Parliamentary Action in Promoting the Realization of the MDGs

by
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Introduction by Mr. Matthew McHugh, Counselor to Mr. Wolfensohn: Let me introduce Jim Wolfensohn, the World Bank Group's ninth President. He established his career as an international investment banker with parallel involvement in development issues in the global environment. Since becoming President on June 1, 1995, he has traveled to more than 100 countries to gain firsthand experience of the challenges facing the World Bank and its 181 member countries. He is the third President in the World Bank's history to serve a second term. In 1996, together with the International Monetary Fund, Mr. Wolfensohn initiated the Heavily Indebted Poor Countries [HIPC] initiative as the first comprehensive debt reduction program to address the needs of the world's poorest, most heavily indebted countries. Two years later, he led a global review of the initiative. This review and proposal by donor countries culminated in September 1999 with an official endorsement at the World Bank/IMF Annual Meetings to double the amount of relief, which makes more countries eligible for assistance and has sped up the process. In January 1999, Mr. Wolfensohn introduced the Comprehensive Development Framework [CDF], drawing on the lessons of development experience and putting into action the key concepts laid out in his Annual Meeting speeches. Together, with the Bank's partners, the CDF is now being piloted in 13 countries and is an approach that places the country front and center, focusing on building stronger partnerships to reduce poverty.

Prior to joining the Bank, Mr. Wolfensohn was an international investment banker and held a series of senior positions in finance. Throughout his career, Jim has also involved himself in a wide range of cultural and voluntary activities, especially in the performing arts. He has received numerous awards for his efforts, including the first David Rockefeller Prize of the Museum of Modern Art in New York and an honorary knighthood by Queen Elizabeth II. Jim was born in Australia. He is a naturalized U.S. citizen and holds a BA and LLB degree from the University of Sydney, and an MBA from Harvard Graduate School of Business. He and his wife, Elaine, have three children. Please give a warm welcome to Jim Wolfensohn.

Mr. Wolfensohn: Thank you very much, and thank you for the invitation to address this luncheon, at a period of time which is certainly complicated for anyone heading the World Bank, but is certainly complicated for all of you, ladies and gentlemen. Let me try and speak for 10 or 15 minutes, as suggested, on some of the issues that I am facing, and then perhaps we
can open it up for discussion because I would welcome a sense of what is on your minds. Let me start by telling you that I think the Bank has never been more active or more needed than it is today.

I think you know that the dynamics of our institution are that we have some 6 billion people in the world, of whom 5 billion live in developing countries, and we are directed to the 5 billion. Of the 5 billion that live in the developing countries, they have about 20 percent of the world's income, the 1 billion having 80 percent of the world's income. I think you know that roughly 3 billion of the 6 billion people in the world live under two dollars a day, and roughly a 1.2 billion live under one dollar a day.

That is the situation in which we are operating, with one addition which I think is relevant for you to understand. As you think of the future, in the next 25 years, our planet will grow from 6 billion to 8 billion people, and all but 50 million of those people will go to the developing countries. By the year 2025/2030, we'll have a planet of 8 billion, of whom 7 billion live in developing countries.

The reason I am saying this to you is that - when I grew up, and I'm sure this is true for many of you - the issues of development and the issues of what is happening in the poorer countries have typically been one of the last things you think about. When I was growing up, the notion was that if I wanted to, I could go and do some work in the developing countries, but then I would come back behind this wall of Australia or the United States or England, and you were safe, and all of those things would happen out there. Clearly I grew up in a period when we were thinking of two worlds.

I think that the important thing which is yet not fully understood is that, with globalization, we have become one world, and that the issues that go on with those 5 billion or 7 billion people are no longer fringe issues that you can deal with expeditiously when you are dealing with the Foreign Relations Subcommittee's attribution of whatever is left in the budget after domestic programs. On September 11th, we got a full sense that what happens in those worlds really impacts us domestically.

When I grew up, the notion of thinking that Afghanistan would ever be an issue on Wall Street or in Pennsylvania was fictitious. Whereas, today, whether it be issues of health or environment or trade or finance or crime or drugs or terror or poverty - these issues now become really one issue, and it becomes one world. Poverty and terror some place really affects us here.

That realization is a tough sell. It's tough for me to come to the Congress and say to you that you really should be thinking about the issues of development and the 5 billion people that the World Bank addresses. But if you don't accept it, your successors are surely going to accept it, because the population growth and the dynamics are such that these two worlds are really one world, and those issues really confront us, and should be recognized now. Delay will only make the problem larger in later years.
As the largest power in the world, the United States is now in a particularly complex situation where we have more power than has ever been enjoyed perhaps by any country. We are faced also with responsibilities in all of these other countries with not a great deal of experience in dealing with them.

I am just back from a trip to Central Asia and to China. This last week I was in the Congo and Rwanda. I have been meeting in Europe in these last days on Palestine and Israel. I have been deeply involved in Argentina. We are deeply concerned with what's happening in Turkey. We are trying to ensure that India and Pakistan have adequate economic hope that they won't shoot each other. Not a day, not a minute goes by that we are not currently engaged in issues which, without too much difficulty, you could say are relevant and important to the United States.

Now, that is all very well, except that when I speak here or when I speak in Europe or speak to the G-7/G-8 countries, there is a nominal recognition that these are very important issues. At the G-8 Summit in Kananaskis - as I think you know - they had African leaders there for the meetings and promised additional assistance and help. But the real issues that are on everybody's mind at this moment is what is happening in the international financial markets. Indeed, I'm sure in your own congressional deliberations, one of the issues that is on everybody's mind is the 30-percent loss that has been sustained in the stock market since April - approximately an $8-trillion loss in this country; and $2.5-trillion loss in the European markets, equivalent of the size of Germany.

We have going on at the moment a precipitous loss in terms of capital values of a scale that matches the '30s and a slide which, at least at this moment, is even more precipitous. When you have an environment like that, and deep concern about trade, deep concern about the quality of institutions, a huge concern currently about the quality of the private sector, which is evident everywhere - including, by the way, in developing countries - it is pretty tough to come and say to you I'd like to talk to you about poverty in India or in Bangladesh or in one of the 47 countries in Africa, and get your attention.

So let me try, simply by saying that I think it merits your attention, because if you - and if we as a nation - don't deal with the questions of development, and of peace and of hope, we will suffer with terror, with migration, and with crime, and with global uncertainties of many, many types.

The reality is that at this moment all of the debate that is going on in the international communities, particularly in the wealthy communities, is not about development, it is about economic stability and growth within the developed world. The discussions that you have, even with the most interested people today, build around the questions of how deep is this current move on the stock market going to go and what is going to happen in terms of the sanctity of the private sector.

This morning, I had a briefing on the forthcoming Annual Meetings of the IMF and the World Bank here in Washington, and we have information that,
on this occasion, civil society is going to attack the Bank. And why? Because we are friends of business, and business is dishonest, and therefore the Bank is dishonest, and therefore you should demonstrate. We are now trying to determine what it is that we can do to defend ourselves because we have invited to the Annual Meetings, as we usually do, private-sector participants, because in development today, the role of the private sector is four or five times the size of official development assistance: just to remind you of the statistics, 10 years ago, $60 billion went into development assistance from countries like the United States and the wealthy world to developing countries, and private sector investing was at $30 billion—half the size. By 1997, private sector investing reached $300 billion—six times the size of the then $50 billion that was being put into overseas development assistance.

So, not unnaturally, we, along with other institutions, directed our attention not just to getting development assistance from congressional and other bodies, but we looked to see how we could build partnerships to create jobs and create investment working with the private sector. That has grown very well, except that in the last couple of years, it started to decline, and the recent numbers for the current period show that the investments have fallen off precipitously. Certainly, investments from private banks are now running negative. There is a withdrawal of money from the developing world.

There is a linkage between the effect of the current uncertainties in the financial markets here and to our direct involvement with private sector in the developing countries. The private sector, as I said, has now become highly significant, in terms of the growth in those countries.

We are, in relation to the 5 billion poor people, in a very, very tough situation at this moment. We have had, as you know, an indication of an increase in development assistance by your administration over the next 3 years—to increase it from $10 billion a year, roughly, to a level of $15 billion. The European Union is doing approximately the same or a little bit more. But this is still getting us to a level of development assistance which is around 0.3 percent of GDP and against an earlier target that people, in better times, had said should be 0.7 [percent of GDP].

But the issue is no longer the question of the amount of money. What is interesting in what is happening now—a much more mature approach to development than we have ever seen before, and indeed this is a very positive development.

Developing countries in Monterrey said: "We understand that if there is to be development assistance, then we have to put our house in order. We have to deal with building our human capacity, we have to deal with legal systems that protect rights, we have to have financial systems that are transparent, and we must fight corruption. We don't expect any money unless we can deal with those issues. This is not something that we are responding to because the rich world is forcing it on us, it is something which we know to be correct; in other words, without such actions, we are not going to solve the issues in our own countries."
And so, in Monterrey, the consensus was reached that developing countries would try and put their houses in order and then have a comprehensive plan for development involving education, health, and infrastructure, and all of the things that are part of the so-called global Millennium Development Goals.

This was something that was very welcomed by bodies such as yours and the donor organizations around the world because we have been calling for that for a long time. In response, the developed countries said: "We will help you with building capacity, we will increase the level of development assistance, and we will open markets for trade."

Since that time, the developing countries have said to us: "All we've seen from the signals in trade have been the opposite. The increase in development assistance is not yet forthcoming, but hopeful as there are indications of it. But the assistance that we are getting and the interest that is being taken - it has shown no great increase."

Now, that is all exacerbated by the domestic situation today, and not surprisingly. I am sure every one of you is looking at your constituents who are worried about their 401(k) plan, and worried about the domestic situation and the domestic budget. These issues from Monterrey, while very real, appear to be distant issues, and they are certainly not today's issues.

So, for the World Bank, it is quite a difficult position to be in. I am, personally - and I have now been to 120 countries - absolutely convinced that what is happening in those countries has a big impact on our country. I am also absolutely convinced that our country, having the power that it does, must be - will be inevitably drawn into every one of these issues that I have spoken of. I think you know, perhaps better than anybody, that whether it is the India-Pakistan or Middle East or Congo-Rwanda or wherever, the United States is drawn in, and it is not something that we can avoid. Equally, on the issue of terror, and on the issue of crimes, and on the issue of drugs, and on the issue of environment, on the issue of financial stability, on the issues of trade - we are very much at the epicenter of these issues, and the confines are not the Continental United States; they are now the globe.

We have the difficult job in the World Bank of trying to convince bodies like yours that these inevitable issues for the next 25 and 30 years are urgent issues and require priority attention, when everything that is forced on you is from a domestic constituency that is concerned with 401(k) plans, a drop in the market and your immediate needs at home.

It is a dilemma for us, not just for the U.S. Congress, but too for the House of Commons, for the German Bundestag, and for the Japanese Diet. Because our belief is that the image of September 11th, as we saw the World Trade Center coming down, was an image of the wall dropping that once separated the developed and the developing world. I see it wherever I go. I see the reliance on the United States, I see the impact, and I see tensions now growing in terms of the approach and in terms of the U.S. position, not just with the developing countries, but also with Europe.
You will be interested to know that on the Board [of Governors of the World Bank], on many, many subjects where seven, six, or five years ago, there was harmony, today I have never known greater stress than exists in the Trans-Atlantic Alliance. It certainly deserves attention.

My plea to you is a very simple one. We have the power in this country, we have the knowledge in this country. I just make a little plea to you that if you buy at all my proposition that our perimeters are no longer the Continental United States, because of globalization of the world itself, then there is a need for leadership from our country on these issues which are not immediately visible, but which will inevitably affect your children. We need to reach out to our partners and offer our hand as a partner and where appropriate as a leader. We should not unilaterally act or dictate.

My own view is that the issue of peace is the issue of poverty, and that if we don't deal with the question of inequity, and poverty, and equitable and sustainable growth amongst the 5 billion people in the developing world, there is no way that we can have a stable United States or a stable world.

To me, involvement in development issues is a national security issue, it's an issue of self-interest. It's in a sense an obligation on us for our leadership. I know it's a tough sell at a time when the market has dropped 30 percent since April. But I would simply put in a plea, since I am up here, and since you are such an important body, that you hear what I am saying, tuck it in the back of your minds because the developing world is not going to go away, and it will have an inevitable and very strong impact on the domestic issues in our country.

I think it is better for us to be ahead of it, to be in the lead, to build consensus, to build friendships, to build understanding, to give leadership, rather than to put it in the background and to focus solely on domestic issues. That is what it looks like from my job, and I'm saying it because I really believe that these are the issues that are important for now and most especially for the world we will bequeath our children.

Question and Answer Session

Question: The person that has been most active in this area has been our Treasury Secretary Paul O'Neill. Can you give us your reaction to his efforts?

Mr. Wolfensohn: I have a high personal respect for Paul O'Neill and I really appreciate his interest in development issues. I am glad he had his 12-day trip to Africa and hope that he and his colleagues will build on this experience to gain a better understanding of the issues. I think that the notion that nothing good has been done in the last 55 years is a little extreme. It is my hope that, as we discuss the issues more fully, that he can, and will, take a more modulated view about the activities of not just of the World Bank, but other global institutions as well. I might tell you that this is not just a view that I take. I have just come
back from Africa, and I think we run the risk of simplifying the issues
in that continent, when they are not very simple. I am thrilled that the
Secretary is interested. I am thrilled that he has been there. I am
thrilled that he is passionate about education and about poverty, but it
is my hope that we can build a better understanding, in terms of the
methods that we might use to address those questions.

Question: Our own Tony Hall will soon be leaving for Rome to be the
Ambassador to the U.N. Food Program in the FAO. Maybe you could give some
thoughts to him. Should the United States be playing a larger or a
different role in those organizations?

Mr. Wolfensohn: On the question of agriculture and food security, the
United States is clearly a leader, but one of the reasons that you do not
have adequate production in many of the countries is because you don't
have adequate market access, and you have dumping into markets. Just to
give you one statistic: last year, overseas development assistance ran
around a little over $50 billion. Agricultural subsidies in the United
States and Europe ran at $350 billion. So you have seven times the amount
of overseas development assistance, seven times the amount, more than a
billion dollars a day going to agricultural producers in the United
States and Europe. That doesn't give a very big chance to developing
countries to develop their domestic and external markets in scale. I
think that if Tony were to get one message, it might be to look at the
relationship between trade, scientific and technical support on
agriculture, which is pretty good, and openness of markets. I think that
it might be the cheapest way that the United States can assist, and the
least costly way, except for those who have a strong agricultural
constituency in their voting support, but it's not a big base, but it is
very important for those people they are elected by. But $350 billion
against $50 billion is not insubstantial.

Question: I was just curious. In my adult life, I have heard over and
over again about crises in Third World countries, and I was curious, from
your viewpoint, is there hope or are we continually faced with the same
...[inaudible].

Mr. Wolfensohn: No, I think that in Africa - from where I have just come
back - you have a couple of things which are counting against you. First
of all, in sub-Saharan Africa, you have got 47 countries with 650 million
people. The difficulty in dealing in that sort of environment is very
hard. That means you have 47 Presidents, Prime Ministers, elected
constituencies where they exist, and a fair opportunity for bureaucracy,
corruption and many other things. So that is item number one. Secondly,
they were left generally weakened by colonial powers, so they didn't
start with great grace. They weren't always natural countries. They were
divided up on the basis of history. As a result of tribal conflict and
poverty, you have now got 18 countries either affected by or in a state
of war. Thirty percent of people on the Continent of Africa are affected,
one way or another, by conflict. The third thing is HIV/AIDS. There are
more than 24 million cases of HIV/AIDS, 10 million orphans and growing.
This is a problem, by the way, which is not just limited to Africa, but
which we are now seeing in India, in China, in Russia, in Ukraine, in the
Caribbean. It is a problem which is getting inadequate attention, but
which is most apparent in Africa. Where I was in Congo and Rwanda just now, 13 percent of adults have HIV/AIDS. In doing our educational programs, one out of three teachers in many of the countries are dying each year. So the task of keeping the supply of teachers is a race against HIV/AIDS and a race against time to support measures of prevention and treatment.

Having said all of that, there is a new initiative, where people like Thabo Mbeki [of South Africa], Olusegun Obasanjo [of Nigeria], Bouteflika [of Algeria], and President Wade [of Senegal] can come together in a plan called the New Partnership for Africa’s Development, the so-called NEPAD plan. This is a highly prospective initiative that there has been in Africa, and you have a group of young leaders that are doing pretty well. You have 15 countries that have had 7-percent growth or better over the last 5 years. So there is some hope.

On the other hand, there is a race against population growth. In the next 25 years, even with the current HIV/AIDS projections, it is thought that we will go from 650 million to 1.2 billion people in Africa. To have adequate growth to address the questions of inequity means that you have got to have 7- or 8-percent growth throughout the continent if you want to have any chance of dealing with the question of poverty.

The key to that is both family planning, and most importantly, education of girls and the enfranchisement of women. Women and girls' education is, if not the central issue, one of the most important issues in development. I think that as we see a movement to have better education for girls, better enfranchisement of women in Africa, and an emergence of the new leadership, that conceivably over the next 10 or 15 years, you could see a different type of Africa, but it will need openness of markets to trade within and outside Africa.