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TOWN HALL MEETING  
WITH  
CIVIL SOCIETY ORGANIZATIONS

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## **P R O C E E D I N G S**

**MS. RAO:** Good afternoon, everyone, and welcome. Mr. Wolfowitz, I understand congratulations are in order from your recent marriage this afternoon.

**MR. WOLFOWITZ:** Thank you.

**MS. RAO:** And we hope that despite the recent marriage that you will be open to a liaison with Civil Society Organizations.

**MR. WOLFOWITZ:** I didn't attend.

**MS. RAO:** You didn't.

**MR. WOLFOWITZ:** It was an in absentia wedding.

**MS. RAO:** Welcome everyone. My name is Aruna Rao. I'm the founder/director of Gender at Work and the board chair of CIVICUS, World Alliance for Citizen Participation. CIVICUS chaired the Joint Facilitation Committee with the Bank and Civil Society Organizations and currently leads the Secretariat for the Global Call for Action Against Poverty. But enough about me. We have three very distinguished speakers here. The first, Mr. Paul Wolfowitz, the President of the World Bank; Mr. Trevor Manuel, who is the Minister of Finance from South Africa and the head of the Development Committee of the Bank; and Mr. Rodrigo de Rato, the Managing Director of the IMF. Those of you who were here last year will remember that Gordon Brown was here. He sends his apologies. He's not able to be here. Those of you who were here last year will also remember that Mr. de Rato was newly appointed when we had that meeting. This time around it is Mr. Wolfowitz. And we all know, so we might as well say it, but it was a controversial appointment. So I imagine there are some people in the room who might have voted for Bono if they had a chance. But I imagine there are lots of people in this room who are very anxious and will watch carefully to hear what you have to say, Mr. Wolfowitz, and what the Bank, under your leadership, how they will engage with Civil Society Organizations. So this is a very important forum. It is meant to be a conversation and a dialogue. And for that to happen, I have two requests to make. The request to you, Civil Society leaders around the room, is to please be brief, to be to the point, so that everyone in the room, all of you, especially those who have come from a long distance, have a chance to speak. And to the speakers, also to be brief, to answer the questions in the best way you feel you can and should. And please stay within the limited time, in the two minutes limited time allotted for your opening remarks. A couple of house-keeping rules. There is translation in French and Spanish. And so any of you who would like to speak in French or Spanish, please feel free to do so. There are journalists present in the room, who are the back. They will not be allowed to ask questions. The session will run for about an hour. We were scheduled to end at 6:30, but we will take stock at that time. I know that Mr. de Rato has to leave at 6:30. There will be a reception following this session, which will be held outside until 7:00 p.m. I have also been told that we are web streaming live. So if any of you have a great desire to break out in song so that the whole world hears it, this is your chance. Let's get this show on the road. Let me turn first to our three principal speakers for their opening remarks. If I could invite you, Mr. Wolfowitz.

**MR. WOLFOWITZ:** Thank you. Let me try to be very brief, but there are four points I'd like to make about why I think Civil Society Organizations are so important. Let me say at the outset, I really applaud so many things that Jim Wolfensohn did. And one of the very important things I think he did was to really open the dialogue with--can you educate me? Do you prefer NGOs or Civil Society Organizations? They are both important. And I hope to be able to continue that and, if anything, strengthen it. I think there are four reasons why it's so important to us at the World Bank. I think I'd actually start with the fact that I think Civil Society Organizations are a major engine of growth. If you want to call it the nonprofit private sector, but they do things that governments either can't do or don't do very well. I don't think it's an accident that countries that have developed successfully, including my own, I think have almost always had vibrant civil societies that have made big contributions. I had a wonderful opportunity of really seeing this up close in South Asia, in a recent visit to Pakistan, India, and Bangladesh. Of course, Pakistan is world famous for its organizations like Grameen Bank and BRAC. But one of the most stunning things to me was a program in the state of Andra Pradesh in India where through creative use of government support they had assisted the creation of self-help groups, as they called them, among marginalized citizens of that large state, all of them women--that is an interesting issue, too. All of them women, many of them from what they euphemistically call the scheduled castes, six to eight million people benefiting from it. It was extraordinary. Secondly, and I suppose in a way this Andra Pradesh example illustrates it, I think Civil Society Organizations in developing countries are an important way of giving voice to the people, giving people a chance to hold their governments accountable or their societies accountable. In the case of Andra Pradesh actually, these women's organizations of largely Untouchables had actually held the Hindu temples accountable for the exclusion of Untouchables from Hindu ceremonies and for this barbaric practice called the jogin system. They actually organized themselves to make a difference. I think a third thing is, and I put this in the category of criticism, accountability of institutions like my own, I think Civil Society Organizations, certainly in developed countries but I hope increasingly in developing countries as well, are people who can tell us sometimes better than we will know otherwise what the effects of our programs are and where we're making mistakes. I think it's absolutely critical. Development is not a science, I think unfortunately. It might be nice if it were. But it's a process that requires a fair amount of trial and error. You need to know what your errors are and it's hard to know them unless people who have real knowledge on the ground can communicate that to you. Civil Society Organizations aren't the only means of doing that. There are other institutions, and governments can do it as well. But it's a critically important thing. And then finally, there's an advocacy role where I think you support us, at least in our effort to get governments to live up to their commitments and promises. And we've had a lot of very important promises the last few months. The promises are wonderful but the delivery is essential. We will do our best from here to advocate, but I think Civil Society Organizations can do an enormous amount to stimulate that. I know we're not going to agree all the time. In fact, I think a lot of important development issues inevitably require making some difficult choices, balancing between different needs. But I think, I certainly hope, that we have a single common interest. We're not here to pursue our special interests. We're not here to pursue group interests. We're not here to pursue national interests except insofar as our groups or our countries have a common interest--and I think we do--in creating opportunities for the poor people of the world to build a better future for themselves and for their children. We're all better off when that happens and I think we need to be able to put aside differences and special interests, even if they're important ones, in order to achieve that goal.

**MS. RAO:** Thank you very much. As a woman from Andhra Pradesh, I am happy to hear what you had to say.

**MR. WOLFOWITZ:** It was amazing. I'll tell you about it later. It was amazing.

**MS. RAO:** Mr. Manuel, could I ask you to take the floor?

**MR. MANUEL:** Thank you very much. Let me jog the memories of everybody here. 2005 was the year we were going to make poverty history. Do you remember? Well, we've only got 101 days left from now until the 31st of December. I think we have a crisis. And the key challenge before us is whether we would see this, in retrospect, as a year of wasted opportunity. I think the key questions are what opportunities we missed. I think it was the 12th of June, we visited with the G-7 at the Finance Ministers Meeting in London. We met a number of British and primarily London-based NGOs. There was a sense of shock. Gordon Brown and I met groups together. But it was a sense of shock because now it appeared as those these terrible finance ministers from the G-7, supported by India, Brazil, China and South Africa, had stolen all of the lines of the NGOs. That was actually not so long ago. Then 11 weeks ago, in centers across the world, there were Live Aid concerts, 10 weeks ago the Gleneagles Summit. And now we sit at a point of profound insecurity because we don't actually know whether we would have taken those big steps forward. Whether you have helped us take those big steps forward. Whether you have let us get away with doing too little. And I think that, for us, is indeed the challenge. These meetings are profoundly important because they happen so soon after the U.N. Summit which, in many respects, failed to live up to the expectations of us in the developing world. And they happened before the Hong Kong Ministerial. What we can't do is to just pass the ball and hope the trade ministers will deliver a development round when all of the other elements are not yet in place. So the key challenge is before us now, how to capture and retain the important decisions that were taken at Gleneagles, clearly make the commitment to sort out the details going forward to try and ensure that we can spread the benefits, ensure that more countries will be able to attain the MGDs, ensure that all of us inside of government and outside of government will be in a position to disaggregate the numbers because China and India make the rest of us look good. But we need to remain committed together because the challenge of making poverty history is one that I don't think we should allow to slip from our hands. I have questions, as well. Can we work together towards the big push? Thanks.

**MS. RAO:** Thank you. Mr. de Rato.

**MR. DE RATO:** Thank you very much. It is a pleasure to be back here after the meeting we had last year. I would like just to emphasize what we've been doing in the IMF in the last 12 months regarding two issues that I know that interest many of you. One is our policies regarding low-income countries, who have taken a lot of efforts of the staff and the board of the IMF in these last months. The other is the voice and the quota of emerging economies in our institution. Regarding the first issue, this has been a very intensive year in working in our low-income country policies. We have refined our Poverty Reduction Strategy, making clear that our procedures and our targets were really home-grown by governments. And also making sure that we were able to measure the results. We are committed to incorporate into our analyses the general view from the capacity of the fund to measure the capacity of those

programs to achieve the Millennium Development Goals. And in other areas, we have worked on the idea of creating a shock facility to help the low-income countries cope with unforeseen situations like increasing commodity prices--probably now the most important one--oil, but also natural disasters. And we will be asking donors to help us produce half that facility in the very near term. And the last of our work has been to introduce a new type of program, a non-financial program for middle economies, especially for low-income countries that we find more and more often are not interested in non-need financial support in the actual circumstances--that might change in the future, but in the actual circumstances--but at the same time do need close collaboration by us in both designing and anchoring the macroeconomic programs. And also, a relationship with us that will serve as a signal to the donors and to the investors community. That is the Policy Support Instrument, the PSI. And that has also been finalized. So this has been quite a substantial amount of work this year, regarding our policies in low-income countries. The other issue I wanted to mention is in the Strategic Review I, as Managing Director, have put forward to the member countries and to the board, there are many areas in which we analyzed. I would be very happy to send it to the people represented here. But one that I think can be of interest to you is the recognition that the Fund needs to increase the voice of middle sized economies that have changed in recent times in terms of its weight in the world economy, and to increase the representation of those economies in the decision making of the fund. And also to make the same effort with African countries that might not have increased their weight in terms of the world economy but are certainly an area in which we devote a lot of resources and a lot of our decisions have to do with their well-being. So I think those are two issues. The second one, I believe, an effort to make the institution more responsive to the true nature of the actual world. And the other is, I think, the bigger for making the institution more effective and more well-equipped regarding low-income countries. And on this second issue, of course, working with the World Bank is essential and we are both, Paul and myself, committed to increase the quality and the scope of our mutual collaboration. Thank you very much.

**MS. RAO:** Thank you. We have three very different and big challenges that have been put on the table. Mr. Wolfowitz has talked of various ways in which Civil Society Organizations add value, advocate for, hold institutions accountable and the need for that in an institution like the Bank and others. Mr. Trevor Manuel raised a very fundamental question that all of us are thinking about and facing, which is okay, now we've made a lot of promises and where do we go from here? How do those promises that have at least been made, how do they get implemented? And Mr. de Rato has talked about institutional change within the IMF to address some priority issues, as well as voice and accountability for countries within that institution. So we do have a number of big issues that have been put on the table. I am now going to open the floor to questions and comments. I'm going to take about three or four questions at a time. The last time we did this, I was hoping that we could group questions by topic, failed miserably, so I'm not going to try it again this time. I'm just going to try to make sure that everybody who wants to speak has a chance. Okay, so when you speak, please use a microphone, say your name, say which organization you come from. And remember, please be brief. Thank you. Yes?

**QUESTION:** My name is Vanel Beuns, and I am the CEO of CORCAH [Committee of Relief and Cooperation for the Advancement of Haiti]. My question is how can my CSO work effectively with the World Bank to meet challenges in Haiti? And the second question is how can I be part of the World Bank in search for solutions in Haiti? Thank you.

**MS. RAO:** Thank you. Yes.

**QUESTION:** My name is Martin Kirk. I'm from Save the Children in the U.K. One comment and one question. My comment is really to second an awful lot of what Mr. Manual said. From the point of view of the Make Poverty History campaign in the U.K., certainly things have not progressed anything like the degree that was needed to meet the great challenge that we all set ourselves at the beginning of the year. And much as many people might like to think that we are, the NGOs don't like being the voice of doom in this process. But we do have a responsibility to call it as we see it. But we haven't given up hope yet, and we certainly haven't given up trying. The question is to Mr. Wolfowitz. This year has seen an international consensus has evolved around the idea of the elimination of user fees for primary health care. The Commission for Africa, G8, the parts of the U.N. has all endorsed the principle. The Bank is now somewhat isolated on this as an issue. I'd like to hear what you have to say, when this is something that you will be taking up as part of the Bank, and if this is a principle that you, yourself, endorse?

**MS. RAO:** Thank you. Yes.

**QUESTION:** I'm Trisha Rogers from the Jubilee Debt Campaign. Eighteen of the world's poorest and most heavily indebted countries have danced to the tunes of the World Bank and IMF and passed all of their tests for several years, often at great hardship to their poorest people. These people have believed since June that, at last, their freedom from 100 percent of their burden of World Bank and IMF debt would be fully confirmed this weekend. The Bank and Fund have had three months to work out the details. We now hear rumors that this agreement could be postponed and their misery prolonged even further. Is this true? Thank you.

**MS. RAO:** Yes.

**QUESTION:** [*Interpreted from French*] Thank you. I'd like to ask a question of Mr. Wolfowitz. Last year in 2004, we had the opportunity to participate in a videoconference with Mr. Wolfensohn, former President of the World Bank. My name is Adrian Sentafasi. I represent a network of indigenous pygmy associations in the Democratic Republic of Congo, and as I was saying last year we had a videoconference with Mr. Wolfensohn, and he reacted to our concern about not taking into account the rights of pygmies who are indigenous people of the forests in the Democratic Republic of Congo. The fact that their rights have not been taken into account, when undertaking a reform of the forest sector in the People's Republic of Congo, especially when financial support is received from the World Bank. Mr. Wolfensohn said he was affected by that question. He was quite touched by it, and he would get personally involved for the future, but it's been a year, and things still are the same as last year. So can we expect that Mr. Wolfowitz will reiterate and actually carry out the promise made by Mr. Wolfensohn towards the pygmies? Thank you.

**MR. WOLFOWITZ:** I think the first question is about how to engage with the World Bank on Haiti and I think what I can say is let's figure out how we can do that together. Haiti is definitely on the agenda of countries I'd like to pay more attention to and learn more about. I think the situation there is obviously a very painful difficult one. My impression is the

World Bank has been accused by some people of taking sides in the civil conflict in Haiti, and I'm assured by my staff that we don't. I hope that we don't. I think our goal in Haiti is to try to provide opportunities for people in that country to make progress. I do think the security situation there is one that makes it very difficult for everyone and obviously the Bank isn't in the business of providing security, so we depend on others for that, but if you'd like to contact me later and figure out how we can engage more, I would be happy to. On the question of elimination of user fees, I don't feel that I know enough to give you a definitive view because I think obviously there comes a point at which user fees are appropriate, but I think when, for example, in the different question, the user fees which is school fees for children in Pakistan, the Bank is supporting a program that not only waves user fees but actually pays parents to send their girls to school. And I think the object has to be what's the best way to improve health and intellectual capital of particularly young people because they're the future of those countries, but people in general in those countries, and I think that's how we should measure the effectiveness. It is, you know, I think health is a place where one is least comfortable, health and education, charging people for something that is valuable. On the other hand, I think we also know, and we've seen this, if you give things away people don't use them prudently, so it's a question of where to draw that line, and I will, partly stimulated by this question, hope to get smarter about it next time we meet. I feel strongly as the third speaker said, about the importance of eliminating this, basically unpayable debt. We have 184 shareholders in the Bank, and Mr. de Rato has an equal number on his side that have to agree, and the important part of the agreement now is they not only committed to cancel the debt but they committed to make up for those payments and making up for those payments is important, not just for the debtor nations, the particular debtor nations, but really for the whole developing world, and personally I'd like those commitments to be as strong as possible, but I hope at the end of the day the perfect doesn't become the enemy of the good because I think this was a big step forward and I share the feeling that you expressed that we should get it done. It's important to get it done and the sooner the better. And on the issue of the situation of the pygmies, I was not aware of Mr. Wolfensohn's comments. I was very struck by the--there's a new issue of National Geographic magazine, which, by the way, in my view, has a very interesting cover, unlike Newsweek a couple years ago, that said "Africa: The Hopeless Continent," this says "Africa: Whatever You Thought, Think Again." And a lot is changing for the better in Africa. There's an article in there about the pygmies, and I think that certainly is not changing for the better, and I don't know what we in the Bank can do about it, but I'm certainly willing to look at that.

**MS. RAO:** Thank you. Mr. De Rato.

**MR. de RATO:** Yes. On the issue of the debt, first of all, I would like to share the view of the person who asked and that of Paul about the sense of urgency. We share that sense. I want to tell you that the fact that we're working on it and we start working on it on the Fund immediately after the, not the Gleneagles Summit, but the London Summit, in which the decision was first proposed. As Paul has remained, as the decision has to be approved by the whole of the countries' members of both the Fund, on our part, and the Bank in the part of the Fund, and our part. But there is no delay that will harm these countries because we are working towards an implementation date no earlier than end-2005. So this time we're taking in having to craft a good technical approach to the proposal, and at the same time to carry on the necessary almost 100 percent consensus that at least in the Fund we need, I don't think is

wasted time at all, and is not making the proposal less efficient because the proposal will start working next year anyway. The issues that have taken us time is in one sense, first of all, guaranteeing that that debt relief is going to be done in the nature of an institution, and let me just make it be very specific. The uniformity of treatment is necessary in this case, and we're working on that, and I think we are finding solutions that will be acceptable for all countries. And also to take, to be sure that in the case of the Fund, as you are very well aware, it is the institution's own resources that are going to be used in substantial part of the debt relief, that that use of resources will not imperil that we would keep doing our job to the low income countries in the future. I don't think--I think we have come quite forward in those two issues and in others like analyzing what will be the conditionalities anyway, et cetera, and we have had several discussions, quite important ones, in the board and my personal opinion is that in the next future we'll be able to arrive to not only to a compromise, to a consensus, but to a final crafted solution that could apply immediately. This weekend, what I think will be very important is to test the political consensus regarding this issue, and I think that that will be, I think that will be achievable and that would be very important because as you are very aware, this will be the first time all the countries that I represented in the IMF will meet and those are the ones who have to make the final decision in this issue.

**MS. RAO:** Thank you. Mr. Manuel.

**MR. MANUEL:** I'm okay on this one.

**MS. RAO:** Okay. Down there?

**QUESTION:** Yes, thank you. Eric Jimenez from the Bank Information Center. Thanks, first, for the opportunity to add some value. Mr. Wolfowitz, my question is for you. A recent report by the Compliance Advisory Ombudsman on the Marlin Mine in Guatemala was highly critical of the IFC's lack of attention to the timing and nature of the consultations carried out with the effective indigenous communities, lack of provisions for personal security in post-conflict country with continuing human rights abuses, and to the fact that when the IFC financed the project, it didn't consider the Guatemalan government's lending capacity to regulate the mining sector. Given these circumstances, I should mention that it's not surprising that rather than the broad community support, the IFC looks for opinion polls in a recent referendum clearly indicate that in 11 out of 13 affected communities, we have broad community rejection of this mine. So to me, it appears that the IFC management of the project has exacerbated rather than reduced the social tensions in Guatemala around mining, and most observers on the ground continue to express grave concerns that the project may detonate broader and more violent confrontations between the mining sector, the government, and indigenous communities in Guatemala's Western Highlands. Many people in Guatemala want the project suspended until the problems of the mine and the mining sector can be worked out. So my question for you is--it's a two-part question--first of all, what will you do to ensure that this project does not further heighten social and political tension in Guatemala; and two, can you define "broad community support" as the Bank understands it and clearly indicate the conditions under which the lack of broad community support would prevent the World Bank from financing a project?

**MS. RAO:** Thank you. Yes?

**QUESTION:** Maysa Ibrahim of Jubilee Iraq. My question relates to the World Bank/IMF support of democratic institutions. The recent IMF plan promoted for Iraq is said to involve popular IMF notions such as ending subsidies, privatization, reduction of state salaries, and thereby arguably undermines the fledgling democratic process in Iraq by imposing policies on an extremely vulnerable country that has inherited crippling legacies of odious and crippling debt. In such a situation, can Iraq really be said to have a free choice in the acceptance of your policies seem to fail time and time again, most notably recently in Russia. If imposed by the World Bank and IMF, not domestically, I can't see it helping the security situation, and I must add I left Iraq ten days ago, and you only need one day in 55 degrees heat with no electricity and no air-conditioning to understand their sentiments. They have no electricity. There is no employment and their situation is appalling and how can your imposition of such policies on a vulnerable government help. And that's to all of you. Thank you.

**MS. RAO:** Yes?

**QUESTION:** My name is Adewale Alonge. I represent the African diaspora. Mr. Wolfowitz, thank you so much. The first time [inaudible] since you went to Africa. I am here as a voice of the African poor. I am not here to bash the World Bank. Our leaders have failed. It is very dour [inaudible] the World Bank. Our leaders have failed our people. My question there is as you make policy at the multilateral level, I want you to remember that the women you see in Africa were very poor, because those are the ones whose voices are never heard when we talk about policy. Our government can make promises, but at the end of the day, they don't have the power to change the system. So I am here on behalf of those poor men and poor women of Africa who work so hard every day for nothing and who, in terms of the global economic structure is against them. When we talk about subsidies, we spend \$1 billion on agricultural aid and we [inaudible] those subsidies. We have a very uneven global trade environment. Like I said, I am not here to bash the World Bank. I just want to appeal to you that when you wake up every morning and you decide about your policy, you should remember those poor women in Africa who struggle every day. I am an African. I have a U.S. passport. I feel very guilty for my opportunities. So that is why as a group in Africa, we believe that in Africa--there is no [inaudible] foreign aid. Africans must take control of their own future, but we need your help. Thank you so much.

**MS. RAO:** Is there another question? Yes?

**QUESTION:** My name is Khadim Hussain, and I am from Pakistan. My question relates to the issue of corruption, especially in the context of Wolfowitz' concern that emphasizes the issue of corruption. As you all know, Pakistan is very famous in this field, and the bureaucracy and the government wastes all this aid money, and most of the projects and programs are nothing but failures, and nothing trickles down to the poor people. So I was just wondering--when Mr. President visited Pakistan, he raised the aid to \$1.5 billion to this dictatorial regime--I just want to know the inspiration behind this decision. Thank you.

**MS. RAO:** Thank you. Mr. Wolfowitz?

**MR. WOLFOWITZ:** On the question about the Guatemala project, I know there are some differences of view about the facts and that the IFC CAO did a report which claims that

many of the complaints are unsubstantiated. I feel like I need to know more about that. I am not citing it as therefore it is gospel, but I think there are, as often happens, more than one side to these stories. But I do appreciate the concern. I think it's a very real one. And when you ask can I define "broad community support", it is obviously at least a majority--I think it's much more than a majority, though--and on the other hand, at some point--and I don't know in this specific case--I think at some point, things that are useful for the majority of the community, the vast majority of the community, are going to have some costs, and at some point, I think those things have to be weighed and decided. I think I'll stop with that on the Guatemala project, because I need to know more about the facts. Mr. de Rato may want to comment more on the question about whether or not we are imposing conditions on the [inaudible] government in Iraq. The one issue I am most familiar with is the issue of the oil subsidy, and frankly, it is not a matter, at least from the World Bank point of view, that we are imposing conditions, but we are strongly encouraging the Iraqi Government to do something about a problem that is--nothing is free, and there are billions of dollars being wasted or worse, basically giving oil away. Much of it is taken out of the country and sold. Much of the sales probably go to support the people who are planting bombs. It is really fueling their enemies, I think. And I think an adjustment to the oil subsidy price in Iraq is something that could be done in a way that would actually improve the lives of the poor. And at least the World Bank is talking to Iraqi officials about how they might change that program, not as a matter of conditionality but as a matter of sound, good policy. I think Mr. Manuel wants to speak to the trade issue in Africa, so I'll let him do it, but I really do feel strongly that trade opportunities are essential, and I have spoken about it, I will continue to speak about it. That's not the World Bank's main issue of business. And on Pakistan, finally, the projects that I observed that we are doing in Pakistan, in particular, a large program to assist the Government of Punjab in education, particularly girls' education, and a support for something called the Pakistan Poverty Alleviation Fund that is helping small communities with small investments, seem to me very sound projects that are helping poor children in the country and doing so in a way that, as far as I can tell, is clean of corruption. The corruption issue is an important one. I think the World Bank has a big responsibility to make sure that in things that we fund, we do everything we can to prevent corrupt practices, and if we find them, we do everything reasonable to punish guilty parties. But I think that in a country of 140 million people, and so many of them poor. I think it is very important to do what we can to contribute a) to growth and b) to spreading the benefits of that growth to the poor parts of the population.

**MR. MANUEL:** I'd actually like to start with Eric's question. Eric, I don't know anything about the gold mining in Guatemala, but what I do know from my own experience in the African continent is that the views of local people and Northern NGOs are not always the same. From hard experience, I know that sometimes, frequently, in fact, people close to these projects know that a mine can improve the quality of their lives. Jobs will be created. They can find a way out of poverty. Northern NGOs are worried about the pristine beauty, and my pleading is that we stop talking past each other on these kinds of issues. I would hazard that the situation in respect of the gold mines in Guatemala is not significantly different, so I want to make a plea that we stop talking past each other, because our big challenge is to ensure that we can provide those sustainable jobs that get people out of poverty as well--not at the expense of everything else, but it is an important part of governance. In respect of the question apropos Iraq, I don't know. I mean, there is so much I don't--I can't imagine taking any kinds of decisions in an environment such as that which

obtains in Iraq. And when I last looked, the average daily fatality rate was 37, Iraqis primarily.

**PARTICIPANT:** Fifty-five.

**MR. MANUEL:** Fifty-five. My apologies. I mean, that cuts across so many families, every community. How do you take decisions about what appears quite banal, like energy and so on? I think that what is important is to put heads together about how we move from where we are, because I can't see the current situation continuing. I mean, the stuff I saw just earlier this week from Basra is a source of profound concern. And I think that at the end of the day, they are the same issues--governance, quality of life of people, and getting that country from where it is now to something that at least has a semblance of order. Clearly, those scars will remain in the lives of families, but I think that's a big challenge, and the sense that things are improving just in the environment where people live I think is an important part of that. So if you are saying that in some circumstances, we must say to the Bretton Woods Institutions "Is it possible to apply the rules differently? These are the circumstances. Can we march together on this one?"--then I would go along with you. Wali, I wanted to plead with you--come home. You see, we don't want spokesmen sitting in the United States here speaking on behalf of the poor in Africa. We have enormous challenges on the continent. We need to pull back people. We need to recreate the human capital base on the continent. So my plea to you is come home. Thank you.

**MR. DE RATO:** Yes. We have a program with Iraq since last fall. We were probably one of the first institutions that had it. It is a post-conflict program, and I think it has been very useful for the country. And we are working for a new program after December, and we have some conditions, yes, and I'm going to give you the three most important ones. The first one is that the Iraqi authorities will continue to improve the data they provide us, so that we can make decisions. And those that are, of course, we are talking about the Central Bank and the Economic Minister. And I agree with Trevor that they are working in tremendously difficult circumstances. But the fact that they are able to provide us data is also the fact that they can have data for themselves, and I have to say that the circumstances in Iraq from the point of view of macroeconomic policies have improved, and therefore, are going to be of the budget, too, because of the oil revenues. The second condition is that the Iraqi Government makes an audit in the Central Bank. Why? Because you probably--you, or I don't know if you are aware, but last year, there was quite a substantial scandal regarding quite a substantial amount of million dollars that were not in the Central Bank when they should be. So we decided that it was important for the wellbeing of the Iraqis that the IMF will be providing resources but that those resources also will help the Iraqi authorities to clarify and get a grip of their own resources. And I have to say that that audit has been already given to an international audit firm, and we hope that by the end of the year, although the audit firm is not completely finished, but it will be quite advanced. And the third condition are the subsidies. Iraq is expending 25 percent of GDP in subsidies for oil. It's about US\$8 billion. Not only our impression; our knowledge is what are the best beneficiaries of the subsidies? The people who take the oil from Iraq and go and sell it in Jordan, which is the biggest business right now. You get a liter of oil at 2 cents in Iraq, and you sell it in Jordan for 50 cents, so you really make a killing. And some of those people, some of those people are just mere speculators. Others are worse than speculators. But even if they are only speculators, there are countries that are using subsidies of around 25 percent of GDP that are not targeted

to the poor at all. I have to say to all of you that subsidies in no countries are targeted for the poor. The subsidies are benefiting those who are better off in society and are usually benefiting the speculators all over the world. And we are asking the Iraqi Government to use, of course, not to wipe out the subsidies right away from Monday to Tuesday but to have a plan to scale down the subsidies and use those resources for social policy. We are not asking for those resources for anything else. We are saying to them try to get part of that US\$8 billion. Maybe you cannot get in the same year more than, what, US\$3 billion, US\$2 billion, US\$5 billion? And target it to the families. They really need the money. And give them to them. And stop that bleeding of your country, of getting resources up to 25 percent of the GDP so that people can make a killing just taking 500 kilometers the oil that is supposedly free and is being sold in the black market in Jordan. Everything is agreeable, but I'm very, very convinced of the conditions that we are negotiating with the Iraqi Government, because we are convinced that if we are able to help them move, I want to express once again that we're not asking them to move from zero to 100 immediately, but we're helping them move. In two or three years, the Iraqi Government will be able to use those US\$8 billion to do social policy in Iraq instead of having that US\$8 billion in foreign accounts of speculators outside of Iraq, or even worse, in the hands of people who are killing Iraqis.

**MS. RAO:** Thank you. Mr. de Rato, I know, has to leave. It's almost 6:30. I'm going to ask, does anyone have a question specifically for Mr. de Rato before he leaves? Any questions specific--right, no follow-up questions yet. [No response.]

**MS. RAO:** Okay.

**MR. DE RATO:** Well, thank you very much.

**MS. RAO:** Thank you very much.

**MR. DE RATO:** Thank you. Thank you again.

**MS. RAO:** Thank you. Bye-bye. Can I just check with Mr. Wolfowitz and Mr. Manuel? We were supposed to end at 6:30. We did start late. Could we go on for another 10 minutes?

**MR. MANUEL:** They don't look so bad. Let's give them 15.

**MS. RAO:** Okay; good. Take off your jackets; come closer, all right?

**MR. MANUEL:** I'll sit over there.

**MS. RAO:** Yes, the gentleman, yes.

**QUESTION:** I'll try to make this fast. My question is for Mr. Wolfowitz, and it regards the Bank's investment in TB control in Africa. Now, you have expressed on several occasions that you would like to see the Bank play a catalyzing role in Africa's turnaround, and just a few weeks ago, the World Health Organization and Africa's health ministers declared TB to be a continent-wide health emergency. Now, Africa is the only continent in the world where overall TB is not declining. There, it is skyrocketing, in part because of its synergistic relationship with the AIDS pandemic, you know, ubiquitous poverty, et cetera. Now, the Bank does play a leading role in TB control in places like India and China and Russia, and

the Bank has found TB control to be among the most cost-effective health interventions in the world. And in light of the recent emergency declaration, I was wondering if the Bank has a plan to respond with increased investment in TB control on the continent, and I would also like to speak on behalf of my organization, which is Results Educational Fund; I'm sorry; I forgot to mention that. I'm saying that we would be very willing to work with the Bank in that regard.

**MS. RAO:** Thank you. Back there, yes, you. Do you have a mike?

**QUESTION:** My name is Hadelin Feront, and I represent Compassion World Farming. We're a U.K.-based organization dealing with intensive agriculture and its impacts on the rural environment. I have a comment and a question to Mr. Wolfowitz. As I'm sure you're well aware, agriculture is central to many debates, first of all, food security. Since an overwhelming percentage of the world population still rely on agriculture, the environment, as intensive agriculture contributes about 20 percent of world greenhouse gas emissions, and also, deforestation. And of course, the last issue, perhaps, trade: as the run-up to Hong Kong demonstrates, agreement on agriculture is key to agreement on other issues. But at the same time, liberalization in agriculture will lead to intensification on a global scale and therefore to a cortege of dire consequences. Now, my question is the following. I mean, in this context, we believe that it is essential to restrain the spread of intensive agriculture and to provide intense incentives for a shift towards more sustainable methods of production. My question is what is the Bank position on this, and is it a priority? Thank you.

**MS. RAO:** Thank you. Yes.

**QUESTION:** My name is Pera Wells. I'm from the World Federation of United Nations Associations. At the summit that was held in New York last week, heads of government acknowledged that you can't have development without security; you can't have security without development; and you can't have either without human rights. Quite a few of the people who were associated with the preparations for this summit and I think many of those who were there have come to the conclusion that if this is true, then, the relationship between the United Nations, the World Bank, and the IMF needs to be reconsidered. In fact, there are proposals that the World Bank and the IMF should be made accountable to the United Nations. Mr. Wolfowitz, I'd like to ask you how you envisage the relationship developing with the United Nations under your leadership of the World Bank and in particular, whether you see a role for what I think is the emerging global civil society in perhaps being a catalyst for stimulating a qualitative shift in the relationship between these institutions. Thank you.

**MS. RAO:** Yes, yes.

**QUESTION:** I would have liked to ask Mr. de Rato, too, but it's Max Lawson from Oxfam. So, Mr. Wolfowitz, Mr. Manuel, accountability and good governance are central to your approaches. You often talk about them. Yet, it's quite clear that the World Bank does not practice what it preaches. Mr. Manuel, for many years, you have been a champion of greater voice for developing countries in the governance of the Bank. What will you both be doing together in the next year to ensure, a), that the head of the World Bank is transparently and democratically elected from now on and that we see more seats on the Board as soon as possible for developing countries? Thank you.

**MS. RAO:** Thank you. Can I turn to you first, Mr. Manuel?

**MR. MANUEL:** Let me start with Max's question. You know, I don't have much to do in the next year. I chair my last meeting, and then, I go home. It's as easy as that. But clearly, the issues of voice and representivity are profoundly important. They tied into that set of issues as well. I don't think we should turn the heat on Mr. Wolfowitz on this matter. Clearly, he has views, but I don't think that we should actually deal with it thus. The issues in respect of representivity in these institutions are political decisions. They should be taken by the Boards of Governors, and indeed, those should be informed by what the heads of state want. And part of the difficulty in the present milieu is that it is more comfortable for too many countries to live with what we have, because there's a comfort zone around this, and that, I think, is a challenge. If we ask those employed in the Bank and Fund to take all of these decisions, I mean, I'm sure they'd give it their best shot. But at the end of the day, they're disempowered. The decision, the locus of decision making actually lies outside of the Bank and Fund. And, you know, it's the same issues on the relations between the Bank, Fund and the UN. I mean, the fundamental question is: what does the world deserve by way of institutions that govern the interrelationships between people? There's a wonderful bit of literature on this that was written by Kemal Dervis before he was appointed in his present job as head of UNDP that I think he was just sort of out then as Economy Minister in Turkey. But he proposes that there be a kind of weighted average, a set of weighted averages applied for all manner of issues, from seats on the Security Council to seats around this table, because this is where the Board sits [sic]. If it's going to be 24, how should the 24 be divided? Can it be purely technical? What political issues do you bring into play? And how do you strike those balances? These are fundamental issues, and I think that we who are elected into office in the respective 184 Member States have passed the buck. So, you know, clearly, over the next period, these decisions must be taken. The technical information coming from actual weights of global output would be important, but perhaps even more important would be the political decision making around that. The question, though, is a very difficult one. How do we apportion responsibility between those in elected office who face elections and are deemed to have to be accountable to the electorate and the good citizens who run NGOs around the world? How do we apportion responsibilities? What is the basis of accountability? What criteria do we want to use for this discussion? I don't know. I know that inputs from NGOs frequently are exceedingly valuable, but I think at the end of the day, we do need arrangements that bring together the elected representatives of governments and not be afraid to say that that is correct to try to inform the institutions that are involved with global governance. The agriculture and tuberculosis questions, just a passing reference on the issue of TB: I don't think that Africa is the only region. I think that there are parts of Eastern Europe where the situation is not significantly different. Much of the problem on the African continent in respect of tuberculosis is drawn from two sources. The one is that we fail in education to ensure that people appreciate the need to be regular in the treatment. And so, drug resistance builds up because people come off the treatment before they're ill, and the other is the existence of tuberculosis as an opportunistic infection when people's CD4 counts have dropped. We have a peculiar problem in South Africa where people are entitled to a disability grant while they are receiving medication for tuberculosis. So when they heal, presumably, their disability grant, it's about US\$150 a month, ends. So people have no incentive to get well. And so, they tend to come off treatment. These are all big, big issues that we have to grapple with, but in a country like ours, South Africa, where

we should be doing a lot better, we're seeing that we aren't, and these are some of the reasons. There are perverse incentives in the system, unfortunately.

**MS. RAO:** Thank you. Mr. Wolfowitz.

**MR. WOLFOWITZ:** Let me start on the tuberculosis question, and, I mean, my understanding is fundamentally that you are correct: it is a worldwide problem. I think some 2 million people a year die from tuberculosis. Roughly half of those, I think, are just in China and India, where we do have big programs, and the Bank has over half a billion dollars of investment in TB control. What has impressed me in Africa and where we are really stepping up our efforts is on the malaria issue, which is not to say we want to back down on anything we're doing on HIV/AIDS or on tuberculosis now, but malaria seems to me--and certainly, in Burkina Faso, which I visited in June, is the number one problem, and we have made some--I guess it's fair to call them promises five or six years ago to work hard on malaria, and frankly, we haven't lived up to them. We're making some new promises now, and I hope we will live up to them, and we're going to put US\$600 million of Bank funds into fighting malaria over the next three years, and it's part of a larger international program where other donors are stepping up. I will ask your question to my people of whether we have the right priorities in Africa on TB. As I say, I think our biggest investments on TB are in China and India. There is, by the way, sort of I think important to point out, a lot of you probably know this, but some of you may not, I mean, as big as this institution is, it's a fraction of the total resources available for developing countries for a whole range of things, and if we try to do everything, we'll be making a mistake. In fact, I think one of the things it's important for us to do in a period when there is a fair amount of enthusiasm for what is in the jargon here called vertical programs, and again, that means focusing on TB or focusing on HIV/AIDS, my people keep talking about the need for country-based strategies and for building--I prefer the word growing, because you don't build capacity, but growing the capacity of the developing countries to handle these things. And I think Trevor just referred to the issue of how do you systematically administer TB therapy, or how do you systematically administer HIV therapy? And I said this is a team sport, and not everybody on the team is the goalie; not everybody on the team is the coach; not everybody on the team is scoring. You need to make sure that the field is covered adequately. And I think the place where most often one may get the gap is in training health care workers or providing electricity or the roads that make clinics work. But again, as with so many of these other questions, you've stimulated me to get smarter on that particular issue. On the question of agriculture, and we can try to pursue this in another channel, I'll try and remember; I'm sorry; the word you used was intensified? Intensified agriculture. What really hits me about Africa, and I'll admit it biases me in the opposite direction from the way you were talking, not completely; in comparison to East Asia, which has really been a historic success in the fight against poverty--there is still an enormous amount of it, but it is probably the first time in a couple of centuries that you can actually say hundreds of millions of people have been lifted out of poverty in the last 20 years. And a lot of it, I think, did start with agriculture, did start with the green revolution, did start with the ability of farmers to provide better lives for their families and for their whole country. When you look at Africa, one of the things you see is that there is no green revolution. There is not the kind of investment in agricultural research that we had 30 or 40 years ago that benefited East Asia. And I think we need to do more of that. There are huge needs in the area of infrastructure, and one of the things that frankly surprised me a little bit when I started into this job, even before I started into it, was how

many leaders and people from developing countries and particularly from Africa complain why did the Bank get out of infrastructure? We need electricity, we need roads if we're going to fight poverty. And I was a little bit surprised that we had gone as far as we had. I think one of the reasons we did, to be honest, is there were a lot of mistakes made with big projects that wasted money, that were honey pots for corrupters, that destroyed the environment. But just because some mistakes were made doesn't mean you should give up on the effort entirely. And I think we have learned a lot in the last 10 years about how to do this kind of investment in a more environmentally friendly way. And where I think you and I would agree is that certainly one of the things that is cutting back on agricultural productivity in Africa is too much short-term use of the land and the natural resources, and I do believe there's an enormous amount of win-win here, where intelligent management of natural resources is not at the expense of development but that promotes development. But for people in poor countries, if they hear from people in rich countries that you should just stay in your pristine natural state because that's good handling of the environment, that's not a message that sells. I think that what we have to be able to say, and I think we can say, and certainly, it's the mission of this organization that we think sound treatment of the environment, good care of your environment, can go along with development and, most importantly, sustainable development. On this whole broad question of both--let me sort of put them--well, not put them together entirely, but they are somewhat related--the issue of the relationship between this institution and the UN institutions and the question of voice. Pursuing the teamwork metaphor a little bit further, there is a lot of teamwork to be done here. In fact, just before this meeting, I participated in a meeting chaired by former President Clinton, who has taken on the pretty large task of just coordinating the UN agencies in tsunami reconstruction, and we are trying to work with them to coordinate our efforts and then coordinate with the bilaterals. It is something we really need to work on, and I think we need to work on it from a perspective that not everyone can or should be the leader; sometimes this institution--the World Bank, that is--may be the appropriate leader, sometimes it may be a UN agency. I think it is most effective, actually, when it is the government of the developing country that is in the lead, but coordination among donors is very important so that we don't duplicate efforts, so that we don't leave big gaps. I do think, however, that--and I don't say this with a particular stake in having created it--I think the World Bank is an important, effective international institution, and that is quite an achievement. It is not so easy to do when you have such a diversity of people represented in it, and it is a challenge of accountability because it is a different situation. I am very sympathetic to the concern about voice for developing countries. We have, on a Board of 24 members, only two Africans who between them have to represent 44 countries. But let me tell you first of all, they do it extremely well. But secondly, to me, the more immediate issue and one I do want to work on is not the membership of the Board or how you choose the next President. The truth of the matter is enormous strength and power in this organization resides in its staff. You may think that the President directs every, single move of the World Bank, and the President himself is directed by the Board, which votes regularly with the big countries outvoting the small countries and telling the President what to do. I'm sorry, that's not how it works. Things come usually to the Board because the staff has decided they make sense. The Board on rare occasions votes. Mostly, it approves by consensus. It is an effective, I think highly effective, bureaucratic organism, but it is a bureaucratic organism, and the greatest influence inside it therefore is its staff. And if there is one thing that I think those of you concerned about this should be more concerned about than membership of the Board is representation on the staff. We had a recent report on diversity which I am sorry to

say did not have us coming off well, particularly in terms of African representation, and Paulo Gomes actually raised it in our Board meeting. I think we need to work on it, and I think part of working on it also is to push further on the initiative Jim Wolfensohn started for decentralization, because I think one way that we can have a more diverse staff is to reach out more in the countries where we work and develop local staff and relevant international staff. I think it is hugely important, and the intellectual capital of developing countries is something we can contribute to, and it makes a big difference.

**MS. RAO:** Thank you. Well, it is 10 to 7, and I think we are going to have to close the session. I am sure all of you will go away with specific things that really stand out from the discussion. I think that the thing that stands out for me, from what Mr. Manuel said, is what does the world deserve regarding institutions that govern relations between people. I think that's a critical question; and for Mr. Wolfowitz, very clearly saying that you are interested in eliminating unpayable debt and your openness to dialogue with civil society organizations on a range of issues. So I will go back to how I started. I think this liaison, despite the marriage, is something that can continue. Thank you very much, everyone.