

Plenary Address by

Mr Wolfensohn
President of the World Bank

Mr Chairman, Your Majesty,

Mr President, distinguished colleagues, ladies and gentlemen, firstly let me say how delighted I am to be here at this meeting and congratulate the organisers and my friends in the other institutions, particularly Transparency International, which I am happy to say, found its origins in the bank, because the founders of Transparency International didn't feel they could do enough in the World Bank, so they went off and formed their own organisation. So, let me congratulate them on the work that they've done and assure them that we are trying to catch up.

Let me say that, so far as our institution is concerned, there is nothing more important than the issue of corruption. I say this, not because it's headlines today. That it is a subject which the press deals with, whether it be in Asia or in Russia, or in the continent of Africa, but because we at the Bank start with the issue of poverty as being central to our objective. And on the issue of poverty, we are very worried. We are very worried because the incidence of poverty is not diminishing, it's increasing. And at the core of the incidence of poverty is the issue of equity. And at the core of the issue of equity is the issue of corruption.

We have, today, as I think you all know, 6 billion people on our planet. 1,300 000 000 of them living in poverty, on under a dollar a day, and in the next twenty five years, we will have another 2 billion people on our planet. And we will have whatever number it is, but it could be as high as 1,800 000 000 people living in poverty. And we could move from 3 billion people living under two dollars a day to as high as 4 billion people living under two dollars a day.

This means that the issue of corruption is not some interest group's activity. It's not some issue that is on the periphery. It means that we have got to change things if we are going to have a peaceful world, and if we are going to have a better world. And it means that we are going to have to confront an issue which President Mbeki last night talked about, an issue which is not just the issue of applying monetary values to all our values. It is the issue of trying to return to something that has essential, social justice and equity. It's a return to values. It's a return to a system that is likely lead to a better life for more people.

We have just done a study at the Bank to try and see what poor people think. We have had individual discussions in sixty countries, with 60 000 people, and what is interesting is the consistency with which these people respond. And what is interesting is the centrality of corruption. In Malawi, a poor fisherman said that every cabinet minister has a big vessel for catching fish. In Ecuador, the poor said the government should make sure that congressmen don't steal. In Usbekistan, someone said, "Unless I pay 25 000, I can't get a position, and therefore I am still pulling a cart in Tashkent." In Bangladesh someone said, no one can count on the judgement of the Commissioner, since he doesn't work for the poor. He is biased for the landlord.

And our report goes on and it says as follows:

“Again and again, in country after country and site after site, poor women and men spoke of corruption. It took many forms. Corruption in the distribution of seeds, medicine and social assistance for the destitute and vulnerable. Corruption in getting loans. Corruption in getting teachers to teach. Corruption in customs and border crossings. Corruption in the construction of roads. Corruption in getting permission to move in and out of cities or stay in certain areas.

Corruption in street and market trading. Corruption in identity cards. In many places, the poor reported having to pay managers, hooligans and the police protection money to save themselves from the worst forms of harassment, theft and abuse.”

This study takes it down from the level of mega-crime to the level of a disease which permeates society. And it is felt by the poorest levels of society. When we looked at the Asian crisis, and the stories on the headlines were of putting together multi-billion dollar packages, and the press played up whether it was 17-billion, or 25-billion, and the issues were whether capital market reforms should be introduced, and everybody had their own theory of macro-economic adjustment, what was going on behind the scenes was a devastation in terms of the poor.

For the first time in Thailand, children were being forced to stay out of school to protect homes from people that were coming back to their villages expecting support, and theft arose. There were huge increases in the number of children that were sold into prostitution. People who had worked for years in small and medium size enterprises in Korea, finding themselves without jobs, without credit. Huge increases in the numbers of unemployment.

And so, the impact of the crisis, as has been shown subsequently, was not felt in terms of the real existence of the rich, or even the middle class, but it was the poor that suffered. And so, the issue of corruption at all levels, becomes the issue not only for us at the World Bank, but for every government, for every members of civil society. For every corporate official, for every individual.

And the question then becomes ‘What do you do about it?’ What is it that you can do to bring about a societal change about which President Mbeki spoke last night. And what is clear is that it is not just for a single person to do. It’s not even for a single conference to achieve. But what is great about this conference is that we have, in this room, representatives of all sectors of society and the first thing is that we have to come together and recognise it.

And I, as President of the Bank, and leading a very committed team, have had to think, “What is it that we at the Bank can do?” Surely we get blamed for most things, and frequently get blamed for the existence of corruption. In fact, in a project in which we are operating, if there is something corrupt, more often than not, I get a letter blaming us for having allowed it to happen. More often than not, if a government official steals something, it’s a lack of control and supervision in our practices. And let me tell you, if you are a critic, that we at the Bank, have no less moral standards than anybody else. In fact, we feel deeply, that corruption is the thing that can make the difference in terms of effectiveness or lack of effectiveness for our projects.

But imagine yourself as running the Bank, and try and decide what it is that you can do to make a difference. What it is that we as an institution, can do, to bring about a change of societal values, a change in the whole series of countries, globally in developed and developing countries, but in our case, particularly, in developing and transition economies, in which we have 4.8-billion people. In two countries, we have 2.2-billion of them, which is China and India, and then the remaining 2.6-billion we have more than 140 different governments and systemic arrangements with which to deal. More than 140 presidents, parliaments, tens of thousands of government officials. All with different regulatory frameworks, all with different traditions, all with different weightings in terms of who has power and who has not.

So, as a practical matter what we have decided is few things that I would like to put in front of you and the Bank. And I might tell you that three years ago was the first time a President of the Bank or the Head of the Monetary Fund had ever mentioned the word 'corruption'.

Why? Because when I arrived at the Bank, I was told, "You don't talk about the 'c' word." The 'c' word was corruption. "And you don't talk about the 'c' word," I was told, "because it's a political issue, and you are owned by governments, and your charter does not allow you to enter in the political field. And corruption is something that affects politics, so stay away. Deal with your projects, but don't talk about the 'c' word." Well, three years ago, we redefined it. And said that corruption was not just political, but it was the single-most significant factor in the issue of development of equity and social justice. And six months later, every minister at the Development Committee Meetings made a speech on corruption. Even those from countries that you might expect might have been somewhat embarrassed to make a speech on corruption. But everybody talks about corruption. And we put it at the centre of the Finance Ministry's agenda. That was an enormous step forward.

The second thing that emerged in those discussions, as we told the ministers, was that no statement from the World Bank or the Fund or any international body, not even from my dear friend, Kofi Annan, will ensure that everybody gets rid of corruption. Corruption can only be dealt with, in my judgement, by a combination of commentary and assistance from the international community and by a combination of forces within a country. It can be assisted from outside. The Bank and other organisations can help, but the real motive, the real engine, has to come from the inside. Typically, that must come from the top. There must be change in the top because people don't believe it unless there are changes at the top, but the reason that you can have changes at the top is because of force from below.

There must be partnerships, there must be coalitions for change. And so, we felt, as an institution, that the best thing we could do, was to try and assist in the building of the coalitions and in the forging of that interest in the issue of corruption and inequity, and get it out there. Get it open. Make it transparent. And we have recently completed a first stage of a really fabulous initiative, led by Danny Kauffmann in our organisation, where we brought country teams from Benin, Ethiopia, Ghana, Kenya, Malawi, Tanzania and Uganda, to the Bank some three months ago.

And we said to them, "You tell us what are the problems in your countries. You come up with what you think is the course of action. You tell us what you want to do and we will try to help." And I might, at this moment pay tribute to my predecessor, Bob McNamara, who has been carrying this fight for years and who voluntarily attended

every day of the sessions, which was an enormous encouragement to us all. And we started with a blank worksheet. And we gave the teams that piece of paper. And for a week we sat with them. And what was extraordinary was both the interaction and the convergence of ideas in terms of how one goes about both the issue of addressing corruption and what you do about it. These were not ideas imposed by the Bank. Not ideas that were given by leaders. These were ideas that emerged from five people representing different sectors of society in each of seven countries.

And then we went on and continued the discussions, not in Washington, but by satellite every week, so that we had a weekly conference, video conference, with the seven countries, run from Washington, but with each of them interacting from their own countries, taking up an aspect of the issues. And now we have an action plan and we will be meeting later today on the action plans. And then in nine months' time we are going to come back and see where they have gotten.

This for me was the most extraordinary initiative, because it's driven from within. It has a balance between government, civil society and private sector and it is owned, and it is recognised, and it is transparent. And we are hoping with another extraordinary useful series of actions, which is a set of diagnostic tools. And they are really rather remarkable. We go out to different groups in the society, from individuals to governments, and we say, "Tell us about corruption. How does it impact you in your life? How much does it cost to become a judge? How much does it cost to become a minister? What, in your judgement, is the cost of doing business? What is the cost of getting a contract?" And you would be amazed — amazed at the results and the convergence of the replies.

People know that it costs 17% or 12% or 5%. They tell you that "So-and-so got a ministry cheap." "So-and-so became a judge, cheap." And with the transparency that comes from this, and the prominence that is given to the results, we have an opportunity to try to deal with issues which are not fictitious, but which are practical, clear and targetable.

The reason I am commenting on these rather practical ways of getting at it, is because the speeches have to end. What we have to do is to dive in. And we are diving in at the level of awareness of society itself, in the issue of transparency, and at one other issue, which is the issue of societal reform. Corruption does not exist outside a framework. You have to look at it within the framework of governance. You have to look at the issues of how is a government organised, what is the strength of the government, what is the capacity of the people, what is the regulatory framework, how many ministries there are, do you have a legal system that works, do you have honest judges, do you have a financial system that properly supervises, do you have capital market systems, do you have transparency, do you have a police force that is an agent of oppression or an agent of support of the people?

You have to deal with the structural issues. You cannot deal with corruption outside structural reform. And that too, needs to be dealt with transparently. So we have a couple of really important initiatives, in which we are trying to assist within the countries. The operations first function at the structural levels, then at this analytical level, and then assisting the partnerships that exist in society. In terms of trying to deal first with the analysis, and then the course of action that they themselves wish to bring about. We in the Bank are a support player but we can help and we are doing those things.

But let me make one other point clear in relation to the role of the Bank. And that is that corruption is now affecting the sources of funding and international balance on development assistance. At this very moment, in parliaments in developed countries, the voters of those countries are saying. “We do not want to give money to any form of development assistance, if it finishes up in an offshore bank account.” They are reading the headlines. They are reading about Russia. They are reading about Africa. They are reading about Asia. They are reading about virtually every sector of the world, and they are reading, not just about the people in the countries in development or transition, but the companies in the developed countries that are subject to the OECD agreements. But what they are saying is, “Unless we can see that there is fairness and an approach and a realistic attack on corruption, we are not going to provide money’

There is the issue for us, which is not just the issue inside the country, but it is the structural issue inside the whole system. And so, what I would like to say to you is that, we at the Bank are deeply involved at the country level. I believe we have some practical things that we are trying to do, and equally significantly, what we are trying to do is to keep the balance of development assistance flowing, at which level too, corruption becomes a central and vital issue. We are very happy to be part of this conference, and I thank you for the invitation to come here.