



Securing the 21st Century

2004 Annual Meetings Address

By

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Mr. Chairman, Governors, distinguished guests.

Let me warmly welcome you to these Annual Meetings in the 60th year after the founding of the Bretton Woods institutions.

I salute my new colleague Rodrigo de Rato as Managing Director of the IMF. We have already begun to work closely together and I have come quickly to appreciate his experience and judgment. My colleagues and I would like also to congratulate my friend Horst Koehler on his election as President of Germany, and thank him for his significant contribution to the work of our two institutions.

The World Bank Group has a long and proud history. We contributed to global reconstruction after World War II before taking on our new role seeking to reduce poverty throughout the world. We have been an agent for growth with equity.

With only \$11 billion contributed from shareholders to the IBRD, we have made almost \$400 billion in loans. The IFC, founded in 1956, has brought \$67 billion into the emerging markets. MIGA has issued \$13.5 billion in guarantees. ICSID, meanwhile, has registered 159 cases where it has helped settle disputes.

On the strength of donor contributions and reflows from borrowers, IDA has committed \$151 billion. The countries eligible for IDA are home to 80 percent of the world's poorest people who live on \$1 a day or less. IDA is a truly remarkable instrument, designed to be effective and accountable. I hope our shareholders will increase their contributions to the next replenishment.

We must keep IDA strong.

I am proud of our achievements over the last 10 years. We may be 60, but we are young. We are a united institution, determined in our goal of "fighting poverty with passion."

We seek to support our clients as partners, respecting their culture and aspirations. We ourselves are diverse, with staff from more than 140 countries.

More than two-thirds of our country directors are now in the field, with our offices linked by satellite, making videoconferencing and distance learning a part of all our lives. We are one of the most modern global businesses.

During these years, we have sought to put our client countries clearly in the driver's seat. We listen more and lecture less. And we are not afraid to be self-critical.

We provide financing for projects, and knowledge - offering our global experience to clients. Our greatly expanded World Bank Institute plays a key role in this respect. So does our affiliate, the Development Gateway, which makes available on the internet information on development projects as well as synthesis of experience.

We have broadened our approach to development to make it comprehensive. We have confronted the issue of debt with the creation of HIPC, and attacked corruption, working with governments in more than 100 countries.

Our strategy is based on two pillars – investing in people, and creating a stable business climate so that investment is facilitated and jobs are created.

Working with the private sector is a central part of our Group's activities. We continue to benefit from both the support and criticism of a vibrant civil society throughout the world.

Development is about people. We focus on the important role of women and youth in development, and the special needs of indigenous communities, the Roma, and other excluded minorities. We are supportive of the special needs of people with disabilities.

The environment is also central to our work for we know that true and lasting development without preserving our planet is simply not possible.

We know that we can only be effective in partnership with others. We have reached out to the UN, and all other multilateral and bilateral agencies. To further improve our effectiveness, we are strengthening harmonization with others.

We have much to do. It seems that the challenges and problems are never ending. But great progress is being made and I would like to thank all my colleagues for their extraordinary work and commitment. There is no more dedicated nor more able group of people working to improve the world than our team at the World Bank Group.

Let me also express my profound appreciation to the Executive Directors of the Board, and to their predecessors for their many constructive contributions. They play a vital but sometimes difficult role as officers of the institution and as representatives of their countries.

An Insecure World

At annual meetings in the past, I have spoken to you on many subjects, including the challenge of inclusion, the cancer of corruption, the importance of comprehensive development, and the need for a new global balance between rich and poor.



Today, I would like to discuss what is perhaps the most difficult challenge for the coming years. How do we better manage the big global issues – poverty, inequity, the environment, trade, illegal drugs, migration, diseases, and yes, terrorism?

This year, we are reporting record economic growth. And yet, somehow, we feel less secure about the future. Deep down, there is a nagging concern about the way the world is evolving.

One need only look at the cement barriers surrounding these buildings to understand the big difference from past years. They are not there for protestors. They are there for terrorists. A computer found in Pakistan showed that the Bank and Fund have been targeted by Al Qaeda. Terror has reached our door.

In recent times, we have seen things that cause us to question our basic humanity. Bloody wars in Afghanistan, Iraq and large parts of Africa. Unspeakable genocide and killing in Darfur. Despicable acts of terror in Bali and Madrid. Growing violence between Israel and Palestinians of Gaza and the West Bank. In Beslan, we have seen children taken hostage and shot in the back. In Baghdad, innocent men are brutally beheaded on television.

In reaction, we have become preoccupied with security. It is absolutely right that, together, we fight terror. We must. The danger, however, is that in our preoccupation with immediate threats, we lose sight of the longer-term and equally urgent causes of our insecure world: poverty, frustration, and lack of hope.

Over the past decade, Elaine and I have visited more than 100 countries. We have met with poor people in all of them – in villages and shanty towns, in remote rural areas, and in the slums.

Just like all of us in this room, they want to live safely and peacefully. Women want to build their lives free of violence against them both inside and outside their homes. They want education for their children. They want voice and respect. They want to retain their cultural integrity. They want hope.

They want security – but they define it differently than we do. For them, it is not about concrete barriers and military force. For them, it is the chance to escape poverty.

If we want stability on our planet, we must fight to end poverty. Since the time of the Bretton Woods Conference, through the Pearson Commission, the Brandt Commission, and the Brundtland Commission, through to statements of our leaders at the 2000 Millennium Assembly - and today - all confirm that the eradication of poverty is central to stability and peace.

It is still the challenge of our time.

We Can Meet the Challenge

We know that development works. In the last four decades, life expectancy in developing countries has increased by 20 years and adult illiteracy has been halved to 22 percent.



The Bank's chief economist Francois Bourguignon, and I, have published a paper for these meetings that looks back on the lessons of development over the last decade, and looks ahead to the challenges of the future.

We can build on these lessons. At a conference in Shanghai that we organized with the Chinese government earlier this year, developing countries shared their experience of what works and what does not. Over 100 case studies showed that we can accelerate development rapidly if poor people are treated as agents of change, not objects of charity.

Many of you participated in the meetings in Doha, Monterrey, and Johannesburg. The developed countries made promises on aid, trade and debt relief. And let me add that we are very supportive of the proposals on aid and debt reduction that have been put forward by the US, UK, France, Brazil, and others. The developing countries, for their part, promised to do much more to build capacity and institutions, strengthen legal and judicial frameworks, improve financial systems, transparency, and fight corruption.

Next year we will meet at the UN to review progress in achieving the Millennium Development Goals—with 10 short years to go until 2015. Thanks to China and India, we know that the overall objective of cutting poverty in half, will likely be met. But we also already know that most of the other goals, for most countries, will not be met. Africa, in particular, will be left far behind.

So what are we going to do about it? What are our children going to do about a world that, in 2015, threatens to be even more out of balance—even more insecure—than it is today?

I believe, Mr. Chairman, that we must raise our game as an international community. We must do a better job of managing the key global issues that will determine our future. As I see it, there are three urgent priorities:

Protecting the planet—through better stewardship of our environment;
Scaling up on effective poverty reduction; and
Educating our youth differently for the 21st century—and giving them hope.
Let me touch on each of these briefly.

Protecting the Planet: Environmental Sustainability

First, protecting our planet.

We must promote growth with a full awareness of the natural systems on which all life depends. Economic growth does not have to come at the expense of the natural environment. They work together.

We all must do a better job of protecting our planet's fragile environment and addressing global warming. It has been three decades since I attended the Stockholm environment conference, and despite progress made in some areas, the way we have abused the earth since that time is alarming.

People in the rich world have overused and wasted tremendous amounts of energy. The average US citizen or Canadian uses nearly 9 times more energy than the



average person in China - 12 times more than the average African. And as the climate changes, it is the poor in small island states, Latin America, South Asia, and sub-Saharan Africa who will be the most vulnerable to ravages of drought and floods.

Forests are cut down relentlessly. Of the world's species, a quarter of the mammals, and a third of the fish are either vulnerable or in danger of immediate extinction. Ninety percent of the big fish in the oceans have already been killed off.

Mr. Chairman, we have proven ourselves better at menacing the planet than preserving it.

This was brought home to me two weeks ago when we had a visit from a poor but proud farmer who lives near Machu Picchu in the Peruvian highlands. He was in Washington for the opening of the National Museum of the American Indian, along with thousands of other representatives of Indigenous Peoples. As part of the opening celebrations of the museum, we at the Bank had a forum on culture and development.

He was wearing a traditional woolen knit hat and dress, and his face was weathered by years of living at windy, high altitudes. Speaking in his native Quechua language, he told me that his mountains were "sad". The glaciers formed on them for thousands of years had been the "smile" on the face of the mountains and those glaciers are now getting smaller every year. As they recede, there is no water to refill the lakes and rivers. The animals suffer – the alpaca yield is half the normal size. The income of the valley has dropped 50 percent. Farmers are abandoning their homelands.

So this man from Machu Picchu had a simple question: "Can you help me get my glaciers back?"

For those who doubt the impact of global warming, this was an urgent cry for help. For him, this was not some abstract, long-term issue. It is an issue of immediate concern. For him, it is a matter of security.

Perhaps his cry for help is being heard. I welcome the recent decision of the Russian Government to ratify the Kyoto Protocol. Let us build on this effort, and other signals of support, to get political commitment by our leaders to fulfill our common responsibilities that were agreed at the Johannesburg Summit.

Environmental challenges affect all of us, but poor people are particularly vulnerable. We must give higher priority to renewable energy. New and clean technologies can allow the poor to achieve the benefits of development without having to face the same environmental costs the developed world has experienced.

We must keep the promise to preserve our planet.

Scaling Up the Fight Against Poverty

The second urgent area where we must keep our promise is in scaling up poverty reduction.

We all know the basic facts. Half the people in the world live on less than \$2 a day. A fifth live on less than a \$1 a day. Over the next three decades, two billion more people



will be added to the global population – 97 percent of them in developing countries, most of them born into poverty.

Over the past decade, a quiet revolution has taken place in the effectiveness of development assistance: with countries taking ownership of their own programs; with aid being focused on good policies; and with increasing coordination among donors. Taken together, these changes can help us double or triple the impact of aid in the coming decade.

We can also multiply the effect of projects to reach more people. As you know, this has been a real issue for the Bank and our partners. We complete a project for five schools, or 100 miles of road, or 10 community programs – we call them feel-good projects. When the need is for 5,000 schools or 10,000 miles of road or 5,000 community programs.

At the Shanghai conference, we learned how we can build on small, successful projects—and scale them up. Common to all them was consistent management over a period of years, simple replicable models, and full participation of poor people.

I have seen it happen.

In 1996 while visiting China, I met a woman from the Loess Plateau where we supported an agricultural project in that arid, mountainous region. Living in a cave, she had no power or running water, and had little prospect of improving her life.

This spring, I had an emotional reunion with her and she told me about how her life had improved, how she now has two caves, doors, windows, water and power. How she had bought her son a motorcycle. How her son had found a wife. How she was now looking to educate her daughter.

She was one of three million people who found hope through a series of 32 similar projects in the plateau completed over 10 years. Projects that were carried out by thousands of individuals with spades literally turning rocky land into arable soil. The area is no longer dry and threatening, it is lush and full of crops and animals.

We and our Chinese partners provided management for 10 years, repeating the process while benefiting from lessons learned. These lessons are now being implemented elsewhere in China for the benefit of millions of people living on marginal lands.

The message is clear – we can scale up poverty reduction and thus build a more secure world.

Youth and Education

Poverty, of course is of major concern to young people—and youth is the third global issue that I believe we must deal with urgently.

Almost half the world's population is under the age of 24. Half of the 14,000 new HIV infections that occur each day are in young people aged 15-24. More than 50 percent



of young people of working age cannot find a job. With alarming frequency, youth are becoming involved in conflict—either as victims or, just as tragically, soldiers.

What then can we do for them and for ourselves to lead to peace?

One thing I have learned is that we must engage young people in finding the solution. Last month, when I met with youth leaders from 83 countries in Sarajevo, I was struck by their genuine desire to build a better future of harmony, respect, and peace. The young Bosnians, Serbs, and Croats I met were eager to put the country's past behind them. But they felt it was the adults who were holding them back. As they did in Paris the year before, they told me they are not the future – they are the now.

We must support our youth through education to create their better world. And it begins with early childhood development—because we know that a child's future is largely determined in the first six years of life.

I am very proud that the Bank is a leader in this field. We have invested over \$1 billion in childhood education, and we make our global experience available to all via our website.

We are also actively pursuing the Millennium Goal of getting all children into primary school by 2015. But we have to recognize that education is not just about getting kids into school. Content and quality is key—and children need to stay in school.

Children in developed and developing countries also need to learn more about each other. I fear that today there is too much education for hate that will not be reversed in later years.

Providing children with a quality education is not only the right thing to do, it also has a huge development impact. If the 115 million children now out of school were to enroll, some 7 million new HIV infections could be avoided over the next decade. That is why, two years ago, we launched the Fast Track Initiative—to accelerate access to primary education for children not in school today. What has been our experience?

We estimated that \$3.6 billion in additional aid flows is needed each year, for the next seven to eight years, to ensure that all children complete primary school. That comes to \$1,200 per class of 40 children to pay for the teacher, books, and classroom, or just \$30 per year for each child who is not now in school. This compares with the \$150 we spend for every man, woman, and child on military and defense expenditures.

Sadly, the international community has not yet been able to mobilize the money. We are letting the children down on the promises made, in 1990 in Jomtien, in Dakar in 2000, and again in Monterrey in 2002.

We are simply not keeping our promise.

Global Leadership for the 21st Century

Mr. Chairman, these issues – protecting our planet, scaling up the war on poverty, and educating our youth, are among the most critical for a more secure world. We know what needs to be done. Why is it not happening?



I think it is because, as an international community, we are not managing global issues well enough. And yet, more than ever in the past, the most important issues facing us are global, not domestic, and long-term not short-term.

The way our system works today is that, at a sequence of global meetings, we agree on objectives. On everything from environmental targets, to the importance of gender equity, to education. In recent years, under the remarkable leadership of Secretary-General Kofi Annan, the UN has convened a number of international conferences. In the year 2000, as we all know, the Millennium Assembly set goals for 2015 and they were adopted unanimously.

National governments supported by international agencies and responsible institutions then try to achieve those objectives. Every five years or so, another global meeting is held to review progress. Usually that meeting concludes that we have not achieved the objectives. New targets are set. Blame and praise is attributed and we set out on the next five years.

During those five years, various groupings of heads of state and ministers spend a day or two per year discussing one or other of the global targets and commitments. The most visible annual gathering is the G8. But there are many others: the G10, G20, G24, and G77. And there are regional groupings of leaders in Asia, Africa, Latin America, Europe, and elsewhere.

Although these meetings have contributed to the enormous gains in development over the past decades, we are falling behind on the goals we have set. We need stronger leadership and we need more continuous engagement on the key global issues.

Actually, this was the original idea behind the G7 when it first met a quarter century ago. It was a recognition by the leaders of the major countries that they needed to set aside two days a year and consider long-term global issues. Their meetings are hugely visible and highly important. They bring the attention of the entire world to the key issues of the day.

But global challenges have only grown more demanding in the last 25 years. And the balance between the developed and developing world has changed greatly, and is set to change further.

Perhaps the G8 leaders, who have achieved so much, would consider coming together on a more frequent basis, with a broad representation of leaders from other parts of the world to seek new ways of supporting urgent global issues. In this way, they could report on global progress, publicize efforts in pursuit of the goals, and help ensure that promises are fulfilled.

In today's world, everyone of us are not only national citizens, but global citizens. Without greater visible engagement by global leadership, we will not make the breakthroughs we need to ensure real security and peace.



Conclusion: Promises To Keep

Mr. Chairman, we are one world. Damage to the environment somewhere is damage everywhere. Poverty somewhere is poverty everywhere. Terror somewhere is terror everywhere. If there is a bombing in Bali, or Madrid, or Moscow, we all get scared. We all feel insecure.

Making our planet equitable and safe is an issue that we all need to come together on - and we need global leadership and political will to do it. That is the only way we can keep our promises to the farmer of Machu Picchu, the woman on the Loess Plateau, and the young people in Sarajevo.

It is our duty to ourselves. It is our duty to our children. It is the choice we must make for security and peace.

Thank you.