New Challenges for Development in the Middle East

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by
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This to me is a remarkable opportunity and one that my father, if he were still alive, would have been very proud of. He actually recruited Ben-Gurion into the Gdud in 1917. My father was the recruiting officer in the Gdud and I grew up with the names of the past then; not only Ben-Gurion but Shertok, later to become Sharrett, and many others who were part of that unit. And to now come to a university named after so distinguished a leader and to be asked to address you on the 30th anniversary, is something that I find very moving.

I also find it quite moving to be here with my friend Ambassador Indyk. He and I went to the same shul in Australia. It is sort of remarkable that two Australians who could not get work in Sydney wind up somewhere around the world in the Negev. So it just shows that this is a country of opportunity and very soon I hope that we will get a job with Omar Salah that will allow us to live the rest of our lives in great comfort.

The World Bank is an institution which I am very proud to lead and which you probably do not know a lot about. It is an institution that was founded some 55 years ago, essentially to look after the reconstruction following World War II. It gradually mutated into other forms of activity, the most prominent of which has been working in the developing world, trying to bring about equitable development throughout our planet.

The task today is not so easy. We have a planet of 6 billion people of whom 4.8 billion live in the countries with which the Bank is concerned. Of the 6 billion people on the planet, as I understand my friend Sadako (Ogata)* said this morning, three billion live under $2 a day and 1.2 billion live under $1 a day, in which I call absolute poverty.

So this is a difficult problem, but one that we seek to address. Our institution is owned by 183 countries in the world, who have done about $450 billion of lending. We do about $20 or $30 billion a year and we have an institute which deals with the private sector, with insurance,
and we have an institution called IDA, which makes concessional loans to the very poorest countries.

All of that is a useful institution of nearly 11,000 people, with offices in a hundred countries, now all linked by satellite so that we have voice data and video communications with our offices and we are running some 400 video conferences a month now. So if you come in to the Ivory Coast and you want to see someone in New York or in Nepal or in Brazil, we set it up on our system.

It is truly a World Bank. All of that sounds rather glamorous and interesting and well-financed were it not for the fact that in the next 25 years, we will have another 2 billion people coming on to the planet. So in 2025, you will have 8 billion people and 97% of that additional two billion people will come into developing countries. So instead of 4.8 billion we have 6.8 billion, who will be in the region with which we are interested in dealing. And the question is: what will happen to poverty?

We will have another shift in the two billion more people who will move into cities and towns, so that there will be a change demographically, and we will be faced with all sorts of new problems about how to run countries, how to run states, and how to run cities. And the essential issue will be: how can we bring about growth first, because without growth, you cannot do a lot to bring about change in a positive sense. And when you have growth, how is it that we can affect poverty? And why should we affect poverty? What is it that is relevant about an institution like the World Bank or about some institutions at the United Nations or about bilateral agencies that are concerned with the issues of poverty?

Why is it that we should be interested? Is it because of the Judeo-Christian belief of giving charity, or is it out of self-interest? Is it for a broader purpose? My judgement, having now worked in the institution for five years and having joined it for this reason, is that the issue of development and the issue of improvement of economic life are inextricably tied to the issue of peace. Nowhere can I say that with greater feeling than in the Middle East. Because the issue of political agreement and the issue of peace treaties only mean something if you have economic development and opportunity going with it.

We are linked in a very complete way. Let me start not in Israel, but thinking of it from the point of view of the United States or any of the developing countries. The world is no longer two worlds of developed countries and developing countries. To start with, the numbers would belie that. But in the world of economics and trade, today 18% of the world's products comes from these developing countries. In another 25 years it will be 30%. So the growth is there.
But putting aside the growth, the globe is linked by the air that we breathe, by health, by crime, by drugs, and by finance. We only think back to the Asian financial crisis to see that the next day it was felt in Israel and Egypt as it was felt all around the world. The world is linked by migration, by all sorts of political trends and influences that simply do not recognize borders. This is not just an issue for the Middle East; this is a global issue.

We ourselves at the Bank are dealing be it in Bosnia-Herzegovina or the Central African Republic and the Congo; be it in Ethiopia and Eritrea or on the border of India and Pakistan or in Central Asia with issues of politics and issues of economics fused in a very real way.

We have just completed a study which was called Voices of the Poor, in which, over seven years, we went out and talked to poor people - 60,000 of them in sixty countries. And what was remarkable was that people are the same everywhere. Funnily enough, they are the same as all of you. You have kids; you have a family; you want a certain sense of well-being; you want security; you want a right to represent yourself; you want a voice; and the same with poor people. And what they do not have is the right to represent themselves. Or a voice. Many of them said we do not know who to trust the police or the criminals. Corruption affects poor people much more than rich people. If you are living on $2 a day and help is going to cost you $1, it is the difference between feeding your family and not feeding your family.

If you are making $10,000 a year, you can afford to give a bit of corrupt pay-off. But poor people cannot. If their health goes, it means the difference between livelihood and no livelihood. And what they want is education for their kids and they want an opportunity. None of them want charity. They want a chance.

I have now been to 105 countries with my wife. I have been in more slums and villages than I knew existed, and the best people you meet are in slums and villages. They know what they want. They are the basic needs. They have a very clear view of what is needed. And if you get into the issues of community development and you trust the people in the towns and villages, you never lose a penny because they watch each other, they represent each other, they own the projects, they get them done and they are more effective.

So I come to this world with that base and I then look at the countries and the areas in which we are operating. But there is one additional overlay because this world is not static, especially in terms of character developments. We have moved from an agricultural revolution to an industrial revolution, and now to a digital revolution.
This is clearly a new age a third age, an age that allows me to be linked with my offices by satellite, talking to 10-12 at a time, where we are establishing 50 different learning centers now, complete with 30 seats in a classroom like this, with an adjacent classroom with 30 or so computers all linked by our satellite networks so that wherever you are in the world, you can have a class. This is the way the world is going.

But more important than that, it is supporting new industries and presenting new challenges, because unless the countries in development can catch up, they will be a generation behind. So the challenge of the digital age is a challenge also of either jumping a generation or falling back a generation. And we are seeking to respond to that new challenge of the digital age in wonderful ways. In fact one of my colleagues was recently in Addis Ababa in Ethiopia, out there to talk about collectivity, e-systems and the e-business and talking to a group like this - of course of Ethiopians - he said: "Do you know anything about the Internet or Internet sites? Have you heard of it?"

And one guy put up his hand and said: "I have a site." And he said: "How do you have a site here in Ethiopia? What business could you do here? There is practically no productivity " He said: "I sell goats." He said: "How do you sell goats on your site?" He said: "It is really very simple." He said: "There are a lot of Ethiopian taxi drivers in New York, Chicago and Washington and they like to send goats back to their family. So I have a site on Yahoo and every day I go to the café and I check in and I am doing a wonderful business."

We have an example in India where one of our clients put a screen and a touch-pad on the wall of his factory. No education; it was next to a slum. Two things happened: first, the 16 and 17-year olds came along. (We have this all on film.) Second, there were boxes put there for the youngsters so that they could reach the touch pad. After a week, they were in touch with the Disney channel and many others. After a month, they had their own web-site and every day from 7:00 in the morning to 7:00 at night, you have the usage of this computer.

This age is an age where we are increasingly finding computers in villages not because we are putting them there, but because they are being demanded. We recently had an African woman come over to one of the exhibitions we had at the Bank, one hour north of Cape Town. They went in a helicopter (my wife opened the Center) they had no water and no power but they had a shed, a solar dish and they had a computer. And they are using it for all sorts of purposes.

I give you those examples, not in a Hollywood sense but in a sense to say to you that this is a real revolution about change which is occurring and which opens up not just opportunities but which also opens up the possibility of freedom. And the place where we are looking at this the most now is in China, where the role of Internet and the role of
productivity will have the single most important impact on political developments in that part of the world, as it may well in the Middle East.

I give you all that by way of background because they are the sort of things about which we are thinking and to tell you that the world is a complicated and large place. I have not even mentioned Africa, which has its problems at the moment 25% of the country is engaged in conflict; 23 million cases of AIDS; 10 million orphans growing exponentially.

And now we come to the Middle East and North Africa an area of 280 million or so people in a world of 6 billion - with a GDP of give-or-take 600 billion within a global GDP of 30 trillion. Israel, with about $100 billion in GDP represents one-third of 1% of the world s GDP. The whole area may be 2%. Not to scale it down because the Middle East and North Africa is very important, particularly to the people who live here, but in terms of perspective, it is a relatively small part of the world. However, in terms of its complexity and in terms of its politics, you have managed to take it to an extreme unmatched anywhere. And daily events set new standards for what one can do if one has the history of our peoples in this area.

It is of course more than a joke. It is a very real challenge to Israel and its Arab neighbours at this time because the same issues of equity and social justice are issues of peace. And when we talk here in the region about treaties, they have to be backed by issues of growth, of social justice, and of equity, if you are to have peace.

My friend Nashashibi knows this very well. We have talked about it many times. And my Jordanian friends -- the same. This is not a question about being a Jew or Moslem or Arab. It is a question of us all being human beings with the same aspirations and hopes as the 60,000 people in poverty that we interviewed.

It is necessary to stand back. It is not a question in the region of will there be peace; it is only an issue of when there will be peace. Because if there is no peace, there is no future; and if there is no future, your kids will not live in tranquility. There will not be the sense of well-being; there will not be the opportunity; and there will not be the future. That is the issue which we are facing. It has demonstrated itself as a series of challenges in many ways in the last days and in the last months and in the last years. But what it needs is a conviction that one must move forward.

And for Israel dealing with its Arab neighbours with a $17,000 per capita income, and I might add -- with some growing inequity in this country, in terms of spread of wealth -- that looking at the region, outreach is not just a question of charity. Outreach is a question both of charity and of
social justice; or otherwise put, of self-interest. There is no choice. With a market of close to 300 million people which within the Arab world has not taken advantage of inter-regional trade to any significant degree, the prospect of peace opens up an opportunity for inter-regional trade within the Arab world but also with Israel.

Would you prefer to have a border -- with Lebanon or with the territories -- where there are no people or where there is thriving business? Would you prefer to have a border where there are towns that are functioning, or deserts? Would you prefer to have a town where people are occupied, happy and constructive or where there is 40% unemployment?

Think not just about social justice - think self-interest. I like to feel that in the Jewish tradition there is an issue of justice and of equity. It is part of the Christian and the Moslem traditions as well. It is a part of the human tradition. And never is it more needed than it is today.

When you talk peace, you have to talk economics and hope. And that is the issue which we are privileged to work with in the Bank. And it is the issue which needs contemporaneous treatment along with military and peace agreements. We have discovered in the Bank that it is also part of a broader development challenge. It is not an "instant fix" as Mr. Nashashibi knows very well. As to my Jordanian friends, the issue of equitable development is not just an issue of putting money in. You have to have structure; you have to have a legal system; you have to have a justice system; you have to protect property rights; you have to have a financial system that works; you have to have a social system that helps the people who cannot help themselves; and you have to fight corruption.

You have to do all those things simultaneously. We are thinking about education, about health, about water, about power, about transportation, about environment, about cultural policy, about rural strategy, about urban strategy, and you cannot just pick one and say I will deal with that and not worry about the others. You have to have what we call a comprehensive development program, and it is not an "instant fix". It is a medium-term program where you have to move on these things progressively, and that is not just true for the Middle East, it is true globally.

So the challenge of development, once you recognize it, is not just a challenge where there needs to be investment. The receiving governments and the people that are in fact running the areas that are developing, have an equal, if not greater challenge, which is to put it together in a way that can protect rights, give harmony, give equity and bring about equitable growth and development. This is not a one-way street. This is not an issue of writing a check; this is an issue of real partnership and real development.
And each sector of the world has its own individual characteristics and in this part of the world, as change occurs, many things are being faced: issues of the particular forms of governance in the region. Some of them have been democratic, some of them have not. Monarchies, some dictatorships -- although perhaps I would not use that name, centralized control -- and with the development of public interest groups, of civil society, of information, these countries themselves are finding that there is a need to move from centralized groups to new forms of governance. That takes time. It has taken time in developed countries to develop government. It will take time in developing countries to develop government.

But what is great about today is that there really is an opportunity for a speedier interchange of ideas, speedier support in terms of capacity building and speedier transference of resources, both monetary and intellectual, to try and bring about change.

What is needed on the part of everybody in the world today is a sense of focusing not just on the immediate and of what is happening in our own country, but to recognize more than ever in history, that we are part of a global community, part of a global pattern and part of regional patterns. It is a very exciting time.

The point that I would make is this: for you in the audience, this is an interesting, I hope, framework within which to view the present issues. For your children, it is the difference between having peace and not having peace. This is not a theoretical issue -- not in the Middle East, not globally.

If I can try my Hebrew, let me say this: Lo alecha hamelecha ligmor, ve lo atah ben chorin lehipater mimenah, which translated means - for the benefit of my friends from Jordan: "It is not incumbent upon you to complete the work, but neither must you avoid doing all you can."

That is the task that faces us.

Thank you very much.