

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - Wall Street Journal Conference of the Americas - New York - September 29, 1995

Folder ID: 30488231

Series: Meeting and event briefing materials

Dates: 09/29/1995 - 09/29/1995

Subfonds: Records of President James D. Wolfensohn

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-13-10

Digitized: 08/05/2025

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

DECLASSIFIED

WBG Archives



30488231

R2002-036 Other #: 40 Box #: 186490B

President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Wall Street Journal Conference of the Americas - New York - September 29, 1995

Office of the ARCHIVES President

#04534

[Print](#) [Edit](#)

A. CLASSIFICATION Speeches

B. SUBJECT	Wall Street Journal Conference of the Americas, NY.
DATE: 09/29/1995	Country:

C. VPU EXT

D. EXTERNAL
PARTNER

E. COMMENTS

File Location

EXC; IISC

Cleared By

lh

Date

09/28/2000

[View Update History](#)

mc

1

T4156

THE WORLD BANK

JAMES D. WOLFENSOHN, PRESIDENT

Hilton Lunch

Friday, September 29, 1995

[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

MILLER REPORTING COMPANY, INC.
507 C Street, N.E.
Washington, D.C. 20002
(202) 546-6666

01540

P R O C E E D I N G S

MR. KAHN: Good afternoon. We're going to start here even as you finish your dessert and coffee.

Just to reintroduce myself, I'm Peter Kahn, publisher of the Wall Street Journal, and it is my real honor today to be here to introduce James Wolfensohn, who, as you all know, became President of the World Bank about four months ago and is already putting his unique stamp on what I think we'd all agree is a uniquely important institution.

Probably as almost all of you know, in his prior and private sector incarnation, Mr. Wolfensohn was President and CEO of the investment banking company that carried his name and that provided strategic and financial advice to truly the leading corporations of the world, around the world, very much including in Latin America. And before that, he headed investment banking at Salomon's and was managing director of Schroeder's in London, and more.

But none of that comes even close to defining Jim Wolfensohn, the true renaissance man, or perhaps as my six-year-old son would say, he's awesome.

He is a former Olympic fencer and a concert cellist. He is a trained lawyer and a former fighter pilot.

He is responsible for restructuring Chrysler Corporation and for rebuilding Carnegie Hall. He has saved companies and he has strengthened currencies and he has supported innumerable charities. He has been chairman of New York's Carnegie Hall and also of Washington's John F. Kennedy Center for the Performing Arts. And I could go on and on, but the point is that he bridges these worlds of finance and business and government and the arts like no other individual in private or public life today. And on top of that, he is an extraordinarily good person, too.

Finally, on a kind of personal note, I have come to know Jim particularly through a wonderful institution called the Institute for Advanced Study in Princeton, where he serves as chairman, and I am one of his trustees. And there I have watched over some years Jim bring his vision and his wisdom and his leadership skills to bear on a once sort of fractious collection of string theorists and astrophysicists and byzantine historians and perhaps equally byzantine higher mathematicians.

If I could digress to tell one story about this institution, some years ago the history faculty met with some of the trustees, the faculty presence consisting of a historian of early medieval monastic life, an early

byzantine historian, and I believe a historian of early Islamic art. And I, as a somewhat new trustee, ventured the question, Had the faculty ever considered adding someone in more modern history, perhaps 17th or even 18th century history? And one of the distinguished faculty members looked at me and said, "Mr. Kahn, let me try to put this in terms you would understand. To us, anything that happened after the 16th century is journalism."

[Laughter.]

MR. KAHN: In any case, as with so many other things Jim has done in his life, he has given that institution a renewed sense of purpose and of pride and of progress, and it is clearly what he has undertaken to do at the World Bank. And I think on the record--and it's a very long one--anyone would be a fool to bet against him.

So I am really very pleased, and I know you will be, to be able to introduce my friend, Jim Wolfensohn.

[Applause.]

MR. WOLFENSOHN: Well, thank you, Peter, very much indeed for that wonderful introduction, including the story of the historians, which I didn't know but which certainly makes me feel in terms of the Institute that it was very good training for the World Bank. The notion, the

encouragement that you give me in terms of having done something with astrophysicists and string theorists is nothing compared to what I'm going through at the Bank, Mr. Javed Burki, my colleague, and Mark Malek Brown might attest. But I have to say that the purpose of the Institute is a fine one, as is the purpose of the World Bank. And I have great pride in being in the Institute and enormous pride at being at the World Bank, notwithstanding, I understand, some comments that weren't altogether supportive during these meetings.

I am sorry that I was not here yesterday at the discussions of the international financial institutions. I would have liked to have been here to mount a spirited defense that this institution which has no real purpose is, in fact, at the center of the Middle East settlement in terms of Gaza and the West Bank; and if it were not for the World Bank, I think there would be a lot less chance of continuing peace, and maybe for those that are so adverse to us, they might just consider that there are a few things around the world where we do make a significant contribution. And yesterday's peace ceremony was one in which the Bank was very actively involved and prevented me from being here.

I must say that in terms of the subject of your meetings, I am a passionate believer. I have worked in Latin America for very many years in the private sector. I have had the pleasure of knowing many of the people in this room in different capacities. But, of course, my viewpoint until now has been one of a private sector investment banker, going back for nearly 30 years in experience. And I think I am a good amateur interpreter of what goes on Latin America and in the Caribbean, but I have to say that up to now it has been really quite amateur, quite defined in terms of my objectives, but nonetheless one in which I must say, since I very first went there, I have been a believer.

Since I have been at the Bank, I have had the opportunity of paying a trip to Latin America and to the Caribbean. I went to Haiti, Jamaica, Brazil, to Minas, Fortaleza, Salvador, Rio, Brasilia, then on to Argentina, to Buenos Aires, Tucuman, then to Colombia, then to Chiapas and Cancun. And it was a wonderfully interesting experience for me.

It was interesting for a variety of reasons. First, that I was given the opportunity for the first time not of waiting outside Ministers' doors, but having them come out to greet me. That as an investment banker was a

very novel experience. And typically they were on time, which made me feel even more important. But more than that in seeing the governments and seeing the central banks, who were remarkable, I had the chance in each of these trips to spend 80 percent of my time in the field. And that has been remarkable because never before had I been to slums in various countries, in Jamaica, but I was never aware that just outside--actually, within the capital you had armed camps and 10,000 people living in slums with the pigs. I had never before walked through La Selene (?) with the President of Haiti. I had never before been to northeast Brazil where there are 40 million people, 20 million of whom live on under a dollar a day. I had never been to Tucuman to look at the activities in that city and to meet with the local chamber of commerce, who were vibrant and excited about the prospects of private sector activities.

What you come away with is a remarkable sense, which I cannot prove with charts but which I can tell you is there from my perspective, of a continent which, notwithstanding Mexico and notwithstanding--the incident in Mexico, forgive me, the incident in Mexico, and how it is today or how it is in the next few days, this is a continent where, with remarkable speed, we're seeing an opening up of

democracy which in some countries may be fragile but which is clearly there--free markets, surges of capital, ideas and people, new cadres of leadership, new ideas, and a whole sense of an improved quality of life throughout the region.

And you have a sense of increased opportunity, and you have a sense of reforms that were unimaginable when I first started my travels in Latin America--democratization, stabilization, privatization, liberalization. This is a continent which is on the move.

And compared with last year's seminar, which was here, which I recall was very upbeat, there is a sense of questioning which is, I think, appropriate this year, a sense of focus, as I heard this morning on macroeconomic arguments with Larry Summers appropriately saying he did the right thing and the governors saying that everything is okay, all of which I think is a necessary catharsis of this experience. But whether it is up or down this week, the thing which is I think remarkable when you have a look at the span of years is that you do see growth of 4 percent over the last decade. Seventeen out of 22 countries in the region now have single-digit inflation. You have interregional trade growing, which has been discussed, I know, with you, and, of course, you have a private sector

investment boom that has risen dramatically, even within in the last several years, from \$10 billion to \$40 billion.

But more important than this, I think what you've seen in Latin America is a fundamental shift in thinking. If you compare the 1982 crisis and the 1994 crisis, whereas in 1982 people went back into their shell and retrogressed in terms of the reaction, in 1994 what we saw was people moving forward, that there was a new openness in the response. There was no withdrawal. There was an attempt to try and make the systems work. And although I think they strained a bit at the edges, which I guess we all know, and there was a need for those who think that the international institutions have no role and need to have some support, at least over an interim period--and I'm proud to say that my institution was part of that--you have nevertheless a sort of new self-confidence in the countries.

What is impressive as you move around, at least was impressive to me, was the enormous strength that you find in most of the leaders. These are intelligent, committed men and women, by and large, with strong cabinets, educated cabinets, committed, working hard.

Of course, it's hard to make generalizations about the whole of the continent, but if you were to make a

generalization, you would be making this sort of generalization, although I'm sure there are exceptions. And although there is, of course, corruption in some areas and major problems on drugs, which we all know about and which I guess have also been discussed at this conference, in more leaders than not you have a very ready awareness of this. You have a sense of fighting this. And I've had many personal examples of this as I have gotten around Latin America and the Caribbean in these recent times, where subjects that were previously taboo in terms of discussion are now on the table, where you have people moving on this issues. And it's extraordinarily exciting.

And so we've seen economic development, and we've seen political reform, and we've seen increased expectations, which, of course, adds a certain fragility because people want a lot more and are expecting a lot more.

That perhaps leads me to the shadow which is above it, which is the shadow of poverty and inequality. It is the social issues. It is the social issues which, to me, are the most dramatic and, frankly, have become more dramatic since I took on this job. Because as I say, I had never before been to northeast Brazil, and yet I had been to Brazil so many times. I had never walked in schools with 90

students and five kids to a textbook running two shifts a day. I had never before seen some of the villages or some of the slums which there are.

And I think you know that in Latin America generally, 20 percent of the poorest of the population has the right only to 4 percent of the gross national product. When you have 20 percent of the people having that small a share in the pie, you have the seeds of unrest. When you have roughly a third of the population with no electricity and no basic sanitation, and you have 10 million children suffering from malnutrition, and you have 165 million people who live on under two dollars a day, and you have the difference between the rich and the poor in per capita income greater today than it was 10 years ago, these are the problems which I think are crucial not just because of social and moral reasons, the need to see social justice, some sort of moral imperative, but because in terms of reality they are the dangers that we face throughout Latin America.

And I have too many friends with too many children who have half a foot outside the continent who don't think enough about this social problem. And it is to that endeavor that, candidly, I think the Bank can play and does

play a very major role.

We are, of course, not pulling back from our interest in the macroeconomic environment, because without a stable economic advance, it's impossible to do a lot of these other things. And we are concerned with increasing growth. And as Larry said this morning, particularly through higher levels of savings and investment. That is a necessity. Boosting exports and continuing to move vigorously towards free trade areas within the next decade, also very important. Rebuilding basic infrastructure, where there is an enormous pent-up demand, we estimate something of the order of \$80 billion, I think is the number over the coming years.

So there is an enormous amount that needs to be done on infrastructure, and the Bank as a bank is very active in this area, as indeed increasingly is the private sector. And, of course, we are concerned about reversing environmental degradation, which is of importance not just to the countries but to the hemisphere and, indeed, to the world.

But I'd like to touch on really two areas in which the Bank is particularly concerned. The first is the increased investment in people and a major redirection of

our resources towards primary education, preventive health care, and the rural communities. And the second is institution building, the need that institutions be strengthened and built so that both social and economic reforms can progress further and faster, from antitrust commissions to schools, from banking supervision boards to rural health delivery units.

We have to get behind this whole question of the building of the structure itself, because without the governmental structure and without having the human resources that can carry forward development, we don't have stable development.

What we have seen in schools is I think known to many of you. We've seen the statistics improving in terms of primary school enrolment in Latin America, but that does not tell the story because the quality of what they get in the schools when you go out is something that is a deep, deep problem. The quality of teacher training is a deep, deep problem. The commitment to it to get the ratios up is one thing, but to get the substance there is another.

And my wife and I have had the opportunity to visit a lot of these schools. And when you see children using texts that are totally unrelated to their local

environment in the rural countryside having examples about what to do if you are a rich kid in the city because that is the curriculum that is provided, the kids just lose interest. Why wouldn't they lose interest? They talk about going to the hospitals and the fire trucks that are coming when there are no fire trucks and there are no hospitals. What is the point of that form of educational material? When the teachers are improperly trained, there is a major, major problem. And so it is that we in the Bank are spending a very significant portion of our resources now on the whole issue of human resource development.

You will be surprised to hear that we are spending 25 percent of what we are doing now in Latin America on human resource development, a major change from years past. And we're doing it because if you don't get that right, you get nothing right. You can run for a while, but unless you get the people trained and give those in poverty a chance, you can't have a redistribution of resources, and you don't give equal opportunity.

And, of course, along with this is environmental protection where we are trying to give a sense that the environment is something that's important to everybody. In the short run, it's easy to go cut down a tree and use it

for firewood, but you do it once. And if you don't replace it, you then have erosion and you have a complete destruction of the environment, and then you have people having to move.

This is not something that is just for the greens. It's something which is essential for the local community, because otherwise people have to move from that community, and then you have migration. Then you have a whole sequence of problems. And it is the Bank that is now really directing its attention very dramatically to these social questions, which I don't think have been perhaps adequately understood in terms of what is the social impact of the Bank's work. And it's not alone out of a sense of idealism. It is that if you don't have this, you don't have stability in a society.

If I could just refer you to Chiapas, I went to Chiapas, and what was fascinating to me was to learn--and you would know, Governor--that it's the richest state in Mexico. It has more power, more water, tropical capacity for agriculture, and yet there has been this historic distinction between the rich and the poor, which has gone back for generations. You had no education, you had no opportunity, and what has happened? Chiapas was not an

insignificant cause of uncertainty in terms of Mexico. And I use Chiapas as a proxy, not because it is the sole issue in Mexico. And I am not saying it is the single source of this uncertainty. But if you take a Chiapas, unless you solve a Chiapas, you can't have continuing growth. You can't have continuing certainty. And if Bill Rhodes is doing an assessment of the country, you cannot have a successful country assessment because you always have underneath it this element.

And so what I'm proud to say we are doing in Chiapas is that we're not trying to do it alone; we are working with the private sector, a company called Pulsar, which I think you know is working in the agricultural sector. I met with the NGOs. I met with the research institutions. I met with the Governor. We spent the day together. I talked about it with the President, and we're coming in there with a coalition to try and deal with the issues of Chiapas, because there's a lot of money going in Chiapas, but it needs to be pulled together and it needs to be focused in a way that you then also involve, as we did and are doing, the native population to make sure that they feel part of it. Because if they feel it's a gift and it's something imposed on them, even that doesn't work. So you

have to find a new bank. You have to find a bank that is not one that is coming from Washington to just give something. It is a new bank with a sense of partnership and a sense of commitment and a sense of making the people in the environment that you're trying to help own the projects.

Now, is this banking? Yes, it is banking. And does it require some money? Yes, it requires some money. But it requires a different approach in terms of what it is that the Bank should be doing. It is involvement. It is partnership. It is working with the communities. And that, I am very proud to say, is what I believe the Bank is now doing and I hope will continue to do in a very obvious way in the years in which I am allowed to run the institution.

Along with that is institutional strengthening, which is, of course, crucial. I was surprised to find as a result of my research for this address that we are doing 62 projects related to institutional reform, including reforming the civil service, encouraging new pay and employment structures, improving the quality and coordination of budgets and investment, strengthening audit, social security, customs, and tax agencies, as well as procurement and asset management, decentralization including strengthen of local government and provincial reform, and

the legal, judicial, and regulatory reform.

All of these things we assume in this country, but if you don't have them and if they are improperly developed in a country's development activity, you again don't have a system in which the private sector can invest.

So I'm seeing we are now working in these areas, as well as the Governor know. I'm proud to say that we've put \$1.5 billion in the program to stabilize the currency and the banking system in Mexico. But more than that, we're working with them in terms of our experience on the banking system, as indeed we are in Argentina where we've put in \$1.25 billion. But more important than that, we're bringing experience to the Argentine central bank and government and into the provincial banks to try and make sure that there is stability in the system. Because if you don't have stability in those systems, you don't have a functioning economy. And then you have a run on it, and then people rush.

What I want to bring out to you is that when people think of the World Bank, you can continue to think of this in terms of infrastructure. You can continue to think in terms of highways and dams and sewers and water and all the things for which the Bank has been known. But 50

percent of what we're doing now is in this other area. It is in the area of social strengthening. It is in the area of giving what I believe is very high quality advice and experience to lay a basis for the continuous economic development of those countries and for the private sector. And it is to the private sector, of course, that so many of us are looking in terms of picking up the growth and why I guess many of you are here, because you are interested, anxious, and in many cases have already invested in these countries.

To that extent, we are your partners, and we are your partners not only with the Bank, with guarantee programs, but with IFC, which is part of the Bank Group in terms of its own investing and parallel investing, in terms of MIGA, which is our insurance guarantee agency where we are doing over half our business now in Latin America. In all these things, we are trying now and we will be trying even harder in the years ahead to be your partner.

The private sector, however, does need partners. The figures are dramatic in terms of Latin America. But they're dramatic in terms of a few countries, and they're dramatic in terms of profit-making investments. We have to try and get you to come in to invest in infrastructure by

making those types of projects profitable. But whether you're there or not, you need the Bank, and I should add a particular plaudit to the activities of the Inter-American Development Bank and Enrique Glasias (?) which is a parallel organization with us with whom we are working very strongly together.

You need our institutions because, whether it's good times or bad, we're there; whether it's on infrastructure that you're not interested in, we're there; if it's on education and human resource development, we're there; if it's social development, we're there. If it's helping the government develop a legal system and a tax system and allowing you to have property rights, we're there.

That is really the role of the Bank, and it is a different bank in a sense not because we haven't done these things in the past, but because our judgment is that this is where we can help sustain the development in many countries around the world, and particularly in Latin America and in the Caribbean.

So I was thrilled to have the opportunity to come. I want you to go away knowing that this Bank is a bank that does not believe that it has a monopoly on assets. If ever

I doubted that, it is the recent congressional discussions on IDA which have reached an absolutely crucial phase in terms of making clear to us whether there is a continuing IDA, which as you know is that arm of the Bank which does concessional lending and where we've been lending at the rate of \$6 billion a year. But as a result of the current congressional considerations where the U.S. is likely to cut its annual contribution by about half, that means we will have \$3 billion a year on a global basis. And as we go to the next negotiations in the next round on IDA, we may or may not have an IDA.

So if ever I doubted that we are a monolithic, well-financed organization, the Congress has brought it home to me in recent weeks. And I hope in whatever way you can, you can influence your congressional friends to tell them that for American leadership to prevail, either on a moral basis or an economic basis, it is essential that this country does not use budget cutting as a proxy or as a substitute for its international obligations. Because we are one world, and international institutions such as the Bank need these resources in order to move ahead.

But whether or not we have IDA, we are entering a phase in the World Bank of partnership with other

institutions, with the NGOs, with foundations, with bilateral institutions, with regional banks, and, of course, with the private sector. And I'm very grateful, Peter, that you invited me to speak here so that I would have a chance of telling you that we're there, we're there for the long pull. We're very optimistic about Latin America and the Caribbean. And whether there are ups or downs, this is a terrific market with terrific people. And for however long it takes, the World Bank will be there as a partner.

I think, Peter, you said that maybe I should answer a few questions. If there are any, I'd be delighted to do so.

[Applause.]

MR. WOLFENSOHN: Yes, ma'am?

QUESTION: [inaudible] you were talking a lot about [inaudible]. I'm just curious what role does the World Bank have in the establishment of private property rights [inaudible].

MR. WOLFENSOHN: Well, we are not a government, so we cannot ordain a redistribution of property. But what we can comment on is that those countries which seem to advance in a more stable way do have access to property to a broader group of people. So we're giving our two cents of advice.

We're not making conditions. We are not being aggressive. But we are being forceful with our experience. And our experience is that the distribution of property gives a stability to an economy. We are doing our very best to try and give the benefit of experience from those countries where it's happened.

I've just come back from China, and I was in the Los Plateau (?), an area the size of France, which had been degraded by the population until they were given 30-year leases on a very small portion of land, a third of a hectare. Once you have ownership, they care about the land. They work on the land. They feel a sense of optimism because they have their piece of land.

Now, it may be more easy for the Chinese to make a move for that because they owned it in the first place. But the result of a distribution of land or in Eastern Europe the result of breaking up public enterprise and giving public ownership is dramatic. So it is a belief of the World Bank that a distribution of property is an important element in the long-term economic development of a country.

In some countries, that is being followed and pursued. In others, there is a historic antagonism to it, and there are vested interests. My guess is that one way or

another, hopefully in a non-revolutionary way, over the years ahead you will have some redistribution. But the Bank is not governing the countries, but we are able to put a point of view, which is not always agreed to in every country and may not be agreed to by a lot of people in this room.

QUESTION: [inaudible] investment banker when it started out [inaudible] major change in the macroeconomic focus [inaudible].

MR. WOLFENSOHN: I don't believe so. I mean, I think that the Bank is committed and I am committed to a position that, unless you have a proper macroeconomic structure, it's very difficult to have anything underneath it. If you don't have a roof, it's very hard to stay dry. Or there are a lot of similes, but whatever it is, I believe in having a macroeconomic structure.

I think the Governor mentioned this morning, if you don't--you know, inflation is the worst enemy for the poor, and I believe that. I was partners with Paul Volcker for a long time, so if I didn't know it before, I would know it after my exposure to him.

So I believe that we need to have a macroeconomic structure. I think if the Bank is more aware than it has

been, or has moved a bit, it is in the area of country-by-country assessment and a greater assessment of social implications and macroeconomic decisions.

My colleagues tell me that they always have been, and, of course, it is clear that frequently decisions taken at an economic level have an immediate and short-term impact which is adverse. In fact, having just come back from Beijing, I was fundamentally told that everything we do is adversarial to women and to the poor as though that was my job. I managed to survive Beijing and I hope convince some people that that was not the objective of the Bank and that, in fact, it was possible to have macroeconomic planning and implementations of decisions by governments without--or with recognition of the social impact and maybe some programs that would affect the social implications.

So I think the Bank is not moving at all from the issue of importance of macroeconomic structure. But I think personally--and I can't speak for people in history, but personally I'm very conscious of the fact that one needs to be very conscious of the social implications of what we do, while not recoiling from having a proper macroeconomic plan.

QUESTION: What do you see as the greatest threat to increased development, the establishment of a majority

middle class in Latin America? What is the greatest--two or three greatest [inaudible]?

MR. WOLFENSOHN: The question was: What are the two or three greatest impediments to the process of broad middle-class development in Latin America?

I can only give you a personal view, and probably not a very tutored view, from my experience over many years. I think we have now got economic development going pretty well. It has its ups and downs, but I think it's going pretty well.

If I could say this personally but not as President of the World Bank, I guess what I would say the greatest impediment is in the attitudes of the leadership groups. I think there needs to be a softening. I think there needs to be a recognition that for the children of the people who have benefited, there is no future if there isn't a development of the people underneath. I think there is a growing middle class which is evident throughout Latin America. But I worry about that bottom 20, 30 percent, and that's where I think there is a need for a growing recognition that for a stable future, that needs to be given domestic attention.

It is not for the World Bank to stipulate its

social objectives. It is for it to become embedded in the society. And as an observation, I would say that there are, of course, some leaders who care very much about bringing the society along with them. But I think that needs to grow.

That is a personal comment. It probably is at odds with what anyone would say at the Bank. But I have enough friends and I have been around long enough that now seeing it from the other side--I know that six months ago I didn't know about this other world. And yet it's there, and it comes up in Chiapas and it comes up in Argentina and it comes up in northeast Brazil and it comes up in a lot of places. It's coming up in Haiti.

I believe we are ahead and we have time, but I think that sense of social responsibility can and should be expanded, and we have a very good base of people probably in this room who have that feeling. But it needs to be, I think, widespread. And it's a cultural thing, and I think it's a mandatory thing. It's not a question of morality. It's not a question of social justice. It's a question of enlightened self-interest.

That's a personal opinion.

One more question. Yes, sir

QUESTION: [inaudible].

MR. WOLFENSOHN: I think you are talking about will there be any change in our perspective on infrastructure because of the involvement of the private sector? Is that what you're saying?

QUESTION: [inaudible].

MR. WOLFENSOHN: I see. The question is: If we're going to do that, will we lend money to the private sector?

The answer to that is that we've always worked with the private sector, because to do these projects it may have taken our know-how and skills, but you always had to let the contracts to the private sector. We do not have construction companies in the Bank.

The question is: Given the increased involvement and our desire to have the private sector participate and put up equity and put up money as distinct from being a supplier, is there some way that the Bank can extend them credit and help for those projects? Is that your question?

The answer is that we are trying. But as the Bank itself, it is legally not entitled at the moment to lend beyond governments. Our charter, which, as you know, started 50 years ago in the period of post-war development,

has not been changed insofar as that is concerned. We lend to governments.

In fact, our credit, because we borrow \$120, \$130 billion in the market, is really based on the fact that we have government credits and that everyone believes and the governments believe that if they don't pay us back, it gets them--it loses them their worldwide credit, because all the governments in the world are our shareholders. So if you don't repay us, everybody comes in on top of you. It's a collective and self-fulfilling collection mechanism. And so we essentially have this as the base of the AAA credit that we have in the Bank.

Now, is it a big jump from there to lend to a AAA company? The answer is: Yes, it is, because we're not allowed to do it. But what we are able to do and what we are trying to develop now through MIGA, our insurance company, which at the moment is really rather small in the sense that it has a country limit of \$250 million, we are looking to expand our guarantee program with the private sector. IFC is similarly seeking ways in which it can assist the private sector.

In fact, one of my jobs is to make sure--and the Bank itself is doing a series of guarantee programs to give

an additional guarantee to banks in terms of term lending.

So we are coming up now with what I would say is the beginnings of a program in relation to the private sector. What I'm going to try and do in the Bank is to bring together IFC, MIGA, and the Bank's activities under one sort of overall umbrella so that we can present to the private sector a face which is for a package of services and where we can try within the limits of the regulations of the Bank to extend ourselves so that we can bring in the private sector.

As of this moment, the Bank itself is severely limited except in the area of guarantees. In fact, it's prohibited. But what I am looking to do is to try and push to the limit what I can do with the private sector, but I do not think you should hold your breath about direct lending to the private sector in the near future because I don't think it's going to be on, for a variety of reasons. But I think in IFC we have a very strong instrument. I think in MIGA we have a strong instrument. I think in our Bank guarantee program we have another one. Who knows? We might even come up with something else.

Thank you very much, indeed.

[Applause.]

MR. KAHN: Thank you, Jim.

Mr. Wolfensohn mentioned before lunch to me that all the experiences and interests and concerns of his previous careers all kind of come together at this moment in his life in this particular job, and I think you get some sense of that just from an hour with him. We all wish you well. I think this is the end of the conference. We thank all of you for having participated and many of you for being with us now the third or fourth year in a row. The conference continues next year. We hope to welcome you all back again. Thank you for having been with us.

[Applause.]

- - -