

Remarks by World Bank Group President, Robert B. Zoellick at the 50th Anniversary of Germany's Federal Ministry for Economic Cooperation and Development (BMZ)

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As Prepared for Delivery

Minister Niebel; Ladies and Gentlemen.

It is a great pleasure to be here tonight, and to be part of this 50-year anniversary celebration of the BMZ.

Germany is a key partner for the World Bank Group. In fact, our ties reach back even further than the BMZ – to when the Federal Republic of Germany joined the Bank in 1952. At that time, with a capital share of \$330 million, Germany was the sixth largest contributor to the Bank.

The following year, the World Bank President Eugene Black made his first trip to Germany since he joined the Bank, visiting Dusseldorf, Bonn, and Frankfurt. He met with leaders in government, business, and financial circles to “obtain first-hand knowledge of the problems involved in the country’s development.” He was impressed with what he saw, announcing that West Germany was sound enough economically to receive a dollar loan. He returned to the United States on the QE2.

Only a few years later, in 1957, there was increasing pressure on the German federal government to revalue its currency, because of the strong rise in balance of payments surpluses and Germany’s resulting high liquidity. The World Bank then approached Deutsche Bundesbank, which began purchasing World Bank notes – first in U.S. dollars and then in deutsche marks. By the early 1960s, when the BMZ was created, the Bundesbank had become the biggest single bearer of World Bank securities.

These initial purchases were an important signal of support for the World Bank, at a time when the institution was little known or understood within Germany. They were an early reflection of Germany’s sense of its commitment to the Bank and, more broadly, to the multilateral international economic system.

Tonight, as we celebrate the BMZ’s accomplishments as well as consider new strategies and visions for the future of development, I’d like to look back to those earlier times – 50 to 60 years ago – to consider just how much our world has changed.

Half a century ago, developed economies accounted for the most of global GDP. Developing countries accounted for only about a quarter of world trade. Today’s developing countries had only recently thrown off the yoke of colonization. Russia, China, and even India remained largely isolated from the world economy.

Today, the global economic picture is starkly different. In recent years, developing countries have been the engine driving the global economy, attracting about 45 percent of global investment, and growing nearly four times faster than developed countries. According to some forecasts, by 2025 six major emerging economies – Brazil, China, India, Indonesia, the Republic of Korea, and the Russian Federation – will together account for more than half of all annual growth. Based on its current trajectory, China may quadruple its per capita income to \$16,000 by 2030.

Half a century ago, the world looked to the industrialized countries for development models. In 1956, when World Bank President Eugene Black returned to Germany on a country visit, a large part of his

schedule was taken up with meetings with industrialists – Demag Corporation, Gutehoffnungshuette, Krupp, AEG, and Siemens – to see how developing countries could learn from their expertise.

Today, developing countries – even as they remain home to billions of poor people – are looking to one another for innovative economic ideas and development models – whether it's Mexico and Brazil's innovative conditional cash transfer systems, Turkey's reform program, or India's IT services. Developing countries are also sources of investment and even foreign aid.

What does all this mean for the future?

It means that we can't keep using the same systems and models for a world in which the dynamics in the international economy have shifted radically. We need a new paradigm for global governance: a modernized multilateral order that is fluid and flexible, in which emerging economies join new networks of countries, international institutions, civil society, and the private sector.

We also need a new paradigm for global development – one in which development cooperation moves “Beyond Aid.”

The past quarter century has seen more people making greater strides to overcome poverty than in all of world history. The number of poor in developing countries has been cut in half. Africa is growing, attracting record trade and foreign investment.

Foreign assistance is still critical – not least for the “bottom billion” of humanity living in states affected by fragility and conflict. But the time has come to envision a world “beyond aid” – a world where the shift is from the paradigm of charity to one of mutual economic benefit.

What would such a world look like?

It would provide poor countries better access to rich world markets, while allowing them to hedge against fluctuating commodity prices, spiking fuel costs, and natural disasters.

It would facilitate foreign direct investment, innovative financing, and technological transfer so that developing countries can modernize industry, agriculture, and services.

It would support good governance, openness and transparency – to ensure that governments pay more attention to citizen voice and social accountability, and that private sector initiative is rewarded, basic services are delivered, and prosperity is broadly shared.

It would also support multilateral innovation to forget progress on open trade and investment, access to energy, food security, competition in services, and climate change.

In order to be effective in a world beyond aid, development agencies and institutions, such as the BMZ and the World Bank Group, need to modernize. Let me mention some of the areas where Germany and the Bank Group have been working together to move toward this new paradigm for global development.

Both BMZ and the Bank Group have put a priority on supporting private sector-led growth – encouraging entrepreneurs, small- and medium-sized businesses, private investment, and innovation. In the wake of the global financial crisis, when microfinance institutions faced a dangerous refinancing gap, IFC, the Bank Group's private sector arm, and KfW responded with a Microfinance Facility to help institutions face these shortfalls and ensure that low-income borrowers in developing countries could continue to have access to finance.

Channeling investment to infrastructure is key to creating jobs and laying the foundations for future growth and productivity, including through innovative public private partnerships. We've seen the results from China's investments in the 1990s, which removed bottlenecks and increased productivity. So part of the rapid response to the global financial crisis was for IFC to set up an Infrastructure Crisis Facility, with Germany as one of the founding partners. The Facility played a critical role in mobilizing financing to infrastructure projects in developing countries, to spur employment, recovery, and growth.

In the new global economy, good policies and good information can be more important than money. At the Bank Group, we are already seeing this with some of our middle-income clients, who come to us not for financial assistance but for experience, knowledge, and learning. And we are seeing the power of sharing information through our own "Open Data" initiative – making our data sets freely available to the public, and encouraging others to put that knowledge to use. Germany has been a strong supporter of expanding the Bank Group's knowledge platform.

Aid effectiveness, showing value for money, and pointing to results are priorities for BMZ and the Bank Group. Germany has also been a committed partner in developing the Program for Results Financing instrument – or P4R – which aims to focus Bank support directly on government development programs and link financing to the achievement of results. Germany has held important consultative meetings with government, civil society, academia, think tanks, and the private sector in Berlin to incorporate German feedback into the P4R drafting process.

The new paradigm is going to include capturing the potential of sustainable and green growth – and that means providing resources to developing countries to help them mitigate and manage the challenges of climate change. Our Climate Investment Funds have mobilized up to \$40 billion in finance – and last year KfW made a 500 million euro contribution to finance the acceleration of transformation to low carbon growth paths through cost-effective mitigation of greenhouse gas emissions.

Most importantly, perhaps, we need to invest in people – providing access to efficient safety nets, basic services, quality education linked to training and jobs. This must include investing in girls and women.

The evidence is irrefutable that gender equality is smart economics. Societies that value girls and women as much as boys and men are not only more just – they are also more successful economically. Empowering girls and women – half of any country's population – could be the next emerging market for lifting growth and productivity.

Germany has been a powerful leader in forging the Bank Group's Gender program -- driven in great part by Heidemarie Wiecek-Zeul. Minister Wiecek-Zeul long pushed for a World Development Report – the Bank's premier contribution to thinking about development – on the topic of gender. And I'm delighted that we finally have been able to do it with this year's Report, which we'll be presenting at BMZ at the end of this month.

As we look back over the past 50 years, the global economic landscape has changed tremendously. We need to change too, and create for the future.