THE WORLD BANK/IFC ORAL HISTORY PROGRAM

Memorialist's name: Victor Umbricht

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Interviewer's name: Marko Zlatich

ZLATICH: Today is February 4, 1987. My name is Marko Zlatich and with me here at the World Bank is Mr. Victor Umbricht who a few weeks ago completed an eight-year assignment as Mediator for the East African Community. This assignment came via the UNDP [United Nations Development Programme], with the World Bank acting as executing agency. Mr. Umbricht, would you kindly start with a few words about the when, where and how of the Mediation before we address some of the specific questions we'd like to talk about.

UMBRICHT: Yes, thank you for having invited me. This Mediation started in November 1977, as a consequence of the breakdown of the East African Community, and now we are in 1987. The East African Community was a very integrated organization of three states, Kenya, Tanzania and Uganda. They originally decided in 1967 to work together in a very close manner. They were much more integrated than the European Community, for instance, which has only joint discussions, joint subsidy policies, joint agricultural policies, but does not have joint assets. Whereas in East Africa you had a joint parliament, joint judiciary, courts, you have a joint secretariat, you had a ministerial council for Community affairs, in addition to ministerial councils for national affairs. Then there were joint corporations. There was the East African Railways Corporation--not the Tanzanian Railway or Ugandan Railway--East African Railways, East African Airways, East African Harbors, East African Post and Telecommunication Corporation, an East African currency, East African universities, East African research institutions, East African taxes, customs, and so on. It was a very integrated community of states, and what was left to the states was mainly foreign policy, agriculture industry, security, police, education and so on. But plenty of their sovereign rights were turned over to the community.

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It was a wonderful idea, very forward looking; there was a great vision behind it. But it did not work. It collapsed after 10 years, with a number of difficulties in between. It collapsed because the three countries were not, how should I say, mature enough to have such an integrated system. Moreover, their policies diverged so much. For instance, Kenya had a market-oriented policy; Tanzania had a centralized economy, more socialist-oriented; Uganda under Idi Amin had no policy at all, it was chaos. So the decision-making process in the three countries differed so much that the progress which the Community should have brought did not come about since they could not agree amongst themselves. Moreover, Idi Amin, who came to power in 1971 threw out [Milton] Obote, the previous President, and Obote was a friend of [Julius] Nyerere, the President of Tanzania, and of [Jomo] Kenyatta, the President of Kenya. So those two Presidents refused to talk to Idi Amin or sit with him around the same table. This of course had a very adverse effect on the political decision-making because the highest authority in the Community was what we called the High Authority consisting of the heads of state. But if the heads of state do not meet any more, there is no policy guidance given nor major decision taken; everything is handled by the ministers and high administration officials. But the highest authority did not give the direction any more for the Community so it led more and more to divergent policies and to antagonism, to personal difficulties, to bitterness, until it collapsed in 1977. That about is the broad framework which I found in June 1977 when the Community collapsed.

Now that collapse had, of course, very serious consequences. It was not only a collapse in form, it was one of substance. The borders were closed. You could not cross the border any more from Kenya to Tanzania. There were no intercountry railways, no trade, no airways. They couldn't overfly the enemy country--if you can use that word. If, for instance, a Kenyan plane wanted to go to Zambia or to Mozambique, the proper course would have been to fly over Tanzania. But after 1977 they were not allowed to do so; they had to fly out to the Seychelles or to Madagascar and turn in again to Mozambique. We had no post and telecommunication services any more, no joint navigation. Everything broke down. We had no human contacts between the countries because the borders were closed. We even had a war in 1978, 1979 between Tanzania and Uganda when Idi Amin was thrown out, so everything was in a shambles. It was chaotic. They couldn't talk to each other anymore.

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And of course they did not pay their common debts. They not only had assets like railway wagons, they also had common liabilities, say to the World Bank and to many governments, which they had to repay as a Community. But the Community having collapsed, nobody repaid anything, so they were all in default. There was no way to see to it that liabilities would be honored. The three countries lived so much apart from each other that they were unable to talk to each other any more. There was really no comfort, only bitterness. And the Community, of course, was going down, down, down. Not only stagnating, but really going down, particularly Uganda, which is a land-locked country. They needed access to the sea, but if they could not go through Kenya or Tanzania, they were doomed to economic failure.

So in September 1977, three months after the breakdown, there was the Annual Meeting of the Bank and Fund. Those governments came here, as they always did because they were members of the Bank, and said to the Bank and Fund that they are in trouble and the Bank should help them with funds, with money to keep them afloat. The Bank said, no, you have to make order first in your own house and you have to repay existing liabilities before we can come in. However, the governments informed the Bank that they were no longer on speaking terms, and how can you settle a problem between us if you are unable to meet and to talk. Therefore the Bank and the Fund suggested that if they could not talk directly to each other, they should talk to somebody in between, a mediator.

That is how the Mediation system came up. The proposal was made and the three countries accepted to have Mediation and asked the Bank to propose a Mediator. And the Bank proposed four or five names. Amongst those names was mine. I was not in Europe nor in the Bank at that time, I was in Viet Nam, in Hanoi. For five years I had been the representative of the Secretary General in Viet Nam, partly during the war and then after the war. The war ended in 1975. North Viet Nam marched into South Viet Nam and the two parts of the country were reunited again.

ZLATICH: So you were working for the United Nations at that time?

UMBRICHT: At that time, yes. I was the head of the mission to mobilize, direct, and coordinate international assistance for the reconstruction and rehabilitation of Viet Nam at that time. But before Vietnam I had done the same in Bangladesh. In 1971, 1972, and 1973 I was in Bangladesh where

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I had to run the reconstruction of Bangladesh and mediate between Bangladesh and Pakistan, West Pakistan and India. And of course I had other missions. For ten years I was the Chairman of Mekong Committee, which was the committee for all riparian countries along the Mekong. We were in charge of economic development between the riparian countries, but I also had to mediate between various interests. So this mandate, for which my name was mentioned, was not foreign to me. I had been in that line before.

But this was not a convenient time for me because I was in Viet Nam, and I had not finished my job. I was not very anxious to take on a new mandate before having terminated the other one. However, something happened then. Vietnam marched into Cambodia in 1978. And that somehow brought my mission to an end from a political point of view. The Western world was no longer willing--and I was not willing--to coordinate the international assistance to North and South Viet Nam and Laos, at the moment when Viet Nam had overrun another country. So the international assistance came to a stop, except from the Soviet Union and Libya and East Germany and some Communist countries. My function was not to coordinate the aid from the Eastern countries, which was not pure aid, it was partly politically tainted, to which I was of course totally opposed.

So it came to an end and I moved over to East Africa and I stayed there for nine years and three months. And we finished our Mediation a few weeks ago with 28 agreements, 28 agreements. One is the basic Mediation Agreement amongst the three countries, and then we have three agreements, where we had one before, between every country in East Africa and their creditor countries, or creditors in general, for instance the World Bank. The World Bank was the biggest creditor against the Community, but you had no Community any more after its collapse; therefore we had to apportion the loans amongst the three countries.

ZLATICH: The loans were to the Community rather than to the individuals?

UMBRICHT: Only to the Community, we were only dealing with Community liabilities.

ZLATICH: The Community was the borrower?

UMBRICHT: That's right. With a tripartite guarantee. And so we had to not only divide assets, we also had to restore the economic sovereign rights of the countries, and we had to see that liabilities were paid. We had to divide the liabilities. That meant we had to make an apportionment agreement with each creditor, each one--in fact, three apportionment agreements. We had to divide the liabilities amongst Kenya, Tanzania and Uganda. Now nobody wanted Uganda as a debtor at that time because it was not the most creditworthy party. Still, we had to do it, and we had to abolish the joint and several guarantees.

ZLATICH: You mean they would be creditors of one another as well?

UMBRICHT: Not in terms of liabilities, only when we came to assets. We had to divide assets, and that created internal credit. But the liabilities to governments or institutions abroad were divided amongst the three countries and each of the three countries had to pay, say, the World Bank. And they are doing it. The World Bank has not lost one cent, not one, so far. Not one cent.

ZLATICH: There are no defaults?

UMBRICHT: None whatsoever. Some delays, but you don't call that a default.

ZLATICH: No.

UMBRICHT: Some delays, but no, no, not one thing was lost. And each creditor government or creditor institution has now three debtors instead of one, as before. So we were dealing with settling all the assets and liabilities of the former Community, of the defunct Community, and we were also dividing the liabilities. We also had to deal with plenty of additional questions, such as pensions. There were 100,000 Community employees, and they all had made their contributions to the pension fund, so they were entitled to a pension. Who were those entitled? Were they still alive? Were they married? Did they have one wife or four wives? In that part of the world the rules are a bit different from our part. And did they have orphans? Who was entitled to what and what were their addresses? And that in Africa is not so easy. And who or what was to pay those entitled? Also not easy to decide.

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So it was a very arduous, complex exercise which has been finished. But the main gist of it was to divide all assets, say railway wagons or ships or buildings or airplanes--the joint assets--and to divide the liabilities, and to prepare for future cooperation.

ZLATICH: How would you handle such things as the intellectual assets? You said there were a number of research institutes, a university and things like that where it is difficult to quantify the value of such assets.

UMBRICHT: Well, you know, first we had to know what assets were there. You know, nobody had an inventory of the three countries' assets. We had to establish an inventory and, as you rightly say, we had to assess the value. I had a team of about 40 engineers and chartered accountants to make that list, to the extent we were able to. I'll come back to the difficulties we had, but that was the objective: to establish a full list of all assets and a full list of all liabilities, including universities, but we were only dealing with material assets. We would not assess the intellectual value of a patent, for instance. Or if medical scientists found a new way to treat malaria, we did not attach a material value, a dollar value to those intellectual findings. What we did, we looked at the research laboratory, at the building, at the equipment in it, whatever they had, and we valued it in terms of dollars and cents. We did this for all assets, for all of them. And the value, of course, went into billions of dollars in 1977. At that time the dollar was at a pretty high level, so if you had a billion dollars it was a very high amount for poor countries. So we had to assess the value and make a proposal for dividing the assets.

Now, establishing the list of assets was the most difficult undertaking because we had to go on the basis of records, of information, of bills, of inventories, of annual reports. Those papers, those records were in a shambles; and they were never complete. And in the three or four years prior to the collapse of the Community--that means from 1973, 1974 onwards--there was already such antagonism and such tension and friction amongst the three countries that they didn't really keep records. So we did not know really what was around and where it was, and what the value was. And of course the countries were not extremely enthusiastic to give us all the information. If they were able to hide some assets somewhere they were not unhappy about it, you see. So our job was to find all assets and values and that took a long, long time.

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It was difficult but we did it. For instance, take spare parts for railways. We had the three-country railway system. If you run a railway properly you must have spare parts. And they also went into hundreds of millions of dollars. Where were they? Who had them? What spare parts? It was difficult to get such information, impossible. There was a lack of cooperation by the railway authorities. So we went first to Great Britain, the former colonial power, which had installed the railways, and we asked them, what did you supply them with? The information was not complete because some of the railways were built in 1896, a hundred years ago. So we went to Zimbabwe, which had that same railway system, also coming from the British Colonial rule, and it had about the same total length, 3,400 miles, and about the same number of wagons, coaches and locomotives. And we asked them, what do you carry as spare parts for your railway system? And they gave us information, I must say they did. And then we went to the International Railway Union in Paris and inquired, what is a regular set of spare parts by experience for a railway system of such an order of magnitude and such coaches and locomotives? And they gave us the information. They explained that if you run your railway system very well, here is the set of spares you carry; if you run it well, here is the amount of spares; and if you run it only satisfactorily, here it is. So it was up to us to take the criteria which we chose, but we had the information. Not complete information, but the best in the circumstances. It was still a bit shaky here and there and there were gaps. But then we put a miscellaneous item in our evaluation by saying, we know there are gaps, and we allocated to each country a certain proportion of the overall gap. Let's say, five percent of the overall value of railway cars is missing, we cannot find it. All right, so we're dividing the same amongst the countries.

ZLATICH: So that's a real order of magnitude.

UMBRICHT: Yes, it is. As you can understand.

ZLATICH: You established that.

UMBRICHT: My job there was a battle every day, and improvisation and creativity every day. That was the basis for our work. You have to do the same for airplanes. It so happens that the East African Airways had 17 airplanes, of which, when the Community collapsed, 14 happened to be by

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accident--I said by an organized chance--in Kenya, three in Tanzania and none in Uganda. So Uganda had no airplanes; they couldn't service their country for a while. And we had to find out what were the spares. And there were radar installations. We had to value everything, including the airplanes, of course, all the equipment, even the typewriters in their offices. We got good cooperation except from one company in England which had provided the VC-10s. They were the one and only company which refused to give us information, despite the fact that the three Presidents had signed terms of reference for me, allowing me to go to any source of information within or without the Community. And England was one of the major sources because England had been the main supplier. And as the colonial power they built the houses, they supplied the ships. You also had a problem because some of the ships were stripped to the bottom and we had to find out who took the brooms or the fire extinguishers. They were all empty. And we didn't get information in East Africa so we went to the British manufacturer of the ships and asked him, what is normal equipment on a ship which you supply? And we got that information. We got it from Holland on the Fokker planes. We got it from America on the Boeing planes and the DC-9s. We collected information wherever we could, by hook or by crook. Therefore, I say that our information, although it was criticized, was the best in the circumstances and I challenge anybody to produce a better list of assets and liabilities.

But then you had to value all of the assets. For instance, the locomotives. We had altogether 950 locomotives in the list. But some were from 1922, others from 1938, others from 1952, others from 1968. Some had four wheels, six wheels, eight wheels, what you call axles. Some of were new, strong, well-maintained; others were in shambles. We had to value them and to allocate them. The same with the wagons. You had freight wagons which were uncovered and others were covered. And you needed the covered ones for coffee. Coffee is the main export item in that part of the world, so you needed the covered wagons. Everybody wanted the covered wagons and nobody wanted the open ones. And so on. It was an unbelievable exercise in mental alertness. I was never as much challenged in my intelligence as I was in East Africa. You had to find a solution for, I would say, an unexpected event every day. But we did and we valued everything and submitted our technical report to the governments. Well the three governments rejected it, as expected.

ZLATICH: Was this the Mediation Report in 1980?

UMBRICHT: No, these were the reports in 1979 of the working groups, of the technical working groups in 1979, early January 1980 when we had made a list of all assets, including buildings, and the evaluation. You also had to value the buildings because the Community had plenty of buildings: you had general headquarters, tribunals, the parliamentary building, a conference building, residential buildings. They had headquarters for railways, for harbors, all community assets. But we valued all of them. And then at the end of 1979 we submitted the working papers to the governments, and all three governments were dissatisfied. Each one thought the other country was hiding assets. "They didn't show everything." You know, whatever was in their pocket they thought they could get free of charge. And some felt buildings were undervalued in one country, overvalued in their own country, because they had to pay for them. So it required a tremendous stamina and fairness on the part of the Mediator.

I called meetings of all three governments, so-called formal fact-finding meetings. And I said here is our result. Now, you are dissatisfied, you are dissatisfied, and you are dissatisfied. You say in front of everybody--and I always brought them together--why you think buildings in Tanzania are undervalued and in Kenya overvalued. Here are my architects and engineers. And suddenly we would have a discussion, a formal fact-finding meeting. It was very formal. That means you had minutes. It was like a tribunal: you explain your side, you yours, and my engineers our side. If we cannot agree, we will call in a sort of super expertise--which I did for railways, for the permanent way, the road bed and track, because Tanzania, for instance, explained that their permanent way was worth less than what we indicated, and Kenya's was more than my engineers indicated. And in Uganda we were unable to check on everything, for security reasons, due to the guerrilla war. We couldn't go into the countryside.

ZLATICH: We will talk about the effects of that kind of situation as well.

UMBRICHT: You ask me, yes, surely, that is fair enough.

ZLATICH: Well, keep going.

UMBRICHT: And so I said, but there is a gap here. You know there are more assets around. You are the source of information, why didn't you say it to me before? Now you say Kenya has more assets; Kenya says Uganda has more assets; Uganda says Tanzania has more assets. You are the major source of information and you refused that information before. So, all right, come in and bring the information, document it in black and white. And then I had my experts, and we made some progress, but not substantial progress.

I wrote my first Mediation Report, a draft report, to the governments in March 1980 and that report also was rejected, which was expected. Not only rejected as to the incompleteness of the list, but also as to the criteria for dividing assets. For instance, we had listed 13,000 railway wagons. We had to divide them among the countries. On the basis of what criteria do you do it? There are several criteria. You can go on the basis of contributions made by the countries to buy the assets; or the basis of historic considerations; on the basis of economic need--what do you need? Do you need 1,000 locomotives? What will you do with 1,000, what are your economic needs? How many do you need for export-import? For transporting your agricultural items? So there are a number of criteria we had to look at. Or should we simply say each partner has 1/3, 1/3, 1/3 on the basis of equality? Or should we go on the basis of geographical location? What is in your country is yours because it was put there originally by the Community because there was a good reason for it, and what is located in your country is yours and in your country is yours. Would that be a criteria? There were a number of criteria which we considered.

But in the end I had to come up with a proposal. I had chosen in 1980 a mix of two criteria. Partly geographical location. I said, for instance, if a post office was built in Kenya it was built for Kenyan needs, not for Ugandan needs or Tanzanian needs. And if a railway station was built in Tanzania it was because Tanzania needed it, not the Community as such. Therefore, I said, certain assets were placed where they are owing to the needs of that country, not the Community. But other items were placed there because there was a Community need. If, for instance, the airport for Community Airways was put somewhere, the main airport, because you needed an airport somewhere for repair service, it was serving the Community needs, not the country needs, in the first place. I therefore

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chose two criteria. One was geographical location for part of the assets and one was the Community needs, overall needs, according to the country. But that was rejected; in fact everything was rejected in the beginning.

ZLATICH: These were not agreed on in advance of the start of the Mediation, in other words?

UMBRICHT: No, no.

ZLATICH: As you went along.

UMBRICHT: Mind you, if we had waited for an agreement at once, the Mediation would never have taken off, oh, no. That was the most delicate item. Because there were billions involved. So we continued to do some fact-finding after my first report. For instance, we had to look again into the value of the permanent way; we had to value the tunnels and so on. So we did it again because meanwhile in Uganda the guerrilla war had stopped, and we were able to travel everywhere.

ZLATICH: Were you based in any one of the countries?

UMBRICHT: No, oh, no. That would have been a major mistake because if we had been based in Nairobi the others would have said he's being wined and dined in Nairobi. That would have been a major political mistake. So I always endeavored to spend the same amount of time in all three countries.

ZLATICH: Where were you resident in? What country?

UMBRICHT: I had no residence, I lived in a hotel.

ZLATICH: You were in a hotel for eight years?

UMBRICHT: Nine years, yes. In hotels. Except that in Uganda. You know, after 1979, after the liberation war, the army troops had destroyed not every hotel but every room in the hotels, every water basin, every water line. There was no water in the hotels any more, to this day. I had to stay in a

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private house. I had a friend, he was a Czechoslovakian, an exile. He stayed in Uganda. He was working there, and he had a small house with two rooms. But he had water. It was near Lake Victoria. I had one room and he had the other one. We managed to live very happily together.

We had time to make some additional fact-finding, also in Uganda, also in Tanzania, because in Tanzania our first fact-finding and the second one was done during the rainy period. But during the rainy period part of the railway line is under water so we couldn't go and check on it. Therefore we had another mission coming in to do the evaluation again in the dry season. It only changed the overall value by one percent and not more. But they complained, so I appointed the super expert group, the chief engineers of the French railway, of the German railway, and of the Swiss railway, the three, and I submitted all the information to them from my engineers and said now give me your final version. They did and I submitted it to the three governments. And then they accepted it, reluctantly, but they did. And it was very similar to what my own engineers had found. In fact it supported them.

But we still had to do a lot of fact-finding until I wrote my second, what I call the consolidated report in October 1981. That was four years after having started. I changed one of the principles for allocation because they objected strongly to economic needs. I had calculated economic needs on the basis of some economic indicators, taking the International Monetary Fund's indicators, because the Monetary Fund quotas are based on population, on foreign exchange reserves, on exports, on imports, on internal economic considerations. It is a list of indicators which lead up to some Monetary Fund quota. I followed that same approach. But Uganda said my quotas are much too low, much too low, I need a higher quota. And Tanzania said the same, and they said Kenya's quota was too high. I only used it for part of the allocations, the other part was location, that's geographic. So I changed that criterion. Instead of economic needs, we took equality. That means that 50 percent of the assets were allocated based on geographical location. I said 50 percent of the assets which were in any of the countries were put there because that country needed it. And the remaining 50 percent were Community assets serving the Community as such. I introduced the element of equality; one-third of the 50 percent would go to each country. Now I said 50-50; that was a judgment. You could also have arrived at a different judgment: you could have said 40-60 or 55-45. But the principles I put down

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made, as the basis, 50 percent geography, 50 percent equality. And there was a big struggle about this; what rate would you attach to the criteria. Kenya said 80 percent geographic, 20 percent equality, because Kenya had the most assets. And of course Uganda said exactly the contrary, they said 20 percent geographic, 80 percent equality.

I don't think I have to explain the value involved, the principle is clear.

ZLATICH: Yes.

UMBRICHT: And it took us three-and-a-half years to find an acceptable basis, and such basis was the basis which the Mediator had proposed in the end, 50 percent geographic, 50 percent equality. And that was agreed to in 1984 and the countries accepted the draft agreement and it was signed in a ceremony by the heads of state. It was accepted by public opinion with great enthusiasm. The borders were opened, human contact amongst the tribal people who belong partly to the same tribe, could be resumed. Railway traffic, air traffic: you again could fly over the other countries, and you could fly from one capital to the other, into a neighboring country. Shipping was resumed; intellectual cooperation was resumed; everything was resumed as should be the case between orderly countries.

ZLATICH: Friendly states, yes.

UMBRICHT: Friendly states. So it was a tremendous progress in history. Instead of war you had peace, instead of no trade you had trade. Instead of no transportation, you again had transportation in every field. But that was not the end. After the agreement was signed, we had a number of outstanding problems, the major one being pensions. We had hundreds of thousands of employees in the Community. If you take railway alone, I think they had 80,000. And they all had made their contributions to the pension fund, and the pension funds were partly invested in the three countries, partly abroad, in England. We had to find out first where the pension funds were. We discovered that we could find quite a lot; we could find all that was invested abroad, and only part of what was invested locally. For instance, some railways invested pension funds into the permanent way, into railway rails. Now that does not produce money. Pension funds should be invested in things which produce, or in

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securities from which you have a return. But if you buy rails and you place them, you don't get the return. So there were gaps in each pension fund. We had a separate fund for each corporation. Somebody had to cover the gaps, and we had to establish the principles as to who pays what to whom.

And then we had to divide all assets, but again you know that there's hundreds of millions, hundreds of millions. We had to divide the assets on which basis? My proposal was that we should divide all assets in proportion to pension liability; in other words, if assets are 100 percent, liabilities are 100 percent to pay pensions, of which Kenya has 55 percent of liabilities...

ZLATICH: Because of the number of Kenyans.

UMBRICHT: ...Yes, and Uganda has 14 percent of pensions. We should allocate the assets to the countries in proportion to the liabilities. That was accepted by Kenya and Tanzania but not by Uganda. Uganda said no, you have to divide it according to the same formula as the mediation. That is just not right, because you have to pay pensions, they have to pay pensions, out of pension funds. And in every country pension funds are separate from government funds. You have a special pension funds board which administers the funds in the interest of the pensioners. The funds belong to the pensioners, not to the state. And it was a very delicate and crucial negotiation that I had to do some shuttle service between the Presidents to accept a principle which is accepted in the whole world except in East Africa. Finally it was accepted.

But that was not the end of it, because Uganda again said, well, according to that principle--assets in line with liabilities--we only get 13 percent because we only have 13 percent of liabilities. And this may have been true, Obote said, in 1977, but not in 1984, 1985, because many of Ugandans left the country after Idi Amin came in 1977 and they never returned. But we still owe a pension to them. They are not in our country, how can we be responsible for them? And they asked us to make a new study because, according to Obote, after he came to power in 1981 most of the Ugandans who had fled under Idi Amin returned. And they should be taken into account because it would increase the Ugandan pension liability and therefore they should get the higher pension fund allocation.

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So we made a new study and Great Britain again helped me by making available some government actuaries who can really value pensions and calculate everything; it's a very sophisticated science of which I understand nothing. But there are experts who do. And we had the British helping us making a new study. The result was that not only had the Idi Amin refugees not returned, but more under Obote had left the country, and instead of receiving 13 percent of all assets, they received only 12 percent, one percent less. It may, it doesn't sound much, but we had 1.4 billion 1977 East African shillings in pension assets and one percent is 14 million, which is quite an amount, you know, for a poor country. That was the difference for Uganda.

And there were some other questions left open, provident funds which we could not find anywhere. We also had some discussions regarding foreign loans with Zambia. We had agreed to repay Zambia, or, UNDP, which had made the loan to the Community and we had agreed to repay. But I, as Mediator, I only had the figures as for June 1977, when the Community broke down. However, since the liabilities were not paid, you had accumulated interest to be added later, which we did with the World Bank, with Germany, with Canada, with Great Britain, that was clear. We were unable to get the latest figures from Zambia or from UNDP and two or three more, so we were unable to finalize it. And it took us a long, long time to get final figures. In fact, from Zambia we never did. At the end, we still had a difference of $500; mind you, on $40 million, we still had a difference of $500. I said to the Zambian government, I'll pay the $500, then you'll have it.

ZLATICH: Paid out of your pocket?

UMBRICHT: Yes, out of my pocket. We have to finish, I said, we cannot go on like that. Of course they couldn't accept it--they also have their own dignity--so we forgot the $500. And at the end of December, five weeks ago, we signed all the remaining agreements that were not controversial, that simply had to be finalized administratively. We settled all outstanding problems, including future cooperation amongst the three countries, for which we drafted the new agreement which has in principle been accepted, for many sectors which lent themselves to regional cooperation, not bilateral only--regional, three or more.

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So that is where we stand and that is the time when I said this is the end for me. You know, this is a natural point for me to leave, although they wanted me to stay and run the future regional corporation, for which we have a very elaborate framework.

ZLATICH: I noted in your terms of reference that you had to also work on the implementation of these agreements.

UMBRICHT: Well, that is running well. We have 28 agreements; all are being properly implemented. We have an arbitration clause in case of differences between the three governments. For three years since the agreement was signed, not a single case came up to arbitration, not one. Which is good.

ZLATICH: That's very good, yes.

UMBRICHT: Very good. And they are paying their debts. Not everything in one go. You have a payment schedule, for instance, to the World Bank. We have taken over the remaining years from the former loans extending 8 to 12 years, depending on the various loans, between Uganda and Tanzania, yes, you have a payment schedule. Because, you see, Uganda was entitled to a certain amount of assets. They did not have it; Kenya had too much. So Kenya had to pay for the surplus. Tanzania also had too much. Uganda was entitled in the end to 26 percent of all assets; Tanzania to 32 percent; and Kenya to 42, according to our formula. But Kenya did not have 42, they had 52, therefore they had to pay the 10 percent back to Uganda because Uganda was short. And they have to pay, $240 million, including interest, over 8 years. In turn, Tanzania also had a surplus of overall assets in relation to Uganda; they had to pay to Uganda. But these payments are running properly and we have no difficulties. Therefore now was the time for me to say you have to run your future yourselves, and I drop out.

And I'm here now in Washington to return my mandate which was given to me November 1977.

ZLATICH: Well, I think this is a very good summary, I appreciate the very complete run-down you've given us.

[ZLATICH]

Well, could we continue to discuss perhaps some of the details that we would be interested in, such as how did you operate? You said that you lived in a hotel, but you must have had an office set up. How did you hire, how did you administer the funds? And what did this Mediation cost, in effect?

UMBRICHT: Well, I can give you full details. First of all, I had an office in Geneva in the beginning; afterwards I transferred it to Basle, because Geneva was too expensive. I thought it was organized properly and I also had a secretary. In turn I had an office in each of the three countries and secretarial help from each of the three countries. In addition, I hired experts, and at the height of my mission I had 42 experts, which I paid out of my budget. I hired them according to the unfolding needs in the Mediation. I could see where I needed expert advice and I hired them; and they did a very good job.

Now how did I hire them? I started with engineers. They had to speak English--all the reports had to be made in English. And they had to be ready to travel to countries and parts of the world which are not always most attractive from a security point of view. They had to accept certain risks. First I went to an engineer in London and in Switzerland and I said I need engineers and chartered accountants for railways, for airways, for harbors, for navigation, for ports, for God knows what, I do not know. I know you and I have confidence in you. Can you indicate to me engineers whom you can recommend to me? I also need bankers because we had the East African Development Bank, and they did. They said, well, yes, for chartered accountants, we recommend the following four firms, one was a firm in London, one in Holland, one in East Africa and one in Switzerland, and I took chartered accountants from the four. As to engineers, they gave names to me for engineering consultants. In London, for instance, we had an engineering firm, but I also had individual names in various countries. So I sent them a cable and said I need engineering assistance: I'm asking you if you are prepared to do this or that; if so let me know and give me your conditions, which they did. And I made a standard contract, which told each of them how they would be paid, what they had to do, when they had to start, all of them in East Africa. They had to fly out. And then I expected their report. So I made the contracts. And as to the financing, there was a budget but only for various months. It was thought here in your beautiful bank that the whole exercise would last only a few months. But it lasted nine years and three months.

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So, in the beginning, the funding was fun. There was a balance left in undisbursed loans to the Community, that was $1.2 million. And it was thought to be enough.

ZLATICH: So we were using Bank money rather than UNDP funds?

UMBRICHT: No, you used money loaned to those countries, loaned money--it was being repaid to the Bank by those countries as a fully disbursed loan. The Bank didn't pay a cent at first. It went on, you know, and I eventually had 42 people. Then UNDP stepped in and funded the continuation of the exercise. And it worked very well until early 1985 when I had the impression that we had reached agreement and I could no longer ask for UNDP money. I thought it was finished. But it wasn't finished, so I said to this Bank, what do we do? We still need some funds. And the Bank made available SPPF [Special Project Preparation Facility] funds, you know, special project facilities funds, which are made for Africa. The financing was done in such a way that there was a Mediator's account opened in Geneva to which the funds were transferred at regular intervals on my call. I was entitled to call up the funds $50,000 at a time. And I paid whatever had to be paid and every three months I had to submit an accounting statement to the Bank and UNDP as to...

ZLATICH: This is like the Bank, the imprest funds that we use with the regional missions. They are able to call up funds.

UMBRICHT: That's right. I was able to do the same, but every three months I have to submit a full statement. It worked beautifully and we never had a problem, neither with the initial Bank loan nor with UNDP funds. But when UNDP stopped, at my encouraging words, the Bank came in with SPPF funds. And then the way to Golgotha started: there was suffering, delays, complications, formalities, bureaucracy. The Bank was never inclined to transfer funds on time.

ZLATICH: To that account?

UMBRICHT: To my account. And everything else in our case. I had to advance the funds for my own mission, which was a violation of the agreement between the Bank and me, which said the Bank will transfer money in light of unfolding needs on call by Umbricht. But they never gave SPPF funds on time. I had to advance the funds at regular intervals, and at one time I was out by $35,000.

[UMBRICHT]
Now I did not have that much money in my pockets. I needed a loan from a commercial bank--I had to finance the World Bank in a way. They always paid me, but always too late. And that was due to unbelievable, questionable legal interpretations. I objected to that, but some legal people had to make life difficult. Instead of finding a solution for a case, the Bank was very constructive and helpful in making SPPF available because they said, UNDP is finished, undisbursed Community loans are no longer around, how can we help this man to finish everything? They knew that SPPF was not the ideal solution, but it was the one coming closest to what the Mediator was doing. We knew the weaknesses, but still the Legal Department should have said, now let's see how we can help instead of looking at how we can make life difficult for the Mediator. And so it was unsatisfactory, it was disappointing and frustrating, but I didn't give up, even when I had to advance my own funds. My commitment to East Africa and my fight for an idea was so deep that I would have financed it and stuck to it to the bitter end.

ZLATICH: You would never abandon it.

UMBRICHT: No, I would never abandon it because those countries and governments with whom I established a real friendship were really counting on continued and intellectual assistance. And I would have failed miserably to drop out of it at the time when assistance was still needed. I would not have panicked for a minute, no. And now everything is being settled but it took a very long time.

I only replied to your question, how was the financing done. Now of course the experts had to travel in East Africa. How? I didn't care. I told the engineers, you go to the three countries, I also have to go. You go by hook or by crook, by night, by fog and mist, but you go and you come back when your report is ready. And so some of them were very afraid. But they all did it. And they enjoyed it. Yes, they wanted to come back again but there was no need except for some.

What was not satisfactory, however, was the visas. The three countries promised visas, but then how did you go to Kenya from Tanzania with the border closed? So I said to the governments, you are violating your rule. You said you would give visas for the Mediator and his team. It never worked well,

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and we had to go across the border in many round about ways. But we did. And none of us was shot, except in Uganda three, they were all black--no one was white, an Englishman--they were killed.

ZLATICH: They were in your service?.

UMBRICHT: Yes, they were working with me.

ZLATICH: Did any people fall ill during that time?

UMBRICHT: Not that I recall, no, no. I myself needed an operation, but that was not due to local conditions. I had problems from traveling and having no water for a time, being unable to wash except behind a tree. And I had a number of operations. But I do not say East Africa is responsible. My wife says I gave everything I had to East Africa, including my health. But it worked, and we have done it. Governments in the end cooperated.

ZLATICH: How about governments outside of the Community?

UMBRICHT: Oh. Yes, I had very good help from the British Government, which was to be expected because some of the mess we had to solve came from happy days under the British. They made people available, from ODA [Overseas Development Administration] free of charge, many people, at all times. They were so helpful. The Foreign Office, which incorporated the previous Colonial Office, made all the papers available. They were helpful. Then we had plenty to do with the Crown Agents, who were the suppliers to the former colonies and still are to the present independent countries. They were very helpful at all times. I take my hat off to all of them.

The only ones who were not helpful were some British firms. One refused all cooperation. They didn't block us because we knew how to get around them, but it was unpleasant. Only British firms, nobody else. I had good help from Holland; they made experts available free of charge and financed the arbitration tribunal. Although it never met, still we had to organize it.

ZLATICH: You had to have that structure.

UMBRICHT: Yes. Otherwise I had not too much help from foreign governments. I asked Canada: not much. Italy, not much. Germany, not much. I had to pay for German experts out of my budget.

ZLATICH: The USA?

UMBRICHT: USA? Nothing at all. Zero. I asked them several times to help, the answer was zero.

ZLATICH: And that was through the Embassy I suppose?

UMBRICHT: Yes, the Embassy in Nairobi or in Tanzania, but we didn't get any assistance from them.

ZLATICH: How about the Resident Representative for the Bank?

UMBRICHT: Oh, that was different. They were helpful in opening doors everywhere. They gave me secretarial assistance. I could use the offices for telexes, telephones, cablegrams. Yes, the Bank was very helpful. So was the UNDP Resident Representative. Since the UNDP was in charge of the financing, I turned to them many times. I had no complaints at all. For instance, the UN Resident Representative in Kampala always helped me by sending a car to the Kenya border. When I went to Kampala I couldn't fly. There were no flights, no shipping service and no rail, so you had to go by car. But Kenyan cars were not allowed to cross the border. They would have been stolen on the opposite side right away. So I drove a Kenyan car to the border. I slipped up to the border and I crossed the border on foot. And on the opposite side the UNDP car would be waiting for me to take me to Kampala. No, sir, I have no complaints.

ZLATICH: You had no run-ins with the guerrillas or anything like that during this time?

UMBRICHT: Yes, I had in Uganda, but partly it was my fault. I was stopped fifty times, a hundred times, by the soldiers of the regular army. But the main element of unrest was the soldiers; they stopped you and robbed you. And they shot my assistants, you know, in Uganda, not the guerrillas. But with the guerrillas I had some problem because two or three times when I went by car from the

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Kenyan border to Kampala I wanted to visit some missionaries. There were foreign missionaries in Uganda and I knew some of them. And they were the poorest of the poor, had nothing, not even a candle for their church. So I tried to bring some certain things to facilitate their life. A watch, for instance. They didn't know what time it was except by looking at the sun. Or a bell for their chapel; you know, something to eat. And of course they were not on the main road, they were in the bush. Several times I went into the bush. Twice I ran into difficulties--I was stopped and didn't know if they would shoot me or not. They didn't, since I'm still around, but if they had done so, well, it would have been wrong, but I would have been partly responsible.

ZLATICH: So you took a certain amount of risk. Was the UN laissez passer at all helpful?

UMBRICHT: They couldn't read. They didn't know. They couldn't distinguish between red and green and black, no, no. Actually, I hardly showed it because they would have stolen it or spit on it. These people, particularly the regular soldiers, were very often drunk.

ZLATICH: So in spite of all these difficult times the Mediation succeeded.

UMBRICHT: Fully.

ZLATICH: Would you think that future Mediations could be patterned after yours?

UMBRICHT: That requires a number of preconditions. A Mediation only succeeds if the top authority in the country has a political will to support the Mediation. And the Presidents did. Not always to the same degree--a bit more, a bit less. But basically they could see how their economies were deteriorating, so they had to do something. Therefore, in principle, the political will to allow a Mediation to go through and succeed if possible existed on the parts of the heads of state. And without that, no Mediation could have succeeded. So that was one precondition.

The second one was the fact that the governments, the cabinets, the ministers, were on relatively good terms and speaking terms with each other, despite the tremendous antagonism and friction and tension there was, because most of them in three independent states had studied at the one and only

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East African university, Makerere. And so they're colleagues, you know, buddies, from Makerere days. Or they had worked together in the Community in the headquarters. Of course they had been colleagues and friends before, and that friendship showed through and they remained on speaking terms, even during the war. They held ministerial meetings, over which I was the presiding officer. For instance, we met in Addis Ababa because we couldn't meet in East Africa anymore, right? And they couldn't travel from country to country. In 1978, in the middle of the war, they were still embracing each other, happy to see each other, having a beer with each other, which, you know, would have been unthinkable in Europe between Germany and France during the last war, Cabinet members meeting somewhere, embracing each other as old buddies. Unthinkable. But the ministers were on friendly terms despite the tremendous political pressure on them.

And the third point was that the administrative machinery, the high officials, were more efficient than was expected. In that respect I think we Western people underestimate the administration in developing countries. It is one of our major mistakes. And even Uganda, when so many people are drifting around in the wilderness or in the war, even so, I got very good reports from the administration when I asked for them. Some times they were unable to do it so readily, but the high officials I would say did a better job than was expected. That was the third element.

And the fourth element, if I may mention the Mediator, he must have plenty of perseverance, patience, and fantasy. And I was never prepared, you know, to throw in my contract. And the governments knew it. They knew that this man would not leave them in peace until he succeeded.

ZLATICH: You were the terrier of the times.

UMBRICHT: In a way, yes. Once I told them in a ministerial meeting, this is very difficult and obviously it will take a long time, but before I give in you will all be tired out. So, it took nine and a quarter years but it succeeded, because we never gave in.

[UMBRICHT]

There was a another aspect--publicity. I made no publicity except when the governments asked me to put on a press conference, but otherwise I never appeared on radio or television or in newspapers. You see all the governments had to make concessions. You could only reach an agreement by everyone being ready for a compromise, but a compromise means you lose face a little bit. And if there had been publicity as to where we stood each time, it would have stiffened the governments' attitude and we might not have made progress. In other words, total discretion by the Mediator is a basic condition. You have to use the press, but in a very general way, and only at the request of the government, never on your own volition. And you have to invite the ministers to attend. They never will, but at least the door is open. So, discretion is a top condition.

And finally, you have to be firm. For instance, cutting the apple at the middle is not the solution for a Mediator. That's an easy way out. But you cannot find justice in the middle of the road. Justice is or the left or right or perhaps in middle of the road, but cutting the apple in the middle like Solomon, that is not the way. In multilateral tripartite Mediation, you have to justify exactly why you do what, and always have all the cards on the table. Say: this is what I propose. Why? Here are my considerations. If you have different ones and better ones, say so and I stand corrected. But if not, and mine are better, please accept them. But everything always on the table. And even if you write a letter to one government, copies always to the other governments. There can be nothing which is not known.

And finally you have to be friendly to them, you have to help them. For instance, I sent copies to all governments, but particularly in Uganda. There you had a war, you had the killing of the people, you had buildings destroyed, offices moved. They always lost all documents. So you have to be prepared for it, and always be ready to re-establish their full collection. Also in Kenya and Tanzania. They must feel that you are a friend, a firm, strict friend and a friend of integrity, of total integrity. Never, including my nine and a quarter years, did any government ever try to influence me in a way that was not ethical, never. Because they knew I would not only not accept it, I would make it public to the other governments. So a Mediator has to be really firm. And even if you have to advance your own money, as I had to do because the Bank didn't pay on time for a while, you can never give in and say

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to the governments, would you please now each chip in this $10,000. Never, never. I would rather have died than ask them to give one cent, even if it was a clean cent. So you have to be very tough with yourself, very tough.

One government said I was too strict as a Mediator and should be replaced. One government. I said, well, that's okay, that's your business, that's your privilege. Please write a letter to the President of the World Bank, which is the executing agency, and to UNDP and say why. Because you have to give a reason, otherwise I go public. If my integrity is at stake, I'll go public, that's my privilege. And he wrote the letter to the President of the Bank. He said, we have now had this man for three and a half years. We are full of admiration for him, and if ever anybody says something else, don't believe it because we think he's admirable. That was a letter written at that time to McNamara.

ZLATICH: Well, I think we've completed this interview at this point. I wish to thank you very much Mr. Umbricht for giving us your time in this manner. I wish you well.

UMBRICHT: Thank you very much. It was a pleasure to be here.

ZLATICH: Thank you.