

Address to The Congress of Financiers

By
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Mr. Chairman, President Nazarbaev and friends!

It is a great honor for me to be here on this holiday of financiers. Let me tell you in most countries financiers don't have holiday. So congratulations on this innovation which I hope will be carried on in other countries.

You've been a leader in this region and it has been a period of enormous growth for the country.

We are continuing to be here, we are continuing to work with your government and we are looking forward to participating with you in many initiatives that you will be taking in the years to come.

When I came to prepare my remarks I thought I would come with some innovative ideas on what I could advise not as a professor but as a partner. And I worked on these remarks quite seriously. And then I read the address of the President on March 19th which I probably need to read you again. It deals with really all subjects that I've wished I would bring to your attention. It is a remarkable document, a document which talks about not only the long-term objectives but the specific steps that need to be taken by you to achieve the balance economy which I really think you seeking for.

The challenge is not become an identification of the issues. The challenge is the implementation of the programs which you identified.

And you have identified very clearly that this economy has grown dramatically based on natural endowments of the country: the oil, the mineral resources and tremendous growth that is taking place in investments from outside - \$17 billion in the last decade, much of which is going into oil industry.

In fact I was struck by the fact that in the Central Asian region you have a quarter of the population and 2/3 of the income for the country which of course is larger than all the rest of Central Asia put together. So you are incredibly ahead in terms of resources and have been very successful in terms of income.

That is because of the right choice in terms of the financial sector. It is quite evident that there has been a very rapid expansion of the sector, maybe even too rapid in some areas. And many new financial products that can be offered as you become a center for the region, as you develop in terms more sophisticated products to which the President has already referred today: the securitization with few laws in terms of protection of rights, new laws in terms of certainty that will be introduced as the years go on.

So you have a situation of very comfortable past decade in which poverty has been reduced from 18% to 12% in which your industry, the financial industry has grown in terms of its size. And the issue that you face is how can we make it sustainable, how can we have the balance in our economy, how can we not be wholly dependent on natural resources, so we don't have a two-path economy: a path for the rich and a path for the poor, that is the issue which the President pointed out in his March 19th speech. We now must look at the raw areas which are important in terms of its growth. And you must look at the balance of the economy as you look at industrialization, as you look at innovation, as you look at the opportunity to compete on global markets beyond the provision of natural resources.

And this is a challenge which you face; this is a challenge of making the country benefit from the enormous natural wealth and deal with true wealth of the country-which is the people.

You should never forget that globally the way competition takes place is not just on natural resources - it is on furnishing human resources. It is competition based on education and opportunity.

If you look at China, if you look at Vietnam, if you look at India, if you look at countries of the East Asia region, the so-called tigers you analyze how it is that they have achieved their objectives. You come back basically to the question of enabling the people and it is pointed out again in the 19th March message that means insuring that people are healthy, that they are given opportunity and they are educated including pre school education, good primary education through secondary. And there are no real secrets, there is no one clue that you can take to balance the economy.

What you need to do and what most countries have been successful in balancing the economy is to have basic human and social services. So you can avoid two path economy and can take advantage of the true wealth of the countries - which is the people. This is not a revolutionary concept. That is something that you find in other countries.

In fact when I was last in Vietnam, the holiday which I arrived on was not the holiday for financiers, it was a holiday for educators. It was a day that students went to visit their professors and teachers, and this has been going for hundreds of years. It is indicated in Vietnam that the centrality of their economy was not the natural wealth but the human wealth. So we see in communist economy of Vietnam how rapidly it is now expanding based not on natural wealth but on human wealth.

And this of course is entirely possible and feasible inside Kazakhstan. But it does not happen from today to tomorrow. It is something essential that President pointed out - in terms of the development of human resources, the social services that go with it.

The breadth of the social service is to build up the level of education, the level of health inside of the economy, with that you have a chance of engaging all the people of Kazakhstan.

The second area is infrastructure. You lack infrastructure to be competitive. Your internet communication system is vastly more expensive than your competitors. The breadth of your communication is inadequate. And this is an area for financiers to work in partnership with government, in terms of infrastructure that provides technology, that provides roads, rails as the President pointed out. This is not rocket science; this is the fundamentals of development today.

When I was in India about two months ago I visit Andhra state, where per capita income is on the level of \$200. The government decided 4 years ago that in state of 17 million people they would have fiber cable, linking every village. Four years later they have 24 forms of e-government, e-medicine, e-education. And this is the choice they made.

The essential key of the development of the state was in fact to have effective communication space on which poor people can grow, on which government can be improved. And I know in your country there has been a call in terms of audience communication and poor banking communication and the work that you are doing on every form of transportation is seeking to cut time. Today from Ankara, it takes 33 days by rail and you look to cut that to 13-14 days. These changes in competitiveness which you as financiers can take is a second element you really need to be thinking.

The third point after human resources and infrastructure areas of course is the functioning of your industry. An industry which needs not to be thinking of profit but needs to be thinking of partnership for the benefit of your country. Because financial industry really only exists in the long-term. It can not be just one shot bill to make money; it has to be responsible industry. And if there is responsibility, then there is sustainability for financial industry, for the balanced economy you are seeking.

I have to say I am deeply impressed by the reforms you have already taken by the progress that has been made. I think you have every reason to be extraordinarily proud of the achievements that have been made. Even in the decade I've known this country I see the enormous growth in terms of your industry from \$2 billion to \$9 billion in terms of resources.

But let me just take two minutes to tell what is happening outside because you can't function just looking inside. The outside world is not always stable at the moment. Last year maybe was the best year in 30 years in terms of global growth, averaging about 4% and in developing countries-6% and in your country-9%. So you are extremely well positioned

against global base. But the world is a two-part world. It is a world of 5 billion people who live in developing countries and 1 billion who live in rich countries. You are somewhere in 5 billion at the top and becoming a middle income country. The 5 billion people have 20% of the global income about \$7 trillion. The 1 billion people have 80% of income around \$29 trillion.

There is a great uncertainty and instability in this world. And this is the reason that during our last annual meeting we discovered that people were not hugely happy just because of economic achievements. They are mostly worried about things like physical safety in terms of uncertainty against terrorism. Last year \$900 billion was spent on military expenditure and \$68 billion on development.

We also can conclude that the only way to deal with uncertainty is to deal with the question of poverty- as we know, half of the world lives under \$2 a day. And we also know in your country as well in the world 1/2 of people is under 24. And we know that in the next 25 years the world will gain another 2 billion people. So we have to continue to have this tremendous pressure of how we can give opportunity for young people, how do we train them, how do we integrate them in the work force, how can we create environment to allow them to have opportunity.

This is for your industry a hugely important task because the financing of middle and small enterprises, financing of businesses that can create the jobs for young people is not just about economic opportunity. It is essential for stability because when you have young people without hope, you can't have peace.

This is a lesson that we are learning around the world. This is a challenge to create jobs, to give hope for young people so they can live in peace. This also relates to Kazakhstan. You have the same challenge. You have the challenge to diversify your industry from oil. You have the challenge to create jobs for young people. If they don't have opportunity to express themselves as the result of the innovation, as the result of creation the industry they will be creating the problems here and in another parts of the world.

So I am very happy to be here on this day dedicated to the financial sector. Because your work is not just the work of profit. Your work is work of creating opportunity, hope for young people- creating opportunity for peace.

I congratulate you on all of what you have done. I wish you the best in the future. And I want you to know that the World Bank, if you want us, will be here as long as you would like us here.

Thank you very much.