



MS. BIRDSALL: Thank you very much, Secretary Benn. I think you put the UK cards on the table for us.

Now I want to introduce our two discussants. We are very fortunate to have with us two friends of the Center. Both have written eloquently on issues related certainly to weak states in the context of development.

Francis Fukuyama is the Bernard L. Schwartz Professor of International Political Economy at the Paul H. Nitze School of Advanced International Studies of Johns Hopkins University, right next door. It's a mouthful.

He has recently published a book, which we recommend to all of you, State Building: Governance and World Order in the 21st Century. Even the title echoes some of what Secretary Benn was saying in the last sentence of his talk.

Sebastian Mallaby is a columnist and a member of the Editorial Page at the Washington Post. Before joining the Post, Sebastian spent 13 years as writer and bureau chief at The Economist. Those of you who live in Washington and are interested in development will know that we are very fortunate to have someone interested in development and thinking about it at the Post.

Sebastian is about to publish a book, I think later this year, on the World Bank under the Presidency of Jim Wolfensohn, and I'm very excited about that book because I think it will at least implicitly, if not explicitly, be a great form of education for people about development who have not engaged in the complexities that the development project brings us.

Let me start with Francis Fukuyama, and then we'll go to Sebastian.

Frank.

MR. FUKUYAMA: Thank you very much, Nancy, for inviting me to speak today, and I very much appreciated the talk by Secretary Benn. Last time I heard him speak we were both on the BBC on the first anniversary of the war, and he had a somewhat more uncomfortable job, standing in for Tony Blair at that particular moment.

But I think that in many ways Iraq and the current situation in Iraq underscores what I take to be one of the central points of his address, which is that in many ways the security issue and the development issue are inextricably linked to one another, and although they have been thought about by different--and I must say this comes from somebody that really comes out of the security community more than out of the development community--they're issues that are studied by very different people in very different educational tracks, and they go to different lunches and seminars and so forth, but it is the case that they really come together in the ways that he explained.

In light of that, it's kind of obvious in Iraq that nation building has really ground to a halt in many ways in the last two, three months because of the inability to solve the security question. There's also been, I think, some fairly interesting innovative things going on. For example, the development in Afghanistan of the so-called PRTs, Provincial Reconstruction Teams, that on a community level integrate security and development assistance, and are able to have their own organic transportation and self-defense and so forth. It's actually very similar, in a way modeled on the CORDs program in Vietnam. So there are a lot of ways of approaching this issue, and I think it deserves a lot further thought.

One of the characteristics of multilateral cooperation in the post Cold War world has been for the United States to do all the shooting and breaking, and for the Europeans to come cleaning up afterwards, but if you think about this as an integrated function, it's something that really needs to be put together in a somewhat different way, and I don't think that that particular division of labor is a particularly healthy one, and so that needs to be given more thought.

Now, what I want to speak briefly about is in a way a continuation both of the integrated strategy that Secretary Benn talked about and the CGD report, "On the Brink," that Nancy referred to, which I think is a tremendous contribution to what is I think going to be an ongoing debate in the coming weeks and months and years over how to reform basically the soft power institutions both in the United States, here in Washington, and in the international community

more broadly. I have felt for some time that the first place that needs a little bit of nation building is actually Washington, D.C. because many of these institutions are, I think, really broken and dysfunctional, and the time has come, particularly in the wake of Afghanistan but particularly Iraq, to rethink the way that we organize them.

The "On the Brink" report has a number of very, I think, interesting and important recommendations along this line, including the suggestion that we develop a cabinet-level agency for development to centralize and coordinate all of these interrelated functions.

I have--even though I wrote a blurb for the report, I have a somewhat different take on what some of the political possibilities for doing this are. The way I think about it is in terms of the actual functions that need to be addressed that illustrate in a way why our current institutions are really not the appropriate ones. I would say that there are four interrelated functions that need to be carried out to deal with the weak state problem, well, maybe three.

The first one is reconstruction which includes humanitarian assistance. It's fairly straightforward. I think in the United States a lot of groups around town have come to the conclusion that we need a Director of Reconstruction or some kind of a permanent office of reconstruction since we get into these nation-building exercises so frequently, and Iraq shows perfectly what happens when you leave it up to an agency, the Pentagon, that really doesn't have any expertise or institutional capacity to organize this kind of event. And that's really a case where I think that you need the creation of a genuinely new institution.

I'm a little bit skeptical whether the politics of this town are going to support a cabinet level agency for development because a lot of people just don't like new agencies with that prominence, and I sort of think that something a little bit more modest could be slipped in under the radar screen, so to speak, a much smaller kind of office that would provide some basis for institutional knowledge on how to organize the U.S. Government. It would basically be some core capabilities and a big Rolodex that would be able to then coordinate the different agencies which I think would inevitably have to be the real homes for the different components, AID, State, the military, Justice, Treasury and so forth.

This office would then be responsible, on an ongoing basis, for doing things like coordinating with international multilateral organizations that in other cases will bear the brunt of this kind of nation building activity.

I think that my vision of this is something like the model of FEMA, which is more of a mobilization base rather than an ongoing full-blown agency, something that can be mobilized in time of a crisis and given some political authority to then call on different parts of the U.S. Government to execute.

The second function is economic development. Now, I will make a flat statement, which is going to be a little bit difficult, you know, in a panel sponsored by an organization called the Center for Global Development. But I would say that the problem here is that we don't know how to promote development. Conceptually we don't know how to do it, and institutionally we don't have tools that can reliably do this. I'll tell you exactly what I mean by this. And this is in contrast to earlier decades when we really thought we understood the development process, and through, you know, infrastructural investment or education or one other strategy or another thought that we could actually produce measurable results in a reasonable time frame.

We used to have an approach that was coherent, which was called the Washington Consensus earlier in the 1990s, but that in many respects has given way to a much more complex understanding of the development problem under the general rubric of institutions and the belief that institutions matter.

I think that this is a conceptual advance in our understanding of what the problem is, but in policy terms it puts us in this terrible quandary because at least the Washington consensus was pretty straightforward. I mean it was all things under the purview of governments. They could implement the Washington Consensus, and a lot of them actually went and did this. But when you talk about institutions mattering, you know, who in this town knows how to implement a rule of law system with a very corrupt judiciary in any reasonable time frame that would make a difference to the lives of the people living in those countries.

So I think that while the rhetoric about institutional capacity is very nice, we really need to take a hard look at what we really know and what we can promise and offer countries in this regard.

The third component is what I would call political development. With this change in the understanding of the basis of development, in a sense the economic development and the political development agendas have in a certain way merged around this question of strengthening institutions and strengthening states, but I would say that there's an additional element, when you

think about this as a political development issue which has to do with democracy, and Americans actually are more inclined to think about political development in terms of democracy assistance or promoting democracy abroad rather than in these more neutral non-ideological terms.

Here again I think we have a big institutional problem. I'm quite familiar with this because I've been on the Board for the last few years of the National Endowment for Democracy. And the one thing I can say, observing our efforts to promote political change, is that they're extremely decentralized, uncoordinated, lacking in resources, and generally unconnected to broader American foreign policy, which is I think critical when you deal with a region like the Middle East where the fundamental issues facing democracy are things like, are you going to push Egypt to permit political parties; are you going to push for elections? Things that really have to be taken at the top political levels of an administration.

We currently have a whole range of agencies that deal with political development at State. You've got an Under Secretary for Public Diplomacy and Public Affairs. You've got an Under Secretary for Global Issues. You've got the Middle East Partnership Initiative. You have the Office of Democracy and Governance at AID, which is probably in budget terms the largest of the agencies in this area. You have the NED, which is actually just an organization that largely passes through money to its constituent institutes, MDI, IRI and the like. And then you've got, related to this, the Broadcasting Board of Governors, which plays an important role in the public diplomacy part of this, which I would say, if you think about the people development part, this becomes then a fourth component or a fourth soft power institution, and there again, since the end of the Cold War, we've seen I think a deterioration in the capacities in the organization of all of the American public diplomacy instruments.

So this is very much on the table, you know, how to deal with all of these in an integrated package, and I think that really it's hard to pick out one of these areas and talk about reforming that without understanding the ways that it interacts with the other areas.

A final comment is that that's not so easy to do because I think that you've got this problem which I would call the problem of reconstruction versus development. Normally, you know, as in the title, the official title of the World Bank we think of reconstruction and development as sequential and complementary kinds of operations, where you can deal with a post conflict situation through humanitarian assistance through all of the sorts of things that I

think in this town there's quite a lot of expertise in, and then it's followed on after you get stabilization by efforts to promote either political or economic development.

But the problem is that these are two very different baskets, as I've indicated. The reconstruction part is one we know well. The development part is one that we are less certain of, but it's also very important because unless you can develop self-sustaining political institutions, the international community is never going to get out of these places, and I think it's not going to get out of the Balkans any time in the near future because we don't really understand how the development part of the strategy enables on-the-ground domestic institutions to exist.

So with that, I will stop. Thank you.

MS. BIRDSALL: Frank, thank you very much. I'm rather glad you did stop. You gave us a lot to think about, Frank.

Sebastian, will you rescue the development project?

MR. MALLABY: I will try.

We're now, I think, in a much clearer way seeing the links between development and security. And I think that if you look back over the last 60 years of development history to the founding of the World Bank at Bretton Woods, and then also to 1959-1960, when IDA, the soft-loan window of the Bank was created, what you see is that it is always thus. It is always the case that a security threat is what drives a spurt of fresh interest in development. It was explicitly the case at Bretton Woods that the point of the Bank after it was to do reconstruction in Europe initially for the purpose of preventing another war in Europe. And it was the purpose of IDA when it was created in 1960 to prevent the spread of communism a la Cuba revolution in 1959 to other Third World countries.

It's interesting to remember that Walt Rostow, who wrote the book "The Stages of Economic Growth," I think the title was, and was, of course, prominent in the administrations of the 1960s, had a subtitle on his book, which was something like, I think, "A Non-Communist Manifesto."

So security concerns have always been at the center of development, and I think we're in another phase like that. And I would--you know, in researching the book that Nancy mentioned, I came to think that there was one particular day in March 2002 when we sort of turned the corner on this, which was when Jim Wolfensohn, the President of the World Bank, went over to see Paul

O'Neill at the Treasury and was, as usual, trying to persuade Paul O'Neill that development was very important, the World Bank was useful to the interests of the United States, instead of beating up the World Bank it would be nice to give the World Bank some money. The normal conversation was ensuing, and Paul O'Neill was sort of taking his jacket off and was pretty much ready to beat him up, and he got absolutely nowhere with Paul O'Neill.

The same afternoon, he went around to the White House and had a meeting on the same day with Condi Rice, where he made the argument that in a post-9/11 atmosphere, security did depend in part on development, and she accepted it. And that's why, I think, the Millennium Challenge Account was created, the commitment to increase U.S. bilateral aid by 50 percent, because the White House essentially bought the argument of the link between security and development which the Treasury had been resisting.

Now, let me turn in some detail to make a few points about Hilary Benn's talk.

The first thing I want to put on the table is an obvious point but one I think we can't avoid in this kind of debate, which is the tension between multilateral approaches to the problem and bilateral ones. Your talk emphasized that we need to cooperate on this stuff multilaterally, that there's a danger to the development process when a poor country is burdened with successive donor missions which eat up all the time that officials have. And that is clearly true.

But it's also striking that--and perhaps this is just the brief of your talk, but you were talking a lot when you came to the detail about U.K. Government initiatives. And I had the sense that there's a sort of similar story on this side of the Atlantic, that there's more going on about thinking about what the U.S. Government should do, how we should configure U.S. power rather than thinking about it in a multilateral setting.

And I was particularly struck, actually, by the idea that the U.K. Government would feel the need to create its own early warning system for crises because, after all, this must surely be something where if one person, one agency is doing this, figuring out what the early warning signs are for conflict, you don't need to have it being done in every G-7 country, you know, and at the World Bank and by the Dutch. I mean, the scope for sort of overlap seems rather strong and, after all, when you come to financial crisis early warning, I think, with or without success, the IMF is thought to be the one responsible for looking at that when it comes to kind of public sector response. We don't have a sort of duplication or triplication of that effort.

And this is not a criticism at all aimed at the U.K. After all, I think it's the case that when the Pentagon here announced its initiative to train peacekeeping troops in Africa, I thought this was great, and I even wrote things saying this was a good idea. But when I saw Thabo Mbeki a few weeks ago, he was furious about this initiative. Why? Because it didn't--it kind of was, again, a bilateral initiative which wasn't designed to dovetail into existing initiatives in Africa to increase the peacekeeping capacity on the continent. And so I just think that's something which is an old chestnut in these debates, but multilateral versus bilateral is something we have to keep in mind.

The second issue is the kind of piggyback model of responding to the problem versus the new institution problem. Should we create new institutions, or should we sort of adapt existing ones, work with existing ones? And on this, I mean, I speak as somebody who two and a half years ago wrote advocating a new international reconstruction fund. But I have to say I'm kind of now tending to go in the opposition direction, partly because there is sort of fatigue about creating institutions, and if you're talking on the U.S. Government side, I think the Homeland Security agency is enough to reduce the chances of another big agency being created by quite a substantial margin.

And I think there is stuff that you can do to a large degree by adapting existing institutions. I was struck, again, in the research for my book on the World Bank, by the observation that, you know, Iraq may be creating a kind of overly negative view of the potential in existing institutions; that if you look at Bosnian reconstruction, which, as Frank said, is still an unfinished business and there's no prospect of Western withdrawal in a quick time frame there, nonetheless, the early phase of Bosnian reconstruction I think was a tremendous success. And I looked at this in some detail for my book and wrote a whole chapter about it. I think that the World Bank--the cooperation between the U.S. Government and the World Bank shows what you can achieve. In that particular case, the U.S. Treasury or U.S. Government brokered a peace at Dayton on Bosnia, which was amazingly divisive in terms of the U.S.-European relationship. We forget that now, and I think it's probably true that the Iraq divide is worse. But, nonetheless, there was a very, very deep divide with, you know, British as well as French delegates to Dayton screaming at Richard Holbrooke, the way he was treating them. And there was absolute fury over this stuff. But the way the U.S. got out of that hole was to say, okay, now the reconstruction--

there will be a donors' conference immediately. We won't chair it. The World Bank will co-chair it with the EU, and the World Bank will create the blueprint which will lay out what the reconstruction challenge is, and the World Bank will be soliciting donations, coordinating the donors, and kind of creating the architecture for reconstruction.

It worked really pretty well, I think, and so I think that there are instruments out there one can use, existing tools. And clearly the World Bank is not going to deliver the military side of post-conflict, the kind of policing and security side of post-conflict. But there may be scope there on that side for a combination of modernizing perhaps UN doctrine so that the authorization for these post-conflict operations would come from the Security Council. I myself favor something which is another idea generated by this Center which would shift the Security Council to a sort of weighted system of voting so that you wouldn't get a veto from France or a veto from China and you would, therefore, not have an excuse to ignore the mechanism, because at the moment it's too easy for the U.S. to say, well, we can't go to the UN because the Chinese are going to veto. I think a reformed voting system so that you had something more like the Board of the World Bank, where you have strong leadership in the U.S. and its allies but not a veto, would increase the ability of the UN to authorize reconstruction and other military kind of prospective prevention interventions. And then you would get kind of coalitions of the willing which would come in under that.

Quickly, a third point to raise I think is the issue about whether we--the correct emphasis between prevention and post-conflict intervention. Should you go in before the conflict or should you wait until afterwards? Hilary Benn was emphasizing prevention, and that sounds like sort of the common-sense approach, that it's cheaper to fix the problem before it gets out of hand. But let me just offer the opposite view just to stimulate debate.

It seems to me that the problem with prevention is that we just don't know how to do it. This sort of is what Frank is saying slightly, but there is a reason why the dominant trend in thinking about development aid since, let's say, the late 1990s, 1997-1998, has been selectivity, giving it to the high-performance countries. And that is that there was no evidence that the aid that went to the non-high-performance countries actually did any good. And one can dispute the econometrics a little bit, but I think the message is fairly powerful.

And, again, when I tried to look at a case of a turnaround--because, clearly, countries do go from being low-performance to being high-performance--I took Uganda as an example and spent a long time talking to people on the Ugandan Government side, on the donor side to figure out what went right in Uganda to turn a complete sort of, you know, poster child for African failure up until the late 1980s into a country that then cut poverty by 40 percent in the 1990s. And the conclusion is clearly that basically it's indigenous political will, that Museveni plus a couple of brilliant technocrats created a machine there which could deliver development. And donors and development institutions were useful partners, but they were not the key.

We just do not, coming from the outside, I don't think, have the mechanisms to go into countries which are likely to fall into conflict, because there are many of them, basically all LICUS low-income countries and turn those around. And so I think that there's something to be said for facing facts and saying that we do know that in a smaller number of countries which have suffered conflict, they have a high chance of a recurrence of conflict. And one should go into those countries and be selective in where you use your resources and try and prevent recurrence in these extremely high-risk settings. But a kind of blanket strategy of prevention is probably not going to work.

So that's a slightly bleak picture, but let me, therefore, end on an optimistic note, which is that I was very pleased that in your speech you made space for what looked like the sort of less glamorous but kind of totally obvious win-win, non-objectionable things to do. And in my view, these includes things like trying to control small weapons trade--I mean, difficult to do but clear that you should try it; there's no downside to trying--and publish what you pay when it comes to resources, regulation of conflict diamonds. These are things which, when they are separated from a debate about conflict and security risks, may not muster the political will to move. But I think when put into the--under the umbrella that you put it under, then I hope that we can muster the political will to do these obvious and probably very cost-effective things.

MS. BIRDSALL: Thank you very much, Sebastian and Frank. I said at the beginning I was sure this would be engaging and thoughtful as a discussion, and it does appear that the issue of weak states is raising some really compelling questions about what development experts do.

