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ECONOMIC GOVERNANCE

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Global Knowledge Sharing and Local Development

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**Good Morning Chairman Zheng, Mr. Desai, Honorable
Ministers, Distinguished Guests, Ladies and Gentlemen,**

Thank you for graciously inviting me to join this august gathering. I am honored to be here with you today and to have the opportunity to say a few words.

Kindly permit me to tell you a simple story. I have a friend with two children. Five years ago, my friend bought his first child a computer and a computer game. It was a complicated game of strategy. After many weeks with help from his father, the child developed a strategy to defeat the computer. Five years passed, and my friend bought his second child a computer. This had 10 times the power, at half the cost. And my friend bought the child a new game of strategy for the computer, but this game is played on-line in real time with other people from around the world. The child learned to play this new game, not with his father's help, but from other players in the game. The child became so good at the game that he decided with the help of his on-line friends to build a website to share the best game strategies. He even suggested to the game designers ways to improve the game. In less than a month, the website built by this 11 year old had more than 20,000 visits from around the world.

What happened in the five years between the first child's experience of the computer as a simple game machine and the second child's experience with the computer as a knowledge sharing device? In those five years, the world became NETWORKED. Five years from now, most analysts predict that the majority of people connected to the Internet will be in regions other than North America and Europe. And most will not be English speakers. Among them will be more 11-year-old children, many right here in China. What will the networked world be like for them?

I would like to talk to you today about the relationship between the network economy and development, the relationship between the network economy and poverty reduction.

So why have I told you this story about children and computers? First, because I believe that the network economy is about the future for our children. And secondly, because I believe we are faced with some challenges that are not unlike those faced by our children.

What the world will be like 5 years from now depends on how another game is played. This game, however, is extremely serious. We will have little choice as to whether we want to play it. This game is being played in real time. And it, too, is driven by the networking of the world, especially of the world's economies. The name of this game is GLOBALIZATION – and for many of us the game is both frightening and filled with promise. Many of the rules have already been established, but no country will be able to play alone with their own strategies, like the first child in my story did. Instead, like the networked game played by the second child, all players will be playing in real time and their strategies will interact and determine the outcomes.

Three billion people – half the world's population – live on less than \$2 per day. Therefore, for developing countries to be successful in playing the globalization game, **there is no time to lose.** The good news is that there are genuine opportunities to learn from the mistakes of the players who got into the game early. As the world has recently discovered — the Internet, itself, is not a strategy. The Internet reshapes the rules and speeds up the game dramatically — creating new challenges and opportunities for winning. **Who are we all trying to beat in this game? Not each other — but rather, the forces that drive poverty.**

To this end, everyone in the game — including developing countries — will have to create successful economic and social development strategies that will work in a heavily networked world. Knowledge empowers every player in the game.

Put another way, if one is not in the knowledge business today, one will not be in business tomorrow! And so, creating knowledge affluent societies – or networks – is the need for every economic need.

Networks are essentially a set of connections where control is distributed to many points in the system that it supports. Economic networks in developing countries need to have enough of the connections and intersections within their own borders to ensure local benefits as well as global integration. Maintaining this balancing act will prove to be central to a winning strategy.

Let us consider the challenges that confront us as we work through this winning strategy. How do we ensure that all people, especially the poor, have access to the global network, have some control of the network, and can gain local benefits from being a part of the network?

Whilst I do not have the answers to these question, I have a thought to share with you today – that while we may talk about globalization and global development, **all development is ultimately local**. And local development is going to reap tremendous benefits from the global exchange of knowledge and learning.

Knowledge sharing itself is not new, in concept or practice. What is different today is the speed, the scope, and the immediacy of knowledge sharing. What is different today is that globalization is being underpinned by breathtaking changes in information technology. While these technological changes have empowered people, liberated lives, created stock market miracles and debacles, they have only touched a fraction of the world's poor. The stark reality is that nearly 2.5 billion people have never made a phone call; and Manhattan alone has more phones than all of sub-Saharan Africa. How can we help developing countries to share fully in the technological revolution?

On the part of the World Bank, we are taking a very active role in providing advice and in lending for education and capacity building – on the order of \$700 million for new commitments this year. Three-quarters of these projects include a technology component. And we will provide support for the use of technology to reform education systems.

Let me also share with you, in the limited time available, some of the other things that we at the World Bank, together with our partners, are doing to facilitate global knowledge sharing and empower local development.

One way of bringing the development community together and facilitating collaboration and resolving development problems in real time, is through a global development portal. This is the intent of the **Development Gateway**. It is sponsored by the World Bank and its partners as part of a Foundation. It is intended as the first port of call for development knowledge. It will provide for knowledge on cross-cutting development themes. Country Gateways will help communities to contribute and benefit from knowledge collections on a wide range of issues.

There are also lots of other exciting things that people are doing – some that the Bank is associated with, and some not, and we are all learning! I want to share with you a couple of concrete examples:

- First example: Recently, a mayor in Mexico struggled with the issue of how to allocate scarce public resources. As part of a Global Distance Learning Program, he posed his problem to a live panel of specialists via the video network and also received comments through an electronic chat room, and the Program's web page. Based on these learnings, the mayor developed a participatory budget process where citizens were openly engaged in making hard choices.

- Second example: 15-year-old Thapelo Chuene in South Africa hopes to be a computer “guru” some day. But the challenging surroundings in Soweto, South Africa prevent many like him from achieving the goals to which he aspires. Since 1997, the Soweto Digital Village has offered training in and access to information technology to Soweto residents disadvantaged by decades of apartheid inequality. Thapelo and others are now connected globally.

Organizations such as the World Bank and other multilaterals increasingly see our role as a catalyst, as a facilitator, broker, and connector – positioned at a major intersection in the network economy – connecting global learning opportunities together with investment assistance for local development.

Mr. Chairman, Ladies and Gentlemen, it is quite fitting that this Symposium is taking place here in China, the fastest growing developing country in the world. For thousands of years China has been making significant contributions to the world’s knowledge and civilization. Chinese inventions, knowledge, and culture were all shared with the world via the legendary “**silk road**” – known as the route to access wealth and prosperity. I challenge us here today to think about enhancing the new “**digital silk road**” for China and all countries.

The successful “digital silk road” — with all its interconnections and intersections — requires serious effort on the part of all of us: How do we ensure that all people, especially the poor, have access to the global network, have some control of the network, and can gain local benefits from being a part of the network?

At a key intersection of this network, we find that Chinese leadership has recognized that Information Technology is essential for economic development. This was stressed in Premier Zhu Rongji's recent speech. The manner and the extent to which China will leverage the power of the Internet and other technological tools will surely become an important lesson to all of us. Indeed, the world will watch as to how this very vibrant economy will grow to even greater strength to benefit its poor and to alleviate poverty through the use of technology.

Mr. Chairman, recall the story of my friend's two children learning to play the computer games. They are already a part of the networked world, and are thriving. Millions – nay billions – of children may want to be part of that game. Whether they will be in or out, whether they will prosper or not, will depend on whether our fingerprints will be among that group of the world community who actually made it happen!

Thank you for the opportunity, and thank you for your gracious hospitality.