

Conrad H. Hilton Humanitarian Award

As Prepared for Delivery
Robert B. Zoellick, President, The World Bank Group
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Introduction

Thank you Steve, and thanks to the Hilton Foundation for inviting me here this evening.

Steve; Richard Blewitt; Judy Miller and Jane Wales; ladies, and gentlemen:

It is a great pleasure to join this impressive gathering of philanthropists, humanitarians, and friends in celebrating the presentation of this prestigious award.

I'm especially pleased to be able to congratulate personally the recipient of this year's Hilton Humanitarian Award – HelpAge International.

For almost 30 years now, HelpAge has recognized that support for older people is more than a humanitarian issue – it's also a development issue. Aging is part of poverty and economic growth; labor supply and productivity; gender equality; global savings; and public spending for pensions, health care, and other social services.

Global aging stands out among demographic shifts. More people are living more years around the world. By 2050, 20 percent of the world's population will be over 60. The fastest growth in aging is happening in some of today's youngest countries – in Peru and Nigeria, for example, where the number of people over the age of 60 is expected to more than triple by 2050, and in Vietnam, where it will almost quadruple by 2050.

What do these numbers mean?

They certainly reflect the impressive successes in development. People are living longer and healthier lives.

At the same time, these demographic trends pose challenges, especially in emerging markets. Across the developing world, countries are growing old before they become wealthy. China's demographics present the most dramatic example: By 2030, almost 25 percent of China's population – 350 million people – will be seniors. Yet today, less than a quarter of workers have any form of pension coverage.

The world will need to address global aging. So HelpAge will only become more important in years to come.

HelpAge is helping people think freshly about "age-friendly" health care and the still-too-rare recognition of the special problems of the elderly in humanitarian relief.

HelpAge supports the elderly in Darfur by helping to provide shelter, literacy programs, and mobile eye-care clinics. HelpAge is exploring how solar energy can assist vulnerable older people coping with long, cold winters in places such as Kyrgyzstan. It helps to alleviate the impact of HIV and AIDS in one of the poorest areas of Kenya by providing business loans and training to grandparents so they can secure a sustainable living and support themselves and their families.

HelpAge's knowledge and experience is pathbreaking. We will all gain from it. Thank you.

A Changed World

Global aging offers just one aspect of how our world has changed over the past sixty years, since organizations such as the Hilton Foundation and the World Bank were founded. Both were created in the

same year – 1944 – when a world war was still raging. Forward-looking individuals were already thinking about how to shape the peace and rebuild for the future.

That generation – businessmen and entrepreneurs, such as Conrad Hilton, and the policymakers and statesmen who came together in Bretton Woods to devise a new international economic system – saw clear connections between economics and security. They had witnessed the failed diplomacy of the 1920s, the global financial breakdown in the 1930s, the humanitarian horrors of two wars.

Hilton promoted his hopes for reconciliation and non-violence through his philanthropy, but also through his entrepreneurship: His hopes for a better post-war world were reflected in a Hilton corporate motto, “World Peace Through International Trade and Travel.”

The delegates at Bretton Woods planned for the peace by building a multilateral framework based on the lessons of failure after World War I: They created international institutions that encompassed monetary and currency issues; trade, investment, and development; and the reconstruction of broken states coming out of conflict. The International Bank for Reconstruction and Development – the cornerstone of what became the World Bank Group – was a key element of their design.

Initially, the World Bank helped reconstruct Western Europe. Indeed, the Bank's first loan was to France in 1947 for \$250 million – which, in real terms, is still the Bank's largest loan to date. With the Marshall Plan, the Bank shifted its emphasis to other parts of the world – Japan became a member in 1952 – and the Bank broadened its activities, seeking to finance growth and overcome poverty in developing countries.

Conrad Hilton participated in rebuilding the post-war world by establishing the Hilton International hotels in Western Europe and the Middle East. These architectural monuments to modernism were “little Americas” away from home – spaces that realized the new and powerful reach of the United States. The London Hilton in Park Lane, for example, was the first structure in London that rose higher than St. Paul's cathedral.

In that world, developed economies accounted for about 80 percent of global GDP, with the United States alone accounting for over 40 percent. Developed countries accounted for over two thirds of trade. Most of today's developing countries were still colonies. Russia, China, and even India remained largely isolated from the world economy.

That was then.

What about today?

The international economy is now struggling to recover from the greatest blows since the 1930s. Developing countries are compensating for the stumbling industrialized world. Over the past five years, developing countries have provided two-thirds of global growth.

Today, China alone is consuming over half of the world's cement, and almost half of the world's iron ore, coal, lead, and steel. Half of the world's pigs are eaten in China, and a third of the world's soybeans and eggs. China is the world's biggest consumer of minerals, such as copper, zinc, and nickel. These figures may well decline as China is built – yet India and others are still to follow.

For the decade before the financial crisis, economies in Sub-Saharan Africa were growing at about 5 percent a year. Today, most Africans have already recovered and returned to that rate. If those growth rates could be maintained, African GDP would double in about 12 years, generating public revenues for investment in people, productivity, and infrastructure unheard of in previous years – reducing poverty and creating hope. Africa can become a future pole of growth in the world economy.

Half a century ago, the world looked to the industrialized countries for development models. Today, developing countries – even as they remain home to billions of poor people – are looking to one another

for ideas – whether it's Mexico's and Brazil's conditional cash transfer systems that provide an innovative safety net; Turkey's reform program; or India's IT services. Developing countries are increasingly sources of investment, and even foreign aid: in 2008, new emerging donors contributed between \$12 and \$15 billion in development aid, equivalent to 10 to 15 percent of the amount provided by traditional, developed country donors. And that's likely a conservative estimate.

The dynamics in the international economy have shifted radically since 1944. Even the changes in the last few decades, since organizations such as HelpAge began in 1983, have been immense. The past quarter century has seen more people making greater strides to overcome poverty than in all of world history. The number of poor in developing countries has been cut in half.

Modernizing

What does all this mean for the future?

It means that we can't keep using the models of yesterday for the world economy of today and tomorrow. The economic and security problems of the 1940s have changed drastically. Yet recall those topics on the agenda at Bretton Woods – currencies and exchange rates, trade and investment, reconstruction of broken states and development – and then reflect on the news you read today: these issues remain very current, though the context is vastly different.

When I came to the World Bank in 2007, many questioned whether the World Bank was even necessary in a world in which private sector capital flows to developing countries dwarfed public development assistance.

I had a different vantage point, gained from historical perspective, personal experience, and my sense of the international landscape: Institutions matter. The World Bank was never simply about loans and grants. Its role has been, and remains, to develop market economies in an open international system – fostering growth, opportunity, and hope, and overcoming poverty within a better political and security order.

There's enormous potential for addressing these challenges – with new development partners providing fresh ideas and resources, and new information and technology to help solve old problems.

But we need a new model that connects all the global players.

We need a “modernized multilateralism” that is fluid and flexible, in which emerging economies join new networks of countries, international institutions, foundations, civil society organizations, and the private sector.

Just as the international economy has changed over the past half century, the World Bank has also changed. Today, the World Bank Group encompasses four policy and financing arms: the original International Bank for Reconstruction and Development, which provides long-term loans at very attractive rates; the International Development Association, or IDA, a special fund of grants and credits for the 79 poorest countries; the International Finance Corporation, or IFC, a private sector arm; and the Multilateral Investment Guarantee Agency, which offers investors insurance against political risk.

To work better within this changed world economy, international institutions and regimes – including the World Bank Group – need to modernize, too. Some look at today's multilateral organizations and see only weakness and failure; they advocate abandoning these organizations altogether.

I've suggested a different perspective: The world's multilateral bodies offer a thin but vital tissue connecting sovereign nations that pursue common interests. The pragmatic approach is to make these institutions, with all their imperfections, work better.

This evening, I'd like to share with you five lessons I've learned at the World Bank Group.

Working for Clients

First, we need to do development *with* clients, not *to* them. Developing countries are the World Bank Group's clients and partners – not objects of policy. It's an important but essential shift of mindset.

Clients have vastly different needs. If the best textbook solution doesn't fit the client's political economy context, then we haven't helped solve the problem.

This focus on clients may seem like common sense. But I was struck during the debate over the next President of the World Bank how some academics and economists were repeating the errors of the past: They thought that they knew the three or four areas of focus for developing countries.

I have preferred to listen to our clients.

My approach has been to apply the World Bank Group's unique experience and research – combined with innovative finance – to address what our developing country clients tell us matters to them. No one size fits all.

Take countries dealing with fragility and conflict. In 1944, the "R" in IBRD stood for the reconstruction of Europe and Japan; today countries such as Afghanistan, Côte d'Ivoire, Haiti, Liberia, and South Sudan need to find ways to combine security and development, so they can break the cycles of fragility and violence, poor governance, and poverty.

These countries are home to what Paul Collier of Oxford University termed the "Bottom Billion" – actually about 1.5 billion people – who can't start climbing the ladder of growth, and whose problems spill over to harm their neighbors.

The World Bank's new hub in Nairobi will help us to become more flexible and faster in supporting these fragile states while building knowledge about what works best.

Other countries are the sources of vast mineral or energy resources. The key challenge for these lands is good governance – to fight corruption, avoid the "Dutch disease" of imbalanced growth, and invest in inclusive and sustainable development.

Middle-income countries have a different set of needs. These countries – Brazil, China, India, Indonesia, Mexico, Turkey, and others – are today's most dynamic emerging economies. It is hard to imagine any significant problem – of the world's economy, environment, or increasingly, diplomacy and security – that can be addressed without their involvement. Yet these countries still face enormous development challenges: They are the home to some 75 percent of people still living under \$2 a day. They still need the Bank's assistance – but increasingly important to them is the sharing of knowledge and experience, and to encourage them to assume greater international responsibilities.

Our middle-income clients are seeking the World Bank Group's help in understanding how to avoid the so-called "middle-income trap." In 1960, 101 economies were classified as middle-income; by 2008, only 13 had made it to high-income.

For example, China and the World Bank just completed "The China 2030 Report" – a joint study of the strategic issues confronting China's development prospects over the next 20 years. The report aims to be a practical guide for China's policymakers – but it also offers key insights to other middle income countries that face many of the same challenges as China.

The World Bank put our problem-solving approach to work when developing countries were hit by soaring food and fuel prices at the end of 2007. Some World Bank economists, thinking in aggregate terms, said that returns from high commodity prices would allow most countries to offset the danger. Others suggested that the problem would be best handled by humanitarian agencies, not long-term development institutions. But tens of millions of poor people had no cushion to soften the blow. Families went without

meals. Farmers could not get the inputs they needed. Food riots broke out. It made no sense to speak of the long term unless populations and governments could address the short-term crisis.

We addressed critical short-term needs by working with UN agencies to set up a Global Food Crisis Response Program and create a rapid financing facility to support farmers. At the same time, we recognized an opportunity to promote longer-term growth by boosting productivity and production. Today, the Bank's investments extend across the agricultural value chain – in research, property rights (including for female farmers), seeds, irrigation, fertilizer, storage, and marketing – always encouraging private sector development.

When the food and fuel crises were overtaken by a global financial crisis in 2008, the World Bank mobilized more than \$220 billion of financial commitments to support developing countries, disbursing much of it rapidly. Equally important, we addressed specific market breakdowns by expanding trade finance, recapitalizing banks in developing countries, and purchasing distressed assets. We worked with others to meet specific regional needs, for example credit contractions in Central and Eastern Europe and borrowing backstops to permit expansionary budgets in Southeast Asia.

Today, the Bank continues to work with all its clients on fundamental long-term investments to lay the foundations for recovery – especially infrastructure; safety net programs to protect the poor; and financing for the private sector.

Financial Innovation

Second, the new global economy demands diverse and innovative financing.

Every three years, the Bank needs to replenish its fund for the poorest countries, the IDA. Even now, during a time of financial limitations, the World Bank's shareholders – its 187 member countries – decided that the institution's priorities and performance warranted first-rate financial support. In 2007 and 2010, two record-breaking IDA replenishment efforts raised more than \$90 billion. In 2010, the shareholders also backed the IBRD's first capital increase in more than 20 years, enabling the institution to meet its clients' needs in a time of crisis by issuing AAA-rated bonds.

To make the most effective use of these funds for our clients, we need to be innovative. So, for example, we're helping countries and farmers manage systematic risks through financial innovations to counter weather variability, such as drought. We've established a Crisis Response Window to help low income countries deal with the impact of natural disasters, such as the 2010 earthquake in Haiti, and severe economic shocks. We've brought financial innovation to bear on plans to develop medicines, lower the costs of humanitarian food and supplies, support biodiversity, and create natural disaster insurance.

A good example of how we can use innovative financing to produce results through partnering with foundations is the Global Polio Eradication Initiative – a partnership among the Bank, the Gates Foundation, and the United Nations Foundation. Through this program, foundations pay off the present value of a country's IDA credit when the country successfully completes a vaccine distribution program to eliminate polio. In essence, the program allows developing countries to mobilize what ultimately becomes grant funding to eradicate polio – but only if the money achieves results. To date, the program has provided \$147 million to support polio eradication in Nigeria and Pakistan, and hopes to scale-up to support areas such as routine immunization and maternal child health.

The World Bank Group has also developed novel ways to use finance to tackle environmental issues. We've raised over \$7 billion from governments for new "Climate Investment Funds" to help countries improve energy efficiency and technology, lower emissions, and protect against climate change. These funds have mobilized about \$50 billion worth of projects in 45 developing countries. As UN negotiators debate what a "Green Fund" might look like, the World Bank has one up and running.

Private Sector

Third, the private sector is the main engine for jobs and innovation.

The Bank's private sector development begins with public policies to strengthen the environment for investment, domestic or foreign, including through an educated, skilled, and healthy workforce. The Bank's "Doing Business" report helps countries assess how they compare with others in empowering entrepreneurs, especially smaller businesses.

IFC invests in and offers technical assistance to companies and financial enterprises that can support developing country businesses and markets. IFC makes its own investments and increasingly mobilizes other investors to join in. IFC is also investing to build markets for investment and innovation. For example, IFC is committing about \$3 billion through about 180 private equity funds to build markets through which investors can supply longer-term risk capital to owners of local companies.

I am especially pleased that in 2010 IFC created a new Asset Management Company to supplement IFC's traditional model of raising money in bond markets and then investing it. The AMC taps sovereign wealth funds, pension funds, and other institutional investors and channels investments to profitable opportunities identified by IFC. The venture opens up a completely new channel of financial intermediation. The AMC now totals over \$4 billion, almost \$3 billion of which had little previous exposure to Africa and other less recognized emerging markets.

Democratizing Development

Fourth: we need to democratize development.

One of the many messages of the crowds that shook the Middle East in 2011 was that global economic freedom must be combined with good governance, citizen voice, and social accountability. These are crucial for economic development. Inclusive and sustainable development depends on shifting from an elite, top-down approach to one that empowers individuals and communities.

For development institutions, this means that investments in civil society and social accountability are as important to development as investments in infrastructure, firms, factories, or farms.

The World Bank has been supporting civil society organizations for almost thirty years – but now we're ramping up that engagement. Later this week, I'll be announcing the formation of a new Global Partnership for Social Accountability – a dedicated partnership to provide long-term support to civil society groups in developing countries working on keeping their governments accountable. Over the next four years, the World Bank plans to put in about \$20 million in seed money to get the Partnership going and help raise a much larger fund. I hope this new Partnership can become an integral part of the Bank Group's work going forward.

"Democratizing development" also means giving people the tools to gather data, and the knowledge and information to better understand development issues, along with opportunities to share insights.

We are seeing the power of sharing information through two transformative policies that the World Bank rolled out in 2010 that are making the institution more accessible, transparent, and accountable.

Our new Access to Information policy releases vast numbers of documents, giving the public more information than ever before about the Bank's projects, analytic and advisory activities, and proceedings of the Board. Modeled on Freedom of Information programs in India and the United States, it's the most extensive such policy of any multilateral organization.

The Open Data Initiative makes thousands of datasets freely available, so anyone with an Internet connection – from a PhD student in Australia to a farmer in Kenya – can download our data, analyze it, and come up with solutions. The Bank will also work with communities to map their own social infrastructure – health clinics, schools, and water sources – so villagers can hold officials to account. The next step is to allow people to use hand-held devices to let the Bank know, from any location, what is really going on with projects.

This data is already being used in an innovative partnership with the Hewlett Foundation, the African Economic Research Consortium, and the African Development Bank to produce new indicators measuring the quality of health and education services in sub-Saharan Africa. These indicators will be an important tool for governments to monitor results, as well as for citizens – parents, in particular – to challenge poor governance.

Democratizing development is a key to a modernization that is based not just on government intentions or experts' theories, but instead a rigorous commitment to results, openness, and accountability. Both donors and recipients are properly insisting on value for money.

Governance and Anti-Corruption

My fifth and last point is the need to promote good governance and combat corruption.

The World Bank has a fiduciary duty to ensure that Bank funds are being used for their intended purposes. It is outrageous to steal from the poor. But our anti-corruption work must go further than that. Governments need to take ownership if these efforts are going to succeed. They need to be accountable, too.

The World Bank is investigating corruption, and bringing cases against those who commit fraud and theft. We have set up a preventative unit to learn from experience, especially in sectors that are prone to fraud or theft. But we need to do more. We need to set standards, live them, and promote their broader adoption.

The Bank can help build institutions to prevent corruption, improve transparency, and involve civil society in supporting good governance. The Bank also helps governments – increasingly, at the sub-national level – to strengthen financial management, procurement systems, auditors, and other systems that promote accountability.

The World Bank will need to break through harder obstacles. We've already put some new tools in place: an agreement with the Regional Development Banks on cross-debarment of firms and individuals that cheat or steal; new penalties; a Stolen Asset Recovery initiative – or StAR – to assist governments in recovering funds stolen by leaders who looted their countries' Treasuries; and an International Corruption Hunters alliance, to support the investigators, prosecutors, judges, and others who take on this often dangerous work.

Conclusion: Beyond Aid

I hope that tonight I have been able to give you an idea of why “modernizing multilateralism” is important, and what it has meant for the World Bank Group.

Over time, the World Bank's aim should be to help countries move Beyond Aid. There will always be a need for humanitarian aid, and for some time to come, poor and conflict-riven countries will require development assistance. The goal, however, should be to move beyond dependency. Our aim should be to shift from a paradigm of charity to one of mutual economic benefit.

What would such a world look like?

It would provide poor countries better access to world markets, while allowing them to hedge against fluctuating commodity prices, spiking fuel costs, and natural disasters.

It would facilitate foreign direct investment, innovative financing, and technological transfer so that developing countries can modernize industry, agriculture, and services.

It would support good governance, openness and transparency – to ensure that governments pay more attention to citizen voice and social accountability, and that private sector initiative is rewarded, basic services delivered, and prosperity broadly shared.

It would support multilateral innovation to forge progress on open trade and investment, access to energy, food security, competition in services, and climate change.

It would support innovative partnerships – between governments, international institutions, the private sector, civil society groups, and foundations – so that these actors could leverage each other's strengths, share experience, learn from each other, and work together to bring better development solutions.

It would be a world in which all countries tap the energies and genius of all – young people, the elderly, and not least girls and women, an under-realized source of growth everywhere.

Much of the World Bank's history has been associated with the Third World. That term no longer fits today's reality. After all, with the end of the Cold War and the demise of the Second World, developing countries should at least move up one!

More to the point, developing countries are not just some subsidiary category. They are diverse. They are growing – economically and in influence. They want more voice. They want to be the stewards of their own futures.

The Third World is now an outdated concept. But development is not. In fact, lessons of development – just like principles of sound economics – are increasingly applicable to all countries.

And that is what modernizing multilateralism should really be all about: learning from the past; adapting for the present; and creating for the future.

Thank you.