

# THE ECONOMIC CLUB

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O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring The Honorable Robert Zoellick, President,  
World Bank**

**January 17, 2008**

One of the unusual things to understand about the World Bank is that, while it's a very sophisticated financial institution, it's also a multilateral institution. The board represents 24 different countries or constituencies.

If you look at the people living under \$2 a day in the world, over 70% of them are in China, India, and the so-called middle-income countries.

. . . when I look at the world today, and I see the degree of globalization and integration and the role of multilateral institutions to deal with some of these problems, the last thing you want to do is to take an institution like the World Bank and just have it for the developed countries and the poorest countries. One of our biggest challenges in the world— whether it be economic, security, climate change—is how to integrate the Chinas and the Indias.

When the World Bank works best, it's really bringing three things together. It's bringing knowledge and experience and expertise, maybe on health care, maybe on education, maybe on building domestic bond markets, maybe microfinance. It is taking and constantly upgrading that. We did \$34 billion in business last year and that's a drop in the bucket internationally, so what we do is we do those projects to help develop markets and institutions so they can go much further than we do.

One of the things that we're doing, and this gives you a good idea in a way that it's not your grandfather's World Bank anymore, is the notion that we came up with, the idea of developing domestic bond markets in domestic currencies. So we're putting together a \$500 billion fund to invest in many countries' domestic currency markets for bonds. One of the problems, if you think about past financial crises in Mexico or Brazil, was that they issued bonds in dollars and so they might get caught in a foreign exchange risk. Well, this will develop their markets in their own currency, but—and this is a little lesson I also got from Goldman—to make this a potential asset class, we also developed an index so that people can look at the performance just as people would in other asset classes. The neat thing about it is that the index starts off being weighted by the size of the bond market, but we also put in investibility criteria, which means reforms, so the more they make various reforms in these domestic bond markets, the better they're weighted. The last, and neatest, part of this is that we plan to exit the market in 10 years.

The role that we can potentially have in the international economy is one of taking these vast changes in markets and trying to help countries across the range of development. So to close where you started, our role is frankly to try to help make sure that the multilateral economic development system includes the poorest, the developed, and those in between.

The International Energy Administration estimates that developing countries are going to need \$170 billion a year for power plants just to stay up with their normal growth and development levels. If you want to use low-carbon technologies, you could probably add another \$30 billion to that. So that's \$200 billion a year. You're not going to get that from the public sector. You're going to have to create private sector incentives.

. . . the benefit of a dollar's growth in agriculture GDP has three times the effect on poverty reduction as other sectors.