

# Foreword

*World Development Report 1991*, the fourteenth in this annual series, synthesizes and interprets the lessons of more than forty years of development experience. This Report, together with last year's on poverty and next year's on the environment, seeks to provide a comprehensive overview of the development agenda.

The 1990s began with dramatic changes. Many countries in Eastern Europe and elsewhere initiated ambitious reforms of their economic and political systems. These reforms reflect both the accumulated evidence on economic policies and fundamental changes in the political environment. Not only in Eastern Europe, but also in Africa, Asia, Latin America, and the Middle East, people are seeking escape from poverty and oppression to gain control over their own destinies and find better lives for themselves and their families. Against the backdrop of these transitions, this year's Report links the historical debates that counseled policymakers in their past decisions, the lessons of experience, and the evolving thought on how best to proceed.

One of the most valuable lessons relates to the interaction between the state and the market in fostering development. Experience shows that success in promoting economic growth and poverty reduction is most likely when governments complement markets; dramatic failures result when they conflict. The Report describes a market-friendly approach in which governments allow markets to function well, and in which governments concentrate their interventions on areas in which markets prove inadequate.

The Report looks at four main aspects of the relationship between governments and markets. First, investing in people requires an efficient public role. Markets alone generally do not ensure that people, especially the poorest, receive adequate education, health care, nutrition, and access to family planning. Second, essential for enterprises to flourish is an enabling climate—one that includes competition, adequate infrastructure, and

institutions. Competition fosters innovation, the diffusion of technology, and the efficient use of resources. Third, successful economic development requires the integration of countries with the global economy. Openness to international flows of goods, services, capital, labor, technology, and ideas spurs economic growth. Fourth, a stable macroeconomic foundation is essential to sustained progress. Restoring the confidence of the private sector is now a major challenge for several countries with a long history of macroeconomic instability.

What are the prospects for rapid development in the years ahead? The Report notes that a favorable international climate is critical for future development. The effects of the policies of industrial countries on development grow, as more developing countries turn outward and the world becomes more and more interdependent. But the Report stresses that, above all, the future of developing countries is in their own hands. Domestic policies and institutions hold the key to successful development. With strong and sustained reforms at home, the Report concludes, the pace of development can be substantially increased—to lift millions of people out of poverty by the end of the decade.

Like its predecessors, *World Development Report 1991* includes the World Development Indicators, which offer selected social and economic statistics on 124 countries. The Report is a study by the staff of the World Bank, and the judgments made herein do not necessarily reflect the views of the Board of Directors or the governments they represent.



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