Comprehensive Strategies for Poverty Reduction - The Challenge of the 21st Century

Remarks at the Global Development Initiative Conference by James D. Wolfensohn President The World Bank Group

The Carter Center, Atlanta, Georgia, February 21, 2002

Introduced by President Jimmy Carter

President Carter: Every now and then the leadership of a great organization falls in the hands of a person who is able to encapture the essence of its purpose, and to add a dimension of inspiration and excitement and adventure and achievement that is both inspirational and also very productive. This happens in a university or a nongovernmental organization like the Carter Center or Great Nation, United Nations, the World Bank and others. I have had a chance to appoint the President of the World Bank, and I've been able to observe his position from the Oval Office and as a governor before I was President and during the 20 years or so since I left the White House.

I think now we're privileged to hear from a man who has tapped the essence of what the World Bank is and what its founders thought it ought to be. Jim Wolfensohn has brought the World Bank that kind of insight as one of leading world investment bankers in his earlier career. That has awakened, I think, not only the World Bank organization itself, but the potential recipients of its benefits, and those who invest in it in an incredibly successful way.

I think perhaps more than any other President of the World Bank - and I was a great admirer of others before you, I won't name their names - but I think that this leader has committed the World Bank's purpose to improve the lives of the poorest and most destitute, the most forgotten and ignored, sometimes the most forgotten and despised people on earth. And I believe that the effort to eradicate poverty and the bold commitments that he's made have been extremely important.

We've heard, I think, remarkable talks this morning from three leaders from Guyana and from Mali and from Mozambique. They were all different speeches. They didn't overlap very much. Each one was correlative to the others, but all those countries which we know very well - my wife and I have been through them often - there's not only an economic need but a political division that has handicapped their further evolution, militarily, economically, culturally and politically. I think that Jim Wolfensohn has been able to see that the only real tangible way that strongly opposing political forces could be brought together, which is
always a problem with a mediator, is to build upon a common economic future.

I'm very proud to have him here as a friend. He's honored us with his presence, and it's with a great deal of anticipation that I introduce to you the President of the World Bank, and extraordinary man, my personal friend, Jim Wolfensohn.

Mr. Wolfensohn: Well, thank you very much indeed, Mr. President, Mrs. Carter, our participating Presidents from Mali, Guyana and Mozambique, and distinguished colleagues and friends.

This has been a remarkable day with such a galaxy of talent and ideas. It's been a remarkable day for a number of reasons, remarkable not only because we've heard from Presidents Jagdeo [of Guyana], Chissano [of Mozambique] and Konaré [of Mali], all great leaders in their countries, set off by Bob Rubin [Robert E. Rubin, Director and Chairman of the Executive Committee, Citigroup Inc], who gave us such a wonderful introduction, and of course, by President Carter himself, who reminded us that the greatest challenge of this century is the growing chasm between rich and poor, a phrase that I have used before, with attribution, Mr. President, but which is really the focus I think for all of us being here.

We're united in this issue, as has been very clear today, more by the things that we agree upon than by the critical comments. A few misunderstandings still exist on the role of the Bretton Woods Institutions - ourselves and the IMF. In relation to that issue, I want you to know that the relationship between ourselves and the Fund is a very constructive one, and one in which both Tim Geithner [Timothy F. Geithner, Director, Policy Development and Review Department, IMF] and his colleagues and the Bank have a very clear focus on the issues of poverty together. You'll be interested to know that Michel Camdessus came to visit me just three days ago, and Michel was talking about poverty, about water, about governance, about gender. And I said, "Michel, you used to be head of the Monetary Fund." He said, "But I always wanted to be head of the World Bank." So I just want you to know that there is a very close relationship between us, and Tim is representative of the new leadership, and does a remarkable and very forceful and very worthwhile job.

On the things that we are agreed upon this morning - I was very struck by the fact that we started with a description by Bob [Robert E. Rubin] of the world in which we're living, and it's a world that's not easy. As we look around our planet at this moment, it is plagued by inequity. It's also plagued by an uncertainty as to the economic future. That puts a lot of pressure on issues of development and development financing, because the classic finance minister looks at domestic budget before he looks at global responsibilities, and that is what we are finding at exactly this moment. Minister after minister is telling me, "We would love to do more, but we're under budget constraints, and until we see the way it's going, it's unlikely politically that we can move forward." So there is the backdrop of the economy which clearly affects everything that we're talking about today.
There is also the backdrop of uncertainties in many parts of the world. Argentina was mentioned, a serious issue, the issue of Central Asia, of Afghanistan itself, of Gaza West Bank, Israel, of some problems that are emerging in a more continental way through Central Asia and through the Middle East, with issues of fundamentalism on many sides. It's a world which is not tranquil. It's a world which in many senses is living with problems, and again I give you that background because we're not in a steady state of growth; everything is not harmonious there. So when we come to the issue of overseas development assistance and we come to approach the [Financing for Development] conference in Monterrey, which is an extremely important conference, we cannot abstract ourselves from the reality of a world which is concerned with terror, which is concerned with uncertainty, where economic activity from Japan to Europe to the United States in different proportions is described as having at least uncertainties if not difficulties. Some pressure - as was said today - not of fiscal problems that will move from country to country, but of political problems that may move from country to country, in the case of the Argentine situation, were it not to be resolved in a satisfactory way. It's important that we start with the planet we live in, and it's not an easy moment.

The other thing that I think is agreed is that although there's been a lot of criticism about efforts on development, we have in fact, in the last 20 years, made progress. We've made progress on the anticipated life going up by some 20 years in the last 30 or 40 years. We have made progress in relation to poverty itself. We have made progress in relation to education and health targets. Much of the growth and poverty reduction worldwide over the past twenty years has come in the two giants of the developing world, China and India; with progress too in other parts of East Asia and Latin America. Yet, too many countries are being left behind.

There are clear areas of the world that have very specific problems, noticeably Africa and especially sub-Saharan Africa. With its 600 million people that will double in the next 30 years, with problems also of conflict and of AIDS, which development policy can help to alleviate but cannot solve, with 25 to 30 percent of the countries in sub-Saharan Africa affected by conflict, and with the ravages of AIDS, the issue of getting an orderly program of development is surely made more difficult.

But all that is by way of background to the things that I believe we agreed on. Among them is the issue of partnership that is recognized now between donor countries and recipient countries, never more importantly than in the case of the NEPAD [The New Partnership for Africa’s Development] initiative. This is an initiative in which the African leadership - and President Konaré is well involved in it, as is President Chissano - says: "This is a real partnership. We're not looking for charity. We're not looking for handouts. We're looking for a partnership which is in the interests of all of us. We, for our part, will give proper leadership. We will deal with the question of governance. We will deal with the questions of legal and judicial reform. We will deal with the questions of financial systems that are transparent. We will confront
corruption. We will come up with plans, whether they're called PRSPs or whatever they're called."

So I pay tribute to you, President Carter, and to the Carter Center, because you recognize the crucial importance of having countries develop for themselves their ownership of their programs, and you recognized, as we have now all since, that development is not a matter of individual projects. Development is a matter of a cooperative, coordinated, comprehensive development strategy, which needs to be implemented with things going on beside each other, and with sequencing that's agreed by the government. You recognized that it's not an overnight issue, it's an issue which takes years, as it's taken years in every country. But you recognized that it is a really possible sequence that can be adopted in all countries that are in development.

So we have now this notion of partnership. I've spoken about the one side of the partnership, the leadership in the developing world, but there's also the need for the leadership in the donor countries, in the developed world. There, the issues have come down again to a number of issues that we agreed on.

One is that we must give support in terms of capacity building. This is demanded by our colleagues in the developing world because without capacity, without support, without knowledge, without experience, which in some cases comes from the South itself, but also comes from the International Organizations and Bilaterals, the way forward on development is extremely difficult. The issue of capacity building is really crucial. Second, we agreed that there's no sense in having development and building capacity for building markets if markets are closed. The Doha Conference focused very specifically on this. The pace at which this will be resolved may be slower than anticipated, but the direction is one in which there is a recognition that openness of markets to trade is an absolutely essential prerequisite to development.

So is the third prerequisite, which is increasing the level of development assistance. There have been many examples of analyses. There's the Zedillo Report [by the High-level panel on Financing for Development, chaired by former President of Mexico, Mr. Ernesto Zedillo, to the UN Secretary-General]. There have been independent reports done on health by WHO and by Professor Sachs. There's been our own work. We all come down to the notion, and indeed the "Monterrey Consensus" states this, that the resources are not adequate. It is clearly stated that we cannot get where we would like to go without additional resources. I remind you we agreed on 0.7% [of the developed countries’ GDP to be dedicated to development assistance]. We're at 0.23%. And now the air is full of a $50 billion figure [of additional foreign aid that will be needed to help countries reach the Millennium Development Goals] per year, either immediately or over 3 years or over 5 years. But it is absolutely clear that there is a need for additional resources.

There's one other thing that I think has changed, which was referred to today, which is the critical issue of political will to try and make sure that those additional funds can be provided. Bob [Robert E. Rubin] spoke of a need for getting people together to try and bring about the will for
that additional funding. In the discussions today it was very clear that whatever you think of globalization, interdependence is with us. It was commented by one of the Presidents - I think it was President Chissano - that if you don't deal with the question of poverty, you have the question of migration, you have the despoiling of the environment, and you create a ground in which there can be ferment for crime, for drugs, and even for terror.

This was lifted to a wholly new level on September the 11th. It was not that interdependence was not there on September the 10th. It was not that you could have spoken with less assurance on September the 10th, that poverty somewhere was poverty everywhere, that crime somewhere was crime everywhere, that terror somewhere was terror everywhere, that the globe that we're looking at is not two halves, that there is no wall between the developed and the developing countries. If that wall ever existed, the image of the World Trade Center collapsing was for me image of that wall coming down forever. Because here was Afghanistan on Wall Street. Here was Afghanistan at the Pentagon. Here was Afghanistan in a field in Pennsylvania. The interesting thing was that there were no Afghans involved, no single Afghan amongst the 19 people. They were all from other countries. They were all finding their haven in Afghanistan. Now there is Afghanistan, bombed and without having the responsibility, and UNDP, ourselves, Asian Development Bank and the Islamic Bank, are there to try and help reconstruct it.

If ever our country needed a lesson or a wake-up call on the reality that the issues of poverty are our issues, that 4.8 billion people live in developing countries on our planet of 6 billion, with 2 billion more coming in the next 25 to 30 years, all but 50 million going to the developing countries, September the 11th surely gave us that wake-up call. When the Carter Center meets 25 or 30 years from now, we'll have a world of 8 billion, with 6.8 billion give or take in developing countries. If we cannot recognize that that issue is not separable from domestic issues, then we are both blind and letting down future generations.

I believe that that recognition is upon us. I think it is affected today by the lack of certainty in our economic future, and it's being clouded by a lot of debates on which there is no debate. The debates are marked by statements such as: "Let's have effectiveness. Let's have productivity. Let's ensure that the money is well spent. Let's ensure that it's not corrupt in terms of the programs that we're dealing with. Let's ensure that women are given a very important place in the development process. Let's ensure that these issues are owned locally." These are not issues for debate. They're conditions under which increased assistance can be given, but they're not debatable items. They're not a reason to hold up action. Yes, we can debate further how we can improve our capacity and efficiency in judging the effectiveness of our expenditures.

Bob [Robert E. Rubin] mentioned already today that I suggested to some, including in this country, that we would be happy to adopt the best practice of any country in terms of how they measure the effectiveness of their domestic investments. The fact is that no such calibration is
really well established. So we're in a way being asked to do something in advance that many countries have not succeeded in doing themselves. To take it beyond the United States; does Germany calibrate the amount of money it puts into German education programs before it increases the money in education? What measures does it use? Do other countries in the OECD measure their health investments, and if so, what methodology? I would love to see it. We're ready to see it, and we're ready to examine it. But don't let these arguments confuse you in terms of the fundamental issue that faces us, which is the commitment that needs to come from the rich world to take its responsibilities seriously in relation to the developing world. This is not charity.

The other thing that I think we agreed on is that there are two elements to this. The first is that poor people do not want charity. People in poverty want a chance. People in poverty, the 1.2 billion under a dollar a day, and the nearly 3 billion under $2 a day, in my personal experience, are the best people you meet when you travel. They have a will. They want to be proud. They want an opportunity, and if you give them half a chance, and give them the responsibility, they do well. The new paradigm of development is to turn poor people from the object of charity to become the asset on which you build. We have to do that if we are going to have leverage in what we're doing, if we're going to have scale, and if we're going to have continuity in what we're doing. These are not weakened people. They're not persons with disabilities that happen to be poor. There's much that can be done to improve the conditions in education and health and in terms of opportunity.

The first thing I think that all of us need to understand, as we come to the programs that the nations are putting together, is that we are partners with the people that live in poverty. I think that's crucial for us as we think of this development paradigm.

As we go beyond this question of people in poverty, and as we come to our role in trying to assist the world move forward, we must also recognize that what brings most of us here I believe - I know what brought President Carter and Rosalyn to this realization - was a strong moral and ethical commitment that it's just not right to have these differences in the world. It's through all our religions. It's just not right. We need to move on it.

If you don't have that conviction, there is a new and very real commitment which is based on self interest. The world will not be stable if we do not deal with the question of poverty. It will not have the growth for us because we look at the developing world as our largest market. It will not be stable because we will be affected by migration, health, environment, crime, drugs, and terror. I am not putting it on the basis that we should make the decision because of a threat, but for some people that argument helps. And the reality is there.

What we need to do collectively is to get our leaders to understand that when they discuss the budget, equal with defense, equal with domestic spending, is international spending. We need to educate our children over the next 20 to 30 years to understand that our country, the United
States, or my original country, Australia, or from wherever you come, is not the only country in the world, that we need to know about Islam, we need to know about other cultures. We need to be open. We need to know about Hispanic tradition. We need to know about Central Asian tradition.

The issue of education, the issue of being open, the issue raising global citizens in our children is a challenge that we face, as it is faced in the developing world, for their children better to understand the importance of democracy and other things for which many of the developed countries stand.

I think on all these issues, amongst the people in this room, there is a tremendous consensus. What we need to do is to ensure that there is the action taken in the finance ministries and by our leaders to provide the resources that are necessary to act.

The Monterrey document says that there is inadequate funding. There is inadequate funding. Let's condition the availability of that funding on the undertakings that are voluntarily opted by the leadership in NEPAD and by the leadership in the other developing countries that are seeking partnership. But let us not fail, because if we fail, we won't probably fail ourselves above a certain age, but we will surely fail our children. The issue of poverty is the issue of peace, and we must never forget it.

Thank you very much.

President Carter: Jim has agreed to answer two questions, so if you have a question to ask him, please raise your hand, or a comment.

Question: [Inaudible]

Mr. Wolfensohn: I am very glad you raised that. I remembered when I was walking down that I forgot to mention private sector, and I forgot to mention the other partnership of which I was going to speak. I spoke of one partnership, which is donors and recipient countries. But the other crucial partnership is the partnership of those that assist the countries, and that is the bilateral and multilateral donors, civil society in all its forms and the private sector. Crucially in the last 10 years, there has been a move that gives far greater importance to private sector, not just international investing, but as was again commented earlier today, creating an environment in which domestic investment will occur and flourish. Job creation is absolutely crucial to the question of poverty alleviation, crucial.

The numbers, just in relation to foreign investment, are staggering. In 1990 overseas development assistance was running at 60 billion a year. In 1990 foreign investment in development countries was running at 30 billion a year, half the size of overseas development assistance. In 1997 overseas development assistance was running in the low 50 billions. Private sector investment was above 300 billion. It had gone from 30 billion to 300 billion, from half the size of overseas development assistance to six times the size of it. Since that time bank lending and portfolio investment has decreased, but direct investment still last year was above 160 billion against the 50 billion of overseas development
assistance, still 3 times the size. But again, direct investment was spread inequitably, for reasons that are clear, and more than 90 percent went to 12 countries only. So it needs to be spread out. The role of the private sector is crucial, as is the role of partnership between private sector civil society and the official institutions.

Question: [Inaudible]

Mr. Wolfensohn: It is an absolutely urgent issue, and what is interesting is, that in the summit meeting which will be held in Canada - the item on the agenda chosen by Prime Minister Chretien - the central item is Africa.

The issue is clearly going to be on the table. I do not have the inside information that Mr. Camdessus has, but I believe that the G-7 is going to have to say something about its initiative in Africa. I hope that something will be said. Certainly there is good will, I think, on the part of virtually every one of the leaders of the G-7, G-8, but the translation of that is going to be something that will be interesting. It will be the translation of that will in relation to trade - on which quite a lot has been done, but not an adequate amount; on the level of direct assistance, on support for capacity building, and on technology, that will be crucial. I think there will be something done, but I do not know what will be done.

I think there's a lot of good will. I'd say at the moment, in terms of the funding in Africa, that I don't find a lot of immediate constraint on the basis of availability of funds. Some of my colleagues from African leadership may differ, and I'm sure they will, but we are moving in the area of debt reduction. We put a billion dollars up for the AIDS crisis. These are small numbers in terms of the challenge of AIDS, for example, and the overall challenge. But there's also the issue of the ability to get the NEPAD programs up and running, and absorptive capacity in relation to the NEPAD programs. I believe that it will be a very short time before properly developed NEPAD programs will be under-funded. I think in this year we're moving to that stage, I think it's straining and we could probably do with a bit more, but I think it's probably one, two, three years away till NEPAD really gets up and running and we have the programs, that you'll find that financial constraint hitting.

It may be that that's very important because that will give the donor countries a chance to get themselves better organized for the funding that is required for Africa, but clearly in Canada it's going to be a very interesting meeting.

Question: [Inaudible]

Mr. Wolfensohn: I know what I would like to whisper in the ear of President Bush. I don't know, when you say in a practical sense, that involves the judgment of President Bush, not me. But I have a very strong feeling that the leadership that the United States gives is leadership that goes way beyond military might. I think the great thing about our country is that it stands for values that are rich, not just for this
country, but for the world, values of tolerance, of openness, of democracy, of caring, of generosity.

I would like to, if I got the chance of whispering in the President's ear, I would say, "Mr. President, the leadership that this country must give is moral leadership, and leadership in terms of values, and leadership in terms of generosity, intelligent generosity, productive generosity, if you like. But this country needs to change its image overseas in terms of that it is not a country of self interest, but a country that is prepared for global leadership and sharing of our values with values in other countries. We should not impose our values. We should make them available, should not impose our culture, but we should seek to allow countries, obviously, to support their own cultures and we should help them support their own cultures, and we should be part of the world, which is a world that in a way is coalescing as the United States did."

Our culture is not the American Indian culture. Our culture is an immigrant culture, melding the cultures of people in a very open way. If there's one country in the world that I think could be an example to the world, it's the United States. So I think it's that leadership that I would hope that this administration and other administrations will be remembered for, and that would be great.

Thank you very much.