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Address by **PAUL WOLFOWITZ**,  
President of the World Bank Group,  
to the Board of Governors of the World Bank Group,  
at the Joint Annual Discussion



# **Path to Prosperity**

**Address by Paul Wolfowitz**

**President, World Bank Group to**

**Board of Governors of the World Bank Group**

***As Prepared for Delivery***

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**Singapore**

## **Introduction and Acknowledgement**

Mr. Chairman, Governors and Distinguished Guests:

I am pleased to join you for the Annual Meetings of the IMF 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, the Bank Group lending has set records. IDA provided \$9.5 billion in support for the poor, more than ever before, with half of that dedicated to Africa.

IBRD's lending to middle-income countries is at the highest level in seven years at \$14.2 billion. MIGA issued \$1.3 billion in investment guarantees. And our largest increase of all is IFC'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 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 good story, and I'm grateful to everyone who helped achieve them.

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

But most of all, I want to thank my dedicated staff, serving in more than 100 countries around the world and at our headquarters in Washington. Their professionalism and commitment have made the past year a very strong year for the World Bank Group and for the mission we serve to bring hope and opportunity to the world's poor.

### **Making History in the Fight Against Poverty**

As we gather today in this splendid convention center, let us not lose sight of the reason why we are here: outside these walls and across the world, more than 1 billion people are struggling to survive on less than a \$1 a day. They will go to bed tonight hungry and sick, not in five star hotels. But the wealth we see around us today is an inspiring reminder that there is a road out of grinding poverty to prosperity.

Forty-one years ago, an independent Singapore embarked on an uncertain journey. Unemployment was high, industry non-existent, and the future bleak. Prime Minister Lee Kuan Yew wrote of that day: "I started out with great trepidation on a journey along an unmarked road to an unknown destination."

Around us, we see that destination. Singapore's remarkable progress along the road from poverty to prosperity has also been discovered by many other countries in East Asia and around the world.

In the past 25 years, four hundred million people world-wide have escaped extreme poverty, making this the most successful quarter-century in the history of the fight against poverty.

Each country must find its own path, but across cultures and faiths, communities and nations, people pursue the same dreams: the chance to go to school, the security of a good job, the ability to provide a better future for their children.

### **Africa: The Road to Opportunity**

Last year, I told you our first priority had to be Africa - - the one region that has been conspicuously left behind by this impressive progress.

I remain convinced that Africa has to be our number one priority. But after one year and visits to ten African countries, I would now add that I see not only desperate need, but also real opportunity.

In six years, the number of countries in conflict fell from thirteen to five.

Of course, Sudan is a grim exception to that positive trend. Darfur's desperate and poor are at risk of violent extinction. The international community must act soon and act decisively to end the violence.

But when countries do emerge from crisis – as Sierra Leone, Liberia, the DRC and the Central African Republic have done in recent years, they face a new set of obstacles on the road to development. Their leaders need to move swiftly to improve the lives of their citizens and stabilize a fragile peace. We – the international development community – must move more swiftly to support them. As one country director told me, these countries don't need more "incomprehensible documents the size of telephone books that arrive 18 months too late."

In Liberia, as one example, we are pushing ourselves to do things faster. We've provided \$67 million in high-impact grants to rebuild roads, ports and airports and to restore water supplies and electricity to the Liberian people.

We need to do the same for Lebanon.

Some African countries are further along on the path of progress. Seventeen of them have sustained annual growth rates of 4 percent or better over the last ten years, some as high as 7 or 8 percent. The challenge for 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, closing the infrastructure gap—including regional infrastructure—and improving health and education. I hope by next year we will be able to report more progress on 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 too many of them are still not able to attend even primary school. And for the whole sub-continent, 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 needed to match improved performance.

We are also part of a global coalition to fight HIV/AIDS, an effort which increased eightfold the number of people with access to therapy in just two years. 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 fate of Africa's children. With the Bank's help, over 10 million mosquito nets and over 15 million doses of anti-malarial 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 anti-malarial 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 the 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.

IDA 15 talks 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 in 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 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, they want faster, 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 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 become 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. The 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, and 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.”* That was the conclusion from last year’s Commission on Africa. And it is the view I have heard on sidewalks and in taxis – in the marbled halls of ministries and in rundown shacks of shantytowns.

For us in the development community, good governance is not an end to itself, but the foundation of the path out of poverty. It leads to faster and stronger growth. It ensures every development dollar is used to fight poverty, hunger 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 this into account. A one-size-fits-all approach will simply 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, Mexico and Korea, transparent e-procurement systems, have cut costs of public procurement, and saved 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, let's remember that rich countries have a vital responsibility in the fight against corruption. That means taking action against bribe-givers who often come from these countries, and helping 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 healthcare 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 ensure 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 ten years ago barely made ends meet with subsistence farming. Today, they are growing fruit and vegetables for global chains. These small producers, many of them women, now earn up to \$800 a month—four times the monthly wage in Guatemala!

This year, the IFC celebrates its 50<sup>th</sup> anniversary. Today, it is a global operation that is in the business of creating opportunities for the poor. Each dollar of IFC's 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 policymakers to pursue reforms to eliminate this burden and help create jobs. Last year, in fact, Africa has emerged as one of the fastest reforming regions in the world. And Tanzania and Ghana are among the top ten 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 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, that 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 such as China, India, and Brazil need to cut their tariffs on manufactures. 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 needs to be improved with less restrictive tariff lines and rules of origin.

We must move now before the window of opportunity closes.

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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 because I love the tiller of the soil and the sweat of his labor that enriches my homeland and brings forth our maize, our beans and our potatoes.”*

*“I want to change everything,” she said, “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 opportunity, 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 and 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.