

**Remarks by World Bank Group President James D. Wolfensohn
Vice-President Al Gore Conference on Corruption
at the State Department on February 24, 1999**

As introduced by Vice President Al Gore:

MR. WOLFENSOHN: Thank you very much, indeed, Mr. Vice President. May I start by saying to my colleagues on the dais and in the audience how very grateful I am to be able to be here and to participate in this meeting.

Thank you, Mr. Vice President, for a very stirring and meaningful introduction, filled with both background and practicality on this subject. Thank you too for your announcement about your desire to move further on the issues of diagnostics. That is something I welcome very much and we look forward to working with you and with your government on this.

It is true that when I came to the World Bank, I was given an admonition by our general counsel that I should read the Articles of the Bretton Woods agreements. In there it says that I am to deal with economic matters and that as an international civil servant, I should not, if I want to keep my job, talk about political matters. And I was then told that there was one word I could not use, which was the "C" word, the "C" word being "corruption". Corruption, you see, was identified with politics, and if I got into that, I would have a terrible time with my Board.

Well, I then visited quite a number of countries, and I decided in 1996 that I would redefine the "C" word not as a political issue but as something social and economic. That got me in under the wire of the Articles of the Bretton Woods institutions and, simultaneously, my friend Michel Camdessus did the same on the side of the International Monetary Fund.

The fact is that all the evidence indicates that the major inhibiting factor to investment and to constant development; the major factor which affects the lives of poor people in terms of equity and in terms of their opportunity, is, in fact, corruption.

And what was interesting was that after 50-odd years of not mentioning the word, in the following year the central item on the agenda of the Development Committee was corruption. And the central discussion by the Finance Ministers was corruption, and every single Minister spoke.

So, Mr. Vice President, your notion that this is an idea whose time has come has been borne out at the level of my own experience, and I am delighted about it.

We have moved beyond that in terms of our own activities because we, like the U.S. Government and like all of you, first decided we should look inside. What was it that we were doing in terms of demonstrating our own commitment to fighting corruption? We clearly needed first to look at home? And this was a very, very difficult thing because everybody thought everybody was honest. There was the assumption that everything the World Bank had done had been terrific, that there is no way that we could have contributed in any way to either ignoring corruption or to participating. And so the first thing we did, Mr. Vice President, was to really do a clean scrubbing job inside; were there any among our 10,000 people who were causing infractions or contributing.

That task is continuing, and we have found a few people who have done things that we would wish they had not done. But we are putting it out there publicly and in the press because we believe in transparency. And we believe in demonstrating that we are not going to let someone steal a postage stamp because it is not right and it sends the wrong signal. This is something we will continue to do.

We are doing our own programs on ethics. We are having our people go away for three days to talk about values because we need, first of all, to ensure that in dealing with all of you, you can feel confident that we are looking inside ourselves. You

must know that we do not feel we are immune from these same problems; that we all share them.

It is tough but we have decided to do it, and we have decided to do it publicly and make our findings known. And that, of course, has helped us as we come to your countries at your request – and only at your request – to try and see what it is that we can contribute in terms of getting practical on the problems, on the issues of diagnostics. My colleague Dani Kaufmann will take you through how these diagnostics work this afternoon.

The importance of this is the use of non-threatening reviews, non-personal reviews, to try and determine what are the systemic issues in corruption, whether it is buying jobs as Customs officials or as judges; whether it is corrupt practice with road police, with phone installations, with enterprise registration, with water and electricity, weights and measures, fire and sanitary inspections, tax and financial inspections and so on and so on. All these things get built into the system and it is the poor and those that are seeking to develop that suffer.

This is not a political issue. This is a human issue. This is a development issue. This is an economic and social issue.

And as I leave in just a short while for Korea for a conference, you should know that at that conference where we are talking about the structure of the international financial system, I will be telling them that on the one side there is the issue of financial and monetary policy and the issue of the size of the packages and the issue of finance and interest rates and exchange rates, which we are all familiar with, and which is the central discussion as we talk of international financial stability. But on the other side of the balance sheet there is an equally important analysis, that is, the analysis of governance and structure and the analysis of social services and the analysis of equal opportunity and human and personal rights. Because you cannot have economic and monetary

development on a stable basis if it is built on an unstable structure. And the first two elements in that structure which we are now testing in many parts of the world – and I see the Vice President of Bolivia here with whom we're working quite particularly – is governance and corruption in the first place and a functioning legal and judicial system that works.

You might think that we would immediately start on finance. We do then come then to finance, and, of course, we come to social services. But you cannot have a fight against continuing poverty, you cannot have equitable growth, indeed, I would suggest in the end you cannot have a peaceful world, if we do not address the issues of governance, corruption, and a legal and justice system that works.

That is central to the activity of the Bank. It is equal to any discussion on finance, and I would suggest any discussion on finance and development is meaningless without an approach on governance, corruption, justice, and law.

So that is the position of our institution. This is central to our efforts. We recognize that we are only a small part of that effort, shared with my colleagues on the dais. We recognize that our contribution can only be made if it is at your invitation with the support of your governments, your civil society, and whether these problems can be addressed from within.

But I simply wanted to say to you that it is a fundamental commitment for the Bank. We are ready to serve you and to work with you. We are ready to learn with you. We are ready to have our triumphs and our failures together. But as a central objective, there is nothing more important for our institution, and I'm very grateful to you, Mr. Vice President, for convening this meeting.

VICE PRESIDENT GORE: Thank you very much.