

World Bank's Zoellick Links Economic Development to Stability

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Robert Zoellick engaged in a far-ranging conversation with Public Broadcasting Personality Judy Woodruff, who also took questions from Club members. The world is globalized and integrated, Mr. Zoellick said, and growth in developing countries is likely to continue, even given uncertainties in U.S. markets. The World Bank, concerned about much-publicized corruption in investment programs, is investigating specific cases, working with partner countries, and adopting strategies to build structural integrity into programs. The Bank does not give away money, he stressed, but lends it and invests it. The Bank invests in poor countries and also in so-called middle-income countries, such as China and India, which also have large populations of poor people. China, for one, is showing interest in helping other countries and in launching into cutting-edge issues, maybe health care, maybe environmental. The Bank works best when it brings together three elements: knowledge and learning, markets and institutions, and finance. The Bank's role is to ensure that the multilateral economic development system includes the poorest, the developed, and those in between. You better pay attention to what's going on in China, in India, in the Middle East, in different areas, Russia in some respects. We can try to create the conditions, to create some economic development and hope in the Middle East. They've got a real youth bulge in these countries and they've got to create jobs and opportunities and they've got to figure out how to integrate women effectively into that workforce. What we do, and what we do in development, will make a big difference in terms of whether the world is a place that breeds trouble or creates opportunity.

Vernon Jordan

Good evening. Ladies and gentlemen, I am Vernon Jordan, the outgoing, lame duck president of The Economic Club of Washington. It is a pleasure to welcome you to the third event of this season, our annual winter dinner. It's good to see so many of you here, Happy New Year to you, and it's a great testament to your commitment to the Economic Club that you'd come in inclement weather—in Washington 1 inch of snow and it's bad here. It is clear by your dress that we are split as to whether the winter dinner should be black tie, and I think the optional process is working. I couldn't change because I just got off the Shuttle, which just got here. Thank you for being here. Dinner is served.

I would now like to acknowledge our event's sponsors. Although they're listed on the program, I think they're worthy of recognition. The first is Wachovia Bank, represented by Samuel Schreiber; Akin Gump Strauss Hauer & Feld, represented by Michael Mandel, myself, and the Akin Gump table; and Bingham McCutchen LLP, represented by Barry Dierenfeld. Thanks to all of you for your support. The proceeds from the sponsorships benefit the Economic Club scholarship program, and for those of you who have not been sponsors, you are welcome to do so. We have two more events this year, and if you want to know about arrangements, please talk to Mary Brady.

I would now like to recognize our special guests who are with us tonight: His Excellency, the Ambassador of France, Pierre Vimont. Her Excellency, the Ambassador of Malaysia, Rajmah Hussain; His Excellency, the Ambassador of Egypt, Nabil Fahmy; Member of the D.C. City Council and member of the Economic Club, Jack Evans; and the Chief Financial Officer for the District of Columbia, Dr. Natwar Gandhi. Welcome.

The remainder of this season promises a new slate of highly interesting and informative events. For our spring dinner on March 12, 2008, we will have the Chairman of the Board and Chief Executive Officer of JPMorgan Chase, Jamie Dimon. That event will be held at the Fairmont Washington Hotel. Additionally, a preeminent educator and corporate director, Dr. Ruth Simmons, President of Brown University, will address the Economic Club at a luncheon on April

2, 2008, at the J.W. Marriott. I encourage you to mark your calendars now and make your reservations.

The format for this evening is different from our standard format. Instead of our regular guest speaker presentation, an interview-style dialogue between Bob Zoellick and award-winning journalist Judy Woodruff will take place. Instead of our usual written questions, Ms. Woodruff will take questions directly from members from the floor. Please wait for a staff member to bring you a hand-held mike before you ask your questions. We will have time for several questions. Now to our speakers.

In the past few years, the World Bank has played an increasingly important role in post-conflict reconstruction in many countries around the world. The presidency of the World Bank has by tradition gone to an American, and last year the job was given to Robert Zoellick. Bob Zoellick became the 11th president of the World Bank Group, which works with 185 member countries. Bob Zoellick brings an unusually strong background in international relations and finance to the World Bank. In 2006 and 2007, he served as Vice Chairman International of the Goldman Sachs Group and as Managing Director and Chairman of its Board of International Advisors.

Before Goldman, Bob served as Deputy Secretary of State, U.S. Trade Representative, Executive Vice President of Fannie Mae, Deputy Assistant Secretary of the Treasury, Under Secretary of State, and Deputy Chief of Staff to President George W. Bush. Bob Zoellick has had more big jobs in the U.S. government than Elliot Richardson, and that's saying something. Bob Zoellick graduated Phi Beta Kappa from Swarthmore College, and he earned his J.D. degree magna cum

laude from Harvard Law School and a masters' degree in public policy from the Kennedy School of Government at Harvard.

Our interlocutor for this evening is the distinguished journalist Judy Woodruff. Ms. Woodruff has covered politics and other news for three decades at CNN, NBC, and PBS. She is currently a senior correspondent on the NewsHour with Jim Lehrer, as well as political editor of the 2008 election coverage and a monthly program anchor on Bloomberg Television. Previously, she hosted Frontline on PBS and Inside Politics on CNN. Recently, along with McNeil-Lehrer Productions, she produced Generation Next, a documentary that will be aired in January. Currently, Judy Woodruff is developing a PBS report to the nation based on interviews with young Americans. In 2006, Judy was a visiting fellow at the Joan Shorenstein Center on the Press, Politics, and Public Policy at Harvard University. She is a graduate of Duke University. She lives in Washington with three of her children and her husband, Al Hunt, executive editor of Bloomberg and formerly with Dow Jones. Ladies and gentlemen, it is a great pleasure to welcome to The Economic Club of Washington two very good friends who were kind enough when I called to say yes, Bob Zoellick and Judy Woodruff.

Judy Woodruff

I think Bob would agree with me that when Vernon calls and asks for a favor, it is impossible to say no. I want to start with a question that I think is on everyone's minds. Today the Dow Jones Industrial Average dropped over 300 points. Does that affect the work that you and your colleagues do at the World Bank?

Robert Zoellick: Judy, like you, I got the call from Vernon Jordan, but I have a different reaction when my assistant tells me that Mr. Jordan is calling because, in my life, what that normally means is that I'm about ready to leave office and there's a transition team coming in. There's this very nice man and he's about ready to measure the drapes for the office. But as you said, and I'm sure everyone in this room has the same feeling, when he's on the phone you just can't say no. So I'm delighted.

As for the markets, interestingly enough, that doesn't have the same impact on the Bank. In fact, because the World Bank is seen as having very strong financial credit, we have some of the same benefits that the U.S. Treasury has: we're a flight-to-quality, so what it generally means is that our paper has just improved a little bit in terms of its value.

But the bigger issue is also the question of what does it mean when there's a slowdown or a problem in the developed economy for our clients and partners in the developing world. Of course, this is one of the big questions that a lot of people are discussing, because of tremendous growth in China, good growth in India, and so the big issue these days is whether there is decoupling in the developing world?

During all the financial uncertainty that you saw during the summer and autumn, one measure of this is what's called the debt spreads for the developing countries. Normally in the past, if you've had great uncertainty in developed country financial markets, you'd see those debt spreads widen a lot. They were very, very tight, like a lot of financial spreads were. They've widened a little bit, but they haven't gone up too much. What that suggests is that for many of the developing

countries there hasn't been a lot of progress in terms of their financial stability. For many of them, it's linked to the growth of some of the Chinas and Indias, because say in Latin America, they've been benefiting from a commodities boom. Some of our partner countries—China, some in the Middle East—are ones that are now the big homes of the sovereign-wealth funds. So the sovereign-wealth funds, which were the big fearful force in the autumn, may now be the supporters of financial markets and the ones that recapitalize financial institutions.

It really paints a picture of a world that is globalized and integrated. So yes, you have to get a sense of interest rates, wealth funds, so on and so forth, and that's very much part of the World Bank today as opposed to when it was created 60 years ago. But the nature of those interconnections is a little less certain. So to conclude, I do think the world isn't decoupled, but I do think that you're likely to see continued growth in the developing world, even with some of the uncertainty in U.S. markets.

Ms. Woodruff: So if the U.S. catches a cold, or even gets the flu, you can't necessarily predict how that's going to effect

Mr. Zoellick: You can't predict for sure. I do believe it will have an effect. If you look at China, for example, exports are very important. But there are still other sources of growth in the developing world. Now, the interconnectivity is that if China does slow down, you'll see effects in terms of commodity prices, and that has effects in some of the Latin and other countries. But my point is, one of the shifts that you're seeing is that the nature of those connections is

adjusting and changing, and it creates some opportunities but also a greater degree of uncertainty for the developing world.

Ms. Woodruff: Let's talk about your transition. You've now been at the World Bank 6 months. There was a fair amount of, shall we say, turbulence, at the Bank before you got there.

Mr. Zoellick: If you consider revolutionary movement to be turbulence.

Ms. Woodruff: How has it gone?

Mr. Zoellick: I'll let others judge how it's gone. From my perspective, there were a number of things it was important to do. First, there was certainly a great deal of anxiety, lack of trust, and some pretty big enmities that had been built up. So, frankly, the first challenge was to try to calm the waters a bit, which required a lot of listening and talking to people about some of these issues.

But it was my judgment that the best way to give an institution a course of direction was to focus on the mission. I think this has been borne out. The people who come to the World Bank Group—that includes IFC [International Finance Corporation], the private sector side, the IBRD [International Bank for Reconstruction and Development], the traditional Bank, and MIGA [Multilateral Investment Guarantee Agency], the insurance side—come because they're very much committed to the mission of development. The best way to get people away from the water

cooler, as it were, is to get them focused on the task ahead. So, we worked with our board early on to try to take some big steps.

We put together a package that drew from the net income of the institution to make a big contribution to something called IDA [International Development Association], which is the fund we have for the 80 poorest countries. This was part of our challenge, because every 3 years this fund has to be replenished. I came in the last 6 months of that, and the climate was not so good. One of the things we could do to jumpstart it was the commitment that we got from the world banks, which was over twice as large as in the last replenishment. So, we followed the principle that many people here who've been involved in fundraising know: we put our money where our mouth is.

We also cut prices for middle-income countries. 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. Just as an element of that, the prices had not been changed since 1997-1998, which is a little different than it was in the world I just left in Goldman Sachs, and that was because this was a very complex, negotiated arrangement. This helped deal with some of the so-called middle-income countries, because they felt that they were paying up too much, and the developed countries were using that money to give to the poor countries. So we took that step as well.

We also tried to connect IFC, the private sector arm, which is a great, innovative institution, with some of the challenges of the poorer countries. That ended up being very valuable because it

showed we could put together a rather advanced package, and move it ahead. We had a very successful effort to raise \$41.6 billion for the poorest countries, and that gave people a sense of success.

On the challenging issue of governance and anti-corruption, we had the good fortune that Paul Volcker was asked to run a commission, and he produced a report that gave us a good road map. So the pathway was there, but there's no doubt in what I always tell the ministers I deal with: people shouldn't underestimate the difficulty of that period of upheaval.

There's one more point, however, and that is that what the upheaval in fact masqueraded a bit were even more fundamental challenges. I made a reference to the World Bank being created as one of the Bretton Woods institutions in 1944, and just as the world has changed enormously, so these institutions have to change, and it won't be a surprise to anybody in this room that sometimes public institutions change more slowly than private ones. So part of the challenge was to also get the institution re-focused on some of the challenges we started out talking about. So another thing we did was try to outline some strategic directions to do that.

The good news is that, by and large, most people have responded positively to this and feel a sense of mission. We've gotten great support from the countries that contributed to IDA. Developing countries, both poor and middle income, see the possibilities. But the reality is that the challenge of adjusting the mission to a new era is going to take a considerable period of time.

Ms. Woodruff: You mentioned the corruption investigation and Paul Volcker. The World Bank was in the front pages just this past week with this investigation that turned up a half-billion-dollar program in India where there has been corruption. Do you know the depth of that? Do you feel at this point that you have your arms around what has been essentially dug up by these investigations?

Mr. Zoellick: One of the things that Jim Wolfensohn started and Paul Wolfowitz pushed forward was recognition of the criticality of dealing not only with corruption but also with the broader issues of governance in countries. Obviously, if you're going to go out and get support from countries to raise money, or even raise money in debt markets, you've got to make sure it's not stolen. And of course, the money that is stolen hurts the poor, most of all because they're the ones that don't get the benefit of it.

So, I think what started this most recent period over the past couple years was that the institution further armed an internal investigatory unit. For people in a Washington audience, I think this will be familiar. I was in the U.S. government when people started to create Inspectors General. They're not exactly met with warm arms, right? It's a question about how it's going to change operations. Part of the problem was that the institution naturally resists this, and then the question is when they then realize they can't escape it, and they start to work with that body, how do you make it work together effectively? Part of the problem was that there was a level of tension and distrust created that precluded that, and then because of some of the internal turmoil nobody could really get on top of making that work.

Where I think Volcker was very helpful is that some of this goes to things that are maybe a little boring in terms of diagrams, but they're really very important. That is when somebody does a piece of work, how do you connect this to try to make improvements in the country? So one of the things we were referring to was this program in India. This report actually was a diagnostic report, it wasn't an investigative report. One of the questions was, what do you do when you get these things? My first week there I had these huge reports dumped on my desk that basically said only you can look at this, and so what do I do with it? Who do I share it with? How do I make action on it?

Ms. Woodruff: Literally your first week on the job?

Mr. Zoellick: Oh yeah! [Laughter] Part of what Volcker did is start to say OK, when you get these reports, when do you share them with the country? Where do you redact information? How do you connect it with the ongoing work of the investigatory unit? How do you share with the board?

India is a good example. It's a very important piece of work that points out not only problems—it's not \$500 million worth of corruption, but there's \$500 million worth of programs with corruption—and yet then the question is, what do you do with it?

To give you a little feel—and people used to Washington policymaking will have a sense of this—I knew that this was going to come out, but I didn't know what it was going to be. So, as early as September, when I met the Indian Finance Minister up in New York at the U.N. General

Assembly, I alerted him and I said we want to work with you on this, but it's going to be very important that you have a strong response as well. Fortunately, he's a very experienced professional and he knew that was in his interest. Then I saw him again in October and tried to explain our timing again. I got this two-volume document over the holidays and fortunately, with the help of some of my colleagues, for once we had some good document security so it didn't get leaked to you and your friends. [Laughter]

Then I called the Minister and said, I've got this, I'm going to give you the exact same document I've got— this wasn't always the case—and I'm going to ask one of our managing directors, Ngozi Okonjo-Iweala, former Nigerian Finance Minister who made quite a reputation fighting corruption herself, to go out, and together we'd try to develop a joint action plan, which we did and we made a joint announcement.

So the reason I've given this a little bit more attention is because it's like some of the foreign policy issues we're dealing with, where we have these problems and we have to decide, do we want to work with the party to try to fix the problem? I can't go prosecute cases in India, so to what degree do you want to make it more of a stand on the podium and wave the flag and say this is really bad? We said it's very bad. My own view is to really address this issue, let's work with the Indians to do it. This doesn't mean that you don't use leverage and you're not willing to be tough. Sometimes it's best not to embarrass people publicly when you do this. Those are symptomatic of the type of issues, but they occur all the time, Judy. Part of this is the challenge of not just when you find it wrong. I'll give you an example of one other thing.

Ms. Woodruff: You mean corruption issues come up all the time?

Mr. Zoellick: Yes, but I'm going to connect it to governance issues. One thing that Paul Volcker's commission pointed out, and that is very important, was that what you really want is program integrity. You don't want to just catch people; you want to try to prevent these things. He suggested this idea that I had as well, that we needed to try to set up a unit that drew lessons from the internal investigations and to try to help the line offices build these into the programs. It's a very good idea. It doesn't ensure anything, but again, it's what you've got to do. Take a country like India, a billion people, a lot of poor people, a lack of capacity. How do you work with them to improve their governance? What lessons can we learn?

One of the lessons we've learned is that, for example, if you give money to local schools, if you simply can publish the information and print it on the school room door so parents in the community can say, they say they've given X for books and I never saw the books, you create an internal checking device, like a free press. Another way is to try to work at a higher level, and we've done some things with this to try to have budget programs developed so that they're put on the Web in African countries.

The point of this is that it's not just going after people who are stealing, it's how do you build this into everything you do? Part of the lesson of development is that you can have great ideas and great projects, but you've got to have country ownership and you've got to build the institutions to make them work.

Ms. Woodruff: You've given us this explanation of what you've been dealing with. How much of your time is spent dealing with some of these corruption questions? Is this a small percentage of what you have to worry about at the Bank, or is it much bigger than that because it has the potential to cloud everybody's perceptions of the Bank?

Mr. Zoellick: In a sense, it runs through not everything, but most everything that we do.

Just to give you an example, shortly after I was there I launched an initiative, something I inherited but was able to give more attention, called the Stolen Asset Recovery Initiative. This was to work with developing countries to use some U.N. conventions to help them develop the capacity to use international legal arrangements to get some stolen money back. This is important for developing countries in part because, frankly, they feel a lot of developed countries are on their case all the time, and they say where does the money end up? This is trying to take advantage of some new U.N. treaties to help developing countries sign up and get the money back. So if you believe that a core part of development is getting the institutions to work, getting property rights, getting transparency, it's a lot of what you do.

Let me give you a small example. One of the things we did with this India report was that we promptly put it on the Web. So Transparency International was very positive about this. For people who've been in a Washington environment, some of this is not shocking stuff, how you have to try, even when you have bad news, to get it out there. But you've got to have some sense of how you're responding.

But, having said that, there's an awful lot that the Bank does that is very positive for countries, and so obviously while we have to focus on anti-corruption and governance, it's a little frustrating to me when that's the full story, because there are a lot of other things going on out there and a lot of interesting initiatives and a lot of people working on things. It also affects morale. The Bank, in an odd way, is a little like the United States: we're everywhere, we're part of things, and the people want someone to blame and we're there to blame.

Part of my challenge, with the institution coming out of this period, is how do you motivate people, when there's shellfire coming in all over the place and you have conflicts among the staff, to try to focus on the agenda ahead? So with some of the other things that I set out in a speech early in my tenure, after 100 days we're trying to set an offensive again. I prefer to be on offense rather than defense, if I could.

Ms. Woodruff: Well, speaking of offense, you mentioned sort of middle-income countries like China. Increasingly, people say, well, wait a minute, I thought the World Bank was there to help the poor countries, but China, this is a country that is putting \$3 billion into Blackstone, a country that is spending millions and billions on all sorts of projects. Explain to us what the mission of the World Bank is in these countries that are doing better and better and have their own economic engine, but they still need help from an institution like the World Bank.

Mr. Zoellick: That's an important question, and I appreciate you giving me the chance to address it. First off, 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. So the first point is that,

while this is not what you see when people are anxious about competition from China and India, there are a lot of poor people in those countries.

But my second point, and I think this is the one that given my background in foreign and economic policy might be the more important, is 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 I was in the State Department, I talked about them as responsible stakeholders—in the system.

So, to relate that more specifically; I was just in China in December. About 75% of our projects now deal with the environment. So, I was talking with Roger Sant about climate change. If you want to deal with climate change in this world, good luck doing it if you don't have the Chinese as part of it, because in 2005 they were building, on average, a new coal-fired, electricity-generating plant of 100 megawatts or more every other day. So, how do we get them to share in some of the responsibilities in that and how do our projects help that?

Then there are two other dimensions that are really important. One is that one of the reasons why I went to China, and one of the things I tried to do in China with the U.S. and the World Bank, is to recognize that our relationship with China is not only what's going on in China, but what China's doing on the outside. So, the best way to build China as a partner is to show some

sensitivity to China's issues. I spent a lot of my time talking with the Chinese bank, the development bank, the Foreign Ministry, the Minister of Commerce, about China's work in Africa, how we can work with them on these issues, in the Pacific Islands, in Central Asia. So over the long term, I believe the Bank can help China to be a more constructive partner on these issues.

Now, there's one last issue, as put by some who say OK, but \$1.5 trillion in reserve, why do they need our money? They don't need our money. What increasingly we're doing is providing a range of services to them, and in fact China is probably one of the few countries that can borrow a little more cheaply than us. So why do we do loans to them?

In effect, the loans in China are part of pilot projects that they designed to deal with cutting-edge issues, maybe health care, maybe urban-rural, maybe environmental, and they're as rigorous as anybody in measuring and testing the results, and then they take them and expand them to other parts of China. Maybe we can learn some lessons we can apply globally.

Frankly, the modest returns we get on those loans are compensating us for that service, and one of the things we need to do with middle-income countries more generally is offer different ways of compensation. Some of it may be fee-based, some of it may be working asset management services. In the case of China, they like loans, because they feel if we've got money in the game, we'll be more attentive than if we're just a think tank offering ideas. They think that it develops the projects more effectively. But part of the business plan is to try to offer a greater variety of services. Let me expand this beyond the China case. We developed some...—

Ms. Woodruff: But just explain the return again on the China...

Mr. Zoellick: The point is that we have expenses for these projects. One of our problems is that we're called the Bank. So everybody thinks what we primarily do is put money forward. That's not really our primary focus. 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. In Africa these days, I want to work closely with some of the natural resource countries. It may not involve any money at all, but will help them with standards of natural resource development.

Then the last piece is money. What does distinguish us from the OECD [Organization for Economic Cooperation and Development] or a university is that we do have money to help make things go forward. Some of it through IFC is not government-guaranteed money; it works through the private sector. IBRD has other funds, IDA has subsidized funds, we have different tools. So it's the knowledge and learning, markets and institutions, and finance to make things work. What I was going to mention is, you've got some very sophisticated financial people there, and what we're helping some of the middle-income countries do is manage risk better.

One example: we came up with an innovative program in the Caribbean to help them with insurance for hurricanes. That was so well received that the Mexicans approached us and said maybe we could do something for earthquakes. You don't have to do it with insurance, as people know you can use various capital markets for that.

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.

So, going back to some of the experience I had at the Treasury Department, and I've reflected on this, I was in the Treasury Department in the mid-1980s. Some people here might remember that you had the great change of the dollar values, and during that period the dollar really was the reserve currency, although there was some with the deutschemark. One of the effects of that '80s

period was that it made the deutschemark and now later the Euro, into a reserve currency, which you now see today, and to a lesser degree the yen because of problems in the Japanese financial markets. Part of what we may be doing in the Bank is not only developing domestic currency bond markets, but also 10 or 15 or 20 years from now, for the investors in the audience, this will be a new asset class. Some of this may, in a sense, depend on if China opens its capital market and others, additional reserve currencies.

The reason I talk about this is that it gives a sense that the Bank's work ranges in ways we haven't talked about, things with the poorest countries or post-conflict countries. 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. Goodness knows, it would be a terrible mistake to leave out those in between. The question is: How do we serve them and how do we get compensated?

A last point on China: the Chinese for the first time contributed to IDA for the poorest countries. It wasn't too big, but in the world I've lived in over the past 20 years or so, you often plant seeds. So now China sees itself, even though it's still a relatively poor country, as contributing to other poor countries.

Ms. Woodruff: At the same time the World Bank is giving to China, China is giving to IDA?

Mr. Zoellick: We don't give, we lend.

Ms. Woodruff: I mean lending. It's an important distinction.

We're going to take questions from all of you, and if you have a question I thought right now, while we're waiting to let you think of what your question is, I wanted to hear President Zoellick talk about the role of the World Bank in climate change. You mentioned you were talking about it at dinner tonight, and I think people would be interested to know: What percentage of the work you do is now connected with climate change?

Mr. Zoellick: Where we can really help is to develop these markets. When we were in Bali, I put forth a number of places where I thought the Bank could play a key role.

The first is helping developing countries integrate adaptation and mitigation strategies into their development plans. That seems like Mom and apple pie, it seems logical. But what it means is, their energy plans, their transportation plans, their land use plans, it's not so easy to do it, but how to help them start to incorporate that. With developing countries, you'll find there's a lot more focus on adaptation than on mitigation; for a lot of these countries this is a here-and-now problem. If you're in Bangladesh, where I was not long ago, you've got melting Himalayas, you've got the coast coming up, it's not how do we mitigate it 20 years from now, it's how do we deal with it today? That's one issue.

Second, how can we provide concessionary and inventive finance methods? When I was in Bali, we put together a new forest carbon partnership fund. It helped to try to support these countries

to avoid deforestation. We are working with the U.S. and the U.K. and Japan on some things in the technology and other funding areas.

Third is carbon markets, and this to me is particularly fascinating because you're not going to get at this problem unless you have effective carbon markets. It's quite rudimentary in its state of development, so I won't go into all the details, but if you can imagine how a commodities market works for oil or for agriculture, we can play a key role in helping that market work. That doesn't necessarily put money on the table; it's helping as a market intermediary.

Fourth, technology. If you talk about not only alternative technologies, but if you use my example of China and coal, if you have clean coal technologies, if someday we have effective carbon sequestration technologies, you're going to have to get them to the developing countries much faster than people have done in the past. Then another area is private capital, and just again to give people the scale of this, 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. So as a matter of policy, and some of the things we can do with IFC on our private sector side, that's another thing.

Another point is, for those of you who've been in the field of development, you'll know that 30 years ago, in many developing countries, if you were trying to work with people to develop a

developing economy, you didn't necessarily find the people that you'll find today, who are able to do that. In a sense, we need to develop a similar approach for low-carbon growth strategies. If you go to China or most countries today, they know how to do the development thing, but the question is how to build in low-carbon growth strategies. So we have a capacity-building effort.

The last thing is, if we do these other things right, we can help the U.N. and countries when it comes time to developing what follows Kyoto. The one other policy step was to say, in Kyoto, developed countries could get credit for forestation, but you couldn't get credit for avoiding deforestation. The very fact that, frankly, the biggest instrument talked about in Bali was our funding of deforestation efforts helped drive the policy discussion to say, OK, you can get credit for avoiding deforestation. Now why is this important? Well, 20% of the global greenhouse gas emissions are from deforestation, for some developing countries it's over 50% of their amount.

So it's a good example of how we just took one area—we could do this in vaccines or AIDS or others—and how the Bank can play a role with what's called public goods. How we can be a catalyst, partly money, partly ideas, partly drawing people together. So to come back to your point about governance and anti-corruption, it's got to be an important part of what we do, but it would certainly be a shame if it dwarfed all these things where we can make a big difference.

Ms. Woodruff: I venture to say most people don't have any idea how much the work you do is connected to ...

Mr. Zoellick: That's because something like the McNeil-Lehrer NewsHour, which should do policy stuff ...

Ms. Woodruff: Which ought to be covering this. [Laughter.] All right, now it's your chance. Raise your hand and I'm going to call on you.

Questioner: May we talk about women? Three background data points: the World Food Program policy is informed by the fact that when men get food, they either eat it or they sell it. Women get food, children get food. Second point, on AIDS, the U.N. estimates that 8 million farmers have died of AIDS in the last 18 years, the majority of whom are women. That's four times as many farmers as we have on this continent. The third point is technical assistance. The U.N. estimates that of all the farmers in the world, particularly in the developing world, 85% to 90% are women. Do they get 85% of the technical assistance? No, they get less than 5%. My question is: What are we doing about women?

Mr. Zoellick: This is a slightly formalistic response, but let me start with this. We have a Gender Action Plan that tries to reflect across our work, so let me give you some examples. The U.N. set up in 2007 something called the Millennium Development Goals, some of you may know about them, which is to try to achieve various goals by 2015. Cutting poverty in half, some issues with education, but a number of these are critical in terms of the gender issue because there's some about infant mortality, also maternal health. In fact this very week I was talking with my colleagues about the nutrition issue because it's one that, in some ways, has gotten less attention recently. Yet it has multiplier effects. The world has actually done better in terms of child

mortality, but as one of my colleagues said, from negative 9 months to 2 years, the numbers are still weak. In other words, if you can improve nutrition in mothers, you're not only helping maternal health, but you also help reduce infant mortality.

On education, one of the Millennium Development Goals is to try to achieve universal primary education. This is not only an issue for boys but also for girls, and as you set this as a goal, you start to learn some interesting things. When I was nominated, I took a trip to many places, including Ghana, and I met some NGOs [non-governmental organizations] and they told me that one of the issues that they learned in northern Ghana, where you have some Islamic populations, was that it wasn't just a question of money, it was having separate latrines so that the girls could go to separate latrines to get them to go to school.

In terms of the population issues, probably most people know education is very important in terms of dealing with that issue. So in a way, it's like governance and anti-corruption, it's something that has to run through this set of projects. Microfinance is another area where it's made a huge difference in some societies, to be able to create some early entrepreneurial opportunities for women.

I could keep going, but just to give you one core one, one of the six strategic directions I put out was to try to foster development and hope in the Arab world. This was interesting, we have the Ambassador for Egypt here, some of the staff and even some of the board members were saying, we better be careful about this one. It's OK for poor countries, middle-income countries, global public goods, but do we really want to draw this out? I've been extremely delighted that the

response I got from the Arab world was that it's about time somebody pays more attention to us in the Bank. There's some interesting innovation going on there. Egypt is a very good country that has a very good economic team, they've done well in the macroeconomic side, and now actually they're trying to do some things for people at the bottom. But one of the issues is going to be the role of women in these societies. How do they start to play a more active economic role? Part of that is linked to the education system. So it really runs through the heart of what we're doing.

I'll share one other point with you that you might find interesting. I thought that the World Bank, which for lack of trying to use too loaded terms, could be seen as a more progressive institution, would do better in terms of female diversity at higher levels. I was actually surprised because the women at senior levels were much lower than Harry Clark and I had at USTR, where about 60% to 70% of my senior people were women. So part of it is, we also have some work to do in terms of building our staff. The two people that I've hired so far have both been women, one from the developing world and one from the developed world. So that's another part of what we have to try to do.

Ms. Woodruff: Who's next? Right there, sir.

Questioner: The World Bank is obviously a major force in the world. It's also a major force in this town. It has its headquarters here and it's a major presence here. I'm interested to hear your views as to whether you have a responsibility as a corporate citizen of this town to the city's development and, specifically, to the thing that the Mayor has pointed out as the most important

thing in this town, and that's education. To what extent is the World Bank involved in education in the city?

Mr. Zoellick: I do think we have a responsibility to a broader community in Washington. I was telling Vernon Jordan we had a program on Martin Luther King Day where we brought in some people from the community, and it gave me an opportunity to review some of the community projects that we have. I actually talked to some of the people there about how I'd like to try to see if we can do some more. We've had some special projects in Anacostia and some of the Wards that are less economically strong in the District of Columbia. We have some volunteer programs. But I'd like to see if we'd be able to target some things more specifically, perhaps in the education area. I actually raised the question about adopting schools, because that's something I've seen done elsewhere.

I have to approach this with a little bit of sensitivity in that I have a multinational force of people, and a number of them are from countries that are quite poor, and I have to be a little comfortable in terms of not looking like it's the Bank's job to fix America when there are a lot of poor countries around. But I do believe we can make a good case for being good community members and do more things specifically with the community and try to encourage contributions from the staff, both in terms of time and also financially.

Questioner: [Inaudible]

Mr. Zoellick: I definitely think there are multiple roles and sometimes they can expand.

I went to Cambodia in August, and the Bank supported a microfinance program with a Cambodian NGO that is now the second largest bank in Cambodia and it's focused a lot on rural and retail programs that otherwise wouldn't exist. Just as you think about the history of the United States, with mutual associations as sort of an initial cohesion, the natural way—when you have small loans and you're trying to build cohesion and a sense of responsibility, it's natural to rely on NGOs in that process.

By the way, I looked at a note over the weekend on micro insurance. There's a whole bunch of things we could do to expand financial access to people who haven't had it as a part of building opportunity and entrepreneurship. The issue that actually I'm encountering a little bit more is that Mohammed Yunus has been very effective. I saw him in Bangladesh. He's a great marketer too. Frankly, sometimes some people try to open the books and find a little bit about some of the things going on there, and it's not totally clear.

But nevertheless, he's driven a very strong issue, especially with the U.S. Congress, with microfinance, and so I get a lot of letters about increasing our investments in microfinance. It's a bit of a tricky issue, and it goes back to one of the points I made.

We've actually been pretty good on the policy side in creating the right regulatory climate, coming up with technological innovation. I met with the Gates Foundation this week and we've been involved with this project to use mobile phones in Kenya and other locations, so you can sort of leapfrog various technologies to expand financial access. We've had this very successful Doing Business report that's helped, and we're now going to try to do one that deals with

financial access. So if you think about building markets and institutions, it's not simply how much money you put into it. Our IFC side is actually putting a lot more money into this, and that's private sector and it's growing and of course it gets leveraged 10, 15, 20 times if we invest in small NGOs or other projects or small private enterprises.

The problem we found a little bit, and this goes to the different nature of the Bank, is the IBRD side lends to governments, and so we have to have a government that wants to do it and do it in a way that will be successful. We've had some very successful government projects, we've had some in Afghanistan, one in Pakistan, that didn't work. The Bangladesh one worked. I think what Yunus would often stress is that you actually need to keep the government out of it, because there's always the danger of how it gets manipulated. So you need to have a board, even if it's government money, that's separated from it. That's not always so easy to do in some of these countries.

So, I personally think that this is a very rich area in lots of dimensions, including for example, rural agricultural credit. The Bank, as part of our World Development Report, revived the attention to agriculture and its poverty reduction effects. It's kind of interesting, it's a sector that people haven't paid as much attention to in the developing world, and what you can see is the benefit of a dollar's growth in agriculture GDP has three times the effect on poverty reduction as other sectors. It makes sense, it's in a rural area, and yet when you look to see what you need in say sub-Saharan Africa, it's not so much the Indian green revolution, where it was the technology as the seeds, you need everything along the value chain for productivity. You need irrigation, you need financial support, and you need marketing systems. Intriguingly, something

that I learned in India, when you read about the suicides of farmers in India, these are not subsistence farmers. These are farmers who started to move to the market and got no margin for error. So for example, they get somebody to dig a hole for them and there's no water and now they're in debt and they have no future. So one of the other things we're trying to build, in some sense, are ways of trying to support people who are making that move.

So, it's a good example that the Bank as a financial institution can help develop financial markets from the very poorest to domestic bond market development I was talking about, the big potential.

Ms. Woodruff: It's a reminder you're dealing with human beings and not just institutions.

We've got time for one more question.

Questioner: Thank you. Bob, I appreciate your talk this evening. I wonder if you might close with some remarks on a day that the domestic stock markets were down so sharply, with your thoughts on some areas of the world where you really are very positive on growth and development, maybe areas that are emerging in Africa, maybe areas that are emerging in Central Europe, those types of things. Where do you see real dynamism going on in public-private sector cooperation? Where does the Bank see sort of tremendous development, some of the stories that maybe we don't see in the newspaper, but that you'd like to leave with us?

Ms. Woodruff: Can I just throw in a postscript to that question? As the President comes back from his trip to the Middle East and the Persian Gulf, can you tell us, what is the Bank doing,

what are international institutions doing as the United States pushes them to make peace with one another?

Mr. Zoellick: I want to add a third one in there, which is post-conflict countries, because that's going to a very important challenge for development and for the Bank and others. In terms of opportunities, I don't have any particularly exciting insights, save ones that I would have shared with you at Goldman where I was making a better living. But you better pay attention to what's going on in China, in India, in the Middle East, in different areas, Russia in some aspects, but each of these markets as you know require disaggregation and sophistication. If you look at many investment banking firms now, they expect their revenue growth in these areas to be as important as in the core markets, so I think that's going to be very significant.

In terms of the Middle East in particular, one of the reasons that I focused on Arab development and hope is that I think the larger issue in terms of problems in the Middle East is that you have to give people some sense of future. My career has been a little bit of an unusual mixture because I've done a lot in the economic and security, as well as political, areas. So I'm not a person who believes that poverty causes terrorism; it's an insult to a lot of poor people, and if you look at the demographics of terrorists they tend to come from upper or middle incomes. But I do think it is the case that in societies without any kind of hope, when they fragment, they become the breeding grounds for trouble. So part of the answer to your question, Judy, is that I think we have a very strong interest in trying to help create a sense of future and a sense of opportunity in these countries and to work with governments that want to make things work.

Another step is that it's not just economic growth; it's also the social development agenda. I know this is a point people are sensitive to in Egypt; if the government is unable to provide the social development that they want, everyone knows others will, and some of those groups are ones that might cause some concerns for the established authority, so the government has an interest in that.

But let's take a more particular example related to the President's trip. I met this week with Rob Mosbacher who is head of OPIC [Overseas Private Investment Corporation]. The Bank has been really the key player in providing the people on the ground with the basic services in the Palestinian Territory. When you read about Tony Blair, Tony Blair relies on my staff for him and the project developer. So far, we've been basically trying to tread water because we have this terrible conundrum that, until you have security, the Israelis are not going to allow movement, and if you don't have movement, you're going to have a devil of a time getting any kind of development.

But, one of the things that Rob and I were talking about was a mortgage fund that OPIC is interested in developing in cooperation with IFC, and just think about the effect of this. You're giving people a longer-term view of the society, they're investing in something. In the case of the Palestinian Territories, people in this room may not think about it, but they're thinking about their land and they're worried about who's going to own their land. This gives them a sense of ownership of the land. It also creates construction jobs and it helps create that as a financial market. So we can try to create the conditions, to try to create some economic development and hope in the Middle East, and I think this is an important part.

Again, more broadly, it's not only a question of the Palestinian Territories. Looking back to the question on gender, if you look at some of the major oil-producing countries, they may only represent about 10% of the public, but they also have a challenge of creating jobs. They've got a real youth bulge in these countries and they've got to create jobs and opportunities and they've got to figure out how to integrate women effectively into that workforce. So this is an area where we may be able to share experience and knowledge, and in the case of some of the Arab countries in the Gulf, they're paying us out of fees for some of this knowledge.

But the last point I wanted to connect with this is this area of post-conflict and fragile states, because this is one of the other strategic themes that I've tried to focus on. It's interesting, the field of development 10 years ago would have basically treated Cote d'Ivoire, Liberia, Haiti, and Afghanistan as just sort of big development cases. What people have learned is that these countries need special attention and design. In part, you have countries in different situations: ones that are declining, ones that have just come out of conflict, and ones that have been in and out of it for a while.

Just to give you a little example of what makes a difference, you might think that in a country like Liberia, the first thing you need to do is get a lot of resources there quickly. Well, if you don't build the basic institutional governance structures, it's like pouring money on sand. In fact, you may create worse results because all of a sudden you have an asset in a fragile situation that people might start to fight over, so you need to create some basic capacity before you put the money in. But on the other hand, as an international system, we're too little and too late in

putting resources into those issues. These are problems that are of a unique nature—security, political, and economic—so just think about it, if you’re thinking about the major issues of the day in terms of Afghanistan or Iraq or Cote D’Ivoire or Liberia or Haiti or others. What we do, and what we do in development, will make a big difference in terms of whether the world is a place that breeds trouble or creates opportunity.

Vernon Jordan: If you’d be kind enough to join me in a hand of thanks and appreciation to Judy and Bob. [Applause.] First, I’d like to ask you, for [President-elect] David Rubenstein’s purposes, did you like this format? [Applause.] Second, did you like, rather than me having to negotiate people’s questions with these cards, did you like just standing up and asking a question? [Applause.] I’ll pass it on.

[Both Mr. Zoellick and Ms. Woodruff were presented with an American Eagle by Steuben.]

Robert B. Zoellick became the 11th Chief Executive of the World Bank in 2007, The Bank works with 185 member countries. Prior to joining the Bank, Mr. Zoellick served as Vice Chairman, International, of the Goldman Sachs Group, Managing Director, and Chairman of Goldman Sachs' Board of International Advisors from 2006-2007.

In 2005-2006, Mr. Zoellick served as the Deputy Secretary of State. He was the Chief Operating Officer and policy alternate for the Secretary of State. From 2001 to 2005, Mr. Zoellick served the 13th U.S. Trade Representative, where he worked to launch the Doha Development Agenda in the World Trade Organization (WTO) in 2001 and then to complete the framework accord for opening markets in 2004. Mr. Zoellick was instrumental in completing the accession of China and Chinese Taipei to the WTO. He also completed or substantially advanced the accessions to the WTO of Cambodia, Saudi Arabia, Viet Nam, Russia, and others.

From 1993 to 1997, Mr. Zoellick served as an Executive Vice President of Fannie Mae, the large housing finance corporation, where he supervised the affordable housing business, as well as offices dealing with legal, regulatory, government and industry relations, and international services.

From 1985 to 1993, Mr. Zoellick served with Secretary James A. Baker, III at the Treasury Department (from Deputy Assistant Secretary for Financial Institutions Policy to Counselor to the Secretary); State Department (Undersecretary of State for Economic and Agricultural Affairs as well as Counselor of the Department with Undersecretary rank); and briefly Deputy Chief of Staff at the White House and Assistant to the President.

Mr. Zoellick graduated Phi Beta Kappa from Swarthmore College. He earned a J.D. magna cum laude from the Harvard Law School and an MPP from the Kennedy School of Government.

Mr. Zoellick has received a number of awards, including: the Knight Commanders Cross from Germany; the Alexander Hamilton and Distinguished Service Awards, the highest honors of the Departments of Treasury and State, respectively; the Department of Defense Medal for Distinguished Public Service; and a Doctorate of Humane Letters from St. Joseph's College in Rensselaer, Indiana.

Mr. Zoellick has also served on many nonprofit boards, among them the Council on Foreign Relations, the European Institute, the American Council on Germany, the American Institute of Contemporary German Studies, the German Marshall Fund of the United States, the National Bureau of Asian Research, the Overseas Development Council, and the Advisory Councils of the World Wildlife Fund and the Institute of International Economics.

Mr. Zoellick grew up in Naperville, Illinois.