

World Bank indicts itself on Balkans

by Carl Osgood

If there had been any doubt that the World Bank does not intend to mount a large-scale reconstruction program for the Balkans in the aftermath of the NATO bombing campaign that ended in early June, those doubts were removed by World Bank officials themselves, at a briefing for reporters on July 12. The plan that those officials put forward rests entirely on the bureaucratic procedures of the Bank and the other institutions that the Bank is working with, including the International Monetary Fund and the European Commission. These procedures supersede political considerations, such as whether to deal with Yugoslavia's President Slobodan Milosevic, and even humanitarian considerations, such as the living conditions of the refugees returning from Albania to Kosovo, or the civilian population of Serbia, which is suffering from the widespread destruction of civilian infrastructure.

The procedural pivot of the World Bank's "strategy" for Kosovo rests on the fact that Kosovo is a province of the Federal Republic of Yugoslavia, and that Yugoslavia is not a member of the World Bank. Therefore, the Bank is setting up a trust fund, from which assistance will be provided in the form of grants. The Bank is planning to contribute up to a paltry \$60-65 million to the trust fund over the next 18 months, and it is hoping that other entities, including governments, will also contribute, thereby making "the total pool of resources a little larger." All of this also depends on other procedures, such as the ongoing damage assessment which Bank officials promised would be ready by the planned July 28 donors conference in Brussels.

This is the World Bank's policy toward reconstruction of Serbia. World Bank Vice President for Europe and Central Asia Johannes Linn, in response to a question from a representative of China's Xinhua news agency, acknowledged that "overall regional development and integration in southeastern Europe can only proceed in the medium term successfully if, indeed, the Federal Republic of Yugoslavia is integrated into the region." In the immediate future, the Bank will focus its attention on Kosovo, because "there is strong support" for that among the Bank's board of directors and board of governors, which must approve any grants. But, he said, "we don't see support at our board for extending this beyond Kosovo." Before the World Bank will extend such support to Yugoslavia, Linn explained, "we would have to address the issue of non-membership, and there are important requirements that Yugoslavia will have to meet to be able to become a member of the

World Bank, including that it first has to become a member of the IMF." In other words, Yugoslavia would have to accept the IMF's genocidal conditionalities, and repay its debts, regardless of the social costs.

Nothing for the Danube

Asked by this reporter about clearing the Danube, Linn said that the Bank is not involved, despite the fact that, in material provided to reporters, the Bank itself acknowledges the hardships that the closure of the river has imposed on Bulgaria and Romania, in particular. Linn said that reopening the Danube is being handled by the Danube River Commission and, said one of his Austrian counterparts, the "clearing of the river and reopening itself is not actually a major task and could be undertaken relatively quickly."

Not only will physical economic reconstruction be subjected to these procedural requirements, but it will be only a part, maybe half, of the Bank's activities in Kosovo. The officials lamented that there is no functioning taxation, budgetary, or banking systems in the province. Christiaan Poortman, the Bank's country director and Southeast Europe Coordinator, said that "a lot more time, attention, and financing will have to go into institutional development," than was the case in Bosnia-Herzegovina. Rory O'Sullivan, World Bank Special Representative for Southeast Europe, added, "The order of magnitude of what will be spent on infrastructure and on institution building is probably about the same." As far as banking goes, the World Bank only hopes to "resurrect" that which existed in the province prior to the war.

Then, there is the question of what level Kosovo will be rebuilt to. The World Bank's figures give a per-capita GDP of the province in 1995 of \$400 per year. Is this the level to which the economy will be rebuilt? O'Sullivan repeatedly stated that the war damage is not as great as was reported in the media. He said that power stations are "relatively undamaged," telephones are working, water supply is largely available, and road access is widespread. He said that there is even a modicum of economic activity, and farmers are at work with their tractors. Such assertions, even if true, can be used to justify holding down reconstruction activity.

The World Bank is planning only for the next 12-18 months. Poortman said that the Bank's main objective is "that we make a contribution toward economic reconstruction and assisting the UN administration in setting up an interim administration as well as being able to provide technical and financial support to have this subsequently taken on by local administration." As for the longer term, he said, "We would like to see what political developments are . . . and see what the overall environment in the neighboring countries will look like."

These officials stated repeatedly that regional development is the key to growth and stability in the region. However, they did not put forward an actual regional physical economic reconstruction plan.