Challenges and Opportunities of the 21st Century

Address to the University of Kiev Mohyla Academy

by
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Thank you very much for your welcome and thanks to all of you for taking time from your day to come and hear me speak.

It has been a very busy two days here in Ukraine, and I had intended to write a lengthy speech last night that I could deliver to you, but I got waylaid in the Internet cafe and then drank too much vodka with a Government official, so you will get from me a very spontaneous statement on what I see as the main issues of concern as we look to the next century. And indeed that is what I was asked to do -- to comment on my vision for the next century and the issues that we are confronting at the Bank and which I think are confronting us across the globe.

But before I deal with the global issues, let me say how very happy I have been to have an opportunity to meet with some of your leaders, with members of civil society, to visit entrepreneurs, to have a look at innovations and technology and to get a sense of how far Ukraine has come since my last visit here five years ago. Kiev certainly looks very different. The mood is different. And this year is your first in many of absolute growth. Many of the economic indicators, as you all know, have considerably improved, whether they concern fiscal balance or straight GNP per capita, or relate to balance of payments, inflation, cash collections or the shift to a market economy. So much is poised in terms of Ukraine moving to the next level in its own development. And it is a great pleasure for me to see this group who no doubt will take the start and take this country in so many ways to the next level of development. So I congratulate you and your institution on both your objectives and what I am sure will be your achievements as you move forward.

Let me then just jump back and take a look at Ukraine from my vantage point at the World Bank and shed light on the global perspective rather than the country perspective. I start by looking at the planet on which there are six billion people. And the Bank deals with 4.8 billion of those people -- 80% -- mainly the developing world and the transition economies, of which Ukraine is one.

Now, the first thing you need to think about when you look at the planet is that 20% of the people -- the 1.2 billion that live in the developed world, in the United States and continent of Europe and those countries...
which have experienced immense growth -- have 80% of the income. Their income is around 23 trillion dollars a year out of a total for the world of 29 trillion dollars. So 20% of the people have 80% of the wealth. And the people I deal with -- the 4.8 billion people -- have 20% of the wealth; they have 6 trillion dollars of annual combined income.

So, my first dilemma or my first challenge in running the Bank is to try and deal with that great distinction between the rich and the poor countries. And it is tough enough as it is today, but it is even more difficult as you look forward to the next 25 years - the years in which most of you will be working. In the next 25 years, there will no longer be 6 billion people on the planet, there will be 8 billion -- an additional 2 billion on our planet. And all but 50 million will go into the developing world and the transition economies, as we now know it. So, if you jump forward 25 years, you will be working in a very different world. And you will have, 25 years from now, 6.8 billion people out of 8 billion in developing countries and a relatively stable number in the developed world. That is a very significant projection for you to keep in mind because the balance is changing.

Now, if you jump back to today, it is not only an inequitable world in terms of 20% having 80% of income. But you have a lot of poor people. You have half the world that lives under two dollars a day. And you have 1.2 billion people, one fifth of the world, that live under one dollar a day. And within countries you also have very big differences between the rich and the poor, typically in the poor countries. A few people, the top 10% of the people, have more than 50% of the income and of the assets. So the first thing that you want to think about, as you think about the next 25 years, is that there is an imbalance in the world between the rich countries and the poor countries. And within countries, you have an imbalance between the rich and the poor.

If you jump back to Ukraine, there is an imbalance between the rich and the powerful, and the poor people. You may have noticed that in the last ten years poverty has increased. And you may have noticed that in terms of Ukraine’s outlook in the next 25 years, your country is probably not going to grow in terms of population, though we expect it will grow in terms of profitability and Gross National Product. And so you should be looking at issues from your point of view as a European in an environment where the population is getting older and not much bigger. But you are in a world where there is just a huge number of people coming in to share the world’s resources.

In addition, you have integration. You have health issues which are global; whether it be AIDS or any communicable disease, it becomes part of the global picture. You have migration; you have wars; you have crime; you have trade; you have finance. Many of you will have noticed the financial crisis in Asia. It started in Thailand, but it affected your country, it affected the world. So you have to be concerned, as you look forward into next 25 years by looking not just at Ukraine, but looking at the country in terms of its global significance – since you are part of the world. And increasingly, you here in Ukraine have to think of issues on a global basis just as I certainly do as I travel around the world and look at the issues of global peace and stability.
So for us at the Bank, the number one issue that we are trying to deal with is poverty and equity. Because if you have inequity in society and you have too much poverty within and between societies, then you will not have social peace. It is understandable that people in poverty want to get out of it. It is understandable that inequity leads to dissent and uncertainty. So the primary issue that we are facing is the issue of poverty and equity, and given those elements you can read in peace and stability. That becomes an issue for Ukrainians, as it does for Americans or Australians. And it is not a theoretical issue. It is a real issue.

The reason that it does not seem like a real issue is that you cannot see it. You can talk about non-payment of pensions, non-payment of teachers’ salaries; you can talk about the amount you get per month. All that is visible, immediate. And so these issues become the preoccupations of most people in most countries, and of most politicians. But they are visible in terms of your lives not as Ukrainians but as people that live on the planet – you are very much affected by this movement. So that is the first point I wanted to make.

The second point I wanted to make is that you are very fortunate in that you are living in a world in which the ability to take advantage of globalization gives you many more opportunities than if limited to the regional or local markets. Just take the Internet: last night at the internet café, I saw maybe some of you, but certainly others like you sitting there, linking with the rest of the world -- surfing the net, getting information, being part of the world. And that is just the beginning.

In the case of the World Bank, we have a hundred of our offices linked currently by satellite – voice, data and video. So I can communicate with all our team from one spot simultaneously. We are running 800 videoconferences a month. If you come in to the Ivory Coast and you want to know something about free school education, the following day you would be talking to an expert in Washington, and four days later you might have a seminar with 6 experts from 6 different countries in 6 different languages telling you about their experience, because it will be translated in Washington. That is not science fiction. That is happening today. We are running virtual universities in Africa, in 15 countries, where there are no professors in Africa. They are running courses from other places. We have linked 100,000 high school students in developing countries through the Internet with other high school students. Here in Kiev, we are establishing a distance learning facility which will be linked by satellites and be ready, I think, by the end of the year. You will have 30 places in the classroom and adjacent room with 30 computers all linked by satellite, which will allow you to engage in courses and conversations with your contemporaries and with great professors and teachers, and great professionals from other parts of the world. This should be functional in December.

We have linked research institutions. We have funds to sponsor local entrepreneurial activities. We will be establishing a network of information on data you want to find out about any country, and what anyone is doing in the development field. All that is not in the future.
Rather, it is happening today. And this gives you a fantastic opportunity as you look forward, to think in terms not just of Ukraine, but to think of yourselves, who speak sometimes two or more languages, in global terms. And there too the issue of finance and investment in trade becomes a real opportunity for all of you.

So the second dimension is not just about poverty, but goes back to globalization, and its concurrent challenges in terms of world stability. It offers you a tremendous opportunity in terms of what you can do, how you see yourselves, how you can propel yourselves and what you might want to do in the future.

It has made a difference in my life. I am Australian originally. I am now an American. My wife and I have been to over 100 countries in the last five years, in many of them 2, 3 or 4 times. We see the world as a village. We go from place to place, and what has happened with us is going to be day to day for all of you. So the perception that you have to have is firstly to master what it is that is your basic skill, and then to take advantage of this fantastic opportunity to think of yourselves in the global perspective.

And the third point I want to make in my introductory remarks is that you have to think of yourselves not as someone who is a victim of the Government, but as participants. And that is something that is quite new in the way that democracy and development is evolving. Because as I look at the issues today, the challenge that I have leading our institution is first to recognize that the World Bank does not know everything. That poses quite a challenge for some of my colleagues. All of us have to recognize that the challenge in the world that we have is that we do not know everything. The World Bank is an institution. And we have some but still limited knowledge that we can use. Therefore, against this challenge of 4.8 billion people and 6.8 billion people, we recognize that the only way that we can really make progress is if there is participation and dialogue.

And you may be interested to know that in the case of your own country, in the Country Assistance Strategy that we have just done in Ukraine, for the first time it was done not just with the Government, but by reaching out and talking to parliamentarians, to civil society, to leaders and trade unions and religions. Yesterday, I met representatives of a whole range of civil society groups. And they are people not dissimilar from you. They are people that now have their opportunity to contribute, to mold their society and to be active in affecting change.

And the thing that we are looking at is how we can engage people – not to feel like victims, like subjects, passive, but rather to feel active, to feel that you can do something, because today the whole future depends on participation. And given the new political framework, and given the new possibilities with technology, and given the reality of democracy, each of you has to think that you not only have responsibility to yourselves, but responsibility beyond yourselves.

And the challenge for the Bank is how to engage that fantastic resource in a way that can make best use of all the people that can contribute to
society. We look at it as comprising 4 participants – the Government of the country, in which we operate, the multilateral institutions and the bilateral institutions that work in the development field, the private sector and civil society. And we have to have them all involved.

Some of you may end up in business. So let me give you some simple statistics on business. Ten years ago, the private sector invested 30 billion dollars a year in developing and transition economies. That is about the size of the GDP of Ukraine. Ten years later, it reached the peak of 300 billion dollars invested by the private sector in developing and transition economies.

So maybe ten years ago you could think in terms of governments and institutions like mine, being twice as important in terms of size as the private sector. Today the private sector is five or six times more important than all the development assistance that has flowed to developing countries. And for those of you that end up in business, your issues are not going to be just about markets in Ukraine, but about foreign investments or as recipients of investments from other countries. And it is here that we in the Bank really need your help to be thinking in terms not just of your local conditions, but in global terms in order to reflect the reality of an increasingly interdependent world. Social responsibility is becoming global.

So this is the framework within which the Bank is operating, and one which features, first and foremost, the issue of equity and poverty and trying to make the world better for everybody. The second element is the issue of globalization, and its opportunities in terms of technology, trade, finance, and the ability to move around. And the third aspect is the sense of individual responsibility and the new ability to really contribute, that we all now have and which your parents did not have. It is a very, very different world.

And we at the Bank have to engage that. We have to look at those 3 billion people who live under two dollars a day not as the object of charity but as an asset, because they know more about their needs and capacities, their problems, and how they need to get out of poverty than anybody else. And at different levels, and in particular on the level of the trained generation who have had educational opportunity and experience, you not only have a personal advantage in studying at a great university like this, but you also have a colossal responsibility in terms of participating not just in your own futures and in your country’s future, but in the context of the global environment of which you are a part.

What I do and what you do is very closely related. If I cannot feel that in the next 25 years, people like you will take that responsibility seriously, I cannot succeed. I need the help of groups like yours to think in this new context. You cannot rely on the Bank unless you participate. And so my main message is that through the next 25 years, partnership between us is key.

My challenge is to engage people like you in the global development process. And your opportunity is to participate. So I look forward very
much to seeing lots of you. Maybe in 25 years one of you will be President of the World Bank and you will come here, and your picture will be on the wall, and you can tell your colleagues about what it was like to go from Kiev to Washington to become President of the Bank. I surely hope that happens. And I look forward to seeing that speech; and let me say I hope it is a woman. Thank you very much.