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Defining New Cooperation in the Humanitarian Agenda

Speech by

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On November 1 and 2, CSIS co-hosted a conference with the Business Humanitarian Forum Association on Defining New Cooperation in the Humanitarian Agenda. James Wolfenson, President of the World Bank Group offered the keynote presentation.

"I am very happy that Sadako Ogata is here. She is my heroine in the whole UN system. She is a remarkable woman, and if she has spoken to you, as I know she has, there is probably very little for me to say because what there is to know about conflict and post-conflict, Sadako Ogata knows and acts on. I think we are all very fortunate to have her in the UN system.

Let me say that nothing is more important to us, at the World Bank - or more complicated to us - than the issue of dealing with post-conflict situations. I just got the New York Times for this morning, and to give you an idea of the sort of challenge, let me read to you what is happening in East Timor at this very moment in a 40-man committee led by Klaus Rohland, one of our colleagues.

The article says: "East Timor - Even before the recent violence that destroyed most of East Timor's buildings, the creation of a newly independent society and economy here presented a harsh case for development.

"Apart from roads, ports, airfields and power plants, East Timor has almost none of the basic elements of a functioning nation: no budget or banking system, no judiciary or law enforcement, no civil service, no government institutions.

"Its educational, health care, trade and agriculture systems are in a shambles. Most of its people are subsistence farmers; most are illiterate."

That's not a bad starting point for a problem, but it is not unique. And Klaus Rohland is now out there with a team of 40 people from 30 institutions with the purpose of really trying to see how you can deal with a post-conflict situation where there is practically nothing.

We had already started on this issue three months ago when we brought to Washington a number of Timorese to try and give them the most simple and basic elements of administration. And we said, of course, that when the conflict was over, it could not just be left at that. We did not know how it would emerge, but what was particularly significant and important to us was to make sure that the first element in post-conflict established. And that was trying to develop an infrastructure

of people in the local community who could take hold and who could seek to develop a framework in which a society could function.

In the case of the East Timorese, it had all been done by Indonesians, the interdependence was totally with Indonesia.

Then take Kosovo, where we are working. As we approached that situation, we also confronted a situation where everything had been done from Belgrade. Kosovo had been starved of money. They had been starved of investment. And as one visits the country - or rather as one visits the region, not yet a country - you become peculiarly aware that the antecedents to this conflict and to the tragedies that occurred there were, in fact, the result of interdependence with an unwelcome partner. And yet there is total dependence on that partner, total dependence on trade, total dependence on Belgrade as an administrative function. There are few systems of government in Kosovo, few people. So, much as we would all like to think of an independent Kosovo, you in fact come into a situation where the reconstruction is already constrained by history because of the relationship with the former Yugoslavia and with the Serbs.

So the first thing you have to do in these situations is strive to get a grip on a total picture: a total picture of the political framework, a total picture of the structural framework, and of the economic framework.

And I say a total picture because all these elements touch the very critical issues of aid or of getting subsistence food to people or meeting the essential needs of protection and habitation. These are the sort of things which Mrs. Ogata addresses with such vigor. But they are certainly also not sufficient for dealing with the question of post-conflict reconstruction.

And so as you address these humanitarian needs, the thing you have to do simultaneously is to try and put the society in a framework where you have some continuity going forward, where you have some systemic reform that allows you to start right at the beginning with the issues of comprehensive development.

I should tell you that the Bank, although we started, I remind you, 54 years ago as a reconstruction agency after World War II, we lost our way. We came in as the IBRD, International Bank for Reconstruction and Development, formed because of the problems created by that war. But as countries emerged into an industrial context and as they went forward with their own structures, as the Western world as we know it developed, the need for the Bank to think in terms of post-conflict became more distant. And so the institution became an institution which dealt with issues of development. It dealt with the 4.8 billion on our 6-billion-people planet, to use current numbers, that live in developing countries. And we focused on the issue of poverty, the issue of the 3 billion of those people who live under \$2 a day, and the 1.3 billion that live under \$1 a day.

And so we took our focus away from reconstruction to focus on the issues of poverty. But we soon learned that poverty and inequity is, in fact, the cause of conflict. It is - I see someone nodding - one of the causes of conflict. Let me be clear in an academic environment. If this were the Rotary Club, I might get away with it, but I guess it isn't so I'll take my Rotary Club speech and tear it up.

But let me say that one of the principal causes of conflict is poverty and inequity. I think I could say that with some certainty. And for us, dealing now in 39 cases of countries affected by conflict, we are finding that our issues are coalescing once again and in more and more countries into the issue not just of poverty but into the issue of post-conflict.

Post-conflict is not something which changes the nature of the challenge on poverty and

development. It surely exacerbates the problems, as we have seen in East Timor. We take a similar approach in post-conflict situations to the approach we take to general situations of development and even transition. So to keep our minds clear, we have developed a methodology which is fundamentally geared to looking at a comprehensive framework. Of course it has different manifestations in the case of post-conflict, as illustrated by the description I just gave on East Timor. But it is coherent with the way in which we go about development in general.

Let me give you some examples.

When you look at development in general, it is very difficult to conceive of just pouring money into projects and thinking that if you pour money into projects you will have effective development. We have learned this the hard way in very different places, from Russia to countries in Africa.

The first thing that you have to think about is how is it that you can have a continuing structure. How is it that you can first have an element of government? Can you train people that can carry forward the essence of government? Because without a trained or growing force of people who understand the essential elements of government, in any post-conflict situation you cannot have continuous movement forward.

The second thing that you have to look at is the establishment of a system that protects rights, that gives you a framework in which you can operate. And there you think in terms of a legal and justice system. In much of the work that we have been doing, the assurance of rights to property, the protection of rights of individuals, the establishment of a sense of order in which a society can function, is a prerequisite to any form of development in the post-conflict situation.

And so it was when I was in Bosnia that one of the first things that I saw to - and Sadako will remember - is the reconstruction of the Supreme Court. You might think that is a luxury in a country like that. It is not a luxury. It is a necessity to establish the framework in which you are operating.

It makes it sound simple to jump very quickly through this but you need a legal system and justice system and that in itself is a highly complex issue because to have a justice system work, you have to have the laws. The judges have to know what the laws are. You have to have lawyers who know what the laws are. You have to have books. You have to have a framework in which it is operating. You have to build on what you had in the past, but very often people do not want to have exactly the system they had in the past, and they want to move to a new system. Tough enough at a time of no conflict. Extraordinarily difficult at a time when you have ethnic confrontations and human confrontations still existent. But the fact is, you need a basic system, and you need a basic form of order-keeping.

One of the issues facing us now in Kosovo is the issue of police. How do you administer justice? Do the police become an instrument of oppression, or do they become a protector of the rights of people? And what we have learned in a 60,000-person study that we have just done of poor people in 60 countries is that they regard police, almost to a person, as an instrument of oppression rather than a protector of rights. So managing that in an environment where rights have been violated, typically, as you move into conflict situations, is very difficult.

If you jump to Gaza/West Bank, remember the problems we had on the establishment of the local police? What is the local police in Gaza/West Bank? It used to be the Israeli soldiers. It is now an arm of the Palestinian Authority or the future Palestinian Government. Highly controversial in the local community. Obviously necessary in terms of keeping order, but is it an instrument of political oppression, as seen by some of the Palestinians? And it very much depends on who you

talk to as to which side you come down on.

The same with the establishment of the court. It has taken us several years to convince President Arafat about the appointment of a new chief justice, which he has now done. We have been talking for probably three years about the creation of a legal system in that country. And we have had the Australians go over there and draw up a strategic development plan for the rule of law. But to get it adopted affects the people who are already in power and the influence arrangements which there are in a post-conflict situation.

I only come back on that as an aside to tell you that when I say establish a legal and a justice system, it is easier said than done. But it is surely an essential element.

Then you have to have a financial system. You must have something which at least gives some transparency and order to the establishment of the society in terms of its finances. And, again, in the case of Bosnia - and Sadako will remember the problems we had in trying to get a functioning system for payment and how, for the banks themselves, although it was agreed that you needed to do it, it became a cause celebre in the Bosnian situation in terms of how you put together a central banking arrangement. It raised again all the issues of who is going to be in control.

On the other hand, how do you run a society without a functioning system of payment and a methodology by which you can have some form of banking system?

So we are focusing on that. And if you start with banking, then you need to be thinking about issues of control of corporations, registration of companies, the transparency with which corporations operate. This is necessarily a framework which applies in ordinary countries, but surely applies in spades in a post-conflict situation as you try and get the framework established.

And then you have the issue of corruption. The corruption issue is not distant from any country. But in a post-conflict situation, you have the power vested in the hands of a few people, typically. Some of them are impeccable. Many of them are remarkable. But around these central units, our experience has been that you have to be very, very careful. And you have to be careful with funds for aid and assistance, but you also have to be very careful in terms of the general flow of funds.

There we get to the question of fiscal policy. We have a problem in raising money, which I will get to in a minute, which is exacerbated because many of the Finance Ministers say it is not our job to put money in for ongoing costs. This is a cry that Mrs. Ogata and I have run into constantly. Whether it be in Kosovo in terms of the United Nations management, which is running perhaps \$40 or \$50 million shy in terms of paying for the people that are working there between now and the end of the year, and with a budget in the order of \$150 million for next year, when you go out to try and raise the money, the governments tell you it is not their job to pay working capital. Our job is not to pay continuing resources, they say. Let them get that from tax collection, because that's the way it works in France or Germany or the United States or any respectable country. But go into a post-conflict situation and talk about tax collection ... the idea is nonsensical if you have been on the ground. You can do something in terms of sales taxes. You can do something in terms of visible taxes on transfers. But think about going to collect money. Think about going to collect money in Russia. Think about it in a post-conflict situation. They will shoot you as soon as look at you.

My friend Michel Camdessus and I have actually been to tax authorities where they train people with machine guns - I am not joking - because the tax collection has to be done by force. Well, in a post-conflict situation, that is a little difficult because everybody has got a gun.

So I am not making light - I am surely not making light. I am not trying to dramatize the situation

to you. What is crucial for us is to convince the donors and those that put up the money that it is different, that you cannot apply the same situations in post-conflict that you can in terms of normal, orderly development where things are going all right.

I just want to stop there without getting into the issues of education and health and roads and communications and all the other things which go to make up societal development. But at the front end, this issue of structure and the issue of getting adequate people, the issue of getting training, the issue of getting funding poses us with our most serious problem.

And let me jump back a bit on that. If you take the Bank, which I remind you was a bank for reconstruction and development, our forefathers decided that you could only lend when a country was in shape, when it was up to date, and when you could have appropriate lending programs which would pass the screens that we have on the way to the Board: up to date with us, up to date with everybody else, cross-default provisions. And so Sadako Ogata comes to me and says, You're doing \$30 billion of business a year, why can't you spare us \$20 million for this country? Why not write a check?

Well, the answer is that if the countries are in order, we can give you a billion. But if they are not in order, for us to find \$10 or \$20 million is damn difficult. And why is it difficult? Because our shareholders, who are full of excitement and enthusiasm at the time of conflict, as they were in Kosovo, as they were in Bosnia, as they are in East Timor, as they have been, much less, in the Great Lakes district and in Burundi and in Sierra Leone, but nevertheless it as a newspaper story like this, people come out and say we will give support.

Well, while it is on the front page, you have got a chance of getting promises. But the problem then is to collect. And then you go on to a situation where there is a gap between the statements made by the ministers - and I think all in good faith - and the way the system functions. And so we have this gap - the gap between the humanitarian assistance and the reconstruction.

If everything is in place, the Bank can come in with terrific programs for reconstruction. Hopefully, during the period of human crisis there are funds available for humanitarian needs. But that period between the humanitarian and the commencement of the reconstruction, this gap period that we discussed at a recent meeting at the Brookings Institute, poses for us an extraordinarily difficult problem.

And so it is in that gap period that what we are looking for is ways in which we can get trust funds to come in to try and bridge the gap, and sometimes we are successful and sometimes we are not. It is more easy to raise trust funding for European-based problems than it is for African-based problems. But even in the case of Europe, it is not fully successful. And even in something as dramatic as Kosovo, which was on the front page of all the Press and where tens of millions of dollars were squandered every day in bombing, try and get half a day's costs to carry you through the end of the year, and Kofi Annan will tell you that he has not got it. I am correct, I think, Sadako, on this. Forty to fifty million dollars is still needed to allow the administrator to pay for the ongoing costs of government as we try and make the transition in Kosovo.

This is a huge problem for us, and it is a problem that we are facing really around the world in the post-conflict areas. It is not, however, an insuperable problem. The numbers are not that great. But at the margin, if you do not get it, and if there is a gap in the system, which is where the problem is, the numbers become enormous.

Take our institution. We earn \$1.2 billion, roughly, a year. But my shareholders say put \$300 million of that into IDA, put \$200 to \$500 million into debt relief, and try and put another \$500 to \$700 million into general reserves to allow for growth. And, by the way, they say, help us with the

following things from Gaza/West Bank, to this, to this, to this.

I am at this moment looking at next year with a margin of \$37 million in terms of funds that I can dispose of - \$37 million.

Now, here I am, an organization with a balance sheet of \$155 billion, with an IDA balance sheet of \$105 billion, making \$260 billion. Adding IFC and MIGA, you can bring it up to \$280 billion. And I am looking at an amount of \$37 million to carry me through between now and next June in terms of discretionary funds. It is preposterous.

On the other hand, the wheels of government are such that in order to get money out of governments, it takes a major effort and the same cycle to get money frequently for these transitional funds as it does to get money for IDA or for other longer-term activities. This is a massive problem for us in terms of the funding, quite apart from the organization, the funding of the period between conflict and reconstruction. And, frankly, there we need your help.

Now, I know that there are people here from business. Let me say that I am putting this to you not as a deterrent in terms of investment and movement forward. I am giving you the facts. The facts are that there is a lot of business to be done in these countries. I am from the business sector, and I see the opportunities not as a matter of charity but as a matter of good business.

In these countries, you can come in very early to establish a framework of business. And you can get some guarantees from us and from governments in terms of some aspects of the basic rights that you need.

We are looking at trying to assist companies in terms of moving in. We are prepared to go in with you as IFC, which is our investment arm at the Bank, so that you have some ability to go in with some cover. And in terms of general business, in terms of trading, those that have valor and have a sense of looking beyond the immediate conflict I think have a real opportunity in terms of building a base for development.

I do not come to the business community as a matter of charity. I happen to think it is good business to have a stable world, but that is a much longer argument to make to you. I think it is a matter of us joining with the business community in terms of looking at these situations, and I have run into wonderful young people for companies in these countries who are going in excited because they have a chance of doing something which links business with humanitarian and social objectives.

It is a wonderful thing to send a young executive to try and get something set up in these countries. It does not all have to be handed on a plate. And when you go there and you see the issues of human despair and the issues of hope, and you come upon peoples who have fought to get themselves independent and to get the opportunity for a better life, you have an extraordinary group of people who are really anxious to work with you to try and develop the fabric of that society.

It is not like investing in Alabama or California. It is surely very different. But it is still something that is worthwhile doing. And the establishment of business enterprises in these countries, starting in our case with small- and medium-size enterprise, whether it be for the widows in Bosnia or whether it be for returning servicemen in Burundi or in Uganda or in Sierra Leone, there is the possibility for taking the next step and bringing the international knowledge and skills that many of you have in many areas, surely in the area of natural resources. The ability to deal with issues of natural resources and mining in many of these countries is extraordinarily important.

In the case of Gaza at the moment, there is the prospect of oil. In Kosovo, there is the

reconstruction and the involvement of the mining concern, which is absolutely at the center of Mitrovica where the complex is there - massive investments that were previously made in the former Yugoslavia, lying there now ready to be the area in which there can be a re-creation of employment and activity.

It is not a hopeless case. It, in fact, is for many people the most exciting case that you can have. You can make money, and you can do good at the same time. And that is not a bad thing.

And we at the Bank are ready to be your partners. We want to be your partners really in every sense: in terms of the structure, in terms of information, in terms of dealing with government, in terms of getting your help to find out what it is that you need to do business effectively, because everything is flexible in these environments. We want to get the structure straight, but we have had numerous examples now of companies coming in and getting the best shot right at the beginning and where we can help.

And so I would only urge you in some of these situations, find some of your younger people, fantastic opportunity for them to develop. Give them a chance. Give them a few dollars. Give them the backing. Those people will become presidents of your companies someday because, if you can do it in those conditions, you can do it anywhere. It is not something to turn your back on. It is a business opportunity, but it is also a moral and a social responsibility. And you have a great partner in the Bank. You have a greater partner in Sadako Ogata. You have a great partner in the UN system. And you typically have a great partner in the people that have fought for their freedom because they do, more than anything else, want to develop the country.

So it is different from normal investing, but it is not something that you should turn your back on, because there is an excitement in this reconstruction. You can really feel that, apart from making money, you can help in nation building and in doing that help the future not only of those people but of your children.