People First

by
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Your Majesty, Mr. Secretary-General, Gus Speth, your excellencies, ladies and gentlemen. I was told I had to stand for this lecture to prove to you that it is an important occasion. I want to tell you that I think it's a very important occasion. It's an important occasion for me personally to have the opportunity to be on this platform with my friend, Kofi Annan, and with other representatives of the UN system, and to be able to pay tribute to a Secretary-General who not only has the qualities that he attributed to me, but who has even more. He has focus, he has intellect, he knows what he is going to do, and unlike me, he has experience in the system. I commend that to you because, as someone who has had to learn on the job over the last two years, you're a lot better off with Kofi than the World Bank was with me. I am quite certain that he will do a remarkable job in terms of the reorganization and the direction of this institution.

I am also happy to have the chance to be here with Gus Speth and other friends from the UN system. As the Secretary-General said, the development business is a very tough business. You cannot do it alone. You need good partners and you need good friends. We work with every aspect of the United Nations system. Whether it be on issues of peace, or health, or education, or women's affairs we are there together as partners. I am delighted, therefore, and deeply honored that I am here to deliver this lecture.

The third reason, of course, that I'm delighted to be here is that we are recalling Paul Hoffman, a man who himself came from business, served as Administrator of the Marshall Plan and subsequently as head of UNDP. He was a man of vision, a man of experience, a man of courage and a man with a deep human sense. When he came to the Marshall Plan, he came to it not with a sense of charity, not with a sense of power representing the great nation of the United States. He came to it by saying, very simply, that we need to give the Europeans the chance to help themselves. He believed in the people he was seeking to assist. He said, it is for you, not us, to demonstrate what you can do in terms of development. That was a message which resounded in Europe then and which clearly resounds today.

But the world has changed since Paul Hoffman's day. Today we have come to think - at the World Bank particularly, but also in many parts of the UN system - of two worlds: a developed world and a developing world. Last night, when I watched the President of the United States and the Prime
Minister of the Netherlands on television talking about the Transatlantic Alliance between Europe and the United States, I was struck by the fact that, in honoring the 50th anniversary, neither one of them mentioned that other world. And yet, the first thing I have learnt in my two years at the Bank is that there are no "two worlds". There is only one world. You cannot talk of prosperity in Europe and the United States without prosperity amongst the 4.7 billion people who make up the developing and the transitional world.

We live on a planet of 5.6 billion people, and our clients are 4.7 billion of them - 4.7 billion people who today represent 18% of the world's gross product. But 4.7 billion people who in another 30 years will be 8 billion people and who will represent not 18% but 30% of the world's product. That developing world now has growth rates of 5-6% a year, double that of the industrial countries. And for the first half of this decade that developing world represented 50% of the growth in the world's GDP and 40% of the growth in world trade. This is not another world. This is part of our world. This is a world which, in terms of the United States, today represents over 4 million jobs.

But we are linked with this world by much more than economics. We breathe the same air. We pollute the same air. We have the same health problems. Twenty-three million cases of AIDS in the world is not a problem that stops at borders. Thirty million refugees in the world is not a problem that stops at borders. Crime doesn't stop at borders. Drugs do not stop at borders. We live in a singular world and it is our task and our privilege in the international institutions to work with the governments of the 4.7 billion people to try and help them improve their world. As Paul Hoffman instinctively knew, it's not charity, it's a chance to give people an opportunity to better their lives.

I have had a number of experiences as I have traveled this world. Within ten days of taking the job I went to Mali and in Mali I went to a village. In the village was a woman who showed me how she could plant crops and how with new techniques she was doubling the size of her crops. Her husband was tending a banana tree and the tree was growing better fruit. What were they anxious to tell me? That they wanted their young son to go to university. This could have been London or Stockholm or Westchester County. Families are the same wherever they are. People are the same wherever they are.

I went to Uzbekistan, to the Aral Sea, an area which, as you know, is blighted by environmental problems. After an hour and a half in a Russian helicopter we arrived at a school. There in the school were 30 children, their families living on $15 a month. At the end of the lesson a little child ran up to me and put a 10 sume note in my hand, equivalent to about a nickel. I said to the teacher: "What is this?" He said, "Mr. President, we may be poor in our country, but we have a culture. Our culture is that if there is a visitor, you give them money for the next phase of their journey."

This is a world which is a rich world. It's a world which we can develop not because of macroeconomic plans, but because of the people that populate it. After two years, I am struck with an enormous sense of
optimism that based on the culture and the quality of the people in this developing world we will succeed and we will address the issues of poverty and development to the advantage of us all. But it has to be a challenge which we meet not with projects imposed without the input or participation of the affected stakeholders, not with distant macroeconomic plans devised in Washington or New York or Geneva, but a challenge which we meet by working together with the people who make up the globe in which we live.

It is very clear that as you look at the development of our planet there have been significant differences to date. We have seen growth in the OECD countries in the last 15 years of two to three percent. But in the poorer countries it's been in the order of 0.1 percent. We've seen some remarkable success stories - Singapore, which in 1965 had a per capita income of $3,900 and which now has a per capita GDP of more than $28,000. The Republic of Korea, which in 1965 had a per capita income of $1,100 and which last year was admitted to the OECD with a per capita income of more than $10,100. But we have many other stories which are less successful.

And we have, even within countries that are growing, great inequities which cause instability. Fifty-six percent of the world's population has less than five percent of the world's income. Take Guinea Bissau where the poorest twenty percent of the population have two percent of the income and the richest twenty percent of the population have sixty percent. Or Guatemala, where the poorest 10 percent of the population have less than one percent of the income, while the richest ten percent have fifty percent. And in China, which many of you will have visited, an urban resident in Guangdong province has an average annual income nine times greater than a rural resident in Gansu. This is a world in which we can't talk about general macroeconomic statistics. We have to get down to issues of equity, to issues of the individual, to the differences in life within countries and between countries.

And this is, in fact, what we're doing. We're looking at the challenges of the 1.3 billion living under a dollar a day. And we're looking to see how, in a world that needs peace and needs stability, we can tackle the problem of poverty. Because we know that to our regret and to the certain knowledge of this institution, over the last decade more than half of the world's poorest countries have been engaged in war and conflict. They are engaged in war and conflict not because their people are somehow different from you or me, but because poverty causes instability, war and conflict.

So I come to this challenge with a sense that if we could get to the people we will find that they have the same aspirations and the same hopes and the same ambitions as people all over the world. And if we can give them opportunities, they will grasp them. But how do you do it? How do you get to the 4.7 billion people? How do you address the questions of growth and development and equity and social justice?

Then I look at the system which I am now part of and that, too, is changing as the Secretary-General knows full well. And each one of us, in our own way, is either being directed to or is voluntarily looking at the
issue of reorganization. Why? Because we are dealing in a world that is changing. We are dealing with an environment which is different today from the world of Paul Hoffman. In Paul Hoffman's day there were the Bretton Woods institutions, there was the United Nations and there was the Marshall Plan. They had the money and they could dictate.

But the world is not that simple today. Take the official institutions. There are no longer just two Bretton Woods institutions. There are now a host of regional banks, bilateral institutions, the European Union, the World Trade Organization. There are institutions abundant in terms of official assistance; together we put about $45 billion of net transfer of funds into the developing world annually, and a lot of time, a lot of effort and a lot of advice. And that is very useful. Except when you put it in proportion. For infrastructure alone the developing world needs $200 billion a year. So forgetting education, health and all the other issues, in relation to infrastructure alone, what we have available is a fraction of what is needed.

But alongside the official institutions something remarkable has been happening - the rise of the private sector. Seven years ago, the private sector was investing about half the amount of those official institutions, between $20-30 billion. Today that number has grown to $244 billion. In the space of seven years, the private sector has moved from being roughly half the size of the official sector to being five times its size. This is not just a quantitative change. It's a qualitative change and it means a corresponding qualitative change in the way we all do business. For of the $244 billion, 75 percent is going to twelve countries, 140 countries of the 160 countries in the developing world are getting less than five percent of the investment. So, again, this inequality is apparent. And it means that in the official institutions we now have a whole new agenda of leveraging the private sector, working with the private sector, forging partnerships with the private sector because without the private sector there cannot be development. And on that score, let me be absolutely unambiguous: given the remarkable transformation of the global setting, I am absolutely convinced that financial and development institutions are not going to be the primary engines of growth and poverty reduction, and neither will governments. This will be done by the private sector and by citizens. But international institutions and governments have a critical role to play as catalysts.

Then there is another change, very different from the days of Paul Hoffman, and that is the change in the way our societies work. We talk about the people that we are helping, but there is now a new movement of people. We have a world today where two out of three countries have some democratic form of government - fifteen years ago it was one out of four. We have a world today where five billion people live in a market economy - ten years ago it was one billion people. And with the move to openness, we have a whole new participatory environment in which non-governmental organizations have emerged at a local, regional and international level. They are a highly constructive force for development, although I might add that in terms of their criticisms of the World Bank they are not always the greatest friends. But my position on them is really very clear. It is that we want civil society as partners and we want it not as
a defensive move; we want it because it is absolutely clear that you cannot reach the people that you want to help without the assistance and without the contribution of civil society. So they are our third partner.

The fourth partner, in fact the leading partner, are the governments of the countries with whom we are dealing. They are the heads of the exercise. The projects which we help fund are not World Bank projects or UN projects, they are projects of the Costa Rican government, or the Indian government or the Brazilian government. So it is to them that we must turn and it is with them that we have a new and very distinctive task: to help them create an environment in which they can attract private investment, in which they can run their countries effectively, in which they can take responsibility for their own development in whatever way they want to do it. And it's crucial that it should be in whatever way they want because the decision rests with the people of these countries and with the governments of these countries. Not with us.

So our role, along with the role that Gus Speth and some of his colleagues are playing, is to assist countries in trying to get the mechanisms in place - to get a justice system, to get a legal system, to have a system of property rights, to have roads, to have education, to have health, to stop street crime, to enable people to invest and to develop these countries. This is not just an issue of foreign investment, foreign investment is just part of it - the least important part, although it can be important in terms of know-how and money - the crucial thing is to stimulate domestic investment. And yet in too many of the countries that we are trying to assist, money flies out from the domestic residents.

So the task is no longer a simple one of dictating what you want done, giving money, making conditions. In a global financial and knowledge market where you have these four partners - the official institutions, the private sector, civil society and governments - you have to have a wholly different view of the way in which an institution such as ours works, and my guess is, Mr. Secretary-General, the way in which an institution such as the United Nations also works. It's a new challenge, and it's a challenge based on people. It's a challenge based on consensus.

Let me give you a single example. For years we tried to get education programs going in India - a major challenge. As you know, education is central to development. Indeed at the Bank we believe that educating girls is probably the best investment that a developing country can make. And yet, 140 million children are not in school, 80 million of them are girls, and many of them are in parts of India. And when we came to the issue of education in that great country we drew up plans and we tried a lot of them, and I believe the UN system tried some, too, and they didn't work. Finally, we got down to the village level and we said to the people in villages, "You have children. How many children do you have?" And the people formed village councils, and they went and saw how many children they had in the villages. Then we said " Why not do a survey to see what the children do with their time" and they discovered that the girls never had time to play because they were always working. This was the first time that they had ever really done this sort of study.
Then we talked to the teachers who said they couldn't keep the children in school. And we asked why not? And they said because they're not interested. They are not interested because the curricula are nonsensical. So we brought in the best educators and we put them together with the people from the villages under the guidance of the Indian government and the regional authorities and we also brought in NGOs to assist, and in the case of some villages, we brought in local business. And through this approach we have created a movement in five Indian provinces which is exploding. It's not based on a top-down approach. It's based on starting with the people in the villages and building on their desires and their ownership and their control.

The same thing is happening in the area of microcredit and empowering women where again we're building up from the bottom. And let me add that in two years on the road, I can assert to you with absolute certainty that you will not have development without women. Women are central. And yet, in country after country women are overlooked. In country after country assistance isn't given to women and neither is recognition. So to the extent that we can, we are now seeking to get to the level of the family through women and through girls because if you can educate a woman, you educate a family; if you educate a man, you educate only a man. That isn't an original statement. It's been claimed by people from Africa to India to Iceland. But it is a clear statement. We are now focusing at the level of women, at the level of the family, at the level of people and trying to make sure that development starts at the root, giving people the right, as Paul Hoffman said, to take opportunities into their own hands. This is surely a much more secure and a much more valid basis for development.

I am not suggesting that there is not a need for infrastructure. I am not suggesting that there is not a need for sound macroeconomic planning. On the contrary, it is very clear that you have to have good economic leadership because the greatest danger for the poor is a bad economic framework. Inflation hurts the poor more than it hurts the rich. If you have $5,000 in an inflationary economy you can still live. If you have $5, you can't. It's as simple as that. Inflation wipes out the margins, and bad economic management wipes out the margins.

It's also very clear that good economic policy is central to aid effectiveness. Our recent studies show that aid channeled to poor countries with poor performance has no effect. Whereas when channeled to poor countries with good economic policies, 1% of GDP in aid results in an increase in the growth rate of 0.4 percentage points and a decline in infant mortality of 0.8%. We estimate that a reallocation of aid from poor policy countries to good policy countries would raise the growth of poor countries by an estimated one third.

So I am not suggesting that we don't have to have good macroeconomic management. It's an essential. But macroeconomic management by itself is not enough. We have learnt that lesson at the Bank and what we are trying to do now, in all the things we are doing, is to include the social and
the human factor. It's the title of this speech. You have to put "People First ".

And that doesn't just apply to the countries where we are operating. In terms of my own institution you also have to have people that think that way. You have to change a mentality and an approach. We have some people in our institution who don't think that way and because of that we've taken the top 350 people at the Bank and within a period of 15 months, we're putting them through a six week advanced management program run by Harvard, Stanford, the Kennedy School and INSEAD. And we've done it precisely because we know that we have to change the mentality, we have to make staff recognize that we need to be open to ideas, that the World Bank has not got the answers to everything and that we have to listen and learn and debate.

And then, before they graduate, staff have to spend a seventh week in the field. Not in the Hilton Hotel but in a slum, or a village or a project, going out with NGOs and living a development experience. And afterwards they must write a five page report in their own hand and send it to me. This is an attempt to try and change a culture, to try and relate people back to what it is that we are all about. And what we are all about is trying to improve the human condition. This is not a job; this is a God-given enterprise.

Two months ago, I was in Brazil and I went into one of the favellas. I went to the top of the favela where we have a community project putting in water and sewerage which is now reaching over a million people and which includes the local government and the non governmental organizations and the organizations within the favellas themselves. And I went to the top of the mountain with the deputy mayor of Rio and he said go into any of the habitations you want. And I went from one to another and the women who used to carry the water from the bottom of the hill up to the top, turned on the clean water and told me how it had transformed their lives. And as I walked around more and more women came up to me with little pieces of paper in their hand showing that they could pay the 5 or 7 reals a month that was necessary for their water and for their sewerage.

And I watched this until the deputy mayor of Rio said to me, "what they're showing you is not that they've got credit, what they are showing you is not that this enterprise now pays for itself, which it does, what they are showing you is that this is the first time in their lives that they've had a piece of paper which recognizes their existence. This is the first time they've had their name on an official notice with an address. This is the first time that they're in society."

I have seen it in India with passbooks and I've seen it in Rio with pieces of paper. The look in these people's eyes is not a look of hopelessness. It's a look of hope. These are people who have a sense of grandeur, who have a sense of tradition, who have a sense of family. All they need is a chance. I hope that, in the spirit of Paul Hoffman, we at the Bank and in conjunction with the UN system, with civil society, with the private sector, with governments and with all of you here tonight can
join together in partnership to give those people a chance because if we
do we will have a more stable and a better world for all our children.