

Our vision for NATO at 50 is truly an expansive one. Indeed, we see nothing less than a Euro-Atlantic region from Vancouver to Vladivostok bound together by ties of military cooperation and security consultation among over 40 countries — an achievement unprecedented in European history. So in addressing these five challenges:

- Making enlargement work;
- Preparing NATO for new missions;
- Doing both within constrained resources;
- Supporting continuing progress towards peace in Bosnia;
- And helping Russia and Ukraine become true partners in European security.

It is vital that we hold up the lamplight of history so that we not stumble on the footpath to the future. For one need look no further than the history books to understand that when Europe is safe, America is more secure. And that when stability in Europe is threatened, America cannot remain indifferent or unaffected. As President Clinton said last May, "Europe's fate and America's future" are inextricably linked.

One of Germany's noted poets — Heinrich von Kleist, the ancestor of the founder of this Conference — once wrote that, "the highest and only goal in my life is to find a truth which remains true until after the grave." Thanks to 34 years of Baron von Kleist's Wehrkunde Conference and thanks to 49 years of NATO, we have found such a truth. The inextricable link between America's security and Europe's security is, indeed, a truth that lives beyond the graves of the millions who have perished in Europe's wars, a truth that has set us free for the past 50 years and, if observed, a truth that will keep us free.

## The Challenge of Inclusion

Delivered by James D. Wolfensohn  
President, World Bank Group  
Hong Kong, China  
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Mr. Chairman, Governors, Ladies and Gentlemen:

I am delighted to welcome you to these Annual Meetings. I would like to thank the Chairman for his support for our efforts, and I would also like to express my deep appreciation to Michel Camdessus, who has helped me so much this year with his experience, advice and, above all, his friendship.

Like Michel, I extend an especially warm welcome to Bosnia-Herzegovina, our 180th member country. During my visit to Sarajevo last April, I saw the magnitude of the challenge facing the country — and I was profoundly moved by the courage and hope of its people. Working with them, and with all our partners, the Bank has already begun to help with the massive task of reconstruction. Elaine and I join with everyone here in offering our heartfelt best wishes to the citizens of Bosnia-Herzegovina for peace and happiness in the years to come.

I have visited over 40 countries in these past 16 months. I have met with governments, business and non-governmental groups. But it is the people — the poor and disadvantaged — who have made the biggest impression on me. I have learned that they do not want charity; they want opportunity. They do not want to be lectured to; they want to be listened to. They want partnership. Like all of us, they want a better life for themselves and for their children. What I have seen in country after country is that when they are given a chance, the results are truly remarkable.

I have also been struck by the critical importance of history and culture. We must build upon local tradition, not disrupt it. We must encourage the young to respect their heritage. And we must accord dignity to the individual. Without respect for cultural continuity and for social institutions, I believe there can be no true development.

Let me express my gratitude to the groups represented here in this room — whether donor or recipient, private business, foundation, or NGO. I feel privileged to have become a member of this great community. And I believe that by strengthening our partnership even more, we can offer the people we serve better opportunities and more hope for the future.

Working together is in everyone's interest. There are not two worlds — rich and poor — there is one. We are linked in so many ways. Simple economics gives the industrialized countries reason enough to assist the developing countries. With their 4.5 billion people, these are the markets of tomorrow. But rich and poor countries are also linked by a host of challenges that have no respect for national borders: migration, disease, environmental degradation, famine, terrorism, and war.

More positively, we are linked by a common humanity, and are united in an historic undertaking to improve the human condition. We must get this message across to our leaders and to voters — so that we can maintain and strengthen our common effort.

Mr. Chairman, when we met last year, I set out six immediate priorities:

- Bringing IDA-11 to a successful conclusion;
- Addressing the debt problems of the poorest countries;
- Building and expanding partnerships;
- Accelerating private sector development;
- Doing more to help in post-conflict situations; and
- Creating a "results culture" within the Bank Group.

Thanks to your support, tremendous help from our Executive Directors, and a great deal of effort from our management and staff, I have significant progress to report:

First, I pledged that we would do all in our power to ensure sufficient funding for IDA-11:

The agreement reached last spring should enable IDA to lend close to \$22 billion over the next three years — a remarkable achievement under the circumstances. At the same time, the agreement is fragile. It depends crucially on donors' understanding of each other's individual positions on the replenishment and, of course, on commitments being honored as speedily as possible. Beyond this, we must all intensify our efforts to ensure IDA's long-term future — remembering always that it is the lifeline for three billion people living in the world's poorest countries.

Second, I committed last year that we would work closely with our other partners to address the problem of unsustainable debt in the poorest countries.

As Michel Camdessus has noted, after a year of hard work and much debate, the Bank and the IMF together have developed a proposal which is flexible, comprehensive, and responsive to debtors and creditors alike. At the Development Committee meeting yesterday, Ministers gave their strong endorsement to this proposal. Now, presuming fair burden-sharing with other donors, we are ready to move ahead with debt relief operations in select countries. I extend my thanks to everyone who has helped in this effort which I believe will prove to be a major breakthrough in the fight against poverty.

Third, I said we would build stronger partnerships.

This past year, I met with the leaders of the other multilateral banks to explore better coordination of our programs. We have expanded our links with the United Nations and its agencies, the World Trade Organization, and the European Union. We have forged new relationships with the major foundations and with NGOs — both international and local. We are building partnerships on gender issues, the environment, the social impact of economic reforms, the private sector — and other priority areas. We are also deepening partnerships with our shareholders — including trying to benefit more from the successful development experience of our "graduates", such as Singapore. Above all, we are strengthening partnerships with our clients — for example, through the innovative program for Capacity Building in Africa, prepared and recommended by the African Governors at these Meetings.

Fourth, we have stepped up our efforts to promote private sector development, and to rationalize the Bank Group's activities with the private sector.

The Bank is working with governments to help them improve the policies and legal, tax, and judicial systems that are crucial for encouraging investment. We have strengthened our outreach to corporations, helping them to assess and implement projects in our client countries. We have also heard one of the messages coming

through loud and clear at these Meetings: to strengthen our guarantee program. I am pleased to report that there are 43 confirmed and probable projects in our IBRD guarantee pipeline — most awaiting government action or investor decisions for the next step. And we are actively looking at how we can expand this program even further.

- IFC, celebrating its 40th anniversary, has had a record year — leveraging more than \$19 billion in support of projects worldwide. Since its founding in 1956, it has provided financing to nearly 2,000 companies in 125 countries. As you know, IFC often works in countries where few other financial institutions are willing to go and, in the next year, it will extend its reach to 16 nations where it has never worked before — and where the investment climate is the toughest.
- MIGA also continues to exceed our original expectations. Its guarantees have catalyzed foreign direct investments now totaling an estimated \$15 billion, and its on-line marketing and information service — the IPAnet — offers data and analysis on the business climate in more than 90 countries. Given the rapid growth in demand for its services, our Board will soon be discussing my recommendation for a capital increase for MIGA.

We have established a Private Sector Development Group, to pull together the catalytic strengths of our three institutions, and to make them more easily accessible to our private sector partners. In addition, the Bank and IFC have initiated joint country strategies — to help ensure that our activities reinforce each other and stay clearly focused on development impact.

Fifth, we have organized ourselves for post-conflict work, and have made great strides in improving our programs.

In Bosnia-Herzegovina, 14 projects are being implemented, with Bank Group financing of over \$325 million. In Gaza and the West Bank, our joint efforts are yielding results — and have contributed to the creation of 22,000 new jobs. In Haiti, we are working with a coalition of donors to help sustain peace and build economic opportunity for the poor. We are also working in Angola and Lebanon to assist with employment and reconstruction. More broadly, we will soon be presenting to our Board a policy paper aimed at strengthening our support for post-conflict recovery.

Sixth, I pledged last year to build a "results" culture at the Bank — and this effort is showing tangible progress. I am extraordinarily grateful to my colleagues in the management team for their advice and support, without which none of our achievements would have been possible.

We have stressed that we will not measure our performance by dollars lent or projects approved, but by our development impact — results on the ground. I cannot overstate the importance of this change. By putting quality ahead of quantity, we have fundamentally changed the incentives that guide our staff. Backed by tougher quality assurance for our work and enhanced accountability, this will result in major improvements in project design. We also have raised country portfolio issues to a higher level of attention with our clients — I myself have discussed these issues with the authorities in Russia, Brazil, and other countries. And we have launched a major review of country portfolios with the highest concentrations of risky projects.

We are increasing our country focus through much stronger client involvement in our assistance strategies, and by locating some of our Country Directors

in our borrowing countries. We are paying greater attention to our clients' needs, with customized advisory services and important new products such as the single-currency loan — which allows our clients to borrow at an effective 50 basis points above the AAA rate. And we are speeding up our procedures.

We are also improving our professional expertise through the creation of sectorial "networks" among our staff — with the first of these established in the area of human development. We are strengthening our management capacity, with a substantial executive education program — as well as an exchange program with a broad range of private and public institutions. And we are investing more in our staff, including a doubling of skills-training this year. In all these areas, we are choosing our best women and men, who reflect our rich geographic diversity, to build a Bank that can work most effectively with women and men all over the world.

While we still have a long way to go, I believe we have made real progress toward changing the course of the institution. We now have a committed and talented team — staff and management — working to improve the Bank Group and to prepare it for the next century. There is excitement and empowerment; there is challenge and innovation. We will succeed with some initiatives, and we will fail with others. But our institution is on the move.

#### THE STRATEGIC AGENDA

Together, we have accomplished a great deal over the past 12 months. But it is just the beginning — the down payment on the bigger task that lies ahead. Together, we need to look towards the challenges facing us in the new millennium.

Last year I suggested four major themes, which have evolved, but which remain valid for the coming year — and beyond:

- First, a new compact between donors, investors, and recipients to ensure that resources are sufficient to meet the needs of the world's poorest people — and also to ensure that those resources are used efficiently and transparently.
- Second, a broader, more integrated approach to development, to ensure sustainability.
- Third, strengthening and expanding partnerships, global and local.
- And fourth, continuing to pursue change in the Bank's culture — to focus on excellence and results.

First, the new compact. I have already mentioned IDA and the debt initiative and their critical role in catalyzing resources for development. We also need to attract more private flows to the poor countries. And then we need to work on the second part of the compact: to ensure that all resources are used efficiently.

In 1995, private flows to developing countries exceeded \$170 billion, three times official flows — and four times what they were just five years ago. However, 75 percent of these flows went to just twelve countries. About 50 countries — most of them very poor — received virtually no private inflows.

Our new world of open markets raises the stakes for developing countries. Investment is linked to good policies and good governance — liberal trade regimes and high savings rates, combined with sound legal and judicial systems. Simply put, capital goes to those countries that get the fundamentals right. And we are working

with our clients on those fundamentals.

Strong financial systems are key. But there are pervasive problems with prudential regulations and their enforcement. About one in five developing countries faces a banking crisis. Unproductive public expenditures and uncollected taxes are a further huge drag on these economies. That is why the Bank Group — working with the IMF — is strengthening our capacity to help our clients strengthen their financial sectors, and reform their expenditure programs.

If the new compact is to succeed, we must tackle the issue of economic and financial efficiency. But we also need to address transparency, accountability, and institutional capacity. And let's not mince words: we need to deal with the cancer of corruption.

In country after country, it is the people who are demanding action on this issue. They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. They also know that it erodes the constituency for aid programs and humanitarian relief. And we all know that it is a major barrier to sound and equitable development.

Corruption is a problem that all countries have to confront. Solutions, however, can only be homegrown. National leaders need to take a stand. Civil society plays a key role as well. Working with our partners, the Bank Group will help any of our member countries to implement national programs that discourage corrupt practices. And we will support international efforts to fight corruption and to establish voluntary standards of behavior for corporations and investors in the industrialized world.

The Bank Group cannot intervene in the political affairs of our member countries. But we can give advice, encouragement and support to governments that wish to fight corruption — and it is these governments that will, over time, attract the larger volume of investment. Let me emphasize that the Bank Group will not tolerate corruption in the programs that we support; and we are taking steps to ensure that our own activities continue to meet the highest standards of probity.

The second element of our strategy is the need for a broader, more integrated approach to development — a new paradigm, if you will.

Poverty reduction remains at the heart of everything we do. But the magnitude and complexity of the task is daunting. This was brought home to me time and time again in my travels as I met and talked with people — whether it be the coal miners of Ukraine, the Moslem women's groups of North Africa, the unemployed of Tucuman in Argentina, or the fishermen of the Aral Sea.

Reducing poverty clearly involves the interplay of a number of issues: macroeconomic policy, private sector development, environmental sustainability, and investments in human capital — especially girls' education and early childhood development. All the elements are important.

But let's face it, at the end of the day, people make policies and projects work. Social, cultural, and institutional factors are key to success and sustainability. In the Balochistan province of Pakistan, for example, where female enrollment rates have traditionally been among the lowest in the world, local communities and parents worked together through a Bank-supported project to design culturally-sensitive schools and curricula. The result is that Balochistani parents are now sending their little girls to school.

This is even more true at the policy level. We are all familiar with the record of the East Asian countries. But it was those countries' strong institutions and social

cohesion that enabled them to consistently choose sound macroeconomic policies, promote rural development, and make large investments in basic education and health. And the result was rapid growth and poverty reduction.

Without the social underpinnings, it is difficult for economic development to succeed — and virtually impossible for it to be sustained. We see this in countries that are mired in poverty — where economic growth is fragile, population is rising rapidly, children are not going to school, and even more tragically, where they are dying from diseases we know how to prevent or cure. On a more extreme scale, we see it where the social fabric is torn and conflict has broken out. I referred to the horror in Bosnia. But just last year, there were some 50 major in-country conflicts worldwide. Over the past decade, more than half of the world's poorest countries have experienced conflict.

The lesson is clear: for economic advance, you need social advance — and without social development, economic development cannot take root. For the Bank, this means that we need to make sure that the programs and projects we support have adequate social foundations:

- By designing more participatory country strategies and programs — reflecting discussions not only with governments, but also with community groups, NGOs, and private businesses;
- By putting more emphasis on social, cultural, and institutional issues — and their interplay with economic issues — in our project and analytical work; and
- By learning more about how the changing dynamics between public institutions, markets, and civil society affect social and economic development.

I see this as a critical challenge — in fact, the critical challenge before us. But if we can succeed in broadening our approach in this way, I believe it will have a tremendous payoff in helping our clients to achieve truly sustainable development.

The third item on the strategic agenda is partnership. We have made good headway over the past year. But today, I want to focus on a specific form of partnership that will take on special importance as we enter the new millennium — a partnership for creating and sharing knowledge, and making it a major driver of development.

Development knowledge is part of the "global commons": it belongs to everyone, and everyone should benefit from it. But a global partnership is required to cultivate and disseminate it. The Bank Group's relationships with governments and institutions all over the world, and our unique reservoir of development experience across sectors and countries, position us to play a leading role in this new global knowledge partnership.

We have been in the business of researching and disseminating the lessons of development for a long time. But the revolution in information technology increases the potential value of these efforts by vastly extending their reach. To capture this potential, we need to invest in the necessary systems, in Washington and worldwide, that will enhance our ability to gather development information and experience, and **share** it with our clients. We need to become, in effect, the Knowledge Bank:

- By networking — pooling our wealth of cross-country experience, capturing the best global thinking and expertise on a given issue,

and making it easily accessible to our clients and partners;

- By expanding the role of our Economic Development Institute, which already reaches thousands through its learning programs — and is well on its way to reaching millions by harnessing teleconferencing, television and the Internet;

- And by pioneering new partnerships that connect our clients with global centers of knowledge and investment: one example is our World Wide Website, which is accessed 1.5 million times per month; another is the Information and Development Fund, through which the Bank and our partners help the poorest countries to realize the potential of information technology.

Let me stress one other point: the global knowledge partnership is not about machines. It is about people. The challenge is to harness the technology to link people together and to leverage its impact for development. That means both accumulating the right kind of knowledge, and helping our clients build the capacity to use it.

Let me turn briefly to the fourth and final item on our strategic agenda: the Bank itself — and building a culture based on results, accountability, and excellence.

To get the biggest bang from our scarce resources, we must be absolutely tough-minded. Sometimes in the past, we set overly ambitious targets and committed ourselves to objectives that were simply not realistic. That must change. We have to promise only what we can deliver — and then, deliver what we promise. This new culture of realism and results is fundamental to the changes at the Bank which I referred to **earlier**:

- getting closer to our clients;
- developing new products, customized to our clients' needs;
- and ensuring that our products are of top quality.

To be successful, we will need new skills and new ways of working together. We need to continue the effort to invest more in our staff, to keep them at the cutting edge in their field. And we need also to become much better at working with others — tapping knowledge sources around the world to bring the very best expertise to our clients.

We have started down the road to revitalizing our institution. It will not be done overnight; and it will require some special investment up front. As part of the effort, we are taking a fresh look at our finances, and at our fee and cost structure. We must be able to make more flexible — and better — decisions on how we use our resources.

We have before us a real opportunity to invest in the future. With your support, I am confident we can build a new Bank: a more responsive, focused institution, dedicated to learning and excellence, serving the needs of our entire **Membership** — and reinvented to face the challenges of the 21st Century.

## CONCLUSION

Mr. Chairman, I have spoken of a strategic agenda that will carry us forward to the next millennium. But we can only meet it through partnership. And that leads me back to where I began today — with my visit to Sarajevo. I met there with religious

leaders: Catholic, Moslem, Orthodox and Jewish. And I was struck by the fact that each of them spoke, not of hatred, but of the need to work together and to look to the future]

One of them, a Moslem leader, told me how he had lost his wife and two daughters to a single shell, on a single day of fighting, as they went to the market to buy some water. And yet, as I sat with him on a carpet in his mosque, he spoke of the meaning of the Koran — and of forgiveness. "We have to work together," he told me, "It's our only hope. "

Working together is a challenge for us all and a responsibility for our world: for social justice, for economic opportunity, for human well-being — and for history. We are all here because we share the dream of a better world.

To achieve it, we have to work together.

## Public Policy

### Regulatory Oblivion: The 1996 Telecommunications Act and the Public's Interest

By Nicole Ferrandino

Perhaps the major premise upon which the First Amendment is based is the societal necessity of a flourishing marketplace of ideas, with truth emerging not by governmental fiat but, rather from the clash of many voices .. Where no government regulation is constitutionally permitted, the economic market place determines the number of voices to be heard. The government role is limited to ensuring... that the economic model succeeds. Where as in broadcasting governmental regulation is allowed and where inherently it creates market monopolies, the question arises as to how the Commission should act to ensure hoped for multiplicity, competition and diversity. - T. Barton Carter

Unregulated television possesses too much power to influence people and too few constraints to prevent its misuse. - Ronald A. Cass

In setting guidelines and hammering out the details of the 1996 Telecommunications Act, the Federal Communications Commission (FCC) continues to promote a trend of deregulation. On paper the Telecommunications Act is designed to promote and foster horizontal growth; however, within the media industry, a recent trend of mergers and buyouts indicates the opposite occurring and a "media monopoly" continues to build (Bagdikian title page). By enlarging their already great empires and taking on new media ventures, conglomerates increase the power and influence they have over the content and quality of programming. Instead of promoting the growth of smaller media outlets, competition, and in turn wider diversity and improved quality, thus far, recent events show a rise in mergers and vertical growth among media giants. Although still too early to make definite conclusions about the effects of the Telecom Act, several questions may be raised in looking ahead towards the possible impact this Act may have on the public and the possible structural and functional changes that might occur in the media industry and its regulatory body: the FCC.

Besides the direct effect that the centralization or decentralization and continued deregulation of the mass media will have on the public, it seems that the continuing push in the direction of a hands-off policy, set by the FCC back in the 1980's, is headed towards complete "regulatory oblivion" (Ray 163). In other words, the FCC is creating a plan that over the next five to ten years could write them out of the regulatory process. What does this mean for the future of the current FCC? If the FCC