by opening its economy, the U.S., Germany or Sweden doesn't really make a sacrifice.

Migration is the same. The receiving country actually benefits from migration. So these are important policies, but one can't present them as sacrifices in a sense. Whereas, asking the U.S. taxpayer to pay taxes that will then go as direct development assistance to Africa, Asia or Latin America is a direct sacrifice. So in that sense the burden-sharing element there is important and that's the point I wanted to make.

I'm reasonably optimistic that there is a new atmosphere of greater multilateralism, a greater spirit of working together, this year than last year or 2 years ago, and I think we have to really push hard at it and reassure people, and I think it's

perfectly fair to do that, that all this development assistance that is being driven or that we want to drive forward has to be linked to policy, institution-building, fighting against corruption and all that because I think part of the problem in the U.S. is people want to be assured that that is also in place.

That brings us again to the structure of the business. I don't want to really repeat what I said, Dan. I don't think there's an magic answer. There are all these actors, there are all these political problems. I talked about the key importance of legitimacy because if you impose conditionality in an illegitimate framework it doesn't work, you can't really do it and you're undermined.

In terms of the question, what changed, because I was actually at the Bank for a short period responsible for the PREM Network and the whole PRSP effort, but of course, the person who started it at the Bank with others of course, but he played a very leadership role, is sitting right there, Masood Ahmed, and I think the whole emphasis of the Bretton Woods system on poverty reduction, on cooperation, on the IMF and the World Bank were working closely together. Masood deserves a huge amount of credit for that.

I think things have changed both in terms of the way the Bretton Woods Institutions conduct their business, but also the MDG campaign, and here the U.N. deserves a lot of credit. I think Mark Malloch Brown deserves a huge amount of credit, and Kofi Annan, because, frankly, today in the world as I said in the beginning, the Millennium Development Goals really resonate, not with everybody, but with large numbers of people. I think it has become a political liability in rich countries not to take the MDGs seriously and not to be engaged in the process. At the end of the day, in democratic societies, that's what counts. When voters want you to pursue something and think it's a good thing, then you want a big bang. There again I repeat I wasn't involved, I was fighting a financial crisis in Turkey, but Mark, the UNDP colleagues and Kofi Annan deserve a huge amount of credit for that. Thank you very much, and it was great.

[Applause.]

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