Private Sector Development, Social Cohesion and Peace

by
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Introduction by Peter Woicke, Managing Director, IFC

MR. WOICKE: Welcome to our participants dinner. It is a great pleasure that we have President Wolfensohn here tonight. I am supposed to introduce him but, to use one of his words, I think it would be preposterous to introduce him.

Let me just say one thing. Myself being responsible for private-sector development, I have to say it's great to have a president and a boss who has been very successful in Wall Street, who knows the private sector inside out, and at the same time is so passionate about what the World Bank is all about, which is poverty reduction, that combination I find is fantastic and wonderful, and more I don't want to say.

Jim, please.

MR. WOLFENSOHN: Peter, thank you very much for the introduction and for the opportunity of being here tonight to join with you in welcoming many of our friends who participate in the programs for development that we have generally, but in particular the B-loan program and who also participate in so many other ways of working with us and giving us advice and counsel and coming up with bright ideas.

You make us look very good and I must say that with nearly $20 billion worth of B-loans having been done with you and with a really exponential growth in demand we look forward very much to continuing associations with you with the ups and downs of the cycles of interest in lending which, as you know as well as I do, do go up and down and which currently are in a down phase, a down phase but not an ending phase because we are trying to deal in our institution with what is the largest and fastest-growing part of the world.

Peter suggested to me that instead of giving you a pitch on the latest techniques of B-loan lending and the remarkable initiatives that my colleagues have been able to take in terms of the partnerships that we have with you, I might just fill a few minutes while your main courses are being prepared to muse with you about some of the issues which are on our minds at a broader level.
You've had all day to talk about specifics, and I understand that the sessions have been great, so perhaps I can give you a little light relief by telling you about my problems. The problems that we're dealing with are, of course, the problems of poverty and the issues of growth and ultimately the issue of peace on our planet.

We as an institution, the Bank, IFC, and MIGA, deal with 80 percent of the world, the 4.8 billion people out of 6 billion that inhabit our planet, which accounts today for 20 percent of the GDP of the world. So we start with lots and lots of people and not as much money as those of us that are blessed with coming from the developed world.

It's a sort of 80-20 split, 80 percent of the people, 20 percent of the GDP, while the other 20 percent has 80 percent of the GDP. This confronts us with a dilemma because it is in one sense a moral dilemma and in another sense an ethical dilemma. It is certainly a social challenge.

Then we really penetrate it a little further and we look at the issues within those developing countries of the split between rich and poor and we find there, too, that the gap between rich and poor is expanding, not diminishing, and that the rich get richer and the poor don't do as well and in many cases relatively get poorer.

All this would be an interesting social challenge, an interesting moral dilemma, were it not for the fact that the issues of development and the issues of those countries now become very much the issues not just of the developing and transition economies but they become very much an issue for all of us. Here the question of globalization and what it means hits us very frontally.

We recognize and many of our shareholders recognize that poverty in the developing world is really poverty for us. The issues of development and the issues of globalization are very closely linked; that is, we look at globalization and we think of our planet not just as the 6 billion but we think of the unity that we have with environment, with crime, with migration, with drugs, with health, with conflict, with trade, with finance.

And need I say to a room as distinguished as this that things that happen in developing countries can shake our own markets and, of course, cause the ups and downs as we all know in the interests that we have in bank lending in many of the countries that we deal with.

So the first realization and in fact the reason that I'm here and I guess that Peter is here is not alone because we are I hope moral and ethical and care about social issues but in a sense that we recognize that the issues which all of us face, you and us, are the issues of a world which is ever more unified and where you can't say that the responsibility for what happens out there in developing countries is no longer relevant to us. It is relevant.

As we look forward we see in the next 25 years another 2 billion people coming to the planet so we'll move from 6 billion to 8 billion. The other dramatic fact is that of the 2 billion that come on to the planet all but...
50 million will go to developing and transition economies so that come 2025 or 2030 but somewhere around that time you will have not 4.8 billion out of 6. You'll have 6.8 billion out of 8.

At that moment the stress and the tension and the pressures and the differences will become more apparent as you get pressure on resources, as you get pressure on the environment, as we need to double our food production or move towards that, as 40 percent of our planet doesn't have adequate water, as we confront the issues of space, as we confront the issues of environment, as we confront the issues of health. If you're European you confront the issue of a Europe with an expanded European market, a market that will then grow in size but change dramatically in terms of national characteristics.

You'll have an older Europe. You'll have an older United States. The United States will be larger because of immigration, but there will be more Spanish, and there will be a different mix, and it will be a growing United States, but it will be one that is surely different than from today.

Africa, 600 million people today, even with current expectations on AIDS will be 1.1 billion, although God knows what could happen in terms of an uncontrolled AIDS epidemic. But then if it's an uncontrolled AIDS epidemic in Africa and in India and in Russia and Ukraine and China, maybe, then it's also an AIDS epidemic in our part of the world.

So these issues are not said to take your appetite away before dinner because they also contain with them a real opportunity, and the opportunity is that that developing and transitional market that we're talking about will grow by 50 percent. It will be the growing market. It will be the market that will grow at twice the rate of the developed world.

It's a market where the sheer numbers will push it forward. It's a market that will participate in trade significantly more than it is today and a market where there will be opportunities for investment, where there will be a necessity of job creation, and where if there is to be peace on our planet we have to deal with the question of poverty.

The issue of poverty is not a distant idea or just a moral and social issue, though I would say as a moral and social issue it's a pretty important moral and social issue, but it is the issue of stability and peace. So as you as bankers and as investors and as advisers look at the question of your B-loan program, preeminently you should be investing intelligently which is, of course, what you do. But in the case of the work that we're doing at the bank you can have within your vision the notion that in contributing to the development of these countries it's not too far a stretch to say that you're contributing to peace and security.

If there is no financing for these countries you will have instability. If you have instability it will not be limited to developing and transition economies. That instability will be our instability.
So we have these remarkable opportunities both for serious investing in growth markets but also, if I may say, an opportunity to contribute to the stability of our planet. I say that not as a sales pitch, not because we're all saints, nor do I expect you to fly away tonight after dinner with wings that you sprout but to say to you very seriously that there is no way today that the issue of global peace and stability can be left to multilateral institutions or to governments.

The stability of our planet depends surely on international institutions, but it also depends on private sector and civil society. It cannot be done by any one of us alone. So we regard this program and the attendant relationships that we have with all of you as a really important step in terms of bringing about development in a growth sector of the market which can be done intelligently but also has the added significance that it leads to greater equity in our globe, greater social justice, and greater peace.

So I want to thank you for being part of that program. We certainly appreciate the partnership, and we understand the ups and downs and the changes in policies that you may have because of commercial judgments. We hope that if you do less now you'll come back more in the future because this is more than a business. It's a calling, it's a necessity, and for our children it's going to make the difference. Thank you very much.