
ZENNI: And I’m Marie Zenni, Task Manager of the oral history program.

BURKI: And I am Shahid Javed Burki. I’m being interviewed today.

BECKER: Very good. Well, it’s a pleasure to finally get to our interview. By way of introduction, I’d like to mention that Mr. Burki is currently the Chief Executive Officer for the Emerging Markets Partnership a Financial Advisory Group based in Washington, D.C. Mr. Burki retired from the Bank in 1999 as Vice-President for Latin America and the Caribbean.

I’d like to begin by asking a word or two about your background. How does one with a Master’s of Science in Physics and Mathematics from Punjab University and a Master of Arts with Honors from Oxford University become director of the rural works program in Pakistan in 1964?

BURKI: Yeah, that’s a good question, but what you have said about my academic record is only partly true. The reason why I say that is when I went to Oxford I switched from physics to economics, and so the Master of Arts that you mentioned was an M.A. Honors in economics. And then from there, I returned to Pakistan, and since I had become an economist rather than a physicist, I was appointed to a series of jobs which didn’t last for all that long—three or four months each—because I was catching up with a group to which I belonged in the civil service. I had to go through these training phases, and ultimately they appointed me director of rural works program, which was a U.S. AID [Agency for International Development]-funded program. And they were looking for a person who could work well with Americans, and they thought that since I had freshly come back from Oxford and I knew the western world well, that led to my appointment.

I guess I should just continue a bit about my academic background, and it was from that job that I was picked up jointly by the government of Pakistan and the United States government and sent to Harvard for my Ph.D. in Economics. So I arrived at Harvard in 1967 and began to work for my Ph.D., but before going to Harvard I had been to China. I led a mission of three economists to China to study their system of communes, and that was in 1965, just before the start of the Cultural Revolution, and that was an interesting visit. It was the outcome of an exchange between the President of Pakistan, General Ayoub Khan, and the Prime Minister of China, Zhou Enlai. When Prime Minister Zhou told General Ayoub Khan that the system of communes that they were introducing was not being well-received by the West and there was a lot of negative commentary and could he help the Chinese in sending a bunch of people to study the system, write a report, and therefore hopefully say something positive about that system, so since I was doing rural works program, it was natural for me to head the three-person delegation that went to
China. We stayed in China for six weeks. We spent time in thirteen communes, a couple of them urban communes, but a lot of them rural communes. And then we wrote a report which was very critical of the system of communes, and the Chinese didn’t like it, so the report went to the Chinese and they were quite upset about it.

I had gathered a lot of material as a result of the Chinese rural economy, so when I went to Harvard for my Ph.D. program, I got to know Dwight Perkins—I don’t know if you know Dwight Perkins; he does a lot of work for the Bank; a retired professor of economics from Harvard—and I showed him my material, and he was just bowled over by that because nobody had that kind of micro-data on China. So he then persuaded me to make China my area of work, and ultimately it led to my not finishing my Ph.D. because the choice was either to write my dissertation, or to write a book on the Chinese communes. So I opted for the book, which did extremely well. It was published by Oxford University Press. And it was during that time that I began to work with the World Bank on rural development issues.

Q: This would be the late 60s/early 70s?

BURKI: No, this was early 70s. I was at Cambridge from 1967 to 1974, so for seven years I did my graduate work and then did some research and did some teaching and so forth. I also got engaged in a project that was financed by the World Bank to study public works program around the globe, and my involvement with that project got me into contact with a number of people whom you might have interviewed, people like Monty [Montague] Yudelman. Have you interviewed him?

BECKER: No, we have not.

BURKI: He’s worth—somebody you should talk to. Monty is getting old, but he was very instrumental in helping [Robert S.] McNamara with poverty, rural poverty, rural development and so forth. And Monty offered me a job as division chief of a rural development division that they were thinking of organizing.

BECKER: In the Bank?

BURKI: In the Bank.

BECKER: And this was in ’74?

BURKI: This was in ’73. He said to me that I was the type of person that the Bank was looking for, and would I come to the Bank. So I discussed it with my friend Mahbub ul-Haq, who was the director of Policy Planning and Program Review department, and he discussed it with Ernie [Ernest] Stern, who was at that point—whom I knew because of my stay at Cambridge. And they thought that I was probably better equipped to do Policy Planning, so they offered me a counter-job, which ultimately led to my becoming the Division Chief of Policy Planning. So that’s the background which got me into the World Bank. I came in first, as you say, as Senior Economist in the Policy Planning Division, and within, I think, a year and a half, I was appointed first as Acting Division Chief, and then as Division Chief.
BECKER: Well, Mahbub ul-Haq, in his 1982 oral history interview with Robert Asher, observed that McNamara did not make adequate use of the Policy Planning staff. Do you agree with that?

BURKI: No, I don’t. Mahbub and I were very good friends. He was my boss; we had our differences, but I don’t think that Mahbub is right, and I’m surprised he said that because—and Mahbub was very close to McNamara and had an enormous amount of influence on McNamara. And there were two divisions in Mahbub’s department. I was in charge of one division, which was Policy Planning, and the other division was called Program Review Division. The Program Review Division looked at all the programs in the World Bank--country programs the World Bank was financing--and then offered its assessment of those programs. And my division, Policy Planning, supervised the preparation of policy papers on a variety of subjects, and then they were eventually issued in the form of two books. One of them was called The World Bank at Work, and the second was Policy in the Bank or something. These were major pieces of, I would say policy cum analytical work on things like land reform, lending for the poor, urban development, environment: I mean, name it and it was covered. And those were very influential pieces of work, not only in the Bank but also in the world outside. If you look at the development literature of that area, you will see a number of references to those things.

And, number two, Mahbub and I wrote a number of very important speeches for McNamara. The 1973 speech was essentially written by Mahbub ul-Haq. That’s the Nairobi speech in which McNamara spelled out the rural development strategy of the World Bank. And then in 1976, I think, he decided to balance that with a speech on urban poverty and urban development, and I wrote that speech. And again, it was an influential speech, not as influential as the rural development because urban poverty was not getting that kind of salience as rural poverty was. Then Mahbub and I collaborated over another very important speech McNamara gave at UN Conference on Trade and Development in Manila in 1979, when he spoke on trade and how important it was for developing countries and what role the World Bank could play in that, and that was authored by Mahbub and myself. So I’m surprised by Mahbub’s comment. I think McNamara made very good use of the Policy Planning Department.

BECKER: Now, you remained in the same department, which eventually became the Vice-Presidency for International Affairs, until the 1987 reorganization.

BURKI: No, that is not correct. That department was created for Mahbub ul-Haq, Policy Planning, and Program Review Department. McNamara was very fond of Mahbub, and when he got Mahbub to come and join the Bank, that was Mahbub’s condition, that there would be that kind of department. But giving Mahbub a lot of importance, a lot of salience within the institution, meant that he ran into all kinds of bureaucratic problems. And there was a lot of tussle between Mahbub and Ernie [Ernest] Stern, and the two were initially very good friends, but they ended up by being not good friends. Ultimately, that led to the decision by Mahbub to leave the Bank, and he left the Bank soon after McNamara resigned. McNamara resigned in 1981, and I think Mahbub left a few months after that.
And I had already left Mahbub before that, and that’s another interesting story. If you’re interested, I can tell you how that happened, which is the way things used to happen in the Bank. I was looking for promotion, and since Mahbub thought that his own department was now under crossfire and will probably not survive his departure, that it would be useful for me to look at other places. I had written a long memorandum for McNamara on what the World Bank should be doing in terms of associating itself with other international organizations that were concerned with development, organizations such as the GATT [General Agreement on Tariffs and Trade], UNICEF [United Nations International Children’s Emergency Fund], UNDP [United Nations Development Program], UNCTAD and so forth and that it was not right for the Bank to treat these organizations as something below the Bank’s dignity to be in touch with, to work together with. So it was a long memo that I wrote for McNamara. It was seen by a number of vice presidents in the World Bank, including a man by the name of Munir Benjenk, a Turkish gentleman who was at that point the vice president in charge of Europe and North Africa, which is called EMENA [Europe, Middle East and North Africa] now. And he was being encouraged by McNamara to join him as the Vice President of External Affairs. McNamara gave an enormous amount of importance to that job and the External Affairs vice presidency. William Clark, who was a very close buddy of McNamara, was at that point the Vice President, and William was leaving the Bank, and they were looking for a successor, and McNamara decided to bring in Munir Benjenk.

One of the conditions Munir Benjenk put on his making the transition was that McNamara would agree to my joining Munir Benjenk as his advisor on External Affairs. Now, why did Munir do this? I didn’t know him at all. He had seen this memo that I had written, and he decided that it was somebody like me whom he wanted in his front office. So he then offered me the job and the promotion from Division Chief to a Deputy Director level, and I took it.

And then after I was there for a few months--at that point, one of the very few woman directors in the Bank was a person by the name of Shirley Boskey. She and Munir didn’t get along all that well, and Shirley had announced her retirement from the Bank. It was a very small department that she headed, a four-person department, and Munir asked me if I would become the department director. And I said, “On one condition,” which was that he should negotiate with the Development Policy Staff at the Bank, called DPS in those days, that we should become responsible for the Development Committee. And so he went to McNamara, and McNamara agreed, so the Development Committee work was then transferred from Development Policy Staff to International Relations Department, and so, I then became responsible for Development Committee work.

BECKER: Now, what year would that be?

BURKI: This would be 1983. And that’s when I encouraged Alex [Alexander] Shakow to join me, and Alex then came in as my Deputy Director, and he and I then worked on the Development Committee for four or five years, from 1982-83, I guess, to 1987.

BECKER: Now, let me back track just very briefly into the 1970s, which, internationally, were very difficult times with the energy then the debt crisis that followed, in the early ‘80s. Please discuss what issues you were dealing with over that period of time?
BURKI: As I said, I was dealing with practically all issues because I was in charge of Policy Planning, and every issue that McNamara wanted to have the Bank focus its attention on, discuss, would be then given over to my division to prepare a short background note for him, and then he would decide whether some additional work needed to be done, and that was decided. Well, as I said, we went from human development to energy policy to program lending, adjustment loans,

BECKER: Urban poverty.

BURKI: Urban poverty, family planning. During my time we must have done some 30 policy papers.

I must say something about an institution which really worked, and that was called the Policy Review Committee. It was chaired by McNamara, and I was the Secretary of the Committee, and the members were all Vice-Presidents in the World Bank, plus the head of IFC [International Finance Corporation] and Mahbub ul-Haq, who was not a Vice-President. And this was the composition of the Policy Committee. And I, as the Secretary, was responsible for submitting to the Committee whichever policy paper McNamara had shown interest in or whichever policy paper his vice-president thought needed to be worked upon, and then this was discussed in a meeting of the Policy Committee which I would record. And then I would issue a minute to all operational and non-operational vice-presidents, saying, “This is the Bank’s policy” on this particular area, which was a very interesting way of coordinating policy in the institution. And when McNamara left and Mahbub and I left, this Committee was dissolved.

I tried to recreate it in 1987 when I was part of the group responsible for reorganizing the Bank, and I created a department called Strategic Planning Department. One of the responsibilities that was assigned to it by the terms of reference that I wrote for the Department was that it would revive policy planning activities under Mr. [Barber B.] Conable, who was then president of the Bank.

This ties up with Alex Shakow’s period, because what happened was--it was very well known that Javed Burki has put together this particular department because he wants to head it. And so I was very comfortable with that talk in the corridors, and I was very keen to do that. However, when the new reorganization was announced, Moeen Qureshi became Senior Vice-President of Operations, and Moeen and I knew each other but not all that well. He and I got to know each other in the context of another thing which I’d like to mention, but I’ll come back to that a bit later. He said to me that he wanted to appoint me as the director of China Department. So I said to him that I’d never done operational work, I’d always been on the policy side of the Bank, and now I was in external relations, and I was very keen to do this strategy work.

Then [W. David] Hopper, the person who was appointed Senior Vice-President of Policy and Strategy, in the meantime had called me and said, “Javed, you created this department, and I’m offering it to you. I suppose you’re going to take it.”

And I said, “Yes, I will take it.”

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So I'd already accepted the directorship of the Strategic Planning Department when Qureshi made that offer, and so we had a discussion. He nearly twisted my arm, and he said to me, "You know, you may need to change your line of work in the Bank, and this business of not having done operational work can be taken care of. You have a lot of experience with policy work," et cetera. So he nearly convinced me that I should turn down Hopper's offer and take up his.

So I called up Hopper, and he was mad. He was very angry, and he said, "No, you can't do this," et cetera, et cetera. "I will go to Conable, and I'll make sure that you don't go to the China job," that kind of discussion.

So I said to Hopper, "What happens if I give you a very good successor"—not successor—"a very good person?"

"Who's that?" he said.

And I said, "That's Alex Shakow."

So I then went to see Alex, and I said, "You know, this is the conversation I've had, and are you prepared to do this?"

And Alex said, "Oh, yeah. It would be very nice."

So I then went to Hopper, and I said, "I've talked to Alex, and why don't you talk to Alex?"

And then Hopper called Alex Shakow, and Alex became Department Director of Policy Planning, and I went to China.

BECKER: Let me go back a little bit in time to 1981. That year, you collaborated with Paul Streeten and some others in publishing First Things First, which emphasized the importance of basic human needs in developing countries. What were the origins of this approach, and what has been its longer-term impact towards alleviating poverty?

BURKI: That's an interesting bit of history, which unfortunately, for some reason, was not picked up by the latest book on the Bank by John Lewis and Richard Webb and so forth. The history thus follows that Mahbub and I decided that, given what the World Bank was trying to do in terms of poverty alleviation and so forth, what was really required was direct intervention by the World Bank, increasing the supply of basic needs and increasing the incomes of the people so that they could have access to basic needs. The first part of this argument--it's a two-part argument--is that you work on both increasing the supply of basic needs as well as making it possible for people to access basic needs. The first part of it is not accepted by the economic establishment in the Bank, by people who do economic research. So there was an enormous amount of debate within the institution. On the supply side, so to speak, were Mahbub ul-Haq, Paul Streeten, and myself. On the other side, were people such as Montek Ahluwalia, who currently heads the [International Monetary] Fund's Evaluation Department, and Hollis Chenery, who was vice-president in charge of economics, and a group of other, rather academic

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economists, whereas Mahbub and I, also economists, had greater experience on the practical side, since we had worked in developing countries.

So there was this debate, and McNamara refused to take sides. So we thought it would be useful if we could produce a string of papers on various aspects of basic needs. So we then organized work in the Bank, which I managed with the help of Paul Streeten, and for which about a dozen papers were written on increasing food supply, shelter, water supply, sanitation, education, health, and then how much would it cost to do all that. And this work was highly criticized by people such as Hollis Chenery and Ernie Stern and was welcomed by people who thought as we did. And so at one point it was decided to influence the debate by putting out this book and getting the outside world involved in this debate, and that led to the publication of *First Things First*, which, by the way, was the bestselling book at that time that the World Bank had put out. Its publication, unfortunately—the time it came out was unfortunate, in the sense that McNamara left and Hollis left and then the Bank got involved in the debt crisis. So it just deflected from poverty. And that's something that should have been picked up by the Lewis book, and I had a long chat with both Lewis and Richard Webb, saying that, "You are missing a very important dimension of the Bank's involvement in poverty by ignoring that particular debate." And for some reason they decided not to get into it.

**BECKER:** Do you think, ultimately, that there's been a longer-term impact? Even though the debate was deflected in the '80s, does it come back, this whole issue of first things first, basic needs?

**BURKI:** Well, ultimately, the Bank came back to it. There was an interregnum from 1981 to 1986 when the Bank was led by, essentially, Ernie Stern and [Alden W.] Clausen, and neither of them was interested in this kind of strategy. And Ernie's real interest was getting policies to change in the developing world, and the assumption was that the rest would follow, whereas some of us had a different point of view, which is that even when you change policies, they do not automatically translate into provision of basic needs and poverty alleviation and so forth, and you need to get directly involved.

I think that recognition came back after Clausen's departure, and that's where Alex played a very important role. He headed a task force on poverty, which then pulled together some of the work. Alex, when he joined the Bank, came and worked with me in the Policy Planning Division, and so as I was leaving, he succeeded me as division chief of Policy Planning Division. So Alex and I have had that kind of association. And then he persuaded, I think, Ernie Stern, that the time had come to take another careful look at policy, and the task force was set up then, which he also headed. He must have talked about that in his interview.

**ZENNI:** That's right. He did.

**BECKER:** Let me ask you to talk a little bit about your contribution to the Task Force on Concessional Flows, which was established in May '82 by the Development Committee, and your evaluation of its effectiveness on development assistance.

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BURKI: There’s an interesting background to that. Before this particular task force was established, under the influence of, again, Clausen and Ernie Stern, there was a Task Force on Non-concessional Flows, and that was also a Development Committee task force. The assumption was that developing countries really needed to access capital markets, and for them to be able to meet their resource requirements, they should reduce their dependence on concessional flows. So how could they access capital markets, how could they become credit-worthy, et cetera, were included in the terms of reference given to the senior finance officials—I don’t think they were ministers—who became part of this task force.

So when I took over the Bank’s responsibility for doing Development Committee work, I went to Clausen, and I told him that it was very important for the Bank to also recognize—the concessional flows are equally important, particularly for countries that are just no credit-worthy, and there are a large number of them.

In the meantime, the Bank had played with another idea, which was the brainchild of Mahbub ul-Haq. And Mahbub must have mentioned this in his own interview. It was called the Third Window. The Third Window was a new facility the Bank created, in which a bunch of countries provided grants to the Bank to soften the lending terms of IBRD [International Bank for Reconstruction and Development]. And I forget how much money was put into this. Third Window operations lasted for two or three years, and soon the Bank discovered that this was a very expensive way of running semi-concessional flows to the developing countries, because giving subsidy on interest rates year after year began to mount, and therefore the burden on the donor community became very large. So the question then was what should one do in view of the tremendous capital requirements of developing countries, particularly in view of the oil crisis and the debt crisis and the fact that the Third Window type of operation was mathematically just not feasible.

So in order to look at these issues, I persuaded Clausen to accept the idea, and then we put forward that idea to the Developing Committee, and the Development Committee said, “Fine.” So a task force was established, and Ernie, once again, was not very happy with this. Ernie’s condition was that the chairman of the task force should be a hardheaded economist and not a soft thinker like Mr. Burki and so forth.

So then we began to look around, and I asked John Lewis, whom I knew very well and who was a very good friend of Ernie’s, whether he would become the chairman. And he said, “I’d be delighted to do that.”

So I said, “Go and convince your buddy Ernie that this is a good idea of doing it.”

So John then went and saw Ernie, and Ernie agreed.

BECKER: The same John who is the author of the Bank’s history, The World Bank: Its First Half Century?

BURKI: Same John Lewis, who was the professor of economics at Princeton in those days. John and I had known each other for a very long time because of John’s interest in South Asia,
and he did a book on India, and I was interested in doing something similar in Pakistan, so he and I became good friends.

So that’s how this particular task force was set up. It was not a successful endeavor because people who participated in the task force found that there was really nothing very new to say or anything very new to accomplish other than keep on encouraging developed countries to give more money to developing countries by way of aid. It led to probably the first serious work on effectiveness of aid, which is a book that we sponsored and was edited by Robert Cassen, *Does Aid Work?* [1986, Oxford, Clarendon Press], I think was the title of the book, and that was sponsored by the Task Force on Concessional Flows. And I think it left an impact. It left an impact in that for the first time the effectiveness of aid became a serious issue.

**BECKER:** And what was the conclusion?

**BURKI:** The conclusion was something that surprised Americans in particular, because Americans were saying that aid is not effective. Now, this was during the [Ronald W.] Reagan era, and there was an enormous amount of tension between Don [Donald T.] Regan, who was the Treasury Secretary, and Tom Clausen, who was the President, because Regan was not prepared to appropriate American funds nor American grants for IDA [International Development Association]. And they were hoping, and their person on the task force took very extreme positions that aid just does not work and there’s no point in continuing to increase it, you needed to be able to access the market [inaudible], and so, going back to the logic of the earlier Task Force on Non-concessional Flows. So one condition that they put on us, making the recommendation that there should be an increase in concessional flows, was to have a very serious examination of the effectiveness of aid.

Then I went around raising some money to pay for the Cassen book. And so that money was essentially provided by the Nordics, the Dutch, and the Canadian right wing, and we set up a fund, which then led to the writing of this book, which came to the conclusion that aid does work, a conclusion that was presented in a very interesting meeting we had in a place very close to Ottawa where Bob Cassen presented his report.

**BECKER:** In the spring of ’83, you revived and chaired the Bank-NGO [non-governmental organizations] committee. Could you talk a little bit about the status of Bank-NGO relations at the time?

**BURKI:** Yes, that was an interesting event, in a way. When I became the Director of the International Relations Department, one of the things I inherited from Shirley Boskey was a Bank-NGO committee. The committee was composed of eleven NGOs from the United States and Europe, and eleven World Bank staff members. That was the composition, and the chairmanship of the committee was with the World Bank and the Vice-Chairman of the committee was from the NGOs. In the first meeting that we had, I said to them that this was not a game of soccer or football, that you have eleven on each side, and what I would like to do are two things: number one, reduce the number of World Bank representation on the committee, and at the same time I would like to invite Southern NGOs from the developing world as members of the committee. This was resisted by the Northern NGOs, and they said, you know, they would
bring in all kinds of concerns which are really not appropriate concerns. Northern NGOs were really interested in getting the World Bank to finance some of their activities, whereas the Southern NGOs were more interested in having the World Bank sponsor changes in government attitude towards NGOs. Nevertheless, I prevailed, and we then changed the composition of the committee, and there were, I think, three members from the World Bank, the chairman was from the World Bank, and then eight people were brought in from the poor parts of the developing world (Africa, Latin America, Asia, and developing Europe). And we met for the first time, this changed composition of the committee, in Tunis, and then we got the committee going.

BECKER: To what extent did you continue to be involved in the evolution of the Bank's relationship with NGOs?

BURKI: I was very active in this committee, being its chairman, and we met all over the world. That's another thing that we did: we decided that the meetings would be held mostly in developing countries. As I said, the first meeting was in Tunis. We met in the Philippines; we met probably once in India, in Africa and so forth. That was one. Second, we began to sponsor within this institution the idea of World Bank directly lending to NGOs, which was a very unpopular thing in the Bank. I brought in, as a member of the committee, a man you must have interviewed, Ismail Serageldin.

BECKER: Oh, yes.

BURKI: Ismail and I joined forces together, and we were able to persuade Bank management to allow Bank money going directly to the NGOs as part of these [inaudible] programs. And when I left the chairmanship of the committee and became Director of the China Department, I think Ismail took over as the Chairman of the Bank-NGO Committee.

BECKER: What's your assessment of the Bank's relationship with NGOs today?

BURKI: I think it's an interesting relationship. It's evolved a lot during the [James D.] Wolfensohn era. Wolfensohn took a very active interest in listening to the NGOs.

When I came to Latin America as the vice-president, I then picked up on some of the role I had done as a chairman of the NGO committee, and we formed a sub-committee of this committee to focus on Latin America. And that was a useful thing to do because the World Bank is not very popular in a number of Latin American countries and you needed the support of the NGOs, and you needed the NGOs to understand what the Bank was trying to do. And we found this forum very useful to do this, and we were able to win over some of the people who were initially skeptical of the Bank work but not ideologically committed to destruction of the Bank, as a number of people are on the extreme left. So that was a positive role.

The Bank learned a lot from the NGOs in the sense that they have people working at the grassroots level, whereas a very large number of people in the World Bank really don't know the developing countries as well as they should. Working with NGOs filled that knowledge gap, and that was a positive thing. A negative thing has been that a lot of these NGOs have agendas which are not pro-poor as pro a particular issue--save the trees and save the Amazon and so on,
no matter what happens to the poor. And unfortunately Wolfensohn was very receptive to those kinds of pressures. So at times—and that was my experience when I worked with Wolfensohn as Vice-President of Latin America—his willingness to lend a lot of ear to the NGOs created difficulties for the Bank’s work, and there was that negative impact, also, of association with NGOs.

BECKER: Now, moving back here again to the ‘80s, what were the highlights of your tenure as country director of the China department, a period during which Bank’s lending to China peaked at approximately three billion dollars in 1993?

BURKI: Right. Well, that was, for me, the high point of my career at the Bank. As I said, I started in May of 1987 and I left in January of 1994, so it was six and a half years, during which the World Bank did a number of interesting things in China.

I’d like to talk at length about the Tiananmen Square crisis and how we responded to that. Let’s get to that a little later.

When I took over this department, I was the first department director of a department that was solely responsible for nothing else but China. As part of the 1987 reorganization, there were three such departments—India department, China department, and Brazil department—which were called “single-country departments.” So the staff that was recruited for those departments worked on nothing else but China, India and Brazil, as the case may be.

I came to China after Ciao Koch-Weser had spent a long time as Division Chief of China, and he had laid the groundwork for the Bank’s lending to China. And when he became division chief—have you interviewed Caio?

ZENNI: I tried, but that was at the time when he was Deputy Finance Minister.

BURKI: You should. He’s an important part of the Bank’s history. Do you know him?

BECKER: I’ve met him once, but we need to go to Germany to do that, I guess.

BURKI: Unless there’s a change of government and he’s looking for a job.

BECKER: That’s true. You never know.

BURKI: So, anyhow, Ciao had set up the department. Ciao had gotten that job because of McNamara’s interest in China, and Ciao was McNamara’s assistant, so from there he became Division Chief. And during his period, the Bank really introduced economics to China. There was a person by the name of Edwin Lim, and when I was appointed director, Edwin was the Resident Representative of the World Bank in China. Ed is a very good economist. He is also a tremendous diplomat when he wants to be, and he had very good contacts at very high levels in the Chinese government. Zhao Ziyang was the Prime Minister of China in those days, and he and Ed became good friends, I would say. Ed had organized a series of seminars for the Chinese

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to introduce them to macroeconomics and to the sort of basic principles of economics. So that was done between 1983 and 1987.

So when I came in, a lot of this groundwork had been prepared. So my job, therefore, was to deepen that relationship and to have the Chinese now begin to think about sectoral development, identify the problems that were based in various sectors. And we began to develop sector policies in China, and then we linked a lending program to the sectoral policies.

[Interrupt

BURKI: We took the position that it was important for the Chinese to begin to understand what were the various sector policies they needed to adopt in order to bring about a fairly comprehensive change in their economy. So we commissioned, as a part of this work, a number of papers on things like development of Chinese railways, development of highways, population problems in China, health problems in China, primary education promotion, higher level education. And so a string of papers were written with the help of the Chinese. So we launched a fairly intensive economic and sector work, and our lending program was based on the conclusion reached in this work.

The other thing that we did a bit later during my tenure was to begin to help the Chinese develop some of the modern institutions they needed for the management of the economy. Examples are reform of the central bank in China, reform of the banking sector in China, reform of the fiscal system, setting up and developing an environmental protection agency in China. So a lot of institutional work got done during the latter part of my stay in China.

So essentially, if the Bank's involvement in China between 1983, when Caio took over as the Division Chief, to 1994, when I left China, is to be analyzed, you will see that there were essentially three periods. First period is when China was introduced to modern economics, and that was done essentially by Ed Lim working with a bunch of economic experts who knew both economics and China. Second was emphasis on the work for the various sectors that happened when I came over. And third was helping China with institution-building. These were the three phases in the evolution of the Bank's work in China.

BECKER: Now, you mentioned Tiananmen Square and the crisis that it provoked.

BURKI: Yes. This is a very interesting story for the World Bank, and I think it needs to be told in some detail sometime, but let me take a shot at it.

Tiananmen Square happened on June 4th, 1989. I was in China during May of that year, and I was traveling around China, and it was quite apparent to people such as myself who knew China quite well, that there was a fair amount of tension within the society. China was developing very fast, and as a result of that, there were people who were benefiting and people who were not benefiting. And among those who were not benefiting were the students, who didn't see that the education that they were getting would really equip them for jobs in the non-state sector, which was the primary beneficiary of change that had begun to take place.
At that point, there was a very popular leader, Hu Yaobang, who died, and his funeral, I think, was in April of 1989. And that brought a lot of students out, and they began to campaign for various kinds of things that they wanted from the State. And that eventually led to the Tiananmen Square crisis, hundreds of thousands of people surrounding the compound in which the senior leaders of China lived.

Tiananmen Square is the largest paved square in the world, and on either side of it are important Chinese public buildings, the Great Hall of the People on one side, and then a museum on the other side, and in front of Tiananmen Square is the Forbidden City, and next to the Forbidden City is a walled compound called Zhongnanhai. This is where China’s senior leaders have their houses and also have their offices, so they live and work in this area. It’s like the White House. Now, that area was surrounded initially by the students, and then they were later on joined by unemployed workers.

June the 4th is when the Chinese decided that the siege by the students had gone long enough, and for them to get the students out of Tiananmen Square. So there was an assault by the army in which hundreds of people got killed.

I was, at that point, vacationing in Hawaii, and I got a call from my Vice-President, Attila Karaosmanoglu. And we began to discuss what is it that we should be doing. And I spent something like several hours discussing the situation with him and with Ed Lim, who was in Beijing at that point. And the decision was taken that the Bank should close its mission and get its people out, because we were not very sure as to the security situation.

So Attila then said to me, “Instead of you spending your entire vacation sitting talking to us on the telephone, why don’t you just get back to Washington?” So I agreed, and I think it was the 6th of June that I came back to Washington.

And on the 7th of June, Attila said to me, “Your staff is very troubled by what happened in China, and you should talk to your people.”

I had about, including consultants, 120, 125 people working in the China department. We found space where we could accommodate all these people, but none was available at that particular point, so we decided to break up the department in two groups. And I met with the first group at 9:00 in the morning, and I said to them that, “The World Bank is not a political institution. It must not form judgment on the politics of the situation in China. We are a development institution, and therefore any decision that we make has to be made on the basis of the Bank being a development institution.”

This did not go down very well with the staff, particularly the American staff. And there were three women who were extremely critical of what I had said, so much so that they became a bit abusive. They were very emotional, and they said that I was taking a very immoral approach and so on and so forth. So I explained to them that morality has nothing to do with this, that it’s a development institution which has to stay calm when these kinds of things happen, and that I would not recommend to my management that we should cease lending to China, that we should pull out of China and so on and so forth.

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And one of the women said to me, “Oh, you’re going to put us in front of the tanks in China.”

I said, “I will be the first person to go to China, and so only after I’ve determined that it is safe to go to China and to travel in that country that we will resume mission work.”

So this meeting lasted about an hour and a half. And after the meeting was over, within half an hour—the second one was to start around noon—I got a call from Attila saying, “What happened at the meeting, because some of your people came and complained to me that you’re taking a point of view which is amoral or immoral or whatever?” So these women who had challenged me went to see him.

So I told him what I had said. I said, “This is what I have said, and if you don’t agree with me, then you’ll have to find yourself another director because that’s the way I want to go.”

So he said, “No, no, no, I think you’re basically right, but, you know, at the same time, we want to make sure that the [inaudible] and so on.”

And then I went and saw Moeen Qureshi, who was the Senior Vice-President of Operations, and I told him that this was the position I’m taking: “Tell me if I’m right or wrong.”

And he said, “Basically, you’re right, but, you know, you’ve got to manage this.”

But anyhow, the second meeting was a much better meeting. I said exactly the same thing but the staff this time around responded not as emotionally as the first time.

At the same time—I forget now the date, either 8th or 9th or 10th of June—President Conable went to see President [George H.W.] Bush about what the Bank should be doing, what should be the Bank’s approach. So before going to the White House, he called me, and he said, “Would you please stay in your office, and I want to talk to you after I talk to the President of the United States.”

So I said, “Fine.”

So he came back at about seven in the evening, and he said, “President Bush and I have agreed that you will travel to China tomorrow to ascertain the situation and then report back to the Bank’s Board as to what should be the Bank’s position. So can you leave tomorrow?”

I said, “No, I can’t leave tomorrow—you can’t get reservations that day—but I’ll leave the day after.” So I left the day after.

I went to China and, by that time we had gotten Ed Lim to go back. He was in Tokyo, and he went back to China. And Ed and Zhang Shengman Zhang, who is now the managing director—Shengman, he calls himself now?

ZENNI: Shengman Zhang?

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BURKI: Shengman Zhang. I call him Zhang Shengman. He and Ed came to see me. Zhang Shengman was a junior fellow in the ministry of finance. I had with me three magazines that I had picked up on the plane. I was the only passenger on the flight from Tokyo to Beijing.

BECKER: The only one?

BURKI: Only one. And when we arrived in Beijing, Zhang Shengman and Ed Lim came to meet me, and Ed told me, “You know, we had booked you in Shangri-la, but you were the only person staying in Shangri-la, so I’ve decided to join you, and I’ll stay with you in Shangri-la so that you have some company.” That was the situation in Beijing. It was a dead city.

So Mr. Zhang Shengman came to see me, and I had these three magazines which I had picked up at Tokyo Airport—Time Magazine, Newsweek, and the Economist—and all three had pictures of bloody people as a result of the army assault. So I said to Shengman Zhang, “Take a look at how the world is seeing what you’re doing.”

So he leafed through these magazines, and he said, “May I keep them?”

I said, “Sure, keep them.” So I guess that’s probably the first time that somebody senior had begun to communicate that kind of message to the Chinese.

One condition of my going to China was that I will not see the Prime Minister, Mr. Li Peng, who was associated with the massacre, and that I could see anybody else.

BECKER: Now, was that your decision?

BURKI: No, it was the U.S. government’s decision, to which Conable agreed. They didn’t want me to be shown on television shaking hands with Li Peng. And they were unhappy about that; they wanted me to meet with Li Peng and have a picture taken, so they agreed that...

So I met with three deputy prime ministers, and each one of them then gave me a detailed account of their version of the Tiananmen Square crisis. So these three meetings were held. Mr. Shengman Zhang was the interpreter at these meetings, and so he was very involved.

An interesting meeting was held with the current Prime Minister of China, Mr. Zhu Rongji. He was then the mayor of Shanghai, and the Chinese had decided that I should meet with the mayor of Shanghai and then I should also go to Shanghai and take a look at the World Bank’s projects (because we had a number of projects in Shanghai) and then see how work was going or whether there was any disruption of activity and so on.

Zhu Rongji’s staff said to me that he wanted to invite me for dinner, so dinner was arranged. And an hour before I was to go for the dinner, I got a call from Mr. Qureshi, from Washington, and he said, “Have you been watching CNN?”

I said, “No.”
He said, “Shanghai has just executed four people, and this was on CNN, and your mission has become very complicated.”

So I said, “Moeen, I’m just going to have dinner with the mayor of Shanghai.”

He said, “Well, good. This is the news I’m giving you, so I don’t know what you’re going to do about this.”

So I went to have dinner with Mr. Zhu Rongji, and he got up to greet me, and I said to him, I said, “Mr. Mayor, you have made my mission very, very difficult.”

And he said, “What have I done?”

And I said to him, “You’ve just executed four people.”

He’s a very short-tempered guy, and his face went red, and I didn’t know how he was going to respond. He said to me, “Well, let’s sit down and talk about this.”

So we sat down and he said, “I know this was on CNN, but let me explain to you the crime for which these guys were executed.” His explanation was that as a result of the lawlessness that accompanied the student occupation, all kinds of nasty elements of the society had begun to take liberty with law and order. So there were four guys who committed three crimes that, according to the Chinese law—this was his explanation—just cannot be tolerated, and the punishment for these crimes is death by firing squad. The crimes are crimes against women, crimes in a moving train (which is interesting, because so many people travel by train in China that any crime in a moving train is a capital offense) and destruction of government property. So he said, “These four guys had done all three things on the train. They had assaulted women, they had destroyed government property by doing something to the carriages of the train, and then all these crimes were committed in a moving train. So there’s absolutely no give on this, and that’s why we have executed them.” That was his explanation.

Anyhow, to get back to the story, I went to Shanghai, and I was taken to see four projects. And either it was because I was visiting a project or that was the normal way things were happening in China, there was an enormous amount of activity on those projects. Work was going on. There was no indication that anything seriously was the matter.

So I spent a week in China, and I came back, and I had a meeting with Mr. Conable and Mr. Qureshi, and I told them that the World Bank really must not stop its operations in China. The reason was that there was a government in place—there are three or four things that the Bank must ascertain before it can continue its operations, and one of them is that there’s a functioning government; second is that this government has economic policies which are satisfactory to the Bank; third, that the Bank’s projects are being implemented the way they should be implemented; and fourth, that the creditworthiness had not been hurt as a result of events so that the Bank’s loan could continue to be serviced. I said that on these four counts, I was satisfied, and I could not recommend that the Bank should stop its lending.
So Conable was a bit taken aback by that, and he said to me, “I don’t think I want you to go to the Board and make that statement. Instead, you should see all 22 Executive Directors, one-on-one, and tell them that that’s your finding, and then come back to me and tell me how they are reacting, because my view is that if you make the statement in the Board, the sentiment against China is such that we could have an ugly scene.”

Now, the Chinese were expecting that I would report to the Board, and I had told them that these were my findings, and they were obviously very happy with my findings. So they were very upset when they learned that Conable was not prepared to call a Board meeting.

Anyhow, I went to see the members of the Board, and predictably the developing country membership was very happy with my findings, but the United States, Canada, Australia, Germany, Britain, France, and the Nordics were not.

The person who was most upset with me, for some strange reason, was the British ED, who said to me—and I’ll never forget that—he said, “Mr. Burki, you will regret to live the day when you decided to go to China.”

And I said to him—whatever his name was; I have forgotten—I said, “Mr. So-and-so, you will regret to live the day when you made this statement to me.” So we had that kind of exchange.

There were seven projects that were due to go to the Board in June, and this had happened on the 4th of June, and my findings were delivered sometime in the middle of June. The question was whether the Bank should take the seven projects to the Board.

In the meantime, a Group of Seven meeting, held in Houston, had decided that sanctions should be imposed on China, and that they had recommended—not recommended, they had told that there would be no more lending by the World Bank. So it was clear that if we took these projects to the Board, the Group of Seven would vote against them, and that would mean that the Bank did not have the majority votes to clear the projects.
the projects were not presented for something like ten months, I believe.

BECKER: Ultimately though, they were presented . . .

BURKI: Ultimately, but hostility between China and the United States on the Tiananmen Square issue lasted for a long time.

I took the decision that our work would not stop, and so I continued to send missions to China and continued to prepare projects. We had seven of these projects. New projects kept on coming out of the pipeline, prepared, everything done and put on hold, so much so that by the middle of 1990 I think I had about, something like 20 projects prepared to go to the Board, and there was no sign that there would be relief granted by the G-7.

Then I got a call from the Japanese saying that they wanted me to stop in Tokyo on my next visit to China. I had been traveling quite frequently to China in this period, and the Bank mission, as I said, had started also. And these women that had protested had left the department. One of them later became the ombudsman, Barbara Searle. Do you know her?

ZENNI: I know of her.

BURKI: You should interview her and get her version of the story.
The Japanese said to me that they wanted to break away from the G7 consensus and that they were very happy that I had kept the bridges open, and so I should continue to do this, and one of these days I should make an attempt to get the projects back to the Board.

I told Qureshi that. And Qureshi said to me, “The Japanese--you don’t know the Japanese.” He said. “They would never leave the United States, so they would not break the consensus. So don’t depend on that.”

So the way this logjam was broken was interesting, but before I get to that, there was another interesting episode. On one of my trips to China, I was interviewed by a newspaper, one of the largest circulation newspapers in Japan. And at this time--the G7 had been meeting in 1990, had said that only those projects (and they had used the word ‘basic needs,’ which was interesting) that aim to meet the basic needs of the people can go to the Board. So whenever these meetings were held, May or June of 1990, I was passing through Tokyo, and Qureshi was to join me in China. So I was interviewed, and somebody asked me, “What do you think about this decision by the G7?”

And I said, “If there is a country that knows anything about basic needs and poverty, that it is China. And for us to say that that’s the only work we’re going to do is ridiculous,” or something like that. And that was given a lot of play by the Japanese press, which then led to a request by five EDs to the Bank president that I should be removed from my job or thrown out of the Bank, I forget which.

So Qureshi arrived in Beijing, and I went to see him at the airport, and I found that he was very tense. And I asked him, “What’s the matter?”

And he pulled out this piece of paper and gave it to me and said, “Why did you say this?”

So I said, “Then what are you going to do? Remove me?”

He said, “I don’t know. We’ll have to discuss it with Conable.”

Anyhow, I came back, and I went to see Conable, and I told him that Qureshi had shown me this request from the EDs. And so he said the same thing, he said, “You know, you should not make public statements challenging G7. But,” he said, “no, no, no, I’m not going to do anything. You’ll stay in your job.” So that particular event happened.

And the way we got back to the Board was also interesting. I was driving down Canal Road, and I had my radio on, and there was the news that an earthquake had struck China, the northwestern parts of China, and there was some damage and some loss of life. So I came to the office, and I called one of the Division Chiefs, and I said, “You’re leaving for China tomorrow, and I want a project to be prepared in the next few weeks on earthquake relief, and we’ll take that to the Board, and we will test whether the G7’s pledge for basic needs is,” et cetera.
So he said, “Fine.” He was very excited about it. He went to China, and then he called me from a place called Danang. He said, “Mr. Burki, I’ve come over here, and there’s not much damage, and there’s no loss of life, and I can’t even find injured people.”

I said, “Find them.” And I said, “I want a project.”

So anyhow, he put together a project, and that was the first project we took to the Board. And America abstained; they didn’t.

BECKER: What year was this?

BURKI: Around April, May, June, 1990. So that’s the way our lending got restarted, and then I took all these seven projects that were pending to the Board, and very rapidly the program took off.

BECKER: How did your experience in China as well as what you’ve learned about the East Asia region influence your views on development?

BURKI: That’s a very interesting question. It convinced me that the first thing that needs to be done in developing countries with a lot of poverty is—not the first thing; a number of things need to be done, and among the more important things three things are education, development of primary health care, and giving the opportunities to women to become active participants in the workforce. These three things are absolutely critical for any development effort.

[End Tape 1]
[Begin Tape 2, Side A]

BURKI: And, in these three things, China under Mao made tremendous strides.

The first time I went to China, when I led this mission in 1965, I saw lots of women hobbling on these small feet, so this foot binding had left a very deep mark, and these women were relatively older now in 1965. The foot binding stopped, I guess, sometime in the late ‘40s. So they were not old—30s and 40s—but there were still a lot of them around. So in China, women’s status was very poor before the communist came in, and education was nowhere near universal, and health was very poor. So the communist regime between 1948 and the early 1970s, over a period of about a quarter century, was able to educate almost the entire population.

They had a program which was called “barefoot doctors,” which meant people with a little bit of training were sent out to the villages to take care of small problems, but normally these things ended by having significant impact on the rest of the population and giving rights to women to participate in all aspects of life.

So the beauty of the Chinese experience was that just when all these things were done, you had a new leader who came and then relieved the energy of the people who had been subjected to the rigors of their system of government communization. So essentially, the lesson that was learned by me—and I guess others also, some other development people—is that this is the first thing that
you concentrate on in the development process. And all effort in getting the education, health, and women’s participation that you can put in has an enormous impact. And that’s something the Bank committee never did except in those countries where you had the systems in place and that were prepared to make those kinds of sacrifices which are needed to get that kind of resource transferred into education, health, et cetera.

BECKER: Before moving on to your next major post, your involvement in China came in part because of the ’87 reorganization and your involvement in it. Speaking of reorganizations, we want to ask you how you would assess the Bank’s periodic reorganizations in addressing its evolving agenda?

BURKI: Again, I think a very good, and a very difficult question to answer. The 1987 reorganization is something that did not win many friends, and people still remember that reorganization with a lot of anger, because it was very disruptive. But those of us who were directly involved in producing that particular organizational structure I’m sure have a different point of view. And since I was one of the 21 staff who were picked by Mr. Conable to help with the reorganization of the Bank, my view is that the kind of structure that came out of that was needed for the Bank in order to put the emphasis that needed to be put on country work rather than on a lot of academic and sectoral work which the Bank had been engaged in up until that time. The Bank has not succeeded in finding a balance between these two approaches--what in the Bank lingo is called country focus, and a focus on sectoral work. Every reorganization effort that you look at is an effort to redress the imbalance that has been created by the previous reorganization. When we sat down--and the chairman of that 21-member group was Kim [Edward V.K.] Jaycox--we very quickly came to the conclusion that for a successful development institution, it needed to have very good understanding of the countries with which it was working and that could only be developed if you made it possible for staff to devote their entire energy either on one country or a small set of countries, and that was a philosophy behind that particular reorganization.

The reorganization that was done, engineered by Ciao, when Wolfensohn became President in ‘95, went the other way. And when this was undertaken, I was Vice-President of Latin America, and I refused to follow what Africa had done, which was appointing single-country directors that they called “naked directors.” They were called “naked” because they had no staff, so there was one person in charge of a country or a set of countries with absolutely no resources. So I told Ciao and Gautam Kaji, the Managing Director, I said, “I’m a strong believer of the previous approach, and I’m not going to have this particular approach adopted in my region.” And there was a fair amount of debate on this particular issue, and then they agreed that Latin America region would not follow the Africa region and will have its own structure. Now, that, I think, was a mistake, in terms of letting each Vice-President develop his or her own structure, and that has led to an enormous amount of confusion in the Institution as to what is it country departments or the networks are expected to do, because each unit has its own organizational structure, and you can’t even now determine what does the director in the Institution stand for.

BECKER: So, on balance, reorganizations are, in your view, a good thing, a bad thing? Are they sometimes driven from the top rather than the bottom?
BURKI: I think they are driven from the top. Each President who has come in has brought his own ideas on how to run the Institution, and it's very disruptive. This presidency has

BECKER: So, on balance, reorganizations are, in your view, a good thing, a bad thing? Are they sometimes driven from the top rather than the bottom?

BURKI: I think they are driven from the top. Each President who has come in has brought his own ideas on how to run the institution, and it's very disruptive. This presidency has lasted now longer than the earlier. We had three presidents, two of them only for five years and the third one for three years or so. We've not had a woman President as yet. So to start with, nobody likes uncertainty, and we've had reorganizations producing an enormous amount of uncertainty and lack of definition of what it is people are doing and what they're supposed to be doing. What I hear currently about the Bank--and we'll get to that a bit later on--is that it is not a terribly well managed institution.

BECKER: Now, your next post was Vice-President of Latin America and the Caribbean Region, and that began in 1994. How applicable, in your opinion, was the East Asia model of development in other regions, in particular in Latin America?

BURKI: My appointment to that particular job happened in an interesting way. One day, I got a call--this was in December of 1993--from President Lew [Lewis T.] Preston, whom I had accompanied earlier that year on his only visit to China as President of the World Bank. I went with him and his wife. So he called me--he called all his senior staff "kid"--and said "Kid, I'm going to promote you, and I'm going to send you as Vice-President of Latin America." He then went on to say, "But I've been told that you don't want to leave China, and you are very attached to that country, and so what's your reaction?"

So I said to him, "You know, everybody likes a promotion, and I'm not going to turn down a promotion. But why do you want me to go to a region about which I know nothing? I've never worked in Latin America. I've visited the place a few times. I don't know the language. I guess I'm too old to learn the language, and if I spend time learning the language I'd never learn about the region, so why Latin America? If you want to promote me, why don't you appoint me to some other place?"

So he said, "Oh no, there's a reason for that, and the reason is that when we went together to China, I saw how the Chinese treat you, and I was very impressed by the relationship that you have with one of our major borrowers. You seem to have a good understanding of how to manage the World Bank's relationship with a large borrower." Then he said, "You know, my own experience from the banking sector is that large countries have their own dynamic, and their own culture, and it's a very different culture. Not everybody is comfortable with that. So," he said, "the reason I want to send you to Latin America is that our relations with Brazil are very bad, and I want you to fix that. Brazil is an important country for the World Bank, and we just can't continue to treat it the way we've been treating it, and I think you can bring your China expertise to this area."

So I said, "All right, but I hope you will understand that I will not make an effort to learn Spanish or Portuguese."

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And he said, “I don’t want you to become fluent in Spanish, but do make some effort in learning Spanish. Take some lessons.”

So I agreed to do that, and a person was assigned to me on a one-on-one basis to give me Spanish lessons. I learned enough to be able to understand what was going on when Spanish was being spoken by a foreigner, but I found it very difficult to understand when Spanish was spoken by a native, because they speak very fast and I really didn’t make a serious effort, but I spent a lot of effort trying to understand the Latin American economy. So that way, I think my period was a relatively successful period.

**BECKER:** Back to the question about the East Asia model of development which involves--in the case, certainly, of China--a strong government. How applicable did you find that in Latin America?

**BURKI:** You know, for a long time I believed that strong governments are necessary for development, and in fact that’s also the conclusion that the Bank reached in not so many words but implied it in the famous, *East Asian Miracle* study in 1993.

**BECKER:** Which you were involved in.

**BURKI:** Which I was involved in. But I have now come to the conclusion that it is not so much strong government but governments that allow people to participate in decision-making that are absolutely right. So social capital formation is much more important as a determinant of development than strong government, because a strong government can be a good or bad government, and when they’re bad they do an enormous amount of damage. And I come from a country where we have seen both. We have seen strong leaders who are good and strong leaders who are really bad, and we have examples from all over the world. East Asia was particularly lucky, I would say, that within constraints, particularly constraints within their leadership, which was genuinely interested in developing their countries and improving human resources and so on. I think it was a historical accident rather than as a result of a deliberate effort to have strong governments to promote development.

**BECKER:** But in China, there is this element at the grassroots level of participation and dialogue. You see that portrayed in a lot of Chinese films.

**BURKI:** I normally shock people by saying that I find China much more democratic at the lower level than India. I mean, these are two large countries. The Chinese mayors in small cities or small towns are really subject to people control, and if they don’t deliver they lose their job, and nothing focuses the mind than that particular threat; whereas, in India democracy works, but works for the top 40 percent of the population, and for the bottom 60 percent it’s a ritual that you vote every four or five years, and then the government really doesn’t bother all that much. And I see that in my own country, Pakistan. So Chinese have been very clever, I would say, and that started as a system of communes in a way, that they were able to bring participation of people in decision-making that affects their daily lives at the lower level. I didn’t know that you could see this in the films.

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I’ve always been impressed by how much involvement there is of people at the local level in various aspects of development, and to give you one example of that, there was a point when China was very indifferent with the environment. What mattered was building things, and if that destroyed the environment, so be it. That was a price that the country was prepared to pay. Partly as a result of the World Bank’s involvement (I must say, also), the Chinese began to focus on the damage that they were doing to the environment, and finally they accepted the idea of having an environmental policy. This policy was then translated into some very simple things that people should and should not do and was put out in the *People’s Daily*. Now, *People’s Daily* in China has a circulation of something like 300 million, 400 million copies are sold. Everybody reads it. So for me it was fascinating. I’ve traveled a lot in China, and I’ve visited practically all provinces of China, so I used to find, once this thing was issued, that I would go to a village and I was being asked the same questions: why is the government not doing this, and why is the World Bank not helping the government to do this? And this always was what this article in *People’s Daily* had said people should be doing and people should encourage the government to do and so on. So the message had traveled very fast because of this last circulation of this paper to the people, and then people were holding their government—and in a way the World Bank—accountable for those things. And it has made a lot of change to the Chinese environmental system, and the same holds true for a number of other things.

One thing that the Western countries were extremely worried about was that the Chinese were very indifferent towards the plight of the people who were being displaced by large projects, infrastructure projects. And as you know, the World Bank became very conscious about resettlement policy, and now it’s a judiciary responsibility of the institution to make sure. So I then told the World Bank management that my impression is that the Western impression about China is not correct and that they really do take care of people who are displaced, and in order to get that message across and in fact to learn from the Chinese experience, I would like to do a major study on China’s key resettlement policy. So working with Ismail Serageldin, we launched a major study on China’s resettlement policy, and that was presented to the Board, and the conclusion was that the Chinese do a very good job of this, and they do a good job by working very closely with the local committees. So when a large project comes along, they go to the people, and they say to the people, “We have to displace you, but what is it that we need to do in order to make it worthwhile for you to move from this place to another place?” And numerous visits are made then by experts to these committees. So ultimately, the conclusion of the study—which was not done by the Bank staff; it was done by outside experts who were hired by the Bank as consultants—was that in most cases people ended up better off as a result of the resettlement.

There’s a dam called Xiaolangdi which the Bank financed as I was preparing to leave the China department for Latin America. And I decided that we would not do one project, we would do two projects. We would get IBRD money for building the dam, and we would get IDA money to resettle the people. So there were two projects simultaneously. And that approach was really officiated by everybody on the Board, and the Chinese did a marvelous job of resettling people.

One of the first things that I was asked to do when I took over the China department was to become the chairman of a three-person steering committee that had been appointed before I came...
to the China department to look at the Three Gorges Project, the feasibility report on this project was prepared by the CIPM Yangtze Joint Venture (CYJV), a consortium led by Canadian International Project Managers Ltd (CIPM) and sponsored by the Canadian International Development Agency (CIDA). And so I prepared a massive amount of documentation, and one of them was on resettlement policy, which was done by an American sociologist. And he came to the conclusion that the Chinese practices of the past implemented during implementation of this particular project would lead to improvement of a lot of the 1.1 million people who were going to be displaced by this particular effort, by this particular project. So when we presented this finding to those who were associated with the preparation of the feasibility report, they were a bit surprised, but eventually this project was approved by the World Bank in terms of being feasible not only for doing what the main purpose of it is, flood control, but in the generation of electricity, that it would in fact also be a poverty alleviation project, because this was a very difficult countryside. People live in extreme poverty. So I have followed it, but I gather that a lot of those people have been relocated, and they are better off than they were when they were living on the hillside along the river.

BECKER: We wanted to switch and talk a bit more about the Latin American experience, and in connection to that, make reference to the 1998 report that you wrote with Guillermo Perry, “Beyond the Washington Consensus: Institutions Matter.” What is your view of the positives and negatives in the policies of the so-called Washington Consensus? A big question!

BURKI: A big question, and a very controversial answer. My view is that the Washington Consensus was something that needed to be done in order to restore stability to these economies which were just experiencing terrible inflation--30,000 percent increase in prices in a year, it just distorts everything. And you needed something like the Washington Consensus to get these economies to function again. But having said that, a number of other things needed to be done which were not part of the Washington Consensus, and these are the sorts of things that we’ve been talking about, such as poverty alleviation, improving the access of the people to some basic services which can only be provided by the government.

My main criticism of the Washington Consensus is that it downplayed the role of the state in development, which is a lesson that one learns from East Asia, and overplays the importance of the private sector as a contributor to development. So consequently, the Washington Consensus has left very weak governments in Latin America, governments that are not able to handle social crises when they occur, and therefore they just keep going on and on and on, whereas in East Asia, as we know now from the crisis of 1997-1998, that the governments are very sharp because you had administrations in place, you had instruments available to the people where they were able to form a consensus on a wide variety of issues. That kind of thing does not exist in Latin America, and it is something that is partly contributed to by the Washington Consensus.

When I came to Latin America, I did one thing which the Latin Americans appreciated more than resented. I drew up a matrix, and I said that these are the things--and I had a list of about a dozen things--that the East Asians have done which contributed to development, and these are a dozen things that you have done which have contributed to your state of - - - . These are half a dozen things which you need to do in order to move from stabilization to growth which you have not done, and these are half a dozen things which Asians need to do in order to make sure that
they don’t have your kind of crisis. So that was presented in the matrix form, and I then just encouraged Latin American policymakers to think in terms of broadening their approach towards development, and taking a look at the East Asian experience.

BECKER: Also in that report, you say that one of the advantages of the Washington Consensus was that it weakened governments that probably should have been weakened, that were too centralized, in Latin America. It sort of broke down or undermined their very highly centralized authority. How do Latin Americans go about building on the local level these kinds of institutions that, in East Asia and China, soften social problems because there are so many resources on the local level?

BURKI: These societies are not very homogeneous, and that’s one of the problems; whereas, East Asian societies are homogeneous, culturally and racially. Some people don’t have a problem sharing resources when you’re trying to develop areas that have been neglected in the past, and so on. Such a thing has been difficult to do in Latin America. I have seen, in various parts of Latin America, the kinds of poverty that I don’t see in Asia, even in India and Pakistan where there’s a lot of poverty. And the reason is that the elite in Latin America just do not take responsibility for what’s happening to the Indians in that society. And some of these countries have a very large number in their populations that are indigenous; for example, the Indian population. You go into the hills of the highlands of the countries in the Andean region and you see very grim poverty, and these are mostly symptoms of Indian tribes. So for as long as the elite won’t recognize that it is important for them to share the rewards of economic development much more broadly, you will not have security in these countries.

I used to make a very simple argument to some of these people when I sat down to talk about these issues. I would say to them that you can divide any society into three parts. You have the relatively well-off and then you have the miserably poor and in between you have a lot of these people who are neither poor nor well-off, and that in Latin America what happens is that this particular chunk of people moves very fast between poverty and being not-so-poor, and since they’re also politically the most active people, you have so much political instability. So you’ve got to make sure that this particular group just does not fall below the poverty line every time you have a little crisis, and then that creates turmoil in the political system of the type you’re seeing now in Venezuela, Argentina, et cetera. In East Asia, in particular—with the exception of Indonesia—you don’t have this kind of very quick movement of people up and down the poverty line. Furthermore, they’ve just not been able to evolve structures, political structures or structures of government, which would make it easier, and that is a very big challenge. The Latin American state was a very strong state, in the sense of dominating economic assets, but it never had the institutional strength. So when you took away the economic strength from the state through the Washington Consensus of privatization, it left a very weak state.

BECKER: Now, you’ve actually sort of answered the next question, but maybe you have further thoughts on this. How did your experience in LAC [Latin America and the Caribbean Region Vice Presidency] alter your views on development?

BURKI: Yeah, I think it certainly did. Before I came to Latin America, I was among those people who thought that strong governments are good for development, and it’s my experience

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in Latin America that convinced me that participation of people is—and we’ve talked about that—very, very important for bringing about development. The Latin Americans have—again, with the involvemement of the World Bank—developed an instrument which is working. It’s called Social Investment Funds (SIF), and these funds are managed by local communities, and money is given directly by the state to local committees, and then local committees decide what to do with them, and usually it gets into provision of basic needs, water supply, sanitation, schools, and so and so forth. And that’s working, and that’s working quite well in many countries.

Another thing that the Latin Americans have done, which countries like India and Pakistan could benefit a lot from, is involvement of parents and community in schools. There’s a project in El Salvador—which is financed by the World Bank, but it was developed by El Salvadorians themselves; it was not the Bank’s idea—called the EDUCO Project. In fact, there used to be a competition in the Bank where you identify the best project, and EDUCO won the first time that competition was held. And this happened during Wolfensohn’s time. The first time that was held, EDUCO was chosen as the best project. Now, what this project does is, the government gives money for running a school not to the school but a parent-community association, and then they decide how to spend this money, whether it is going to be spent on wages of teachers, the training of teachers, the provision of supplies, et cetera. It’s entirely up to the community. And you find that even if parents who are managing these courses are themselves illiterate, they take the right position. And thus far wherever this approach has been tried, it has just worked wonders for improving the quality of education. And again, it points to the view of the importance of participation and people’s involvement. And that, I think, was my main lesson from Latin America.

BECKER: In late ’96/early ’97, you headed a task force on social development which produced the “Social Development and Results on the Ground” report. What did the Bank do differently as a result of the task force’s recommendations?

BURKI: This was an interesting effort. Wolfensohn said to me that he had visits from a number of staff in the World Bank who were not economists and who had come to him and complained that the Bank was dominated by economists and that they were applying economic solutions to problems that deserved to be looked at differently. So he promised them that he would appoint a task force, and then he asked them, “Would you recommend somebody as the chairman of the task force?” And Wolfensohn’s only condition was that the chairman should himself be an economist. So these guys came back, and they recommended my name because of my involvement with NGO work, and a lot of these fellows were associated with the non-economists in the Bank. Then Michael Cemea, the Bank’s first sociologist, was responsible for recommending my name to Wolfensohn, because he and I had worked very well together in a number of capacities.

So then it became an effort in which my main job was to make sure that there will be a buy-in into the report by both the economists and the non-economists. The economists, led by Lyn Squire, were very skeptical of this effort. They had very little confidence in any other discipline than their own. And the non-economists such as Mike Cemea—in fact the only difference I had with Mike during the course of this particular task force was when he was going on and on about the damage that the economists were doing to the institution. So I had to find some grounds for
agreement between the two sides, and that happened after a lot of work and with help from people such as Mike Cernea and Lyn Squire, and I got them to sit down and realize that both sides had a lot to contribute.

So, essentially, the major contribution this particular task force made was in three areas. One was that if the Bank could persuade the borrowing country, social assessments would be carried out whenever a major policy change was being implemented to include both its economic impact and its social impact. So that was one recommendation which is being implemented and there are social assessments being carried out. Second is that there should be a greater involvement of people in the process of development, and people must be heard. And it was that particular recommendation which led to the study on poverty, "Voices of the Poor" by Deepa Narayan. So that was the second major outcome. And the third was that we succeeded in proposing two new instruments of lending. One is LIL (Learning and Innovation Loans), the idea being that a lot of these things, you just cannot understand unless you do something with them in the field and you learn from that. And so LIL became something that the vice-presidents would do on their own without going to the Board. And the second one was the brainchild of Maritta Koch-Weser, who was a member of this task force. It's a program loan which comes in tranches, and you go to the Board and say you're going to lend 200 million dollars to Country X and this is what Country X is going to do with 50 million dollars in the first two years, and then you authorize the vice-president to do subsequent lending without going to the Board. If the vice president is satisfied, he sends a memo to the Board. So these were two innovations.

BECKER: What is your view of the efforts to repair the international financial architecture in order to better cope with the economic and financial crises and contagions that have marked the 1990s?

BURKI: Big question. Should we handle that . . .

BECKER: Next session?

BURKI: Good idea.

[End Tape 2, Session 1]  
[End Session 1]
BECKER: Good morning, Mr. Burki. It's very nice to see you again. Today is Friday the 28th of June 2002, and we’re continuing our interview. When we left off yesterday I was going to ask about your view on the efforts to repair the International Financial Architecture in order to better cope with the economic and financial crises and contagions that marked the 1990s.

BURKI: As I said yesterday, this is a very good question, a very complicated one, and it will take a long time to provide a good comprehensive response. But nevertheless, let me say a few things about it.

I think we’ve got to recognize that a fundamental change has taken place in the relationship of developing countries with the providers of finance in the developed countries. Those of us who started working on development several decades ago emphasized the importance of Official Development Assistance (ODA) over promoting development. In those days the bulk of the resources that came from abroad and were received by the developing countries came from rich governments. And they came either directly or by way of financial assistance or by way of institutions such as the World Bank. Over the last ten years this is no longer the case. In net terms, ODA is practically zero. Rich countries and institutions such as the World Bank are providing about as much to developing countries as they’re getting back by way of servicing of debt and reflows. On the other hand, foreign direct investment has become an extremely important source of finance for developing countries.

[Burki: If I remember my numbers correctly, by about 2000/2001 net ODA was about one to two billion dollars, but FDI net was about 250 billion dollars. So that’s where the money is, and, therefore, from the perspective of the developing world, what needs to be done is to make sure that this particular source of finance is available to as many developing countries as possible. At this moment, it is concentrated among about a dozen to twenty countries. China is the largest recipient, accounts for something like one sixth of the total, gets about 30 to 40 billion dollars a year.

Now you talked about changing the structure of global finance. What I’m saying is indirectly related to it because I guess what you have in mind also is the very volatile flows that have hurt developing countries a lot. And the question is, is there something that can be done about managing these flows? And I am of the view--which is not a popular view--that we have to have some sand in the system. I think Joe [Joseph E.] Stiglitz would probably agree with this, among the people who believe that leaving developing countries totally exposed to financial markets when developing countries don’t have institutions structured and regulatory systems to protect them is a mistake. And I think it’s a mistake that the Fund has made on several occasions. The Fund also made that mistake in a number of countries that I was managing for the World Bank,
particularly in Latin America. The so-called Washington consensus encouraged these countries to open up and open up fast, open up almost totally. Consequently, money came in when the perception was that these countries were doing okay, and when the perceptions changed, money flowed out equally fast. And these countries don’t have the resilience, the institutional structure, the strength to handle all this.

So what do I mean by putting some sand in the system? What I mean by that is that it is necessary to make it expensive for people who speculate. Those who want to gamble should lose their shirt if things go wrong, and that the system does not ensure at this point. There is now, as you know, a lot of debate going on as to how much hurt should be caused to people who buy country bonds. The United States is not prepared to think about a change in the way bonds are handled; it is resisting.

[Interruption]

BURKI: So it’s the sand in the system argument that I’m putting out. And one country has done that quite effectively, which is Chile. Chile has a system that any money that is put into the country for less than one year becomes very costly for those people who come in. So something like that needs to be replicated. And something needs to be done with writing of the bonds to say that when there is a default it will be shared equally by the holders of the bond and other suppliers of finance, which is something that the United States is prepared to do for future bonds but not for existing bonds, which is the main dispute between the Fund and the Treasury. So these are some of the basic elements in the global financial system, which need to be taken care of.

Just to conclude: to undertake, essentially, reforms in the developing countries so that they improve their environment so that it makes it attractive for foreign investors to go into these countries and spread the capital that is coming in by way of FDI more evenly among developing countries. Number two, to provide technical assistance to developing countries so that they can benefit from the experience of countries such as Chile. Malaysia does something like that also, makes it more expensive for speculators to come in and go out. And, third, to have equal burden sharing amongst various partners in the flow of finance, especially those who contribute to bonds when a country enters into a default situation, some kind of protection to the country, not at the expense of its own development but at the expense of the bondholders.

ZENNI: In the paper that you left behind, “Changing Perceptions and Altered Reality,” you talked about dealing with financial crises and having to change the way we think about them; in other words, changing the discourse on financial crises and dealing with the volatility of the market and not just at preventing financial crises. Did you want to talk about this a little?

BURKI: Yes. That’s what I’m saying, that if some of the things that countries which have managed financial volatility in a better way could be done by all of them, then you could prevent volatility from creating crises, and you make volatility an expensive thing for those who are providing finance. And as I was saying, Chile and Malaysia are two countries which seem to have, on a relatively ad hoc basis, come up with instruments that would do that. The important
thing for an institution such as the World Bank would be to study these situations and then apply them in the context of other clients.

**ZENNI:** Because the discourse is mostly how do we prevent crisis and not so much how do we deal with the volatility of the market.

**BURKI:** You are absolutely correct. And this is what Paul O’Neill has been saying also, that we need to prevent rather than cure after the disease has taken hold. But having said that—and I didn’t come up with any ideas—what I’m saying is that there are ideas that are out there; there are experiences from which we could benefit a great deal.

**BECKER:** Let’s turn to another big question. In 1998 you co-chaired a joint World Bank-Commonwealth Task Force on Small States. In your opinion, how does globalization affect the challenges and vulnerabilities faced by small states?

**BURKI:** Yes, it’s a very interesting part of the global economic system in small states. There are about 50 of them. And for the purpose of this particular exercise they defined them as countries with population of less than 2 or 2.5 million. A large number of them are then in the Caribbean. There are also some countries in the Pacific. Now these are not viable countries in the sense of having large populations or large economies. They are the product of colonization in the sense that when the colonial masters left they did not create the institutions which would have made it possible for these countries to come together and become one country, as the West Indies tried for a while and did not succeed. So it was in the interest of the elites in these countries to have independent countries.

When I was Vice President of Latin America and the Caribbean, I used to have every six months a meeting with 11 Prime Ministers who would descend on Washington at the time of the annual meeting and at the time of the spring meetings, and since the World Bank and IMF pays for these visits; gives every country four tickets and accommodations, these people come. They took up a lot of our time. These are very small countries, population of 200,000; 100,000, etc. I’m being very blunt about this, but for the elite it’s a nice thing and that’s the kind of benefit that they get out of this.

Obviously, for the poor citizens of these countries it’s a tremendous burden to carry. Each small country has an administration, which it has to pay for. To give you just one example of the ridiculous extent to which this has gone, the march towards smallness, there’s a country called St. Kitts and Nevis. St. Kitts is a largish island in the context of the Caribbean; probably it has a population of 100,000–115,000. And Nevis has a population of 7,000. Nevis wanted to secede from St. Kitts and Nevis and become a separate country. I arrived in St. Kitts a day after the referendum was held and the referendum was not approved by a very slim margin. So St. Kitts and Nevis today could easily be two countries, and Nevis would be a country of 7,000 people with an entirely different administration and so on. So that’s problem number one: the smallness, and the fact that smallness is an enormous burden on the citizens of these countries.

The second problem is that a lot of these countries developed economies under the patronage of the colonial rulers. The West Indies, for instance, has an economy based on bananas which

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worked for as long as bananas did not become a commercial enterprise based on efficient production and so on. When that began to happen in countries like Ecuador and Costa Rica, the countries to the east of the West Indies--there are a bunch of them--were the principle beneficiaries of the banana regimes. So when the decision was taken by WTO [World Trade organization] that that banana regime was not acceptable under the rules of the WTO, these economies faced the danger of being just wiped out. So they had to make some adjustments. So these are monoculture economies; they are economies which, as I have been saying, have to pay a lot for sustaining their administrative systems.

But there are some benefits also in being small, in the sense that the policy makers are very close to the people and can come to and state decisions much more easily than is the case of large countries. So the countries of the West Indies or the Caribbean countries, their closeness to the United States offered them a tremendous opportunity, particularly in providing the kind of skills that the United States now desperately needs because of the demographic changes. So my advice to these countries--and this is what we put out in this report that you were referring to--is that “Don’t buck the trend. You will not be able to get the whole system to prevail because it is against rule-based globalization. The WTO support is going to play a very important role.” However, my advice to the developed countries was to give them the time within which to make that adjustment, for a country like St. Lucia to go from bananas to a service-oriented industry. And then, thirdly, my advice to the World Bank and to the Inter-American Development Bank and so forth, was to work hard for these countries to get them to change their economic systems and get them to adopt new structures which will then help them to come out of this old way of doing things and to become part of the new economic system.

BECKER: I’d like to turn now to the more general topic. In 1999, you and several colleagues authored Beyond the Center: Decentralizing the State, where you see trends towards decentralization as an important component of further democratization in Latin America. How receptive are governments in Latin America and for that matter, other developing countries and regions, towards the idea of decentralization? How readily do they accept the need to be closer to their people in a rapidly globalizing economic environment?

BURKI: Not receptive at all is the short answer, because “localization,” as it is now called in economic literature, has a cost for the elite who dominate the central authorities; the central government. So they are not prepared to let go of power. Sometimes it also comes with a fairly heavy budgetary burden, and some mistakes have been made by countries that have done by putting into their constitution a certain amount of protection that is also to the local government.

A case in point is Colombia, in which a new constitution was adopted which gave a lot of power to the states within the country. This was done in order to provide some relief to the people who were being hurt by the ongoing civil war. And it was also stipulated in this that a proportion of total expenditure, a proportion of the total budget will go to the states. As a result the state became fiscally weak, and--the state being the federal government, the central government--and the state’s sub-national governments began to draw upon the resources of the federal government, and therefore caused an enormous amount of fiscal burden.
The same thing is happening today in Argentina. One reason Argentina has been in crisis is that the provinces are not very well managed. They continue to go back to the capital for more resources; politically it becomes very awkward to resist those kinds of pressure. And this is an ongoing cycle of corruption, inefficiency, bad resource uses.

So what I’m saying is that there are a lot of pitfalls in this. So this process is very good but it needs to be managed very well.

One man who has done a lot of very interesting work in this is the former Director of Fiscal Finance in the IMF, Vito Tanzi. Now, Vito Tanzi published a number of seminal studies in this area, and his conclusion is that while good localization is the right thing to do for economic development, it has to be done very, very carefully; otherwise, you are creating a permanent source of leakage within the fiscal systems that needs to be prevented.

BECKER: How effective has the Bank been at promoting localization?

BURKI: The Bank has been a marginal player in this. The Bank was involved in it when it was asked to be involved. For instance, Bolivia, while I was at the World Bank, worked with the World Bank in order to help develop some systems within which localization could take place. I don’t think the World Bank has developed analytical capacity to give much advice on this particular area.

BECKER: How well understood is the meaning and the process of globalization in different parts of the world?

BURKI: Oh, it’s not understood at all. I am in fact at this point doing a study for the Inter-American Development Bank addressing exactly that issue. Globalization has come to mean different things to different people. It’s become a kind of a dirty word. It’s become a four-letter word in certain quarters.

I am very pro-globalization. I think it is a very healthy development. I also think that it needs to be understood in a somewhat broader context than normally applied to this particular process. Usually, globalization seems to mean integration of the financial markets, a greater flow of trade among countries, and some harmonization of regulatory systems among countries, particularly the financial sector. My view is that globalization goes much beyond that. It should include things like the work of the civil society, which has done something very interesting. The civil society movement and the non-government organization activity in a number of areas have resulted in the development of what I would call new norms of behavior in the world; therefore, what we are seeing today is the emergence of a framework which needs to be applied across the globe and irrespective of whether that infringes on sovereignty of individual nations.

Just to give you some examples, obvious examples: thou shall not hurt children; you will not maltreat women; you will protect the environment; you will not support terrorism, et cetera, et cetera, what I would guess, 10, 15 things that the countries should not be doing and if they do that then they earn the disrespect and sometimes a lot of sanctions from developed countries. So there is, as a result of globalization, the work of some of the non-government organizations of

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civil society, there is this very interesting development of additional constraints being placed on individual governments, which means that they'll have to work within a system of new norms of behavior. And I consider that a very interesting development.

My only gripe is that the most powerful country in the world refuses to go by these norms when it is not in its interest. I find it very troubling that the United States is not supporting the idea of an international court of justice. I find it very troubling that the U.S. walked out of the Kyoto treaty, Kyoto protocol. I find it very troubling that the United States is not prepared to sign up on the landmines treaty. So it disturbs me that it is prepared to go to war when its own interests are hurt but it is prepared to take protection behind its claim that nothing should be done in order to infringe upon its own sovereignty when its own interests are being questioned.

**BECKER:** So in the face of all this, what else could be done to mobilize the forces, to help the developing world?

**BURKI:** Forces to help the developing world--I think this will come through--essentially it really boils down to education. You have to educate the populations of developed countries about the benefits that flow to everybody when trade is relatively unconstrained, when movement of people is relatively unconstrained.

My favorite example--on which I've done some work myself--is what I call "demographic disequilibrium." You have now declining populations in all the developed countries of the world, with the exception of the United States. Italy, for instance, is going to see its population decline by about 25 to 30 percent over a period of 50 years. Japan is going to see its population decline from 125 million to about 90 million, 80 million, over the next 50 years. So you have those kinds of problems. When a decline in population happens, it happens because of a very sharp decline in fertility, so children are not being born and the populations are aging. And when populations are aging the proportion of the number of young people in the population declines very rapidly and unless you have a fairly high presence of young people in a population you cannot have dynamism in a society: economic dynamism, cultural dynamism and so on and so forth. So what I have been putting out is that this demographic asymmetry, unless it is rectified through fairly liberal immigration policies, is going to hurt the developed world a great deal.

Now, the developed world needs to be educated about this, and I find it very disturbing this swing to the right in Europe--for instance in Holland, France, Denmark and so on and so forth--which is anti-immigration. And that's going to hurt these countries eventually because they will not have the people they need.

Just to give you one interesting example, which I often use, my country Pakistan has a population of 140 million. The United States has a population of 282 million, twice as large as Pakistan. However, when you look at the size of the population below the age of 18, the two countries are equal in the number of people: Pakistan has 70 million people under the age of 18 and the United States has 70 million people under the age of 18. So Pakistan, therefore, is a very young population. In theory, also, therefore, it should be a very dynamic population, educable, a population that can be educated and trained and skills developed and so on and so forth, and could benefit not only itself but other countries of the world also.
The Indians have done some remarkable things in the United States by way of bringing new technology and so forth. So there are those kinds of interfaces that need to be encouraged. Unfortunately, this war against terrorism has created a lot of anti-immigration feelings and so forth. I hope the leadership in these countries will not play upon that but would begin to tell their own citizens how important it is not to be swayed by, you know, three to five mad men in the world but to beat them down and keep the system open.

**BECKER:** Some people thought that the one thing the United States has done reasonably well on, especially in regard to Latin America, is that it has kept its doors open in large numbers to people from Latin America and Mexico.

**BURKI:** Oh, the U.S. is by far the most liberal country when it comes to accommodating immigrants. It is a country of immigrants. And this is the reason why it is the only developed country which has a positive rate of population growth. And it is positive because of immigration and because of the fact that immigrants have a larger fertility rate than the indigenous population. And I'm sure you followed the results of the 2000 census when some of the demographers were also surprised by the very sharp increases in the proportion of immigrant population; groups that are descendants from the immigrants. So vitality, economic, social and cultural vitality in the United States, which makes it such an attractive place for an immigrant such as myself, is a result of the relative openness of the society.

I sometimes use an observation that both my wife and I have. Sometimes when the weather is bad, people go to Montgomery Mall to walk. And we go there late in the evening, about eight o'clock or so. Montgomery Mall is located right next to a very affluent set of offices, which are high tech offices, so at about eight o'clock you have this flow of people coming in from that part of the Montgomery County area into the Mall either to eat or shop. And you look around and you see a lot of East Asian faces. So Montgomery Mall is palpably East Asia dominated between eight and nine o'clock when these rich lads and lasses working in these companies come and eat and shop and so forth. The Mall begins to close down at about 9, 9:15. These fellows go, and you have another lot that comes in carrying buckets and brooms and so on. They are mostly Mexicans and Central Americans. So my wife and I talk about this, and we say that the United States is benefiting from this migration at both ends. You have this highly skilled, very efficient workforce that is contributing to this economy at the upper end, and this very low skilled workforce that is prepared to do this dirty work at the lower end, and the benefit goes to the welcoming society.

**BECKER:** And the children of the people with the buckets and all are in the Montgomery County school system, which is one of the best school systems in the country.

**BURKI:** And therefore will benefit enormously.

**BECKER:** So the next generation will be doing other thing.

I've always thought that the policy on immigration has been one of the things the United States has gotten right, not always in the 20th century—there was a long period of time when we had it very wrong—but for the most part.
BURKI: There’s a danger that that might change. I hope Mr. John Ashcroft can be contained.

BECKER: Yes, well, the interesting thing is the demographics of it and the politics of it. If you look at a state like California, the 2000 census suggests that it’s no longer a Caucasian state.

BURKI: Looking at some predictions, when you look at the largest country in the world, in the next 50 years in terms of population, the United States will still be there among the top. Its population is going to increase from 280 to about 350 to 400 million by the year 2050. And that’s the only developed country which will see an increase in its population. But by that time India will be the largest country in the world; China will be number two; Pakistan will probably be the number three country or the United States.

To give you one more example of globalization and how it is changing the international production system, I know a young Pakistani who has been written about by the New York Times and by other people. And it’s an interesting story, just to illustrate what’s happening. This guy comes from a very modest economic background. He went to American schools in Lahore, Pakistan. He couldn’t afford it but his mother was a teacher there and they had a special program that she was able to use to get her son into school. He did extremely well, went to Columbia as an undergraduate, did extremely well, applied to Stanford for an MBA program and got admitted with a very nice stipend scholarship. He went there and teamed up with--they have these teams of people that work together at Stanford MBA program--a young American woman. And they began to think, as part of the course work they had to put together, a proposal for getting investment from a venture capital fund. So they thought about all kinds of things. And then they finally came up with an idea that older people--by older people I mean people above the age of 20--if they have a problem with their teeth, they need braces, but they find it very awkward to wear braces that are visible. So they came up with the idea of invisible braces. And then they contacted some dentists to see if it could work and the dentists worked with them. So to cut a long story short, they developed a new system, which is the orthodontist takes a look at a person’s teeth and then takes an impression of their teeth and then says what needs to be done to their teeth and what treatment they’re going to need--different braces at different points in time. So he orders about 10 to 24 braces. This impression then goes to an extremely sophisticated set of machines. This is the program that they put together. And it would take a three dimensional picture which can be put in the computer and then has to be translated into design. And that’s the most expensive part because it involves highly skilled manpower or woman power. So they thought they would transmit that over the Internet to Pakistan, where then dentists and software engineers can translate that impression into design, and that design would then go to Mexico, again on the Internet. And a company in Mexico will manufacture these braces and the braces will go to the doctor.

So they developed this thing, and the professor who was supervising their work was very impressed with it and gave them a bit of money for more work on it and then said, “Why don’t you apply to Kleiner Perkins; see if they would accept this idea and fund your proposal?”

So this young lad was telling me, he said, “We sent in our application.” He said, “I spent everything I had, including my scholarship. I had no money to pay my rent.” And apparently the
law in California is that after three months you can be evicted and they put an eviction notice outside the door. He said an eviction notice was put outside the door. And a couple of days later, before the eviction was going to take place, he received a call from Kleiner Perkins saying they were going to give him $340,000,000 to set up his program. So he said, “I told them first to give me enough to pay my rent.”

So this guy then entered into a joint ownership with this American woman, set up this company called Invisaligns. And for a time this company had a capital of about a billion dollars. And I visited their plant in Santa Clara, very sophisticated machinery and so forth. Then I visited the staff in Pakistan; it employed 800 dentists and software engineers. He is the largest employer of dentists in Pakistan. And then they put out these designs and it is working. It’s a success story; even in this downturn that we have seen in technology-related countries, this lad has done very well. So it’s a three-way process: in the United States the picture was taken, then to Pakistan where the designs were made, and then to Mexico for manufacture. And that’s the way globalization is affecting processes.

**BECKER:** Turning to our question on the Bank and its poverty agenda, with the Bank’s renewed commitment to poverty reduction endeavors to build on earlier strategies in the light of cumulative evidence and experience, and the changed global context, the *World Development Report* 2000/2001: *Attacking Poverty* emphasizes promoting opportunity and empowerment and enhancing security of the poor. Having played a pivotal role in the Bank’s poverty agenda, what is your opinion of the Bank’s evolving strategies for poverty reduction?

**BURKI:** I’m very positive about the Bank’s evolving strategy. This is one area where the Bank continues to learn from its experience and reasonably well deal with the mistakes it has made. It doesn’t seem to be shy admitting that it has made a number of mistakes. I think that the *WDR* on poverty is one of the better *WDRs* in recent times. And its emphases on empowerment, involvement of people with the process of development, its emphasis at the same time on producing growth because without growth you cannot have resources to handle poverty— I mean, it hit all the right nails, and it hit them on the head. And I think the Bank’s contribution has been very positive in this area.

Having said that, you also have detractors of the Bank. I mean, if you read Bill [William] Easterly, for instance, he tells you that the Bank’s involvement in this area has by and large been useless. Now there are counterfactuals involved in this. I mean, I know the criticism which is—when McNamara began to count the poor, I was doing some of the counting for him, and we used to put a table at the end of his annual speeches, which said how many people were living in poverty. And I remember the first time that table was put together was in 1974, and I had a hand in that. And the Bank’s conclusion was that there were about 850 million people living in poverty. At that time, I guess, the population of the world was about four billion, and now the Bank is saying that out of a population of six billion, 1.2 billion are living in poverty, so the number of people living in poverty has increased, and the proportion may have declined a little bit, but not by that much, and therefore, Bill Easterly’s type of argument is that the Bank has failed. I would argue that if the Bank had not been involved, and if it had not done the type of work it had done, we would probably see more poor in the world today than 1.2 billion. The fact that there are more poor today than was the case in 1975 doesn’t mean that the Bank has failed; I
think the Bank has succeeded when you take a look at a number of other—when I say “the Bank,” I mean the collection of institutions that belong to the international system. When you take a look at infant mortality rate declines, increase in longevity, life expectancy, fairly significant declines in maternal mortality, in various states of morbidity, and now some kind of AIDS program is being developed in Africa, an initiative is going to be brought to the fore again. So, essentially, the Bank has been very dogged in this area, and I think I’m very pleased with some of the recent work of the Institution.

**BECKER:** In dealing with poverty, in your opinion, has the Bank focused adequately on issues of political economy?

**BURKI:** No, I don’t think it has. I think that is one area of tremendous weakness. I think we talked a bit about this yesterday when I said to you that I’m doing a study for OED [Operations Evaluation Department] in which I’m taking a look at why the World Bank did not do as well in Pakistan as it did in some other countries. And my conclusion is that the Bank really never understood the dynamics of politics in a country such as Pakistan, and I’ll give you an example of something I did many, many years ago at the World Bank. I believe it was in the early 1980s, when the chief economist of South Asia, who was a man by the name of Bevan Waide, invited me to a retreat of these economists, and he asked me to take a look at the Bank’s program in Pakistan and what I thought about it. So to prepare myself for this retreat, I took six reports the Bank had written on Pakistan in the previous year, and in one sitting I read them all. And then I drew up a list of about 12 major policy suggestions the Bank had made to Pakistan in these six reports, and then I said why 11 of them could not have been implemented because they were against the political interests, against the interests of the social groups that were active in Pakistan. And I made that presentation to those economists, and they were fascinated by that. And so we had a dialogue, and they said this was very, very interesting.

But then Bevan concluded the meeting by saying, “But, Javed, we can’t do this kind of work because we don’t have people of the kind of skill you brought because you know this country so well. We cannot do this kind of analysis.”

And I said to him, “Bevan, that is wrong. This is the first thing you should ask your economist to begin to do, to understand the politics of economic decision-making. Unless they do that they will come up with suggestions which will be meaningless.” So we had a bit of a debate on this.

And I think I was saying to you yesterday that in many different areas it would be wonderful if the Bank gave a sabbatical to individuals and have them write about their own countries and take a look at the World Bank programs, and you would benefit a great deal from that. I wish the Bank would do that. I also know that it won’t.

**ZENNI:** Would WBI [World Bank Institute] be an appropriate place for that?

**BURKI:** I think both WBI and OED, WBI perhaps more than OED because OED comes in rather late in the game.
BECKER: We've already touched on the next question, but I thought you might have some further thoughts. Do you share the enthusiasm or optimism that productivity growth is a key element in poverty alleviation?

BURKI: Yes, I do, and it is only by increasing the productivity of the poor that you can generate income that is needed for them to be able to buy the basic needs. But at the same time, it is a responsibility of the state to provide some of those basic needs as public goods. The Bank's recent work on public goods is also quite interesting; I think Geoff [Geoffrey B.] Lamb did it. The Bank did a paper for the Development Committee on public goods, and I think that's the sort of approach, a combination of what the governments must do and what the people should be doing. And what the people need to do, which is also the focus of WDR on poverty, is increasing their income and purchasing power through productivity increase.

BECKER: Again, our next question, you've touched on, but it's further thought. William Easterly's recent study, the Elusive Quest for Growth, laments that despite huge expenditures and great efforts since World War II, poverty remains a sad reality. We talked about that, but according to Easterly, incentive-based policies can change and start countries on the road to prosperity. What do you think?

BURKI: I think Easterly is very simplistic in his approach, and very dramatic in his criticism of the Bank. I've read the book very carefully. I know Bill reasonably well. In fact, he worked with me on the small-state task force, So what he seems to be saying to his audience is that because of his long stay in the institution, he really understands the developing world, and that is something that most of his colleagues in the World Bank don't, and because he understands it so well, he can find a lot of problems in the way the Bank has approached its development agenda, and therefore, for him, aid has not worked, which is why he is the most oft quoted author by Paul O'Neill, who has been saying all along that aid does not work. I don't buy any of that. My view is that it's a very weak book. It got a lot of play because it came out at the right time when the Bank was being looked at with suspicion by the new Administration, and the Wall Street Journal picked it up and called it one of the most influential books of the 20th century and so on. And so I have a lot of problems with his approach, with his diagnosis, with his recommendations.

BECKER: Changing the subject slightly here, how would you assess the Bank's various mechanisms in coordinating and mobilizing aid resources--trust funds, consortia, consultative and aid groups--especially in view of the decline in foreign aid?

BURKI: It's a controversial subject in the institution. At various times, the Bank made an effort to do something about trust funds, to bring them under the control of one authority within the institution, to discourage people from running around raising money and so and so forth. But at the same time, getting trust funds out of the system is going to have a tremendous impact on resource availability for task managers. A trust fund gives them the flexibility which is no longer available because of the serious constraints on the Bank's budget. So my own view is--I'm positive about the Bank going in and searching additional resources via a trust fund. What is happening is that developed countries have their own reasons for giving money for certain things and not for some other things. It is somewhat easier for Denmark, for instance, to give money...
for some program aimed at child welfare and not contribute into a general pot such as IDA, and therefore they have a trust fund for that program there. Somebody has a trust fund for certain things in Africa and so on and so forth. It becomes a managerial nightmare, but you are living in a political world where resources are constrained, and if this is the only way to get them, I would say get them. But the only thing I would tell the Bank is that introduction of systems would be the right thing to do and to make sure that the trust funds are properly managed and they’re properly accounted for and so on and so forth. There is, I think, some misuse of these funds, which might someday get to harm the Bank.

ZENNI: We’ve found that on consultative groups, in terms of mobilizing resources.

BURKI: The Bank has done, yeah, and also CGIAR [Consultative Group on International Agricultural Research]. These are very good examples.

BECKER: Since the September 11th terrorist attacks, reducing poverty internationally has taken on a new urgency. In your opinion, what adverse effects might the global obsession with security have on long-term economic growth?

BURKI: You know the controversy that surrounds poverty and terrorism. In fact, the World Bank’s contributed to it. Are you familiar with what happened to the paper by Alan Krueger? Alan Krueger was asked to write a paper on the relationship between poverty and terrorism. He is a professor of economics at Princeton. And he came up with a finding that, in fact, there is no relationship. And he did his analysis on--I’m not exactly sure what his universe was, but I think he looked at some of these kids that Hamas used for suicide bombings and looked at their background, and then he looked at three or four groups, and he found that these people were not poor. They came from relatively well-off segments of the society, but they were very angry, and the anger was not because of poverty. The anger was directed at their own regimes and at the United States because the United States was supporting those regimes. So that was his conclusion, and that conclusion would have been very uncomfortable for the U.S. government. So I’m told the U.S. government put a lot of pressure on the Bank not to accept the paper for presentation at the Bank’s annual ABCD Conference [Annual Bank Conference on Development Economics], and that paper was pulled out, and Mr. Krueger was very unhappy. He has published it since then, and newspapers have picked it up, the New York Times and so forth.

So my own view is that poverty does contribute to resentment. I see it in my country, for instance. But whether that resentment gets translated into resentment against the United States, I’m not so sure. In the case of Pakistan, persistent poverty and the failure of the state, when you combine these two things, it produces these famous madrassahs--or madaris, I guess, is the right word to use.

BECKER: How is that spelled?
BURKI: M-A-D-A-R-I-S, which is the plural of madrassah. American usage had been “madrassah” as a singular and “madrassas” as plural. And the Bank, in reading a Bank report, is now using “madrassah” and “madari,” so somebody seems to have told the Bank.

Anyhow, in the report that I’m doing for OED, I have said that it is very unfortunate that the Bank, when it did get involved in providing some relief to the Afghan refugees in Pakistan--there was a very innovative project that the World Bank did. It did not touch upon education; it left it to be taken care of by the Saudis. And Saudi money came and then went into these madaris, and that led to the production of a generation which was a very angry generation, and they are being brainwashed against the West, against the United States in particular, against the Jews, against Israel and so forth. So they have become a source of cannon fodder for radical groups. So that’s how poverty can be made use of if institutions don’t exist to service the poor and that the Bank-type institutions must be very cognizant of. But the exact relationship between terror and poverty, I would subscribe to the view of Alan Krueger, that it is the middle-class, relatively well-to-do people who are very angry at their regimes, be they Egyptian or Saudi Arabian, Algerian, Tunisian, Moroccan, so on and so forth, who have the support of the United States.

BECKER: In your opinion, how can the slow process of IDA replenishment, generally fraught with political hazards, be improved upon?

BURKI: You know, this is a subject that we did get into. We talked about the Task Force on Concessional Flows, and I was very interested in the subject, and I came up with a proposal. It was so good that it was not acceptable to anybody. My idea was that IDA needs to be divided into two parts, that there should be an IDA which is dependent entirely on free flows and there should be IDA that just depended on donor assistance. To give you some numbers on this, IDA XIII, for instance, that is being negotiated now, and it is between 22 to 24 billion dollars over a three-year period--and Geoff Lamb is engaged in this, as is Sven Sandstrom--eight to nine billion dollars of this are reflows. This is money that has been paid by India and Pakistan, largely, because these were the two largest recipients of IDA for a very long time. So my view that I presented to the Task Force for Concessional Flows was that this money should not be treated as donor money. This should be treated as IDA money, and IDA should have full control over it, and some of it could be used to raise money in the capital markets. You could leverage, because this was a tremendous resource for which you are not paying anything and therefore it is free capital, and you can leverage it in the market and create an institution which is based on these reflows. This institution would also not have the political pressure that the donors are able to exercise because they’re making payments into this. Let that political pressure be confined to the other IDA, which is totally sponsored by the donors. If you do this, then you don’t have this worry of discontinuity because reflows keep on coming and will keep going into IDA B, if you want to call it that, while IDA A is being negotiated.

So I presented this, and even the Indians didn’t accept it. And the fellow who was representing India is a very good friend of mine who is now the governor of the Central Bank of India, Bimal Jalan--he used to be in the World Bank; that’s how I know him. And I said to him, “Bimal, it is so obvious. I mean, you are the largest donor to IDA, effectively. Why wouldn’t you do this?”

And he said, “I don’t want to quarrel with the United States.”
But so we need to do some really sharp rethinking about IDA in the future. I was the leader of the team that produced the study *IDA in Retrospect* in 1986. It was to celebrate the 25th year of IDA. IDA was set up in 1961. It’s a *WDR* kind of study. Alex was also associated with that.

**BECKER:** Was there anyone in the American government who picked up on this idea?

**BURKI:** No.

**ZENNI:** IDA will always be fraught with politics?

**BURKI:** IDA will always be fraught with politics. IDA comes from the budgets of the donor countries, and the budgets are politically determined.

**BECKER:** The Bank has just agreed to provide up to 22 percent in grants instead of the current seven percent. What, in your opinion, might be the ramifications of this for the Bank?

**BURKI:** I think fairly serious and probably negative. I’m against grants. I’m against grants because grants generate a kind of a charity environment; you don’t feel responsible for making good use of a grant. And you are responsible, you feel some responsibility if you have to pay back the money even if it comes without interest, as IDA is. That is one. And number two, the sort of thing that I’ve been talking about, these refloows, that particular dynamic would be reduced because grants are lost in the institution. I know there’s a lot of pressure on Wolfensohn to do that, and he, being a good political guy, has succumbed to it [inaudible]. But for me, it was just very irresponsible of the United States to continue to press that all of IDA should be a grant or a large chunk of it should be grant, which means you’re going to finish off IDA within 10 years, which may be . . .

**BECKER:** Which some people think is the goal.

[Interruption]

**BECKER:** Okay. The UN Millennium Development Goals as endorsed in September 2000 by all 189 members set out quite an ambitious agenda focusing on results-based development. In your opinion, how well-poised is the Bank in helping poor countries to reach these goals?

**BURKI:** You know, these targets that the UN system continues to adopt are nice for making interesting newspaper stories, and they also give comfort to the people who travel long distances and attend these conferences and then carry back with them a manifesto or a resolution. I have very little patience with these things. These aggregate numbers really don’t mean anything. That you’re going to reduce world poverty by one half, that you’re going to eliminate illiteracy amongst the young, that you’re going to have maternal mortality reduced by whatever percent: I mean, these things have been tried so many times before, and they just create unnecessary frustration amongst people who really do not understand how complicated the process of development is when, inevitably, these things are not met.
The most talked-about target for a while was a target that was adopted in the mid-1960s that was a pledge by the United States and other donors that they will give—and there was a date placed along with it—0.7 percent of their GDP as assistance. And look what’s happened to that particular target. The United States gives 0.1 percent, one-seventh of their target. So I don’t think targets really produce public policy at the disaggregated level, at the country level. So they make nice reading. They serve as good boxes in Bank documents, and the latest Bank document on Pakistan has them, what Pakistan has agreed to achieve this by the year 2015. But if you translate that into the kind of resources that they require, no way Pakistan can achieve this. And if Pakistan, which is one of the better-off developing countries, can’t do that, then Africa can’t do that.

BECKER: In your view, how quickly or adequately is the Bank adapting its operational tools in response to a fast-changing development agenda; e.g., new lending instruments, analytical tools, partnership arrangements, and so on?

BURKI: Sometimes I would say too quickly. I am of the view that the Bank needs to go back to what I would call the basics. When I came to the Bank in 1974, the Bank was doing some wonderful work in areas such as development of ports, building of railroads, building of highways, telecommunications, and so on and so forth, things that involved a lot of engineering, a lot of very sophisticated project management. The Bank had a very, very good collection of engineers and project managers when I came to the institution, and developing countries really benefited a lot from that. These are very expensive resources if you buy them from the market. Unfortunately, because of the debt crisis, the Bank moved away from these kinds of projects and has now gone to policy-based lending, the softer elements.

I’ll tell you what the Chinese once said to me after I’d worked with them for three, four, five years. They said to me, “Mr. Burki, we have noticed one thing about the missions that you’re sending out. Previously your missions would come, and they were headed by grey-haired men and sometimes grey-haired women who were real experts in the areas which they were dealing with—industry, finance, education, agriculture, and so on and so forth—people who really had a lot of dirt under their fingernails.” And then they used to give me the example of an Indian industrial economist that we had, and he was a Sikh with a turban, and they said, “You know, this guy would come and visit an industrial plant, and just by looking at it, would be able to tell us that, you know, you’ve not placed your machinery efficiently, and you’ve got to reconfigure this in this way.” And they said that, “One day spent by that guy in an industrial plant was worth several million dollars for us, and that’s the kind of assistance you were providing then. Now,” they said, “you’re sending these missions led by 25-year-old boys and girls, totally unfamiliar with the imperative for development and what developing countries need. Brilliant economists, we believe, but they don’t have the real world experience. So what you have done is dilute your expertise in the areas in which we need it and built your expertise in the areas in which we can very quickly develop our own.” And I think that was, for me, a very telling conversation, and these were repeated conversations.

When the [Allan] Meltzer report [International financial institution Advisory Commission report] came out, Nancy Birdsall and I put together a working group to write a critique of the report, and we invited a number of outsiders to advise us on the report, and among those that we invited was

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Bob McNamara. And so in a meeting I made this kind of comment, and Bob slapped the table, and he said, "I'm glad somebody's saying this. I'm very troubled by the fact that what I had done, which is to build a tremendous amount of capacity in the World Bank to do good engineering and good project work, good this, that and the other, has been thrown out of the window, and the economists have taken over the Institution." It's not a very popular view, but I hold to that view.

Going back to your question about the Bank ready to adopt new instruments, my answer is, "Much too ready." It should do some of the basic stuff it used to do. It should not leave it to the markets because markets only do it for the bottom line, and then it becomes very expensive for these countries to do those projects, and they need to do those projects.

BECKER: I think you've answered our next question, which was what implications might all this have on staffing? In other words, it would be difficult to get back the kind of expertise that's been lost.

BURKI: No, it wouldn't be difficult. It just needs a new mission. I tried to convince Wolfensohn about this, and I couldn't convince him, but I think we need to get some of these—you can find them on the market; there are a lot of these experts, particularly in the developing countries. At one time, the Bank had some terrific irrigation engineers from Pakistan. Why Pakistan? Because—I don't know if you know this—but Pakistan has the largest contiguous irrigated area in the world [inaudible] by irrigation engineers. The Bank ought to know these engineers because the Bank did a wonderful program in Pakistan; it was called the Indus Water Basin project, which was one of the most . . .

[Interruption]

BURKI: This was one of the most sophisticated programs the Bank has ever managed anywhere. So I got to know these engineers very well, and a number of them came into the Bank. So there were about ten of them, and they were the world's best irrigation engineers. The Bank didn't pay all that much for them. And so there are those kinds of skills available all over the world which the Bank . . .

BECKER: So it's a matter of not even a political will, but of policy will.

BURKI: Policy will, and changing perception of your own mandate.

BECKER: What's your view of the--you might have anticipated this, also--Monterey consensus in forging the UN Millennium Development Goals?

BURKI: The Monterey consensus, the only thing that it adds to the Washington consensus (about which, as you would have appreciated or realized yesterday, I am a very outspoken critic of) is adding one dimension to it, which is that the developing countries need additional aid. That's about all that Monterey consensus has done. Again, there was a lot of hype associated with it, a lot of stuff written about it. People say that as a result of the Monterey discussion there is increasingly recognition amongst the rich countries that ODA needs to improve. And, you
know, [George W.] Bush made an increase one day and then a further increase the following day because of the criticism he was coming into. But even with all those increases, it’s going to be a relatively small proportion of the flow of capital to developing countries, and therefore, I say—we were talking about financial engineering, and my view is that it is much better for an institution like the World Bank to reduce its dependence on the budgets of aid-giving countries and begin to use its own income and IDA reflows, et cetera, to tap the market and build a new set of institutions which would take advantage of the Bank’s very good financial health and availability of a lot of capital [inaudible].

**BECKER:** Aside from playing an advocacy role, what should be the role of the Bank in liberalizing trade, especially in view of the reluctance of the Western Europeans and the United States in reducing tariffs, subsidies, and other barriers that undermine developing countries’ efforts to compete in the global market?

**BURKI:** You know, this debate has gone on for a very long time in the Bank, the Bank’s role in trade. When I came to the Bank, the Bank had a fairly important presence in the area of global trade, analytical presence. It had some very good trade economists. It had very good exports on commodities. The best man on copper was in the Bank, the best man on tea was in the Bank, jute and so on and so forth. So we had real experts. Again, we lost that expertise. Why? Because trade was not considered to be an important issue for the Bank’s involvement. Big mistake! So my answer to your question is that we have to go beyond—the Bank has to be not just an advocate of free trade and open trade and so and so forth; it has to provide a lot of expertise to its clients in various areas in which it is needed: how to negotiate in WTO [World Trade organization], how to present your case in a WTO panel. When other parties—if you’ve got a case against the United States, for instance, the United States is going to arrive in Geneva with 30 trade lawyers, and they’ll be paying millions of dollars to these guys. Now, can St. Lucia match that? Obviously not! This is where an institution such as the World Bank and other multilateral development banks must develop expertise and then offer it to developing countries when it is convinced that they have a case. So that’s an area which the Bank needs to get involved in.

The Bank also needs to get involved in the process of negotiations and provide assistance to developing countries when a new trade round is launched. I’m not sure—I’d like to be corrected if my suggestion is wrong—but I don’t think the Bank at this point is developing an expertise to help developing countries in the Doha Round. It did a little bit during the Uruguay Round, but not all that much. So the Bank must go much beyond just making good speeches in the area of trade.

[End Tape 1, Session 2]
[Begin Tape 2, Session 2]

**BECKER:** After retiring from the Bank, you served on a commission in 2001 that studied the role of multilateral development banks in emerging market economies. In your opinion, should the MDBs continue lending to countries with access to private capital, or concentrate instead on those poor countries with little or no access to foreign private capital?
BURKI: We talked a bit about this commission. I mentioned to you that Nancy Birdsall and I put together a group of people, and then we wrote a report on the basis of discussions we had with this group. This was in response to the commission's suggestion that the Bank should essentially go out of lending to countries that had either relatively high levels of income or access to the capital market and concentrate its resources on poor countries and those resources should be given out as grants rather than as loans. We came up with the view that this would be a mistake, that the Bank needed to remain engaged with all developing countries, that the Bank should be seen as a kind of a credit union in which you have both the well-to-do and the not so well-to-do associated. Therefore, there is a bit of cross-subsidy involved in this. Brazil pays 300 basis points more than what the Bank's needs to pay in order to borrow, which are the rates for some of the new loans to Brazil. That becomes the Bank's income which it can use to subsidize work in developing countries. So that's one aspect of it.

The second is the concept that I introduced which was not fully reflected in the final report, a concept that I describe as the relative backwardness rather than absolute backwardness, a relative development rather than absolute development. My view was that it is meaningless for the institution to define thresholds that beyond certain levels—1750 dollars—a country does not have access. If they owe 7000 dollars per capita, it will not have access to IBRD. These are meaningless thresholds. They are not defined by any kind of logic. They are there just because the United States and other donors say that they would not like the Bank to lend to middle-income countries. My view is that we should look at development in a relative context, and if there are countries in which certain sectors are backward for a variety of reasons, the Bank should go and help out in those countries even if their per capita income is 20 to 25,000 dollars. If there are countries in which there are pockets of poverty, not because these people have been neglected but because of some other reasons, the Bank should be prepared to give an IDA to these countries. So I would innovate in this area, but other than in reducing the size of the Bank and reducing the number of its clients and focusing grants on the poor and getting the relatively better-off countries to go into the market.

You see what's happening to Argentina. It went to the market and it made a mess of it; some have said because of the foreign policy, some have said because the markets are very volatile and very impressionistic when it comes to dealing with countries. So I don't think throwing large well-to-do countries at the mercy of the market is the right approach to follow nor withdrawing IDA from a country when it reaches a certain level. I would innovate in the opposite direction.

BECKER: I'd like to turn now to the general subject of the Bank as an institution. My question has to do with—as the debate on the role of the Bank continues, there is also the concern that its mission has become too complex for a manageable organization. In your opinion, should the Bank divest itself from areas where other agencies have the lead expertise?

BURKI: It's a difficult question. There is a temptation for the Bank to get involved in a number of areas either because there are good political reasons for it and that kind of pressure comes from the donors or that the staff has developed expertise in certain areas and would like to use it in defining the Bank's programs, as happened in the case of social scientists and anthropologists and so on when they came into the institution. Too many missions adopted at the same time, I think, dilute the activity of the Bank and also give the impression—I don't know if you remember...
a line from *The King and I*, that man is a butterfly. This was the king telling the woman who came as a governess to his children as she was complaining that he has so many wives and so forth, he said, “Man is a butterfly that goes from flower to flower to flower, et cetera, et cetera, whereas a woman is a flower that stays in one place.” The Bank has acted that way a bit. It's a butterfly that has gone from flower to flower to flower and doesn't just settle down and choose one flower to pollinate more than that.

I think you do have a question about my view of various Bank presidents.

**BECKER:** Yes.

**BURKI:** If I might just say something about the Wolfensohnian tendency to be taken in by some particular interesting thing and get very excited about it, because he is such a strong leader, he then makes us show that everybody else gets excited. Then usually he doesn't perceive these things; everybody talks about them because the president is saying about that for about 3 months, and then suddenly something new, and that creates confusion about the institution's mission.

I am by temperament an incrementalist, and I would like to build upon successes and deal with the failures rather than adopt this highly charismatic approach of picking up something and then saying this is a wonderful thing and we are going to do this and nothing else. So that's my view.

I remember how excited Wolfensohn was about the Comprehensive Development Framework (CDF). He had developed a matrix where the activities are listed on a horizontal line and the involvement of various groups of people on a vertical line.

I had a funny experience with him. We had organized a forum, Latin America and the Siemens Company, in Germany. The forum was held in Munich, and we had invited a very large number of corporate executives to come and attend this. And the idea was that the Bank people, corporate executives, and the various ministers from Latin countries would get together. This had worked very well the year before when it was done for Africa, so Wolfensohn asked me to do it for Latin America. So I had done this and he was going to open the forum, and I went to pick him up at the airport as he was flying in from Dakar, Senegal.

When we got in the car he said to me, “What is the PPS? Do you know what is PPS?”

I said, “Are you talking about Policies, Programs or something like that?” (This is developed jointly by the IMF and the World Bank.) I said, “Of course I know about it.”

He said, “What is it?”

So I told him.

He said, “Why don't I know about it?”

I said, “I have no idea. You should have known. It's been around for a long time.” I said, “Why are you asking me?”
He said, "Because I made this presentation on my CDF, and this person from the Fund said to me that, 'We've been doing this all along in the context of EDF [European Development Fund]. There is nothing new in this.' And here I thought it was a brilliant innovation." And then he's telling me, "That's the problem with you guys, you bureaucrats. You think you're part of everything and that there is nothing new to be done." So he introduced the CDF, and a lot of people thought that it was a convenient way of doing things.

**BECKER:** In the past, the Bank's centralization was viewed as a major handicap for its operations. In the last few years, however, the Bank has greatly decentralized with just over a quarter of its work force now in field offices. In your opinion, how effective is this in promoting greater policy dialogue in the countries in which the Bank is operating?

**BURKI:** I think it's a positive development, and we talked a bit about this yesterday. I was saying that the Bank must develop a better understanding of the problems--social, political, cultural and so forth--of its clients' cases, and the only way it can develop those is being very intimate with the client. There are two ways of doing it. I think there is a large number of people who work only on one client or a set of clients and they forget to know the client. Or you put your people in the country and let them develop that expertise. So either way I think the Bank gains and so does the client, and I'm delighted the Bank has gone that route.

I was engaged in some of the decentralization. In fact, I was the first person to put a department in the field; that was the Mexico Department, and that was a pilot program. When the report came in about Mexico that it was working, the client was happy and the staff thought it was a good idea, then that program was replicated in other countries.

Having said that, there is always the problem of going native and how do you prevent that. I don't know what the Bank is doing about it, but there has to be a continuous flow of ideas and exchange between the people in the countries dealing with that. Sometimes it becomes quite expensive because it involves a lot of travel to and fro. But I think the division of responsibility with the field offices that are responsible for country relations and country work and the central unit who is responsible for providing technical backup to what the people in the field are doing is interesting with only one caveat. When you have a large country such as China or Brazil, then you need to put your experts in the field, and the continuing education of the experts is then also an important point. You should not keep the experts back at the headquarters. That's important, but the Bank has been reluctant to do that; it has gone half way and not fully all the way.

**BECKER:** If I could turn to some questions about research, analysis and evaluation at the Bank. What is your assessment of the central macroeconomic analysis and research at the Bank?

**BURKI:** It's gone down in both quantity and quality compared to what the Bank used to in the 1970s and early 1980s. In those days, the Bank was the premier development institution. It was considered as such by the world outside. When the Bank put out a report it created great interest because people knew that this was the definitive word on that particular subject. The policy process that I was describing to you yesterday supported that work and what we were talking about earlier today, that the Bank had the world's first-class economists and experts in a number of areas and these people working together put out some very good policy work as well as
research work which was of tremendous use to those who were in charge of the operations of institutions and to the world outside.

I once said in a workshop to which I was invited when the Bank was preparing for its half-centennial celebrations in 1995-1996 under Preston--he had set up a group under Armeane Choksi, who then invited me to give a speech to the bunch of people that were selected--I made the point that in the 1970s the Bank occupied the commanding heights with its work on development, and now it is sharing those commanding heights with a number of institutions, including consulting companies, and I thought that it was unfortunate. The World Bank should not have surrendered this; it comes from a different ideological spectrum. I am unhappy that both the quality and quantity of the Bank's work--that is my impression.

BECKER: In your opinion, how effective is the Bank in its analytical advisory roles as evidenced from recipient countries and their policies?

BURKI: It's a mixed record, and it takes two to tango. When you're doing work in China, then you have a very powerful interlocutor. The Bank is very effective. When you're working in a country such as Pakistan where the interlocutor is weak and the Bank does a lot of work, then obviously the impact is not that much.

When I became director of the China Department, I had a very interesting conversation with the Finance Minister of China. He called me and said that he wanted me to fly over to Beijing to spend a day with him, so I flew over to Beijing and spent a day with him. He said to me, "Mr. Burki, I know that you have 120 people working for you. So I am going to be your equal in this, and I will come to you and tell you what are the areas in which we need analytical support, and you will tell me whatever areas in which you think I need analytical support. Then every six months the two of us will get together and decide on a string of actions that should be done by us." That was wonderful, and he was taking ownership of what he was doing, and I was fully responsive to what he wanted, so it was a beautiful relationship.

That happened in few countries. It's happening in India, not at the central level. Ed Lim [former country director] will tell you what kind of relationship he has developed at the provincial level, very good, and he's doing exactly that kind of work. So it works when you have that kind of relationship. It doesn't work when there's not much of a demand.

BECKER: In your opinion, how adequate are the Bank's mechanisms for evaluating and measuring the results of its own work?

BURKI: I think the Bank has done a very good job setting up its quality assurance work. And then the OED, I think, has improved its relationship between the management and the Board.

BECKER: What do you think of the systematic learning of lessons in the Bank as input in policy formulations?

BURKI: Very poor. It depends on individuals. The Bank does not have a systematic way of capturing the insights of people or groups of people and then relating them to what's going on in
that particular area. One good thing that Wolfensohn was trying to do was turning the Bank into a knowledge-based institution, but it has remained a slogan and I don't think much has happened. There are very impressive skills available in the Bank. There is an enormous amount of experience available in the Bank. I am amazed at the kind of stuff that sometimes comes out of the institution and it just gets lost.

When I was Director of the China Department and then Vice President of the Latin America Department, I used to spend a lot of my time reading papers produced by the staff. I was doing it for two reasons: I wanted to learn myself, and I also wanted to tell the staff that the boss reads what they're producing. This produced a lot of good feelings amongst the people who worked for me, the fact that I was interested in what they were writing. Since I was an interlocutor for the Bank and for the client, I became a very effective interlocutor because I knew a lot of stuff that was coming out of the regions and the various departments. And when I sat down with somebody like Carlos Mennen, the President of Argentina, I would say to him, "Mr. President, you should take a look at this report of the Bank regarding Chile and the way it is looking at its pension plan, and you will benefit." Then I would send him—not the report, but a three-page note based on it.

But the days of a Bank senior manager who is very familiar with what's going on, I can tell you that there are very few of them. The reason is that increasingly the Bank has become an extremely bureaucratic institution. I made this point to Wolfensohn, and his answer to me was, "I'm going to give you a consultant who will work here for a week, and without your interfering with him, he'll tell you how you are spending your time. And he will also tell me how you are spending your time." The guy was brought in from London and put in my front office. To Wolfensohn's horror and to my great vindication came the figure that something like 66 percent of my time was spent in meetings, which led to the decision that Wolfensohn took of cutting down the meetings that he was calling and then asked everybody else to reduce the time that they were spending on meetings. I would go to these meetings not really knowing what I am going to contribute. I'm told the situation is even worse now. So that means people just don't have the time to spend on the nitty-gritty details of the work.

[End Tape 2, Session 2]
[End Session 2]
BECKER: Good morning. Today is Tuesday, July 2\textsuperscript{nd}, 2002, and we’re continuing our interview with Mr. Burki. Good to see you again.

BURKI: Nice to see you back.

BECKER: The question we’d like to start with this morning is, how does the Bank’s diversity affect coherence in its decision-making?

BURKI: If by diversity you mean new instruments being added to what the Bank is doing?

BECKER: Yes, and also diversity in its composition, in its skills, in its nationalities, the international culture.

BURKI: Well, I mean, the international culture, diversity of nationalities, skills, that’s extremely useful, which makes it such a unique institution. Sometimes I would count the nationalities represented around the table in a senior staff meeting, and I’ll count about 15/16 nationalities. Once I mentioned this to Attila Karaosmanoglu, who was my Vice-President when I was director of the China Department, and he said, “That’s surprising. You’re still counting.” So his perspective was that it really doesn’t matter. So now that is extremely helpful.

Also, the Bank had a very good record of bringing in people at the mid-career level, so they came in at ages of late 30s/early 40s, and they brought a lot of experience. Remember I was talking about a bunch of irrigation engineers who came from Pakistan? That was obviously extremely helpful in getting the Bank closer to the field, closer to the ground, and so that kind of diversity, the fact that you have so many nationalities represented, people coming in from different backgrounds in terms of knowledge and experience, that has been an extremely useful part of the Bank.

ZENNI: Does that make for coherence in the institution?

BURKI: I think ultimately, as I was mentioning, the Bank worked as a fairly coherent organization in the sense of—those of us who were in senior management positions really never had any serious problem about dealing with different nationalities. During my 25 years in the Bank, I had only one experience of alleged discrimination against a bunch of people who were from a particular nationality, and I took a very, very serious view of it. It was a British woman who had charged Latin American women of behavior that was not, from her perspective, right. And ultimately, the British woman had to leave the Bank, so we took that as a very serious assault on the Bank’s values system.
BECKER: Changing the subject a little bit here to the Bank as a knowledge institution. The Bank has launched several knowledge initiatives: The Global Development Gateway, Global Development Network, et cetera. What is your assessment of this dimension of the Bank’s activities?

BURKI: I think the Bank should keep moving with evolutions that are taking place outside its own immediate domain, so it is correct for the Bank to bring in new things, but at the same time if too much of this thing is done, it dilutes the Bank’s main mission which is promoting development and alleviating poverty. This is one criticism I have of Mr. Wolfensohn’s management of the Bank. I think I mentioned last time that it’s the butterfly that was going from flower to flower, and that’s okay up to a point, but beyond a certain point it creates confusion and distraction. And I think we should be very careful about launching, not essentially facts, but we should be very receptive to launching things that need to be done, considering that our knowledge about development increases all the time.

BECKER: Talking a little bit about the Bank and politics, how well does the Bank reconcile its development objectives with constraints in its articles prohibiting any engagement in political activities?

BURKI: That’s a very good question and not too difficult to answer. The only experience--and I elaborated upon this at some length in the way I got enmeshed in this crisis over Tiananmen Square--my only experience of the Bank succumbing to political pressure is when the United States decided that the Bank is to be used for political reasons, and Washington has that kind of clout on the institution. It is the largest shareholder. It is also at times very insensitive to institutional imperatives, and it can put that kind of pressure. Otherwise, I’ve had, during my tenure at the Bank, no other experience of political pressure being exerted on the institution.

BECKER: Do you think the insensitivity of the United States or its attempts to use the Bank for policy purposes has increased since the disintegration of the Soviet Union in 1991?

BURKI: I would find it difficult to say one way or the other whether that has happened, because judgments of former senior staff such as myself are based on personal experience, so it’s difficult to draw a line either pointing upwards or downwards. But I think it is quite interesting that even the United States, although it does have veto power as the largest shareholder, has been pretty selective in deciding when to put pressure, and it has put pressure only on things when it thought that it would find it difficult to work its way through its own legislature, the Congress, for getting the Bank the funding that it needs. So one can find reasons why the U.S. does that, but I think it is not very helpful when it happens too often, and I’m glad to say that it didn’t, while I was there.

BECKER: How well-defined is the Bank’s role regarding good governance?

BURKI: That’s a new area for the Bank. I have been looking at some of the recent work the Bank has done in the context of the study that I’m doing for the Operations Evaluation Department. The Bank is learning a lot in this area. It is doing some very good work on things like legal reform, reform of the civil service, development of social capital, listening to the voices of the poor and so on. So I think the Bank has a much better fix now on the importance of
the quality of governance for promoting development. It has still to come up with what needs to be done when systems break down or systems are weakened, and I think, given the kind of work that is going on—on corruption, for instance—the Bank has done some very interesting work.

BECKER: How do you see the Bank’s greater emphasis on partnerships between the public, private, and voluntary sectors?

BURKI: You remember we talked about this in the context of the changing nature of capital flows, and this is an area where the Bank has to get very seriously involved. I used to complain to the private sector that we know much better about what they do than they do about us at the World Bank, and they accepted that. They accepted that criticism. So it takes two to tango. I think the message that should also be given to the private sector is that it is also very useful for them to get to know the workings of a public institution such as the World Bank in order to develop this relationship.

BECKER: How do you see the Bank’s coordination efforts with other international organizations and multilateral and bilateral agencies? In particular, how do you see the Bank’s closer working relationship with the UN?

BURKI: As we discussed in one of our sessions, I did this job for the Bank for a number of years when I was director of International Relations Department, and my view was that the Bank was very arrogant when it came to international organizations, other than the IMF. Otherwise, it has a degree of arrogance with respect to relationships with other institutions, arrogance born out of a couple of things: one, that the Bank is not dependent on these institutions for resources, whereas some of these institutions, the institutions of the UN system in particular, began to look more and more toward the Bank to find resources with which to finance their own programs. So it became a kind of a patron-client relationship. Second, the Bank always thought that it was free of political pressures—and we talked about that a bit—whereas, the UN system has to respond to political pressures, not only from the United States but also from other countries, including the borrowers. If you’re a large borrower such as India, for instance, you have a fair amount of influence on the UN system. So taking cognizance of this, the Bank always looked down upon these institutions as second-rate.

When I was doing this job at the Bank, my view was that its arrogance should be shed and that a number of these institutions have an enormous amount of very useful knowledge that the Bank would benefit from. For example, UNICEF where there is a tremendous amount of knowledge about the problems of children and women, how to tackle those problems, good grassroots-level information; UNDP, to a certain extent, also had in those days (now the situation has changed) better field presence than the World Bank did. And specialized agencies, such as GATT (now WTO), FAO [Food and Agriculture Organization] and so forth, have a lot to contribute to the Bank.
I think under Wolfensohn this has changed somewhat. Wolfensohn has worked hard to develop robust relations with not only the NGO—and we talked about that in an earlier session—but also with the UN system. To the best of my knowledge, the only time all heads of the institutions that the Bank should be worrying about, should be dealing with—these are economic agencies of the UN system—they were brought to the World Bank, and we who were the Vice-Presidents of operations sat down with them, and the meeting was chaired by Mr. Wolfensohn. And from everybody's perspective, this was an excellent meeting. He went around the table asking each one of us to inform the UN agencies of what we were doing, and the UN agencies did the same thing, and there was a lot of sharing of knowledge. And I think that initiative, probably, has continued.

BECKER: How effective, in your opinion, is the Bank-Fund coordination and collaboration?

BURKI: There's a very interesting story in today's *Washington Post* in the business section.

BECKER: And in the *Times* this morning.

BURKI: I guess you were there.

ZENNI: Yes, I was there. I went.

BURKI: Stiglitz.


BURKI: Stiglitz and Rogoff, yes. There has always been tension. There will always be tension between the two institutions. One institution worries about the immediate term; the other worries about the long term. Since I was at the World Bank, obviously, my bias, my prejudice, is in favor of the long-term, the development aspects of the Bank's mission; whereas, the Fund, I always thought, since it carries a big stick during periods of crisis, is able to use that stick in order to do things that ultimately affect both the base and the quality and the characteristic of development. And this is essentially what Joe Stiglitz is pointing out, and I'm sorry that he used what seems like a personal attack on Stanley Fisher, for whom I have a lot of respect and admiration. That notwithstanding, I am in 90 percent agreement with Joe when he talks about what the Fund does in a rather insensitive way and that it begins to hurt the long-term development of these countries that it engages with during periods of crisis.

I think one needs to understand that the Fund's mission basically is a crisis-solving mission and therefore its knowledge of the country is a very episodic knowledge; whereas, the World Bank is engaged all the time with its clients and therefore its knowledge is much more secure in that sense. So somehow or other, the Fund should be persuaded to listen more to the Bank and to study the consequences for longer-term development, for social development of the policy that it forces countries to adopt. And the Fund has never developed [inaudible] to do that. When you talk about institutional arrogance, I think it peaks with the Fund.
BECKER: Turning to the World Bank presidents, you had some things to say in the course of our discussions about President Wolfensohn. How would you assess the various Presidents you served under?

BURKI: I think each one of them had their strengths and weaknesses. I think if I were to do any grading, I would say that out of the five people that I dealt with, McNamara was the strongest, and Tom Clausen was the weakest. McNamara was very strong because there was an enormous amount of passion in him, and also I think he had a quality which Wolfensohn doesn’t have, which is he encouraged talent to rise to the top, and then he made very good use of that talent. There were some extraordinary people among the senior managers when McNamara was the President. Examples are Hollis Chenery and Mahbub ul-Haq, and some of the regional Vice-Presidents were extremely good; whereas, Wolfensohn, who also has an enormous amount of passion for his work and passion for development, does not encourage people with talent to rise to the top, and therefore the group that he has as senior managers just does not measure up to the quality of what McNamara had. I don’t know whether my colleagues would agree with me, but when we do talk about the Bank, I think this is felt by most of those of us who’ve left the Bank in the last few years.

One President I think who was underrated is Conable. Maybe I’m saying this because I was close to him, especially because of my dealings, my China business, and he had to step in. He was a man of several talents, a remarkable individual, very modest, very unassuming, and yet very astute. Knowing nothing about development, he learned a lot about development. I don’t think the institution has given him the credit he deserves, in large part because of the 1987 reorganization.

ZENNI: Actually, you’re not the first one to say that about Conable.

BURKI: Is that so?

ZENNI: Yes.

BURKI: I’m glad to hear that.

ZENNI: . . . in the course of our interviews, and most notably with [Robert] Picciotto, I remember. He said pretty much the same thing that you’re just saying about Conable, that because he was so modest and unassuming that he was grossly underrated in the institution.

BECKER: I did the chapter on Conable in this book that Jochen Kraske put together on the Bank’s presidents, and so I read a lot about Conable. And my sense was that the reorganization had left such an enormous amount of ill will that it shaped so many people’s thinking about him that it’s going to take some time for real distance to develop.

BURKI: No, but I’m glad you historians are looking at him as having contributed something to the Bank and something to development. He brought in some extraordinary talents and experience to the Bank. He was an extremely well-read man, very fond of poetry. I remember long walks with him. I traveled with him to China, and he and I—I’m very fond of Keats and I

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know a lot of Keats and he was very surprised at that. And he would quote Tennyson to me, and I would quote Keats back at him. I’m saying this because it shows a very good mind, and that mind, when it focused on development issues, I think made some contributions.

BECKER: And Preston? You’ve mentioned Preston before.

BURKI: Preston, yes. I mentioned Preston when I told you the story of my promotion as Vice-President of Latin America. Again, he was a man with a great deal of experience. Unfortunately, I think when he came to the Bank he was already ill or got ill soon afterwards; therefore, there was not enough energy in the man. But given the fact that he had been the president of one of the most prestigious financial institutions in the country, he too was a very modest man, and a very easy man to work with, and I used to go and sit down with him and chat about all kinds of things, lovely conversations. But he never got hold of the institution as a President needs to get hold of an institution, so gradually the bar passed into the hands of Ernie Stern, and that was not a good thing for the institution because--I’m not saying this because I had a number of problems with Mr. Stern, but because an institution should be led by the President, and not somebody who is one step lower than him. That creates all kinds of friction. So it became a Stern bank, and therefore it created a lot of anxiety within the institution.

BECKER: What, in your opinion, are the criteria and attributes of a good World Bank President, or what would you look for in the next World Bank President?

BURKI: Yeah, I mean, that’s not too difficult a question to answer. I would say that the person should be very secure and therefore should value talent and should be able to get high-quality people to work on the 12th floor, to work around him and with him.

Second, the person should have experience with development, otherwise it takes time to get to know development, even if you’re very bright, as most of these people were. There is learning by doing, and learning by doing can be an expensive thing. I mean, economists talk about it, and the institution pays a price for it. So somebody who has a good knowledge of development would be my second criteria for a good President.

The third one is a good manager. It’s a very large institution. It has 10,000 people or thereabouts, and a person who can detach himself from the day-to-day and is able to look at various kinds of strategic input is a person who’s likely to succeed.

Fourth, I think compassion is a very important attribute, not only towards the citizens of the countries that you are to deal with as your clients, but compassion for the staff, for people who are putting in long hours in the institution. I was always very impressed by the fact that 95 percent of the people in the World Bank are extremely dedicated and hardworking people. I’m on myself; I mean, I’m extremely hard working. I used to wonder at people who come in, day in, day out, put in 12, 15 hours of work, not because their compensation depends upon it but because they’re so committed. So for those kinds of people, a compassionate leader becomes very important, and I think McNamara was probably about the best in that respect. Although his personality--he was a very shy guy, and I think he found it difficult to relate to people--but there were so many examples of McNamara telling that no expense should be spared in dealing with...
emergencies if somebody fell ill on a mission. You know, he would order a plane out to rescue this person. There was a famous case of—I've forgotten his name, a man who got a very unusual disease on a mission to Tunis—and McNamara ordered a plane to be flown out with a doctor who was one of the very few specialists in the world on the plane. Michael Payson, I think was his name. This fellow used to go around on crutches for a long time.

The only experience I had of dealing with that kind of situation was with Mr. Preston. When I became Vice-President of Latin America, within a few months we lost a plane which had two Bank— not employees, but Bank consultants on it. It was in Bolivia, and the plane just went down; it has not been found to this day. And I went to Preston and I said, “We’ve got to spare no effort and no expense.” And he said, “Absolutely.” And he gave me a lot of money, a lot of support, and we brought in everything that we possibly could in terms of experience with this kind of situation. So that’s very important for the institution for an institution where people go into very difficult areas. Sometimes they do risk their lives. So that’s an important part.

And fourth, I would say—this is something that you referred to yourself—you’re dealing with a tremendous amount of diversity, and you must understand the different cultures have different kinds of value systems, and you should be able to deal with those without reservations.

ZENNI: You should be tuned in to them.

BURKI: Tuned in to them and respect them and so on and so forth, and that’s very important. And finally, I say any president who comes in should be expected to serve a minimum of 10 years. The Bank was harmed by the fact that we had three short presidencies: Clausen, Conable, and Preston. It’s not an easy job to learn, and once having learned it, people should be given the time to stay there and make their contribution.

BECKER: I’d like to turn to some reflections. What in your view is likely to be the next big idea in development?

BURKI: The next big idea in development—I think I did refer to, probably in our first session—is to treat development as a relative rather than as an absolute concept. And this is extremely important for an institution like the World Bank which should not be seen as a sunset institution, that once every country in the world has passed beyond a certain threshold, an institution like the World Bank is not needed. That’s nonsense. I think the major shareholders of this institution should recognize that something like the World Bank will have to be in place for all times to come because, speaking in a relative sense, there will always be relatively backward people, backward communities, backward countries, and they will need an institution such as this in order to deal with their situation. I mean, take a look at Europe, the south of Europe, the east of Europe as Europe becomes enlarged. They have some unique problems that are always posed by the presence of relative poverty, relative backwardness, within the confines of the economy. So I think that’s probably an idea that should be grasped by those who worry about development.

I guess the second big thing is that development is not about economics. Development is about a number of other disciplines coming together. Politics has an enormous amount of impact on development. How people relate to one another, which is the domain of sociology and
anthropology, plays an enormous part in development. So people who are able to integrate that kind of thinking, I think, will serve the purpose of development very well.

So when you ask me about the next big idea in development, I guess relative versus absolute is one thing, but the other is kind of a process thing, that you bring in other disciplines as you continue to deal with issues of relative backwardness.

BECKER: The events of September 11th suggest that there is not a consensus on the desirability of development as defined by Western institutions. Indeed, some have linked skepticism about development to Islam. In your view, is there a serious breakdown in what was perceived to have been a consensus about development?

BURKI: No, I don't think so. I don't think the events of September 11th should be treated as something that represents the discontinuity in our thinking about economic development or political development and so on. After all, Oklahoma also happened; I mean, the fact that such a big tragedy happened in a country which had been thought of as very secure has magnified its importance. When you look at September 11th from the perspective of other societies where such tragedies are commonplace, then it becomes much less of a defining moment. I know it's not a popular thing to say in the United States, but I think the U.S. reaction to 9/11 needs to now mature rather than continue to deal with this as the most defining moment of the recent century or for several centuries. It should be treated as the work of a bunch of individuals who owe nothing to anybody, and there will always be those kinds of people, and it is not necessarily Islam that is going to create them. It is all cultures and all kinds of people. After all, Timothy McVeigh was not a Muslim, and the Red Brigade came from Japan and so forth. So we will always see these kinds of things, and I think we should just sit back and take a more mature view of what produced 9/11. I'm really concerned about the coming anniversary of 9/11, and I think there will be further emphasis on looking at this as a history-defining event, and I hope we can begin to now walk away from this particular event, and treat it from the perspective of history rather than from the perspective of something that happened to a lot of people and left some deep scars. But a lot of tragedies have happened in the world around us, which is not to minimize 9/11 but to put it in its proper perspective. You as an American will probably find it difficult.

BECKER: No, my own sense is that the public outside of New York is beginning to put it into some kind of perspective as you put it in. I haven't heard many Americans tie it to McVeigh and all, but I have heard people saying that these people, to tie them to Islam, well, why wasn't McVeigh tied to Catholicism (he was a Roman Catholic). No one jumped to the conclusion that this is a manifestation of Catholicism.

What I'm afraid of, frankly, is that it's becoming a political issue. And that's going to keep it going. As a historian, I think you're right that one needs to put it into perspective.

BURKI: And it's very dangerous for a country which is the world's most powerful country to become so patriotic. I find this flag waving now to be becoming very oppressive. I think small countries can afford it. The United States cannot. What it has to show to the world is that it is above petty national pride and that it is the largest country in the world, the most powerful country in the world, and therefore it is prepared to rise above its own concerns and begin to look
at the concerns of the globe, as it were. The fight against terrorism I think is something that everybody can support, and for that I have absolutely no qualifications to add. But all this flag-waving—I went yesterday to a grocery store with my wife, and she was showing me now there are now salad servers with American flags on them. This is in preparation for July 4th. I hope Americans will realize that this is not giving the right impression.

ZENNI: Well, a lot of Americans that have reflected on this find this is very divisive.

BURKI: There was a lovely cartoon in the Washington Post which was about this Pledge of Allegiance. And there’s a guy with flags stuck all over his body and with a Pledge of Allegiance book in his hand, and there’s a couple standing there and the woman is saying to the man, “You know, a few days ago they used to stick flags on cars and now they’re sticking it on themselves.”

BECKER: The problem the United States has internally in political terms is that the parties are evenly divided and we’ve had now two weak presidents in succession (I mean [William J.] Clinton and [George W.] Bush). And the real danger in this is that weak presidents need to find something where they can gain some unity and support for them. And this is something where—I’m not saying it’s just Bush, but I think any weak president would make an effort to keep this thing going because it gives him the kind of support.

BURKI: An anchor.

BECKER: . . . that he can do other things. And that’s the danger. And if we had an [Dwight D.] Eisenhower.

BURKI: Or an FDR [Franklin D. Roosevelt].

BECKER: . . . or FDR or even Reagan, someone who had a broad base of support beyond something like this they might be able to rise above it more easily than the weak presidents we’ve had.

In your 1986 paper entitled, “Economies of Islam—A Time for Decision”, you stated that future prospects of the Muslim countries depended on their ability to bring about fundamental changes in their economies. How do you see development and the potential for change in the Islamic world today, in light of the events of 9/11?

BURKI: In fact, I was going to say this when we talked about 9/11, that this business of the clash of civilizations is obviously not correct, but what is correct is that a number of Muslim countries have not matured in a political sense, and they now exist as islands of despotism in a sea of essentially democracy and this political system that allows participation, and that has an impact on economic development. It is incredible for me that you have countries like Saudi Arabia, where there is so much wealth and yet there are pockets of poverty, and that sort of thing is not viable over the long term. Therefore, what we are probably seeing today is a push that is coming from groups within Islamic societies who want to change these societies, and therefore it’s not a clash between civilizations, it’s a clash within the civilization, the Islamic civilization, between people, say, such as myself, who are Muslims and would like to see their societies

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modernized, and then you have people like Osama bin Laden and so and so forth, who would rather take these countries back to the time of Prophet Mohammad and so on. And for me, there is absolutely no ambiguity about reading the future: that it is the modernizers will win out. They always do. And this is probably the last flicker of the dying flame, this conservative, radical Islam, which is going to manifest itself in things like September 11th. That's why I'm so pro the war on terrorism, that these people should not be given an opportunity to disrupt the working of other states and other parts of the world, and yet, at the same time, countries like Pakistan and Iran and Turkey, large countries with large populations and fairly well-educated people, should be given the opportunity to develop. So I think it is extremely important for the West to support these elements of their society and to encourage them to hasten the process of modernization.

BECKER: How can it be done?

BURKI: How can it be done? I think by cleaning up some of the biases that the world of Islam sees against itself. This thing in Palestine, for instance, is very troubling to a very large number of people, and [George W.] Bush's speech a few days ago, I think, was very, very unfortunate, and it's going to have a tremendous impact, and I don't think the man realizes what he has done. That's one.

Second, this business of "either you're with us or you're against us" also divided the world into two parts. But what's troubling to me is "today we are with you, tomorrow we are going to turn to somebody else, and we are going to just serve our purpose." And that has created an enormous amount of resentment in a very large number of societies. Americans do write about, "Why do people hate us?" When I go back to my own country and I talk to my own class of people, it bothers me because I'm now part of this society. It worries me as to how much sentiment there is against the United States, and I think the U.S. has to recognize it. And that's why I was talking about this excessive patriotism, this obsessive stuff. I mean, Europe, for instance, is also reacting to some of these things.

So that's what I say, that the U.S. has to rise beyond its own immediate interests, its own parochial interests, and not anchor it too deeply into its own soil and begin to reflect on what kind of leadership—informed, enlightened leadership—it can provide to the rest of the world.

BECKER: How do those supporting increased levels of aid cope with the reality of failed governments, especially in sub-Saharan Africa, they're incapable of getting funds, services, and knowledge to those of its peoples who need it?

BURKI: You know, the problem with this talk about failed government, failed economic systems, has aid not worked, is that we continue to view societies which are 200 years behind, say, Europe and North America, from the prism of the 21st century, and that is a big problem, and that's why you say that these states have failed, these economies have failed. I don't think they have failed; I think they are just learning to cope with some unique problems. Take demographic transition, in the sense of a very sharp fall in rates of mortality and therefore very significant increase in population growth in Africa and parts of Asia occurring at very low levels of income: that did not happen in Europe; that didn't happen in the United States. So these are unique aspects of human experience, and we've got to put them in that kind of perspective rather than

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success and failure. I think defining the situation in these countries from the perspective of success and failure creates a tremendous amount of burden that these countries cannot carry, and that's why we should talk about compassion and understanding and development of a new set of insights into what is happening given the circumstances of, say, the medical revolution, the information revolution, and other changes that have taken place. When Europe was developing, when North America was developing, things were very different.

BECKER: Very high death rates.

BURKI: Very high death rates and, therefore, no increases in population.

BECKER: How should the Bank respond to its critics, those found in governments, universities, think tanks, as well as those demonstrating in the streets?

BURKI: I think educating these people is extremely necessary, and I think the Bank is doing a reasonable job of it. Anti-globalization forces have probably three different motives. One, you’re a bunch of people who are essentially proponents of single issues: thou should not build dams, thou should not build nuclear plants, and those kinds of things. Then you have a bunch of people who are very concerned with large corporations, and I think what we are seeing happening today to Tycos, WorldCom, Enron and so forth is going to feed into that kind of anti-corporation sentiment. And, finally, you have people who don’t believe in government and in the public sector: the new libertarians. It’s a very peculiar combination of very different interests that come together and hit against symbols which stand for people working together, people recognizing that only the government and public sector can solve some problems, that a lot of public good has to be generated before people can move from one condition, which is extreme deprivation, to the next one. And I think institutions such as the World Bank must do more than they have done, but at the same time I must say that they’ve done a fair amount of educating the public.

BECKER: And finally, what do you see as your major contribution to the Bank, and at the same time, what have you learned from your experience at the Bank?

BURKI: I think my major contribution to the Bank--two major contributions. One was to have brought a different kind of understanding to the problem of backwardness and poverty. When I came into the institution and I linked up with Mahbub ul-Haq, I don’t think it was fully understood what the state has to do in order to get poverty, the problem of poverty, to be not resolved but at least addressed. There was a belief,--and I think development economics was responsible for this--which is that you just transfer resources from developed to developing countries and that would take care of the problem. And we learned, and the Bank learned eventually, that that is not the case. The next step is, then, if that is not the case, then what needs to be done? There are those of us who were arguing that there has to be much greater involvement of the state in the nitty-gritty of development. That was one point of view. Another point of view was, “No, all you need is to set the policies right and the rest will take care of itself.” And I guess these two different opinions are still clashing, and they will continue to clash, but I think we did make a contribution, and I made a contribution, in helping the Bank to design a better product.
My second contribution—and I talked at length about this—was in the context of how the Bank faced the crisis in China and to give the message to people both inside as well as outside the Bank that a development institution must not be swayed by politics, particularly the political imperatives of the G7 or the United States, and therefore we have to be much more resolute in dealing with situations where Tiananmen Square type of crises will happen. And we’ve got to again understand them in a broad historical perspective rather than as something that is done by evil people.

BECKER: And what have you learned from your experience?

BURKI: For me, the Bank was extremely good. I think my maturation took place in the Bank. And what I learned in the Bank and what I’ve been talking to both of you about for the last two days is that development is a very complex process, but one should not despair, one should not throw up one’s hands, one should not talk of failures, but one should stay with it and continue to work on it. I am not a revolutionary but an incrementalist who believes in learning from experience and then applying it to whatever one is doing, and that kind of patience with the process and with what the project produces is something that I also learned from the Bank, and I’m very grateful to the institution for giving me the opportunity to do that.

BECKER: Thank you very much. It’s been a pleasure.

ZENNI: And, thank you for a wonderful contribution to the Bank’s Oral History program.

BURKI: Enjoyed it.

[End Tape 1, Session 3]
[End of interview]