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# Path to Prosperity

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**Paul Wolfowitz**

President  
The World Bank Group



**THE WORLD BANK**

Address to the Board of Governors  
Singapore  
September 19, 2006



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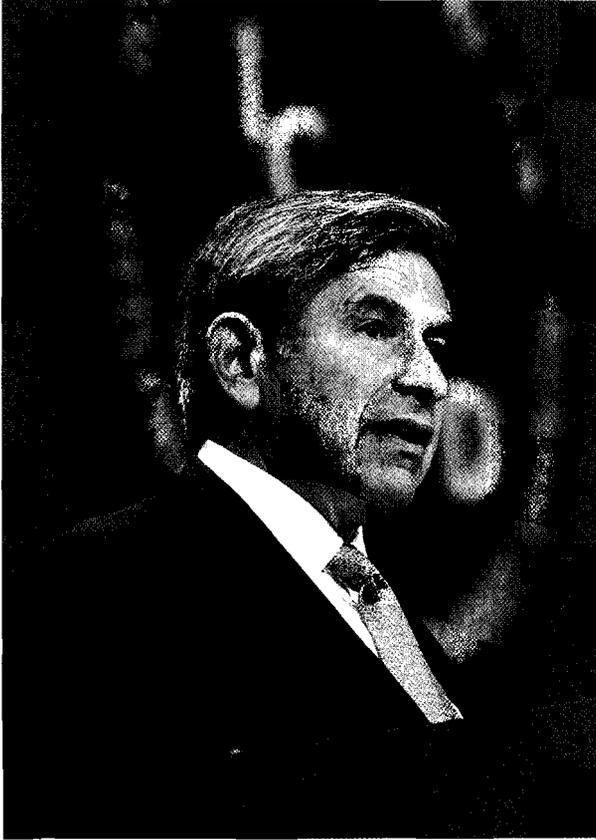
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Mr. Chairman, Governors, and Distinguished Guests—Thank you for the insightful speeches that have given us good guidance for our work.

Governors and Distinguished Guests—It is a real pleasure to join you for the Annual Meetings of the International Monetary Fund and the World Bank Group.

I'd like to extend a special thanks to the government and people of Singapore for hosting us and for their hard work in organizing this meeting, and to the chairman of the Development Committee, Alberto Carrasquilla, for leading our important discussions.

It has been my privilege to serve as president for more than a year now. I am pleased to say that, in that time, Bank Group lending has set records. The International Development Association provided \$9.5 billion in support for the poor, more than ever before, and half of that was dedicated to Africa.

Lending from the International Bank for Reconstruction and Development to middle-income countries is at the highest level in seven years at \$14.2 billion. The Multilateral Investment Guarantee Agency issued \$1.3 billion in investment guarantees. And our largest increase of all is the International Finance Corporation's support to the private sector, with a 25 percent jump to \$6.7 billion.

And no discussion of the past year would be complete, of course, without highlighting the important Multilateral Debt Relief Initiative. That landmark commitment provides much-needed debt relief for the world's poorest countries, releasing funds to achieve the Millennium Development Goals. We need to continue working to increase quality as well as quantity and to harmonize our efforts with our partners. But those numbers tell a very good story, and I'm grateful to everyone who helped achieve them.

I am grateful to Rodrigo de Rato, a man of integrity and a genuine colleague, for his friendship and for encouraging a close partnership between our two organizations. And I am grateful to my Board of Directors for their guidance and support, including on some difficult issues.

of 4 percent or better over the last 10 years, some as high as 7 or 8 percent. The challenge for us in the development community in these countries is to accelerate that growth, and to help others find and follow their path to prosperity.

### **Africa Action Plan—Where We Stand**

The Bank Group's response to that challenge is the Africa Action Plan. After one year, I'm pleased to report progress in increasing our support for private sector development, for closing the infrastructure gap—including regional infrastructure—and for improving health and education. I hope that by next year we will be able to report more progress in the key area of agriculture.

Across Africa, crumbling infrastructure has held back business expansion and opportunities in international markets. Today, an entrepreneur in central Africa pays more than three times what his Chinese counterpart pays to transport a container the same distance. For that African entrepreneur, the path out of poverty is literally a paved road.

We are supporting our African partners in their efforts to expand access to power, water, and transportation for their people. In the last year alone, we have increased our investments in infrastructure by 15 percent.

There is no shortage of innovative plans in Africa for improving infrastructure. There are simply not enough resources.

For young African children, the path out of poverty starts in the classroom, but far too many children still are not able to attend even primary school. And for the whole subcontinent, the two terrible killers—AIDS and malaria—are major obstacles on the road out of poverty.

The Education for All Fast-Track Initiative has encouraged a growing number of countries, the majority of them in Africa, to develop credible plans for increasing primary school enrollment, especially of girls. This initiative could fulfill the dreams of 70

million children in 60 countries who want to go to school, if—let me underscore that—if donors increase the resources that are needed to match improved performance.

We are also part of a global coalition to fight HIV/AIDS, an effort which, in just two years, increased eightfold the number of people with access to therapy. But we still haven't reached 80 percent of the people who need treatment. To do that takes resources.

And malaria remains one of Africa's biggest killers. Through our new Malaria Booster Program, we could reach over 125 million people, including 30 million children. In Tanzania, I met a mother of five who was buying a bed net for the first time in her life. She told me her five children had luckily not fallen victim to malaria. But we cannot let luck alone determine the future of Africa's children. With the Bank's help, over 10 million mosquito nets and over 15 million doses of antimalarial drugs will be distributed to people like that young mother.

At the Dakar conference last week, we heard a strong appeal for donors to fight malaria with greater coordination and greater transparency. We are setting up a system to track the use of bed nets, access to antimalarial treatment, and indoor spraying. But to identify gaps and take action to fill them, we need to capture the activities of all donors in a common tracking system. We need your help to make that happen.

### **Scaling Up**

A lot of hard work lies ahead for us. There is a real opportunity to move faster.

But one year after the Gleneagles promise, the international community is at risk of falling short on its commitments to increase aid to Africa.

African countries cannot build on a foundation of hollow promises. If rich countries abandon their commitments to double aid to Africa by 2010, we will have failed to serve the best hope for Africa's future—its people.

IDA support to the poorest countries is at a historic high. Last month's transfer of nearly \$1 billion of World Bank Group income to IDA is also a record. But the need for IDA support remains larger still, and we can't fill the gap alone.

IDA15 talks will begin next year. With continent-wide signs of growth and a number of countries poised to take advantage of fresh funds, we must aim high for a replenishment that matches the ambitions and hopes of the African people.

## **A Global Institution with Global Responsibilities**

### ***Middle-Income Countries***

Africa is our first priority, but it cannot be our only priority. Today, two-thirds of the world's poor live in middle-income countries in Asia, Latin America, and the Middle East. The number of people living in extreme poverty in Brazil, China, and India, put together, is almost twice the number for Sub-Saharan Africa.

In China, I visited the western province of Gansu, where some families were surviving in caves. In Brazil, I walked through the crowded, impoverished *favelas* of São Paulo, which stand in stark contrast to the rich neighborhoods just a few blocks away.

The poor in these countries do have a potential advantage. They live in countries where the private sector is growing and where governments have resources and access to finance. When their governments borrow from us, what they want is faster service, customized service; greater flexibility; lower costs; streamlined procedures; and improved access to our learning and expertise.

The Bank Group's new strategy for engagement with our IBRD partners contains a range of proposals designed to help us meet their expectations. It recognizes that, to engage effectively with middle-income countries, we need to run hard to keep up, because our partners are becoming more sophisticated every year.

### ***Managing Global Risks***

As more and more people move along the path from poverty to prosperity, the demand for global public goods will increase, not

decrease. These global problems require global solutions and global resources. Avian flu, the appetite for clean energy, and the devastation of natural disasters know no borders.

Today, the World Bank Group is at the forefront of international efforts to raise and administer funds to meet challenges like these that confront rich and poor countries alike. No matter where they are on the path to prosperity—from countries in crisis to countries gaining access to commercial credit, to the most advanced economies in the world—the whole world needs institutions that can mobilize and manage resources on a global scale. We at the World Bank Group are proud of our experience and ability to meet those needs.

## **Path to Prosperity—How Do We Get There?**

### ***Good Governance***

Throughout the world—including, importantly, in the developing world—there is a growing recognition that the path to prosperity must be built on a solid foundation of good governance. *“Without governance, all other reforms will have limited impact.”* Those are not my words. That was the conclusion from last year’s Commission on Africa. And it is the view I have heard on sidewalks and in taxicabs, in the marbled halls of ministries and in rundown shacks of shantytowns.

For us in the development community, good governance is not an end in itself. It is a foundation of the path out of poverty. It leads to faster and stronger growth, and it ensures that every development dollar is used to fight hunger, poverty, and disease.

In more and more countries, leaders and citizens alike are demanding transparent and accountable governments that deliver results. As we respond to their calls, we must recognize that governance challenges differ from one country to another, and our support must take that into account. A one-size-fits-all approach simply will not work.

And we need to remember that progress in governance is made over time, not overnight.

Our strategy commits us to a course of deeper engagement to strengthen governance and fight corruption. Even in the most challenging environments, we need to remain engaged to seek out and support champions of reform in both governments and civil society—including parliaments, the judiciary, and the media—to deliver results for the poor.

As a global institution, the World Bank Group can help countries learn from the experiences of others. In Chile, India, the Republic of Korea, and Mexico, for example, transparent e-procurement systems have cut the costs of public procurement and have saved literally billions of dollars in government expenditures. For developing countries, these savings mean more resources can be spent on textbooks, medicines, and essential public services.

In Bangalore, India, a citizen's group is using report cards to rate the quality of public services and hold public officials to account. By putting these ratings on public display, government performance has improved and customer satisfaction with electricity service and public hospitals has soared.

We must also work with the other multilateral and bilateral institutions. In that spirit, this week, we concluded a milestone agreement with the other multilateral development banks to share information to combat fraud and corruption.

Finally, but by no means least important, let's remember that rich countries have a vital responsibility in the fight against corruption. They need to take action against bribe-givers, who often come from their countries, and they need to help our developing-country partners recover stolen assets.

In every poor country, every city, every village, there are children who need books to learn, mothers who need access to health care for their babies, and men and women who need jobs to care for their families. We owe it to our shareholders and to the millions of people living in poverty around the world to make sure that the development dollars entrusted to us are used—as our Articles of Agreement require—for their intended purpose.

### ***Strong Private Sector***

East Asia's experience demonstrates that no matter where countries are on the path out of poverty, it is the energy and talent of the private sector that creates jobs and drives progress.

Several months ago, I visited an agricultural cooperative financed by the IFC in Chimaltenango in Guatemala. I spoke to farmers who only 10 years ago barely made ends meet as subsistence farmers. Today, they're growing fruit and vegetables for global chains. These small producers, many of them women, now earn up to \$800 a month. That is four times the monthly wage in Guatemala!

This year, the IFC celebrates its 50th anniversary. In half a century it has become a global operation that is in the business of creating opportunities for the poor. Each dollar of IFC investment leverages much larger investments by other businesses for millions of enterprises.

In most poor countries, excessive business regulations place a heavy burden on entrepreneurs. The IFC's *Doing Business* report provides a road map for government leaders and policy makers to ensure reforms to eliminate this burden and help create jobs. Last year, in fact, Africa emerged as one of the fastest-reforming regions in the world. And Tanzania and Ghana are among the top 10 reformers worldwide.

### ***Trade for Development***

Good governance and entrepreneurial energy can help countries advance along the road to development. But if, at the end of the road, there is no place to sell their products, small entrepreneurs and poor farmers will run into a dead end. They need market access and trade to improve their lives and escape poverty.

Today, the promise of a better future is in peril. With the Doha Round hanging in the balance, we must consider new ideas and accept that every party in this deal needs to compromise. The United States needs to accept further cuts in spending on trade-distorting agricultural subsidies. The European Union needs to reduce barriers to market access. And developing countries like Brazil, China, and India need to cut their tariffs on manufac-

tures. Developing countries also need to remove trade barriers that make it harder for low-income countries to trade directly with each other.

Doha must succeed—and we must make sure that the poorest countries come out winners. Last year’s Hong Kong offer of “duty free, quota free” access for the least developed countries needs to be improved with less-restrictive tariff lines and less-restrictive rules of origin.

We must move now before the window of opportunity closes.

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Governors, Ladies, and Gentlemen—Five months ago when I visited Guerrero, the poorest state in Mexico, I met children who were the first in their families to have the opportunity to attend school. I still remember the words of one young girl who shared her dream of stepping out of poverty into a brighter future. Reciting a poem in her native Nahuatl, she said,

*I want to change everything. I want to change everything  
because I love the tiller of the soil and the sweat of his labor  
that enriches my homeland and brings forth maize, beans,  
and potatoes.*

*I want to change everything because I love a world that does  
not yet exist, where those that bake bread can eat it too,  
where the farmer becomes a gardener of life and not of death.*

Mr. Chairman, Governors, and Distinguished Guests—From Mexico to Mongolia to Malawi, there are millions of poor people who, when given the chance, will work hard to escape poverty. It is not their performance that holds them back, but the conditions around them—from bureaucratic red tape to potholed roads, to protected markets.

Our mission is to help pave the way—so that they can take control of their own destiny. Let us not miss the historic opportunity before us. Thank you.





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