Promoting the Knowledge Economy

Keynote Address at the German World Bank Forum
by
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Well, thank you very much, Mr. Chairman and Madam Mayor.

She's actually my Mayor because I'm an honorary citizen of Bonn, I think, and I advise you all to come to the Beethoven Festival. I advise you all to come and look at this dynamic city. I'm really learning my script very well about Bonn and can only be supportive and grateful for the opportunity to be once again here, where, in fact, the World Bank Forum started six years ago. So we're very grateful to you, Madam Mayor. We're very grateful to our friends in Nordheim-Westphalia, the Minister President Steinbruck, and to you, Dr. Berkel (ph), to Deutsche Telecom, particularly to Mr. Schutz (ph), and indeed especially grateful to all of you, many of whom are coming for multiple times to our meetings.

The discussion today on the knowledge economy is extremely important, and I must say is something of a welcome relief to me over the last couple of weeks as in the course of discussing the World Bank and the issues of development, most of the discussion has been about Iraq, has been about the slowdown in the international economy, has been on geopolitics, has been on the strains in the North Atlantic Alliance, has been the focusing on immediate pressures of a geopolitical nature, and a sort of pushing aside of the questions of development and the issues that we typically address at these meetings.

It would be easy for me now to give you a very long talk on what I have learned in the last couple of weeks from meetings with the G-8 and with heads of government. And I'm tempted to talk about that subject. But then I was told that that's not the subject of today's meeting. Today's meeting is about the knowledge economy. And so my frustration will be relieved tonight at dinner, if anybody comes to dinner, when I'm told that I can have a fireside chat and give you all indigestion about my views on the global scene, and hopefully generate some discussion on broader subjects, because you cannot look at the knowledge economy, you cannot look at any sector in terms of how it's going to be effective or ineffective if you don't position it within the context of the world in which we're currently living. And it is fair to say that the world in which we're currently living poses us some problems that are somewhat different than the ones that we've faced in the last six years of our meetings. And tonight I'll have a chance for those of you interested in talking a little bit about those broader questions, and I'll very much look forward to an exchange of views.
But today is not for that purpose. It's to tell you a little bit about the Bank and the knowledge economy, because in past meetings we have not in any intensity addressed this question of the importance of knowledge to what we do and to the general principle of the two-part Bank--a Bank which is a money bank and a Bank which is a knowledge bank. And this distinction between the two parts of the Bank, which obviously subsequently fuses as a partnership between knowledge and money, is really the subject that I'd like to spend a few moments with you on now, because it's something that you as friends of the Bank I hope will understand as you think of our institution, which has evolved significantly in the last eight years in terms of that knowledge-based institution.

If I cast my mind back on history, of course, we've seen very substantial progress as a result of technological advances in the last couple of hundred years. I normally speak of the 2.8 billion people in the world that live under $2 a day and the billion 200 million that live under $1 a day, and those numbers are, of course, correct. But what is also correct is that in the last 100 years, from 1982 to 1992, when the measurement was given, real incomes have grown from $650 on average to close to $5,000 on average in our world. And life expectancy has grown from a mere 27 years to 61 years.

So we should not ignore the fact that technology and knowledge and science has brought us a long way in this 200-year period, notwithstanding the fact that we, of course, bemoan the fact and the challenge that we now have of dealing with the question of poverty at a pretty large scale.

So when we sat down some eight years ago, my colleagues and I, to look at the world, we took a look at first ourselves and then at the world outside. And let me share with you, because it's been quite a voyage of discovery, the fact that eight years ago we were making the assumption that we were the Knowledge Bank. We were making the assumption that with 50 years of history we really knew everything, or if not everything, nearly everything. And we made the assumption that we were there to tell the world all about development, and some people would even have said that we were slightly arrogant in the way we did it. Some others here might have said we were more than slightly arrogant, that we were very arrogant in the way in which we went about it.

And the so-called Washington Consensus, if not born, was carried through as being the sort of prototype example which our institution could fit comfortably on any given country and everything would work. And whether it was privatization or whether it was the issue of opening capital markets or whether it was a framework for political development, we had the knowledge and we were there and we were the World Bank.

Well, fortunately, a few of us sat down and said, Well, is this true? And we discovered a number of things. The first thing that we discovered was that our knowledgeable people were leaving our institution with their knowledge. When they left, they were taking their files with them. Why? Because no one was gathering that knowledge. And they were concerned
that the thing that they'd spent their life's work on was going to be buried in a vault somewhere, never to be retrieved, and that the history of their experience was going into a mountain.

And so, not surprisingly, our best people when they left the institution took the information, took their knowledge with them so that they could have something that would remind them of their period at the Bank, and it was lost to our institution.

We also had a division in the people in our institution where half the people in our institution were consultants. Now, consultants had absolutely no initiative to give the knowledge to us at the Bank because if they gave us all their knowledge, we wouldn't need it. And so we had the group of consultants who would advise us, but were extraordinarily careful to keep the information to themselves, because otherwise they wouldn't be re-engaged. They would do the individual project, but in terms of sharing the experience, there was an in-built rigidity in the organization.

The third thing we discovered was that our people were not renewing their knowledge. We looked at the career development of people in our institution, and they came in at their peak as young professionals and very well trained, but that we were not putting enough effort into reinvigorating the knowledge and giving people a chance to learn, to study, to go work with other companies or with institutions around the world. And so we had this situation of people coming in, and instead of lifelong learning, it was repetition of what they'd known as strengthened by the other young people who came in who had the same experience.

I'm describing something which is unfortunately not solely the experience of the Bank but is true in many organizations that don't give attention to the question of nurturing knowledge.

We also discovered that our people who were dealing with the question of poverty knew very little about poverty. Very few of them had done more than visiting projects. And so we thought that the thing to do was to try and do two things: to try and change the orientation of the institution to one that would value knowledge and value change, and so we started a program in which 600 of our top people have gone through in terms of understanding change, understanding knowledge, understanding the importance of that second bank, the Knowledge Bank. And then we asked the people to go spend a week in a slum or a village living in poverty so that they would understand what it was that they were talking about. And this had a profound impact on our institution.

Now, none of this has to do with Internet technology or regulation or high-tech. It has to do, very simply, with an orientation which says that if you're going to be a Knowledge Bank, you'd better manage the knowledge. You'd better think about how you're going to conserve the information and how you're going to spread the information.

And so we had after about a year of this a Knowledge Fair at our institution, which I will never forget, in which we said to people, look, if you have knowledge of a particular area, why don't we try and build a
knowledge base? And some of my colleagues here will remember that we had a fair in which people were literally signing up others, saying we have a justice system, we have a transportation system, we have a health system, where people would sign up to say I will give you some of my information so we can build a database. And this was extraordinarily exciting because we had 60 or so of these booths around our institution where people would come up and say I know something about this, I'd like to sign up for an exchange of information.

Well, that was the beginning for us of really an adventure which has gone incredibly quickly and has enormously enriched our institution. It has led us to have the developments in the Global Gateway, about which you'll hear tomorrow, in which we said basically: How many projects have there been in our institution? What has been our experience? What is the good experience? What is the bad experience? And we discovered, if I think I have the number right, 400,000 projects that came from both the Bank and others on the outside in the development field in the last ten years, we discovered that there were 63,000 current projects in the development business. We discovered going in by country that if you pressed Bangladesh or Burkina Faso and you were interested in primary health care or secondary education, in addition to the projects which we had, there may have been 15 or 20 that others had; and that we knew very little about them until we started to consolidate and bring together this information.

And it has led not only to a change in our own institution, but it has led, I think, to something which is not measured in terms of growth in lending but which has been for me maybe the most significant development in the last eight years, which is bringing together not just our knowledge but the knowledge of the international development community, of private sector and civil society. Because why make the same mistakes twice? Why not profit from the experience?

And it led us also to say it's not just the professionals that know about this. Let's start with the poor.

So we started a study five years ago called "Voices of the Poor," in which we decided to interview 60,000 poor people in 60 different countries to find out what they knew about poverty, because that was our business, to try and deal with the question of poverty. So what was more logical than to talk to poor people? Except that we had not done it before in an organized way.

And what we discovered about poor people has been at the core of the way in which our own development paradigm is now working. We discovered that poor people are no different from rich people. They don't want charity; they want an opportunity. Women don't want to be beaten; they want to live a civilized life and to have opportunity. They all want an opportunity for their children. They want a sense of standing. They want voice. They want a chance to work in a protected environment. They want freedom from crime. And they want a chance to develop themselves and their kids.
You may say that that is an obvious set of conclusions, but it was an enormously enriching one for us because it allowed us then to conceive of our own approaches, not as financial approaches but as approaches based on the people with whom we were working. It allowed us to change our perception of poor people as being the object of the problem or the object of charity to become the engine of the conclusion. Because if you do not have a community base to work with, if you don't build on the knowledge of the people, there is no way of getting an extended approach to development.

I wanted to tell you this because it has brought about a huge change in the nature of our organization. It is now much more humanistic. It is now much more based on people. It is now much more based on experience. It, of course, still has an understanding that if you don't have economic growth, it's very difficult to do something with development. If you don't have structure, it's very difficult to do it. But that the crucial element in the work that we're doing is the element of gathering experience and bringing it together in a coordinated way, bringing together poor people, governments, civil society, and private sector in a shared knowledge experience so that we don't have to keep making the same mistakes again, and so that together we can move forward using knowledge as the most important resource we have.

That has been really a significant change for us, and we have won quite a number of prizes for what I think is doing the obvious. People say we're terrific at knowledge management. Various American academies keep putting us in the top ten for doing something that seems incredibly logical. But, in fact, for us it was something that we were assuming but not managing as effectively as we could. And, of course, then the possibilities of using technology enriched our ability, as some of our speakers have said today, to gather this information, to use it, to make it accessible, to cross-reference it, so that now in the case of the Global Gateway, in which we've had such support from this region and from the German Government and others, now that information can be accessed and used.

And it led us to two more strong developments. One was the greater emphasis that we then put on research to take this information and try and get cutting-edge research, whether it be on conflict or whether it be on education or whether it be on water, so that now, as some of you will know, the plethora of research reports that we're doing, not just alone now but doing with partners and doing with research institutions throughout the world. We've put together a group of research institutions, I think some 300 research institutions, that are not Northern research institutions but are in the countries that we're dealing with--of course, also Northern research institutions. And using technology today, much of the research that we're doing is joint research in various parts of the world so that using again technology you bridge this geographic gap.

And then there was the issue beyond that of how we then interface with our clients. And there we came immediately into the understanding that the low- and middle-income countries were very significantly behind the developed countries. The numbers were quite astonishing to us. I
remember we looked at R&D expenditures in low-income and lower-middle-income countries, and even upper-middle-income countries, and that totaled in total 7 percent of R&D expenditures, the high-income doing 92.7 percent. And in terms of patents, 99.2 percent coming from the wealthy countries and a mere 0.9 from the poor and middle-income countries.

And we looked at years of schooling and, not surprisingly, we discovered that years of schooling in the lower- and middle-income countries was half what it was in the developed countries. And we looked at the income groups and, not surprisingly, we discovered that the best educated people made the most money, and the ones that didn't made less. And so we focused then on the question of education and development.

And so we started a series of initiatives. We decided that if you could do research today anywhere that we would start Millennium Science Institutes to try and keep scientists and researchers in-country, not just economic and social researchers but scientific research, some of it very often geared much better to that country than to doing it in another place.

I think, for example, of the work that's being done in the Amazon on environment. If you go to the Amazon and see the research centers that we're supporting there--and the German Government, by the way, is supporting also--you couldn't imagine it being anywhere else because it wouldn't--it couldn't be better.

In our work in science and in agriculture, together with the Rockefeller Foundation and some others, 50 years ago we set up a group called the Consultation Group for Agriculture, which has within it some 40 different Centers on agricultural research--agricultural research that is carried out and which brought about a Green Revolution. And this research is done not in the United States and not in Germany, but done in the countries themselves. And that perhaps more than any other single bit of research organization has affected the growth and quality of life in the developing world.

And so it is trying to bring together the question of knowledge and application that we've been working in. But we then discovered, as so many of you know, that there's a big gap between knowledge and application. My first trip to CGIAR was more than 35 years ago when I went to Mexico. I was then on the board of the Rockefeller Foundation, and we had new varieties of corn that grew this high instead of this high [indicating]. And the question then was how do you convince the farmer to plant a seed that he's never seen before. And I remember going literally barefoot with some of my colleagues across the fields, and we discovered that just telling them was not good enough. You essentially had to bribe a couple of farmers to try it. And then they would teach their colleagues once they saw that this thing was really twice as high as the other.

And so the issue of application of knowledge and transfer of knowledge from that very simple experience that I had all those years ago, we've also now been seeking to deal in terms of engaging with us the users of
knowledge so that knowledge is not just in the books but that it's useful because of the possibility in its application. And there we, I think, have made really again very significant strides, whether it be the example of Botswana, which you gave before, or whether it be in terms of encouraging countries in terms of their adoption of research practices, in some cases of which we have been very successful and others not. I think only of the examples that have been mentioned: the issues in the Far East of 40 years ago, Korea and Ghana being at the same level, and Korea having gone up nine times and Ghana still being where it is. But we're now working with the Ghanaian authorities, belatedly, to try and see if we can encourage what they're doing.

So this reaching out became something that we needed to do, but we also needed to make ourselves accessible. And here we had, again, another advance because we decided if we've got all this knowledge, we better make it available and become an international institution. So we decided that we would link every one of our offices by satellite, that we would have, as we now have, more than 100 videoconference facilities in our offices. We're running 1,500 videoconferences a month. We're averaging 80 countries a day. Whether you come into our office in the Ivory Coast or in Botswana or in Brazil, you can today meet face to face not only with professionals but with other government people or civil society people around the world to discuss the issues that you're dealing with.

In the case of mayors in Mexico, we extended our teaching not just to rely on our own network, but to take the Monterrey Institute of Technology's network, which was quite extensive, and every Saturday morning, Madam Mayor, we link with a thousand mayors of towns and villages in seven countries in Latin America, working on such things as budgeting or sewerage collection or water. And this goes then through the week as we provide them the knowledge that we have through Monterrey, through the professors that work during the week, but then on a Web page and on a chat room that goes on during the week, the thing that we did not anticipate came into play, which is that mayors ask questions, which are then answered by other mayors. You build a community of mayors so that you have not us trying to convince somebody, but it's South-South cooperation, which is just infinitely better and infinitely more effective in terms of spreading this possibility.

We also had decided that we wouldn't just leave it to our own offices, but that we would establish a network of distance learning centers. I established a target of 100 distance learning centers. My colleagues at the time thought I was crazy. I said I want centers that have 30 seats, double screen, an adjacent room with 30 computers, and a place where people can meet. We now have 54 of these around the world, and we're running now a huge variety of classes, interchanges, on everything from exchanges of information on how to fight corruption to how to deal with the issues of the waters in the Nile. This is a daily occurrence.

And beyond that, we now have a virtual university in Africa, with 14 universities connected, running degree courses which are being run in various languages in all the--in Spanish, French, Portuguese, and English, but which are also now being delivered in some cases in Wolof, Hausa, and Swahili.
So we have an extraordinary development in terms of the utilization of the sort of Deutsche Telecom technology, but which for us is now becoming a tool in relation to our overall issue of how we can use knowledge as an asset that is as important, if not more important, than money. And the curious thing is that—and the remarkable thing for us is that in these last years, when we've been recognized for the work that we've done on knowledge, it has all been just essentially so logical. What is so remarkable about what we've done? Well, there's nothing really remarkable except that we hadn't done it. And now we've done it. And I must tell you that it is transforming our institution and the attitudes of the people in our institution to really care about knowledge and to learn from people, not just from ourselves but people from the outside, because the most cherished thing we have in our institution now is better knowhow.

And if you start to deal on that basis, it also changes the culture because it makes you more modest. Once you're exposed to the creativity and the knowledge that there is in the outside world, you can't be as arrogant as you were before you opened yourself to that sort of commentary and that sort of experience.

And so I don't want to claim victory for what we're doing. We're expanding all the time. We have 200,000 school children linked on computers, 30,000 teachers in 30 different countries. All the time we're looking for new ways in which we can move to it. But I do want you to know that this evolution is taking place in our institution. And while it doesn't sound perhaps dramatic, for us it is a huge orientation change and is really changing the nature of our organization.

And for those of you that know our organization and that have been loyal and have come to our meetings, we thought today would be a good opportunity to present to you this somewhat unseen development in what we're doing, to bring to your attention that it's not just high-tech, it's not just razzle-dazzle. It is a commitment to the fundamental issues that money is important but that knowledge and knowhow and partnership is even more important.

And, finally, let me say that this has led us further into a better understanding of culture, and let me close by saying and recognizing that Mr. Hoffmann and others that are here, the German Government, this government, have shown tremendous support for us in this endeavor to make knowledge a central activity.

It is an extraordinarily powerful tool, and it is one that we're seeking to build on. Germany in terms of its own technological developments and in terms of its own commitment to development is a remarkable partner for us to have. And I want to thank all of you for being good partners with us, and I especially want to thank our hosts of today, our German Government colleagues, for the support that we've got in this endeavor.

Thank you very much.