

Remarks at the International Conference on Democracy, Market
Economy and Development

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by
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President Kim, Distinguished Leaders, Ladies and Gentlemen. I am absolutely delighted to have the opportunity to be with you today. I will let you into a little secret: this meeting is the result of some 14 months of waiting. Just before President Kim was confirmed in office, he invited me to his home and, as we sat down to table, he indicated very strong beliefs in terms of the needs for reform, in terms of his commitment to a market economy and to democracy and to changing his country.

This man certainly has convictions and he has stuck to them. We have seen, over the last year, the remarkable progress he has made as leader of this great country, and how he has kept his commitment to open the debate to all of us here: from academia, from business, from civil society and from the multilateral institutions, we have a chance to talk about the fundamental issues which affect, not only the future of this country, but indeed, the future of our globe.

I should tell you a second thing: I am a little nervous. Nervous because I have distinguished leaders before me who can tell me how it??one. Also nervous because of the broad range of other speakers that there will be here in the next two days. And particularly nervous because my colleague, Joe Stiglitz, has a 36 page speech already written with some 50 foot notes. And I was told my good friend Amartya Sen has the same, except that it is probably longer, deeper and much more important. And I very much look forward to hearing him also.

So I am here with you as someone who has come to the development business in the last three years and who does not have the background of many who are speaking. But I have had the opportunity, in these last three and a half years, to visit 85 countries, to look at development, to look at poverty, and to build on the experience and guidance of my 10,000 colleagues who collectively and with their predecessors have established the World Bank as a critical and important factor in the development community.

I should make one last comment in relation to my fear. I was told by my general counsel, as I was leaving, to read the regulations of the World Bank of the Bretton Woods institutions that were formed some 50 years ago. There, in very large print, it is written that the responsibility of the bank is to deal in economic matters. Subsequent boards have

interpreted that to include social matters but it says in Article IV, I can have no part in political matters. So it is not surprising, Mr. President, that this is the first time there has been a meeting with the World Bank which has in its heading development and democracy. Let me say that I leave democracy to you, Mr. President, and to me in my private capacity. In my public capacity what I would like to do is talk to you about some of those aspects of development which we find important, which we find central which have some evidence in democratic societies which we hope we can discuss with you in these coming two days. It is to those issues that I will be addressing my remarks.

Let me make one other preliminary comment drawing on what the President said about the cart with two wheels. I will be dealing with the right wheel. The left wheel I interpret to be the wheel which is the one most often spoken of: fiscal policy, monetary policy, macroeconomics, exchange rates, interest rates, size of rescue packages. This has been the stuff of all the headlines over the last many months in relation to the international crisis. And beyond that it is the way in which, typically, we look at countries. We look at countries in the context of their GDPs. We all have an ability to examine them from economic and statistical points of view and we have their annual accounts and we have their balance of payments and we have their budgetary deficits. All of that I am going to leave to the left wheel, not because it is not important, but all too often we forget the right wheel. And that right wheel to which I am referring is the wheel that is not immediately available as a result of a look at your green computer screen -- look for rates, to look for figures. That right wheel is the essential element of the structure and of the social aspects of society and of the human aspects of society. As President Kim has pointed out, it cannot be one without the other, it is two wheels that need to be there, in our consideration, simultaneously.

And we at the Bank, in our approach to the structural and social, think first in terms of poverty. My colleagues at the Bank decided recently that we should have a statement of our principles. I left it to my colleagues to draw it up and the first line of our statement is that the function of our institution is to fight poverty with passion because poverty is at the center of the role of our institution. And we are also concerned, as President Kim said, with ensuring that we do it within a global context and in an environment which is sustainable and enduring. This is the vantage point from which we come to look at our right wheel.

So what have we learned in coming to look at the issues of poverty and development? A number of things have been emerging in my thinking and in the thinking of my colleagues which I hope very much might be discussed in the course of these two days. Let me outline some of them to you.

First is inclusion. A phrase that I used several years ago at an Annual Meeting speech and in which I developed the proposition that there can be no real development without inclusion. We cannot leave people behind. We cannot sustain the difference between rich and poor as an increasing difference, with more people becoming poor and less people seeing opportunities for wealth. We have to deal here too with the question of the rights of women. We have to deal with questions of those who are disabled, of those who have difficulty. We have to deal with those in

poor areas in a country. We have to deal with divisions within society. This is not just a social and moral issue ??though it is that and is sufficiently that to merit our attention. It is also an economic issue. It is also an issue of peace and stability.

From that we move to a second theme which is the theme of corruption which President Kim has described eloquently and on which I have just come from a conference of ninety countries in Washington just hours before I left. This was another subject, by the way, which I was not allowed to talk about. When I arrived at the World Bank over three years ago, I was told there was a word I could not utter. It was called the "C word" ??rruption. And if you used it you had to do it very quietly and out of earshot. Michel Camdessus and I decided that we would redefine corruption, not as a political issue but as an economic and social issue which we did at our joint Annual Meetings in 1996. And since that time, we have had vigorous debate, great focus, to a point that at the Annual Meetings in 1997, the central item on the agenda of the Development Committee was corruption.

Corruption is a cancer. Corruption is the greatest eroding factor in a society . Corruption is the largest impediment to investment. And it is not just a theoretical concept. It is a concept that really becomes clear when children have to pay three times the price that they should for lunches. It is a problem that becomes clear when people die because they are given bad drugs because the good drugs have been sold. It is a problem when farmers are robbed of their livelihood. And it is a problem which, as I learned in a visit to Uganda recently, had caused the Ugandan government to review its processes. The government had increased its investment in education and health threefold over five years only to find that the same amount of money as in the first year was going to these educational and health services with the rest being siphoned off.

This brings me to the third element which is transparency. Transparency can be used against corruption and is an essential factor in the smooth running of a society. And let me tell you what happened using that same Uganda example: The government simply decided it would publish, using newspapers and radio, the amount of money it was sending to each district and to each school. It published the names of the 10,000 teachers who were officially on the payroll. And it sent to each school an indication of the money that should get there. It did not send out the police force and two years later the problem was turning around. Transparency is an enormously important element in the smooth functioning of any society.

And then there is the question of knowledge to which the President alluded. We are indeed in a 6th International Revolution. A revolution on which the world is building its future. A revolution which, again, I was interested to find ??scinated to find ??at Korean Industry has, with advisors and with the government, produced a Knowledge for Action report, transforming Korea into a knowledge-driven economy which the President recently launched with the private sector. And they have 38 action items to transform this economy into a knowledge economy.

It is an enormous cultural shift. A cultural shift which will influence the way in which you deal with education, with culture itself, with the

freedom of the individual, with the taking of risks, with rewards. But, under President Kim's leadership, it is clear that this country is grappling with that challenge as indeed we must hope that our developing world will grapple with that challenge.

It was only three weeks ago when I was in the Côte d'Ivoire where 45 percent of their exports are in the production of cocoa and coffee. And the farmers, two and a half million of them, have for years got less than they deserve; in fact roughly half the world price. And so, we at the Bank said, "Stop the monopoly", "Open it to the market". But not much happened. The farmers still got half the world price from traders. And I went down to see what had been done. And I went into the jungles. And I went in to small farms. And from there I went to a village where I was made a chief and I was given a black hat and gold robes and looked rather wonderful. I should have worn it today.

So there I was, sitting in a hundred year-old costume, in the middle of the village, now talking with farmers who had formed a cooperative. Then my fellow chiefs said, "Let's go to the office," and in the middle of a dirt-road village we went to the office where on the left side was a computer for weighing in the coffee and the cocoa. And on the right side was a computer, linked to the Internet, with a young Ivoirian getting quotes from the Chicago Board of Trade, from London and Paris, with a cellular telephone with which he could call the farmers in the region, most of them illiterate, and pass on the day's prices. And we came back after this, to our meeting of chiefs and farmers and they talked to me about forward contracts, c.i.f., about f.o.b., the price on the Chicago Board of Trade, a distance of a hundred years had been spanned because of knowledge. This is not just an African experience. This is central to the role of development in the years to come.

And finally, I talk of ownership, ownership as an essential element in this development process; ownership as a result of knowledge transfer, ownership as a result of opportunity, ownership as an essential element because no one wants to be told what to do from the outside. It is simply not effective to get nominal acceptance of programs. Key is that the programs should be owned and developed by the people who are in development. This is a form of democracy; a form of political movement in a sense. But it is also an economic issue, because with ownership, you get results.

With those themes, we have approached the notion of how it is we, in the Bank, can change what we do. With these ideas which have been floating around and which seem to us to be fundamental, we have tried to give a description to what it is that is on that right-hand side of the cart: what it is that is non-financial, what it is that is truly needed to have development in a market system? They are often things that are not immediately visible, things that you can sometimes forget, Mr. President, if the balance of payments increases and if profits increase. But in the medium and long term, they are things which are fundamental to development in a continuous form.

Among these things I speak of good governance and of a fight against corruption. And I speak of a comprehensive legal system. And not just a

comprehensive legal system which speaks of rights, civil rights, human rights, corporate rights, but a justice system that underpins it and that is fair, that is equitable, that is honest. I speak also of a financial system that works, a system that monitors and supervises banks and the private sector. And here, too, I speak of transparency, transparency in terms of accounting, transparency in terms of reporting clarity, objectivity, a standard form of presentation now demanded of global business. And fourthly, a social system that works. It does not have to be social system that is current in the United States or in western countries. It can be based on family. It can be based on tribe. It can be based on past history. But, there is a need for some safety net and what has been done in this country in the last twelve months is truly quite remarkable as a cultural change in that context.

Then there is the issue of education and of knowledge; there is the issue of health. There is the issue of clean water. 1.3 billion people on our planet do not have clean water. Consider power; 2 billion people have no access to power. The need for roads, the needs for communication, the need for a rural strategy, for an urban strategy, and the need for an environmental and cultural strategy. We must not forget our environment and, in a globalized society, we must not forget our culture.

I was fascinated that in this same report, Knowledge for Action, there was a recognition of the fact that if you are to have creativity, you must also have cultural creativity. You must create an environment in which people can risk, can create. It said in here that Korea wants a Bill Gates and a Stephen Spielberg. If they want a Bill Gates and a Stephen Spielberg, creativity is at its essence, and that is culture, and it cannot and it must not be put down.

And finally of course we have to have a private sector environment that is conducive to investment, not just in large companies but in small and medium sized and in the smallest of our companies.

So there is an agenda. It is an agenda for discussion. And I would raise one last issue. The issue of how we attack this agenda. This is not an agenda that should be imposed from above. This is not government from the center. This is not central planning. What we have learned is that the decisions on priorities, the pursuit of our objectives, the achievement of those objectives, is an issue for partnership. It must be a partnership between government, between the multilaterals, such as ours, and the bilateral institutions, between the private sector and civil society in all its forms, from NGOs to trade unions, from religions to foundations, from spokesmen for ordinary people. The healthiest societies are those that allow for a free expression of view and the setting of objectives together.

This meeting today is an exemplification of President Kim's commitment to that objective. And for us at the Bank, it is becoming the so-called comprehensive development framework that we are now testing where we are looking at the list of issues that I described from governance to education. We are not looking at it alone and not with some sense of arrogance that we know, from Washington what should be done. We are looking with an enormous humility because the achievement of such

objectives can only be done if we do it together in the partnerships I have just described with prioritization, with clarity, with transparency and with sound judgement of our effectiveness.

We have talked today about Korea, and a little about the region. But the issue that we are discussing in these two days is an issue not just for this country or for this region. I cannot forget that we have 3 billion people in the world today that live under \$2 a day, that in another 25 years we will have another two billion people, the majority of whom will fall into that category. I cannot forget that we will need twice the production of food in the first half of the next century, with the same amount of land. I cannot forget the pressures on water. I cannot forget the growing inequities in our system. And I cannot forget them because, as I look at the turn of the millennium, I look at the future of my children as you probably think of the future of yours.

If we want a future of peace, if we want a future of opportunity, if we want a future for our children, we must address these issues now. Thank you.