THE WORLD BANK GROUP

ORAL HISTORY PROGRAM

Transcript of interview with

ROBERT PICCIOTTO

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By: William H. Becker & Marie T. Zenni

Robert Picciotto
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Q: It's November 1st, 2000, and this is William Becker with the Business History Group and the George Washington University.

Q: And I'm Marie Zenni, Task Manager, Oral History Program.

A: And my name is Bob Picciotto, I am currently the director general for Operations Evaluation. I have been a World Bank staff member since 1962.

Q: Well, it's good to see you, Mr. Picciotto, finally. We've read a lot about you and we look forward very much to talking to you today. If we may start, just very briefly, with a little bit about your background. What if anything in your background would you say most influenced your career in the Bank?

A: I joined the Bank when I was twenty five. Before that I had lived in Aleppo, Beirut, Paris and Princeton (after a brief stint at Exxon in Elizabeth, New Jersey). So, as vividly described by Pico Iyer in "Global Soul" I was comfortable with my rootlessness and my multiple exile status... Joining the Bank Group was a way of validating my international identity. I mean that the World Bank was a perfect fit for me from a cultural standpoint and also from a professional perspective given my multi disciplinary background. In fact, I immediately felt at home in the organization.

Q: To follow up, then we will start talking about your career. We know you were trained in engineering, so why did you decide to forego an engineering career and join the IFC in '62?

A: Well, it was accidental. I was at Princeton University at the Woodrow Wilson School and was looking for a summer job and Dick Demuth, a Director at the Bank who had links with Princeton, arranged a summer job for me in the Industry Division. This is where I spent the summer of 1961. The division was small but its coverage was global. It was headed by Hugh Ripman, one of the original architects of the project approach which served the Bank so well. He was a financial analyst but he had a broad vision of the Bank's role and I learnt a lot about development projects that summer.

I went back to Princeton for my second year. After I graduated with a master's degree, I had to decide what I wanted to do with myself. I had a number of options – Lockheed, Gillette, McKinsey, IBM, etc. Then I got an offer I could not refuse -- to come back to the same development bank unit where I had spent the previous summer and which by then had migrated to IFC headed by Dr El Emary first, and Bill Diamond soon thereafter. The unit had shifted to IFC because, at the time, the President of the Bank (George Woods) thought that development banks should be privately owned. He was in advance of his time… And so, as an aside, let me say that a lot of our operational strategies in IFC at the time focused on using IFC capital to facilitate the eventual privatization of publicly owned development banks. Anyway, when I compared all the job offers I got, the IFC offer seemed the most exciting, exotic and interesting. My thinking was that I could always go back to the private sector and that I would only stay a short time in the Bank Group.

Q: I think almost everyone we've interviewed said they were just going to stay a little while, and we're talking to them after twenty some years ago.

A: In my case, this was thirty-seven years ago.

Q: Yeah. So there's obviously something intoxicating about the place!

A: Yeah!

Q: Well, if I may ask then, what positions or experiences in the Bank most influenced the direction of your career and your thinking about development?

A: Oh-- Well, you're skipping--

Q: Oh, I am! Well, then why don't we move back to your shift from IFC to the Bank?

A: Well I moved from IFC to the Bank, because the function had moved back to the Bank. And frankly, I was happy that it did. When McNamara came in, he did not really buy into the George Woods vision. He saw development banks more strategically as promoters of industrial development and also as a way of transferring needed resources to the developing countries. So there was a policy shift which Bill Diamond was able to harness. His philosophy was that the Bank should be less interested in the end use of the funds (the sub-projects) than in building institutions. This was quite a different approach from that advocated by Ripman whose major concern was to reach developing countries through individual sub-projects. I was a bit resistant to Bill Diamond's philosophy given my interest in projects. So I felt an intellectual tension working in his department at the time. But he was really a great leader and he influenced me a lot. Nevertheless, I escaped as soon as I could to get back into project work. I was able to join Bob Sadove who was the economic adviser of the Projects Department. He was a very imaginative manager, very supportive of young people and able to generate interesting assignments. And so, in a way, Bob Sadove was the other big influence on the direction of my career. What I learnt from him was the importance of ideas. What I had learnt from Bill Diamond was the importance of good writing. He was a wonderful editor in stressing language, clarity of expression etc. This is still a characteristic of this institution, although “power point” is unfortunately invading us: they should ban it and go back to clear thinking and careful writing. Bill Diamond also taught me the role of institutions in development, a topic which I reverted to much later when I became interested in institutional economics. Bob Sadove also influenced me by example (he was an extraordinarily inventive and open minded person) and by getting me to meet briefly with Albert Hirshman. I've written about this actually: an essay in a book about Hirshman’s influence on development thinking. I have read almost everything written by Hirshman. At the time I met Hirshman, I didn't think much of what he was saying because he was very dubious about cost-benefit analysis which was the new thing at the time and which Sadove was using to inject economics into the projects approach. At the time, financial analysts and engineers were very dominant in the Institution. Not so the economists. Certainly not in projects work. And so, the instrument for economists to get into projects was to use rate of return calculations, etc. Of course Hirshman knew better. He was quite patient with me as he was trying to extract from me why do I think cost-benefit ultimately matters. And it was only later that I understood why he was asking those questions, after I read Development Projects Observed. And, of course Hirshman's book was highly critical of the Bank’s way of doing things... I found his views highly relevant and could never understand why senior managers were so resistant to his views. Today, I don't understand why he has not yet gotten a Nobel prize as he's one of the great development thinkers.

Q: Well, he was clearly one of the most preeminent social scientists at the time.

A: By the way, I've written a piece here on why I believe in development which I can leave with you [see addendum to transcript]. It's some kind of an answer to your first question as to why I became so committed to the Bank.

Q: Okay. Now, were there other experiences, other people in your career who also influenced the direction of your work here?

A: Well, of course, Bob McNamara was the dominant influence on me and my contemporaries in the Bank. I was fortunate to work on agriculture at the time the food crisis struck. McNamara had a great passion for solving this problem and, therefore, while I was quite young I had an opportunity to meet him because he would call directly staff who were working on topics he was interested in. And so, it was really my work in the Agriculture Department which got me connected to the core activities of the institution. McNamara would call me in and ask for food balance tables to be prepared on India, and amazingly discussed the numbers and their implications with me. At the time, the Agriculture department housed a bunch of cowboys. I mean, they were very, very rough types, very picturesque. McMeekan of New Zealand, who was a great pasture specialist and a prize winning researcher, dressed as if he was “on the ranch” when he came to the Bank. It was the seventies, and I remember Siem Aldewereld who was director of Projects at the time saying, "Do I need to buy you a new shirt?" One very formative experience was my interaction with Sir John Crawford who had just come back from India, having written a major opus on Indian agriculture for the Bank’s President. He had led a team which included Sir David Hopper, Louis Goreux and other high powered experts. The President was George Woods I believe. Right ?

Q: Right.

A: Jim Evans, who was director of the agriculture department (also a significant influence on my professional life) asked me to review the report. Bill Wapenhans was his deputy and was also an important factor in my professional development. I had no knowledge of agriculture and little knowledge of development. But I read the Crawford report and concluded that it was full of platitudes and nonsense. In other words, I had all kinds of questions on the report and I was not shy in raising them with Sir John. This is probably why Jim Evans, who was a bit displeased with Sir John's role (he reported directly to the president and not to him) was quite happy to have me blast Sir John's work. But the results were unanticipated. Sir John and his team, including, by the way, Wolf Ladejinsky (the land reform expert who turned out to have a big influence on my professional life as well), spent two hours with me going through the report and answering my questions as if I was in charge of the Bank !!! An extraordinary experience! Sir John was a gentleman and a great teacher. This event was a great lesson for me that despite my youth and his wide experience he was patient and took the time to discuss the details of his report with me. I believe that we hit it off right there and then. Much later I worked with him on Indian agriculture especially after I became Assistant Director for Agriculture in the South Asia Region.

Q: When did you start working on Asia? Was it around the same time as the assignments on agriculture?

A: Well, I started working on Asia when I was transferred to the Delhi office in …

Q: Sixty-seven.

A: Yes, sixty-seven. But, before that, I was working on various things in the Agriculture department. And so, in '67 I was sent to New Delhi. And, when McNamara visited I was asked to brief him on agriculture in India very briefly--you have heard the McNamara legend: he spends no more than seven minutes on a single topic. He didn't come to the Delhi office which everybody felt was terrible. We had to go to the palace where he was staying. And so we had a few minutes each to tell him what we thought. And, apparently he liked what I said. I gave him numbers and told him what the Bank could do to help. His reaction was very helpful for my career. This is how he influenced personnel decisions: if you could answer questions in three minutes with numbers and clarity, he would say “this guy is good” and, this mattered a great deal. So, his was an imperial kind of management style. Because he was interested in the topics on which you were working and you made sense he thought the world of you. So after that, when I came back to the Bank I had significant interaction with him as assistant director of agriculture in Asia.

Q: In your opinion, how effective are today's Bank agricultural strategies?

A: Well, I think we have lost a lot of momentum in agriculture. I just gave a speech on Friday to the CGIAR saying just this. I'm very proud of the work the Bank did when I was involved in agriculture, i.e. in the sixties and seventies. Of course, the successes had embedded in them some future problems (e.g. environment). But we managed to change agriculture policies in many countries by focusing on the new technologies, setting up basic agricultural support services, creating new institutions, and the like. But we didn't pay much attention to community-based work or to the environment. But, basically, we did the right things for the challenges of the time. For example, we managed to get India and Bangladesh to feed themselves. Development strategies must be adapted to the needs of the moment. Given recent changes in the role of the state, the new information technologies and the intensified problems of natural resource management we badly need new agriculture strategies. We do not have them… As a result, the Bank no longer has an impact on policy reform in agriculture. An OED review a few years ago demonstrated that.

So, agricultural productivity is no longer the focus of the Bank’s work. We have gone from one extreme to the other: the Bank is dealing with agriculture as if there was no need for agriculture; it's non-agriculture (off farm employment) which is now viewed as important in agriculture and which I personally think is nonsense. I still think we have got to focus on getting small farmers to be much more productive, particularly in Africa where I have a feeling that we are missing the boat and where we are still struggling to find our way.

Q: Okay. Moving on in your career. Having served as project director for both the Latin American region and EMENA, how would you characterize the evolution of the project cycle then compared to now, especially from the perspective of operations evaluation?

A: Well, you are raising two questions. One is the nature of the project; and then there's the nature of the cycle. Both things have evolved rapidly. We have moved from investment projects to programmatic lending, policy adjustment lending and institutional development lending. So we've diversified the tool kit and moved from projects to the higher plane of programs and revisited the nature of our projects in the light of macro and sector policy considerations. Experimentation along these lines was the kind of thing I did in EMENA when I was Projects Director in the early eighties. EMENA used to be a region which was not followed very closely by senior management at the time. So you had room and space to innovate. Today, things are different. Twenty years ago, the EMENA region was a great place for innovation in terms of adapting the Bank's instruments and moving to the higher plane of programs and policies. We did a lot of the early structural and sector adjustment loans… It started in Turkey, and we also did interesting things in Morocco. For example, Public Enterprise Reform loans are now touted as new ideas but we did this kind of thing in the early eighties. As far as the cycle is concerned, major changes have taken place too and I've spent a lot of time personally on this question. The adaptable lending products (Learning and Innovation Loans and Adaptable Program Loans) were the result of work I personally did in my spare time in cooperation with Marita Koch-Weser. These new products reflected the experience I had gained in two decades of projects work. The new learning and innovation cycle involves listening, piloting, demonstrating and mainstreaming. I think the LIL is a very promising instrument. The basic difference between the adaptable loans and the blueprints kind of project loans is a sense of constant adaptation and learning. Wolfensohn right away understood the value of the product when we made a presentation to him. The Board liked it. And I think the majority of the staff liked it. So now we have to evaluate how well it's working. My guess is that there are problems because people use the new instruments while still having a blueprint mentality. So the implementation of the new instruments has not been as good as I had hoped because their processing costs were higher than we had expected, partly because we have not yet modernized procurement and disbursements procedures. In this respect, our operations are still lodged in an operating paradigm which was valid in the fifties and sixties, which is no longer functional because it involves heavy transaction costs. So, I think the evolution of the new project cycle is not yet complete.

Q: What did you hope to accomplish when in 1987 you became director of planning and budgeting, and then in 1990, vice president of corporate planning and budgeting?

A: Well, 1987 was a very traumatic year for the Bank and for me. The reorganization was very destructive. In a way, it was like when we have very brutal conditions for adjustment loans. It was a similar process; very dogmatic and focused on shifting the Bank's work towards the higher plane of macro economic adjustment. And, therefore, it's not surprising that the very people who designed the reorganization (Jaycox etc.) also were the people who enjoyed doing the brutal types of adjustment operations. It was the same mentality: a dogmatic and uni-disciplinary view of development which took over the organization. I'm not saying this was done with any evil intent. The reorganization framers believed this is where the Bank should move, and to some extent they were right, but only to some extent. They were right because the distortions were such that countries could not benefit from connecting to the global economy. The Bank had to get into adjustment, I am not denying that. But we could have done it--in fact, I think we were doing it, certainly in EMENA and in LAC--without throwing the genius of the organization out of the window in terms of its multi disciplinary approach and its technical, financial, and professional skills. And so, basically, what happened was almost like a coup d'etat by a bunch of colonels who took over the organization. And the very people who designed the organization got all the plum jobs. And what they did was to eliminate, in the most elegant way, the entire infrastructure of the projects establishment which was the core of the Bank's professional leadership; they did so by eliminating one grade. Eliminating the 27 grade has got to be the bureaucratic equivalent of genocide. We lost a whole generation of development practitioners.

When I saw this, I was flabbergasted, because what they were saying to people who devoted their life to this institution: "Either you get demoted, or you get out!" They got out. I was just above that grade and I had to make a very tough decision. Do I stay or do I go? Most people said I was crazy to stay, because clearly I was on the losing side. I spent endless hours trying to convince Caio Koch-Weser and other people not to go that far and to try to have a more balanced approach to the whole thing. I wrote all kinds of papers. And Francisco Aguirre-Sacasa, who was my assistant director, said I was wasting my time because he said, "Bob, it's done! Forget it!" And he was right in many ways.

Still I am a great supporter of David Knox, who was my Vice President as we tried to minimize the damage, but we failed. Later, another person who really influenced me a lot was Barber Conable who said that he had been taken for a ride in 1987 with this costly reorganization. So, what did I expect to achieve as Director of Planning & Budgeting? It's a job that nobody wanted. That's the only reason I got that job. I saw in the reorganization document the potential for this function to do something which nobody else seemed to see because, otherwise, I would not have gotten the job… So, I mean, nobody wanted that job, but the way they had written it, I thought, "My God, this is a job which could really make a difference in improving the Bank." I never liked the way budgeting was handled. It was really very much handled as a cozy deal among the senior vice presidents. The budget people simply wrote it up. I felt the function should be professionalized and related to corporate strategy.

So, I saw the opportunity to continue in the Bank as Budget Director because by then I felt it was my Bank too after all--not simply “their” Bank. I had the sense that I wanted to stay to keep some of the values of rigor and results orientation that I had grown up with during all those years in projects work. So, my objective was to nurture some proud management traditions in the organization and also to revitalize a function which I thought had become redundant and needed to be revitalized…

Q: Ultimately many of the people that left were turned to as consultants because their work was needed?

A: Well, yes, but you know, I think that the sad part of it is that we have created an aristocracy of macro economist managers, and a proletariat of professionals who do the work as task managers. So, I mean, these people are coming back as consultants, but it is just not the same. Consultants are not shaping the institution, they are essentially hired guns. They fulfill useful work, but it’s not the same because, essentially, that’s not what the leadership of the 1987 reorganization was interested in… They were not interested in the quality of the projects as such, they were really interested in the macro dialogue. They viewed projects people essentially as commodities; fit for buying and selling among country directors. We lost a sense of loyalty and inclusion within the organization. We created an internal market for professionals, as if it makes sense to have a market for people inside a firm. This is not consistent with the theory of the firm: many of the macro-economists had no knowledge of institutional economics. And, therefore, they abdicate management to the internal market which is obviously very imperfect. Since macroeconomists ignore transaction costs, we are ending up with this crazy system of internal buying and selling that Jim Wolfensohn cannot understand, and still, it persists in hidden form. So, I think, we have had a very traumatic shift in ’87 which we have not recovered from in some ways. But which we have recovered from in other ways under Jim Wolfensohn’s leadership.

Q: Now, given your diverse career path, how challenging was the transition to the position of Director General, Operations Evaluation in 1992?

A: Well, it was not at all challenging, it was a kind of a natural evolution. Ernie Stern thought I was the right person for it--I didn't think so at the time but I was wrong… For the last eight years I've demonstrated that it was the right job for me. But the reason I was moved there was not simply because they wanted a director general for Operations Evaluation, it was basically because the budget function had become too powerful, too influential, and to some extent it was viewed as too complicated. Preston did not understand what I was trying to do. He had no knowledge of public institution needs in terms of planning and budgeting. He wished to go back to the old days on planning and budgeting. It's true it had became more complicated. But you have to understand that under Conable we had to find resources for new priorities, create an Environment department, and bring in new members. And so, you really needed to build a structure where you were able to redeploy resources strategically. And to do that, I invented the special operational emphases where all budget increments had to be directed to the strategic priorities of the Bank. This was extremely unpopular. But it worked! It worked, but it left a lot of resentments. I mean, these were years of very moderate budget growth and yet we were able to reshape the Bank without a big bang.

The other thing is, when I was promoted to Vice President by Barber Conable it was because he understood the importance of budget management and corporate oversight and he gave me a lot of authority. Having been on the Hill working on budgets, he knew how important it was. It clicked when there was a big budget overrun on the reorganization and the Board was so insulting that Bill Wapenhans (then Senior Vice President of Administration) almost resigned. But frankly, we are unfortunately back to those times. The budget at the time was unmanaged, and therefore, we had overruns and underruns all the time. There was no budget discipline. And the opacity of the budget process was the very reason that the Board supported the '87 reorganization. So, the budget overrun led to elevating the status of the budget function as an instrument of corporate management. Marianne Haug was a very good ally during that period and she did a tremendous job for the Bank and paid for it later because she too became unpopular …

I now think that the Conable years are undervalued. He was not understood. If you look at what he has done in terms of changing the policies of the Bank, he's made a major contribution. He was ahead of the game on social and environmental issues. But he too was resented because of those changes, again by the macro economists. So, in a way, that's why there's a kind of a disconnect between the philosophy of the reorganization, which was geared to adjustment, and the Conable years where we shifted our policies towards a more holistic view. It's only with Jim Wolfensohn that the Conable years have come back. Under Preston the Bank went, I think, into a holding pattern. So, I think we're very fortunate that Jim came in to catch up and recover the time we wasted in the Preston years. These are of course personal views.

Q: That's what we want. Returning a little bit now to the Bank and evaluation. How has the evaluation function and it's method of analysis progressed over the years since it's establishment in the early seventies under then President McNamara?

A: Well, in fact it's a very well documented story. I studied a little bit what McNamara had in mind. When I became DGO, I looked at the history of the function. It was established by McNamara in 1970 in the budget department. The budget department was the only department that he would physically visit and walk into. Otherwise, you had to go to his office. This is where he had the "whiz kids". He looked at development in accounting terms. Basically, he viewed evaluation as accounting for development. For example, he promised the Board that we will have a policy ledger where we would record the OED recommendations; what Management has agreed to do and whether they are doing it. This was never established until I came in. When I saw that he had said that I thought, "My God, that's a great idea! Let's do it!" And we did it. When McNamara established the function, he wanted every project to be evaluated at completion. For him completion was the end of disbursement--again, an accounting principle. And people would say, "Well, why every project? Why can't we sample?" He said, "These projects are all different." He understood the nature of the business; that these were not Ford motor cars, that this was a tailor made business. Every single project had to be used for accountability and learning; every single project had to be checked. These were very major decisions he made under enormous resistance by his managers.

In 1975 a GAO study, in connection with an IDA replenishment, recommended that the evaluation function should report to the Board as well as the Internal Audit Department. McNamara was not happy with that, but, he saw the logic in it and made a deal that he would keep the internal audit but not evaluation. So the function began to report to the Board in 1975. That's when the job I am now occupying was created, and Mervyn Weiner was appointed as DGO. Mervin Weiner brought in some very fundamental principles which we're still observing. One, is that you must ground independent evaluation in self-evaluation. So, he had the subsidiarity concept of evaluation. It's extremely valid even when it comes down to the theory. I was reading Kenneth Arrow recently, in his "Limits of Organization" there's a wonderful last chapter which essentially argues that evaluation--he doesn't use the word "evaluation"--is needed for any organization to be effective. Evaluation helps make authority responsible. This means that it has to be selective: if it covers everything, then it becomes indistinguishable from management and undermines it. So, the grounding in self-evaluation is a very important principle that Mervyn Weiner brought in. Self-evaluation creates a sense of personal and unit accountability. The independent evaluation essentially performs a residual, a deterrent, a learning and a connectivity role, and so on. The focus--projects—made good sense at the time. Then there was, I would say, jumping to the Rovani years, a shift to adjustment lending evaluation. In between Mervyn and Yves Rovani there was Shiv Kapur. I'm not quite sure what he did as DGO, but he was an interesting person. He had worked in the railway organization of India—and was also a journalist interested in art. I don't detect a very big conceptual impact of his tenure. Rovani did a number of very important things. He created the country evaluation role. He started the process of recruiting better people. You know, good evaluation organizations are highly stressful. In fact, if you look at our stress level in OED, it's higher than elsewhere because we have a very transparent program which is under the scrutiny of the Board and Management. We have also a very large number of transactions and we cannot afford to do any of them badly because everything we do is scrutinized. Given the stress, not the best people joined. But we have turned the corner. Yves and I have managed to bring in good people. I am already now the longest serving DGO in the Bank's history. I will complete my second five-year term in a year and a half. I've done a great deal to change it. Rovani gave me good instruments, but there was a lot to be done, particularly after Jim Wolfensohn came in because at that time a lot of possibilities opened up.

Under Preston, basically Management had a benign neglect of evaluation. That was also Ernie Stern's view: "You are independent. You do your thing. Don't talk to me …" Except occasionally when it is a sort of a big block buster, they would have to pay some attention to it. But, basically, it was viewed as a sideline kind of occupation.

When Jim came in he said, "Well, what are you, the history department?" I said, "We are not." He said, "You know, I want things which are useful now!" So we developed a new strategy which is documented and has the following objectives: One, to move to a higher plane and so we shifted resources from the projects to the programs much more than we had done before. Two, to cut the feedback loop; the Wolfensohn challenge: we created new fast-track products and connected the evaluation process closely to the business process of the institution. And, when this business process didn't exist, we pushed for it to exist and it happened. In the old days, OED would write a book about the history of the Bank's relationships with the country. It was a beautiful history, actually, a very solid piece of work. But no one looked at it. I don't think we can afford this in today's world. And so, today, when we do country assistance evaluation, we take the last ten years and produce a retrospective at the same time as the CAS is discussed by the Board. So the Board can see what happened the last five, ten years, and what is projected by management. So, this connection between the business of the Bank and evaluation is an organic linkage which has had a tremendous impact on the way we work. People no longer have the luxury to write those big books. They have to deliver to meet a schedule which is connected to decision making. This has sharpened the relevance of what we are doing because we bring the lessons of experience as close to today as we can.

Then we pursued a third objective which was to move into evaluation partnerships and knowledge management. The evaluation partnership notion is in pursuit of a dream—a time when harmonization of evaluation in the development system has been achieved. In the end, from a country's or a global perspective it's the totality of all the partners' actions and not simply that of the

World Bank which matters. And to get there will be a long twilight struggle, but we have made a lot of progress already. When Wapenhans moved to do the review of the multilateral banks, he had a big impact on evaluation because he almost threatened to recommend setting up an outside organization to evaluate everything in the multilateral development bank system. So, we prevailed on him to give us a chance to harmonize among ourselves, and he went along with it. And that's what we did. And so, we preempted him by creating an evaluation cooperation group among the multilateral development banks before even he finished his report. In addition to the evaluation cooperation group, we have now established partnerships with the Swiss, the Norwegians, the Dutch and the UN. We have a partnership with the UNDP and we are much more active than before with the Evaluation Working Party of the Development Assistance Committee (DAC)of the OECD where we have exercised intellectual leadership. We have also organized conferences on Evaluation and Development and vastly increased our publication program. So we have really branched out and opened up to the outside world.

Q: So the evaluation function is almost a peer group evaluation in some ways?

A: Well, that's the direction we are pursuing – participatory evaluation is becoming more important in OED. There are many different ways of partnering and we are exploring a number of opportunities. We've done parallel evaluation in Lesotho, with the African Development Bank. We have been a junior partner in an evaluation launched by DANIDA on Ghana transport. We are trying to work together with the Inter American Development Bank on Peru. We are using the CDF principles in the CDF evaluation. Our long term goal is to put the country in the evaluation driver's seat, which was one of the dreams of Weiner: he made a speech once and said, "I visualize the time when the borrower will be doing all this."

So we have strengthened our evaluation capacity development program for borrowing countries. We have put a small team to work on this. We also have improved our knowledge management. We are on the Web. We have gone for much more information disclosure, and I'm now recommending that everything should be disclosed, which is going to be difficult but it needs to be done. This basically has been our strategy, and I brought in Elizabeth McAllister to help me do the change process inside OED as she is highly trained in this kind of thing. And so, we spent a lot of time on team building, retreats, and on mission statements. I mean, we did everything by the book, and it has worked. And so, now I think we have a function which is more influential and more relevant to the Bank.

Q: Given Operation Evaluation's prominence within the Bank's organizational structure its distinct mandate also includes overseeing IFC evaluation. Could you talk a little about that?

A: Well, yes. You know, Rovani had never faced that question directly. There was a unit there, but it was not really independent, and he never confronted the issue of what they were really doing. They were doing pretty good work, but it was not independent. And I said, "Look, either it's independent, or I will have nothing to do with it." So, I brought in Haven North, a respected evaluator who was a former USAID evaluator--tough guy, good guy. He did an independent review and made a recommendation based on which we negotiated a change in the mandate of the IFC organization--a much clearer oversight by me and the Board. And now we are in the process of trying to integrate OED and OEG into country evaluations of the private sector, both in the Bank and IFC. MIGA will go the same way I hope. Yesterday we reached an agreement to really make it independent. It took a long time to get to that point. But this time, with the help of the Board, I think we're going to bring them under the same umbrella as OED and OEG. So we'll have implemented the concept of independence without being in isolation in all three parts of the Bank

Group. This means that each unit participates in the business processes of the institution where it is lodged. It is part of the local culture and yet it is independent. It is this subtle combination of engagement and independence which makes a good evaluation function.

If you go with pure independence and isolation, you get more into the auditing mode, the inspection mode and you lose a lot of learning. If you become too much co-opted by management, then you become a consultant and no longer an evaluator. The stress comes from combining the two roles which make the uniqueness of the way we're structured in the Bank. The model is gradually being adopted. Now finally, the IMF is setting an evaluation unit more or less along the same lines. IDB has finally shifted to an independent model. All this is partly because of the leadership we have shown, and it's not a question of leadership only, but also the continuity and consistency of the evaluation function. And so, if you look at Evaluation in the Twenty-First Century book that Eleanor Chelimsky edited, it has an article by me about evaluation in the World Bank. So we're now players in the broader evaluation community. And, with the UNDP we're trying to set up an international development evaluation association which will provide a home for development evaluators from developing countries. I hope we can get that going in the next few months.

Q: How adequate is the evaluation methodology in measuring the effectiveness of the Bank's development strategy?

A: Well, I think we have a methodology which is quite solid, but which is limited, if you wish, by the lack of information. That is our dilemma. I mean, how do you evaluate very complex programs in situations where there is very little information? I think we're at the boundary of what can be done without good information on results. So, it's less an issue of methodology than an issue of building into our operations the mechanisms of learning and accountability. And that is still a big challenge. That is where we are. So, of course, OED has been very, very insistent on getting monitoring and evaluation done but then OED cannot control that it gets done. It can only influence and use suasion to get this done and help build capacity. So, our strategy is to achieve this. I think we've finally got a good task force report from management to get moving on this. I will have to keep a watch on that. We have had benchmarking of our methodology compared to the other development banks and we came out as the best, despite what Meltzer said. We want to keep improving at the project level as I was just saying. It is important that we benchmark with the rest because we all have project evaluation.

On program evaluation we have nobody to benchmark against, so we are now at the stage of having piloted with about 30 or 35 country evaluations. So we have a lot of experience. We have now a good proposal for a new methodology for country evaluations, which is a triangulation approach. We are hoping that a task force set up between OED and Operations will validate it for the Bank as a whole. We are also injecting some CDF principles into the model.

I think that we still have a great deal to do to bring in a variety of evaluation techniques to bear. For example, we are using theory-based evaluation which comes from Carol Weiss at Harvard. In the social funds evaluation we are using this. In the Uganda evaluation we used focus groups. We have used the COSO technique at the project level and now at the corporate level. I am trying to bring in younger people and create a sense of innovation in the department. This is starting to bring in good results. I love to have lunch with my staff because I see everyone coming up with new things. And a lot is going on and it's very, very encouraging. But how to keep consistency along with creativity is a challenge. It's a creative tension. When I came in methodological wars were rife within the department and I managed to settle it. I mean, we settled on an approach which is conceptually sound and which is flexible enough for most of the things we do. It is a fairly broad methodological framework and we adapt it on a case-by-case basis. Basically, it's a concept of a development assistance system which is conceived and can only be implemented by having shared objectives, reciprocal obligations, and distinct accountabilities. How are auditors so successful, when intellectually they have so little to offer, is a mystery to me. Is it because they are simple and ambiguous? Our methodology makes a clear distinction between accountability and outcomes to make room for partnership. So, I think what needs to be done really is to infiltrate the auditing profession and take it over because these people own the business. Evaluation is still a young profession, and so I think part of the things we're trying to do is work on professional development of the whole development evaluation.

Q: The auditors factor out so many variables. That's what makes them attractive to people; that they're only looking at a few things, whereas what you're trying to do ....

A: We are trying to go to the center of things. And, basically, it strikes me that auditing is derived from listening, so it's almost like evaluation by gossip. They just go and talk and then say, "This is the truth," and yet sometimes what they write is not internally consistent. I think what would be much more productive is a link between evaluation and auditing. This is why we're trying to build a bridge to the best of the auditors; the people who are interested in comprehensive auditing and value for money auditing. That's frustrating because it's very hard to get through. But we have made progress with our internal auditor. Unlike before, they now share their reports with us.

More recently, we have branched out into internal partnership with our Research Department and I think that's a very useful foray. I have also encouraged the Research Department to get into development effectiveness research. You see, one value we have in evaluation is that we are not turf-conscious. I mean, the more other people do evaluation, the happier we are. So, to get the Research Department to do evaluation is great as far as we are concerned. We are cooperating with them on the CDF evaluation. And, of course, bringing Greg Ingram who was in Research to head my group here makes it much easier. And that's the frontier of evaluation. In this connection, I've just written an article and made a speech on economics and evaluation which I have just presented to the European Evaluation Society.

Q: Given Operations Evaluation's distinct mandate and prominence within the Bank's reporting structure, how does it affect Board-Management relations?

A: Well, I see it as a bridge between the Board and Management. A lot of good work has been done since the Committee on Development Effectiveness (CODE) was created--a spin off from the Audit Committee. Immediately it has become by far the most active committee of the Board. It has a subcommittee. I personally feel that there are Board-Management tensions, but I think these tensions as far as development effectiveness is concerned are channeled through principled and well understood processes. I view the Board really as potentially a great deliberative body about development. And what we're doing with CODE is using the platform of the Board for debates on global public policy, country policies, and so on. And, there's a little cynicism among the staff about the role of the Board, but I think it's misplaced. I think listening to the Board is listening to your clients. So, to think of the Board as something divorced from our owners and our clients, I think is a total misunderstanding of the structure of this institution. So, I personally feel that CODE has done a marvelous job under the leadership of Jan Piercy, also under the leadership of Ruth Jacoby when it was created. I might be biased, but I really feel that it has strengthened the substantive aspects of the relationship between the Board and Management.

Q: What about Management effectiveness? What impact?

A: Well, I think there the record is more mixed, partly because of the focus of our work. I mean, we have not tried to substitute for the Budget Department or the Internal Audit Department, but to focus on our comparative advantage. I still think we've had an impact on management effectiveness, but, I think our impact has tended to be more at the strategic level of both sector and country than it has been on internal management. But, the fact of the matter is that we have been drawn increasingly to have to worry about internal management. So process evaluation is not a very large part of our business. But some of the work we've done in that area has been quite influential, whether it's on appraisal or on grants. We're just coming out with one on participation. The whole QAG was set up based on recommendations of an OED process study. And I was part of the group when Mr. Wolfensohn agreed on a new lending cycle.

So we have had some useful forays into that area but I don't think it is our tradition. We may move to it under risk management now coming down the pike. We have agreed to become part of the COSO system. Under the new risk management structure, development risk is distinguished from reputational risk, operational risk, and financial risk. But these risks are all linked. And, the Board has asked us to attest to the adequacy of the development risk management system of the Bank as part of my annual report, and so it is now integrated into it. As a result, the annual report will have more impact on Management.

Q: I think you've maybe answered the next question about the role of the director general in the Bank's corporate structure and his impact on what is being done?

A: Well, the director general has three different roles. One, is to make sure the independent evaluation system is run properly; two, provide oversight to the self evaluation system and report on it and the utilization of evaluation findings, and so we have a policy ledger; and three, which is a more personal role, and depends on whether the director-general is ready to provide intellectual leadership within the broader policy advisory role. This can be done be it formally or informally, both internally and externally. The role is under constant evolution and this year's annual report of the CODE will introduce some changes to the mandate to reflect what is already happening. But these are not major changes, because basically our mandate has always been quite broad and has allowed us to adapt to what is needed.

Q: How responsive would you say the Bank's culture is to the lessons of experience as provided especially through the evaluation process?

A: Well, you know, everything's relative. I think we are still a long way from being a highly accountable learning organization. I mean, this will always be a dream. But compared to other development agencies, yes, I think we are doing well in this area, and maybe compared to public agencies in general. I think that the Bank's culture is in fact quite healthy. There is a Socratic dimension to the character of the Bank—a lot of self questioning. It is an integral part of the culture to question what we do, partly because we evaluate projects, countries, operations staff spend a lot of time evaluating programs and situations. So, I think staff members are used to the process and have a good sense of self criticism.

Where it is less obvious, particularly more recently as the Bank has been under pressure from parts of the so-called civil society which sometimes does not behave in a very civil manner, is in the fortress mentality and lack of interest in hearing bad news, particularly the President. And so, this has its somewhat chilling effect. But it is manageable because this is a president who's very interested in the topic and who has put the topic at the center of his strategy. So, it is a question of having an evaluation which is fair as well as critical. And so, I think we have some very good clients inside the Bank and some not so good. And, I think it's a long twilight struggle to keep the culture improving. I think, by and large, I would say under Jim things have improved in terms of linking experience with policy. There is also the Inspection Panel which has made learning about safeguard policies almost mandatory. That was your next question?

Q: That was going to be my next question, yeah. But that's fine. Go ahead.

A: The Inspection Panel fulfills a very important role, but the problem is that on the control side there are tremendous weaknesses in the matrix organization which we didn't have in the old days. We have to get back to certain basics and OED has already made recommendations about establishing modern quality assurance systems, because QAG does not do quality assurance. QAG is like us, they evaluate after the fact. But to try to get Management to be better equipped is something that the '87 philosophy has embedded in the culture and is very, very hard to get through. Our managers have difficulty with the notion of arm's length internal controls. And that will have to change, because otherwise we are going to have more and more Inspection Panel publicized cases. And so, I think that's a very serious problem which OED is trying to influence.

Q: And with the auditor general?

A: Yes, with the auditor general we finally after three years managed to sign a protocol whereby we can see their reports, because so far we had a one-way street. In the old days, obliviously, when I was overseeing the audit function under Conable, I sent my reports automatically to the DGO, but some kind of fortress mentality came in later. It took the intervention of the Board to get these guys to open up So, we are now having a much better relationship with the auditor general. But, again, the cultural questions I mentioned earlier between auditing and evaluation remain. I tried to set up an evaluation control group inside the Bank. We had a few meetings to discuss common issues. I need to continue working on that and my successor will have to worry about that too because we still haven't created a professional group with close linkages. Most of OED staff are closer to the professional networks of the Bank than to auditors. Therefore, we need to create only a professional group of evaluation and control staff over and above the existing networks. This issue needs more thinking and this is something that CODE is very concerned with.

Q: The next two questions I think we've touched on a little bit. Given the wide variety of the Bank's development activities, what are the similarities and differences of its evaluation functions vis a vis other multilateral institutions?

A: Well, on the project side we now have harmonized with the others, which was one of the objectives that came out of the second Wapenhans report--the one he did for the multilateral banks. So, we're very similar as far as work on the project level to the African Development Bank. I think, basically, we've gone as far as we probably can to harmonize at least our methodology. But our practice is very different. I would say the Inter American Bank really doesn't have an evaluation system or a rating system at all. Whereas the African Bank agreed and they essentially have almost the same principles as we do, but they have capacity problems. The Asian Bank is probably the most advanced but they are not independent from Management. This leaves the European Bank which is, in a way, the most harmonized with IFC but it is not independent either. The UNDP evaluation system is quite weak, I think personally. They have a tripartite approach to evaluation which means, to some extent, a lowest common denominator--symbolic evaluation. But they, on the other hand, have made some good strides on the links between results-based management and evaluation. They are not independent either, they report to Mark Malloch-Brown. I think that we, in the Bank, are a bit lagging on results based management as compared to other agencies. But, OED tried hard to push this notion. We really believe that it would help tremendously in running the organization--the management point you made earlier. But, unfortunately, it's not taking yet. Still, by and large, we're well ahead of the evaluation competition, if you want to call it that.

Q: Has evaluation had a marked impact on the evolution of development policies and strategies?

A: I think so. I really do think so. Not every evaluation study will have an impact. Sometimes the good ones don't and the not so good ones do. I mean, it's not only linked to quality … It is really a question of the nature of your clients, the timing of your intervention, and the way you handle the follow-up as well as the quality of the work. And sometimes, bringing in concepts at the right time can have quite an impact. So I think, we have had a rather significant impact on sector strategies which came into being under prodding and, Joanne Salop (OPCVP) has been a very good client and that's very, very important, because that really means moving towards global public policy.

Let me give you one example of our impact. We did a small study of large dams and we set up a partnership for that purpose with the World Conservation Union (IUCN). We had a meeting in Gland where we invited 35 people from the radical critics all the way through the private sector. The result was The World Dam Commission, a global policy network…

We just did the forestry review with Uma Lele at the helm and we set the agenda for all the work on the new forest tragedy. We put the issues on the table based on detailed country studies and portfolio reviews. We also produced a very good report on telecommunications and information infrastructure which has fed directly into a sector strategy. We have documented in the policy ledger which we call, the management action record, the percentage of our recommendations which get adopted. It's quite significant. At the country level it is very good because the client is clear and we feed straight into the CAS. So, I think our work on partnerships has had a significant impact. The dilemma is that we may be substituting for analytical work which ought to be done by the networks who are now much more concerned with other matters such as, for example, personnel (they're wasting their time on this). They're also very concerned with public relations. There seems to be a bit of a gap on the intellectual side in some of the networks which we are unfortunately being asked to fill which is not good for the long run, but at least, in the short run we're keeping the flame alive… Ideally, we should have very strong networks and then OED can interact with them. We are just now, for example, working on the water sector where there are two rather weak networks. So, OED, given the fragmentation of the networks, thematic groups, and so on, is one place where you can pull things together and that, I think, is very much needed at this point.

Q: Let me turn to some of the development issues which you've written about and some of which we've read. Globalization has led to upheavals in both the developed and undeveloped world. The benefits of the process so far have been unequal. What role does the Bank have in helping to cope with the impact of globalization?

A: Well I think, this is the strategic question. If we don't do that, then we are going to become irrelevant. Basically, the role of the Bank in global public policies is very central to the future of the institution, it seems to me. It's not perceived that way at this point. I think the Bank is focusing more on global programs which deliver public goods, which is very important. It's connected but it's not exactly the same issue. To do analytical work on this question is very much needed, and to provide a bigger voice to the South in the policy debates should really be our mandate. In a way, that's what Joe Stiglitz is saying.

I was very glad to hear that Jim has asked DEC to start working on the question of globalization. But it hasn't really been done yet in any systematic way; the way you have described. Of course, there are the World Development Reports (WDRs) which are the traditional vehicles for this kind of work. But, the Bank has tended to look at globalization as something which is inevitable. There could well be a backlash. I think this is where the Bank has to move much more resources in terms of trying to get to globalize the CDF in a sense. We're doing a lot of conferences where they very often don't lead to anything. We have to now look at these things very much as a business proposition. Our job is not just to adapt but to try to change global public policy so that poverty reduction is alleviated, and use all the tools at our disposal such as research, dissemination, bully pulpit, and so on.

Now the president is creating room for this, but I don't see the rest of the organization really actually filling the role he's calling for. It's not enough to say poverty reduction is important. You've got to talk about a trade policy in developed countries and the enormous cost it's putting on developing countries. There's a lot of fear about this among developing countries because they're frightened that if we get into global policies new kinds of conditionalities will emerge. I have never seen the Board as polarized as on some of these issues; our environmental standards in particular. How to bridge that gap is crucial for the future of the Bank and that of the world. To really be able to have a constructive dialogue and partnership approach to this kind of work, more than simply bringing a one-way adjustment approach to the global issues is the challenge. I think we're beginning to be much more even handed in the way we approach these issues. And so, that really means a tremendous challenge for the new chief economist.

Q: Related to that, how does the Bank help change the dominant individualistic values common to most industrialized nations which has helped drive globalization?

A: Well, that of course needs to be sustained in many ways, but, on the other hand, there is also a need to focus on collective action and community cooperation to deal with environmental issues and with empowerment. How this would be operationalized is something the Bank needs to consider carefully. OED did a review of the poverty focus and argued for a more comprehensive and participatory approach. The inter-faith dialogue initiative of the president is relevant in this connection: connecting development to the public requires us to deal much more imaginatively with various opinion making groups. And so, we need a partnership strategy which we basically don't have except for the platitudes, prompting Nawal Kamel to say, "Put the country in the driver's seat!"

That's great, but you know, people don't believe it. And, they're right not to believe it because they know that it is just old bilateral rhetoric, it's meaningless! We have to try a much more business-like approach. Moving from projects to partnerships should be a business-like proposition with clear rules and a lot of selectivity, and not saying policy means being nice and trying to please everybody. That's not going to work.

Q: Does the Bank's work match its rhetoric?

A: It doesn't, because we're not really looking at it as a business but rather as public relations and it doesn't work. We should be assessing partnerships as well as start looking at how well we're applying the development grant facility. What does it add up to, and what are the criteria, and so on. At the moment, there really is no doctrine on partnerships. And, I think, that needs to be done. And, we have a president who understands partnerships implicitly, but how to institutionalize this is the issue. When we tried to deal with the issue of aid coordination and the new development architecture that Jim is talking about we did a study in OED. We couldn't get anybody interested in it because of six vice presidents who may be responsible for it which means nobody was responsible. And then, finally, Jim recognized the problem and Joanne Salop was brought in and things went okay. But, we've got to focus on the issue of partnerships--global partnerships--not simply country level partnerships.

Q: Turning to the question of poverty alleviation which is central to the Bank's mission. You've stated that sustainable poverty reduction depends on three factors: Increasing output faster than population, insuring benefits are equally distributed, and protecting the environment. In your view, does the CDF adequately address these requirements?

A: Well, the CDF is a wonderfully economical set of principles that involve a lot of tensions in between. And, the last annual review of development effectiveness highlighted the tensions between these principles. And so, it's really managing those tensions which makes the CDF work or not. The jury is still out, and we're setting up a process of evaluating the CDF. But, the four principles, I think, reflect a lot of development experience. So, I would say that the CDF principles, yes, are very, very relevant to this. But, the fact of the matter is that we have evaluated the '90 poverty policy and what we found is that our study had surprisingly little impact. I'm not sure why. It is one of these cases where you have a good report and then little impact. It has some impact in that it was incorporated to some extent in the progress report. But, partly it's because the WDR has yet to be operationalized, and so it's not over. We have an IDA review, which is going to also help push the same topics. Eventually, we'll get things moving. Basically, we have a strategy which was a labor intensive growth combined with access to social services, and a bit of an afterthought, safety nets.

As it turns out, growth has been very much below what we had expected. So, it's not true that we have mastered the growth situation. We haven't. Growth is not rapid enough. That's the first problem. So we suggested that there remains real questions as to whether or not we really have the handle with macroeconomics. I mean, sure, you cannot have growth without macro stability. But poverty requires broad-based growth which calls for a lot of institutional adjustment and social development, which I don't think we have mastered. I think we come back to what we discussed at the beginning, that you cannot have broad-based growth without an agricultural strategy, without reasonably efficient education and health systems--because otherwise public expenditures are wasted. We cannot have social services used as employment agencies for people who are doing nothing for the citizens.

So, I mean, a lot of the challenge goes beyond macroeconomics, it is about microeconomics. So is the big debate about empowerment which I think is a silly debate, frankly, as the press has detracted attention from the fundamentals of poverty reduction. We must also be doing far more on safety nets, a very under researched area. We are using social funds as if they solve the problem. The social fund is, at best, a band-aid. So there are very deep questions on poverty strategies which need to be sorted out through experience. We really need to have a much better handle on that. And, of course, OED needs to focus much more on those things. And that's what we're trying to do in our future studies.

Q: You've also observed that institutional factors have come to center stage in promoting sustainable poverty reduction. In your view, does the CDF place sufficient emphasis on institutional development and governance issues?

A: Well, the first five columns of the CDF are, indeed, institutional development issues. That's a major achievement of the Wolfensohn presidency which is, in fact, to put governance issues, judicial and military reform, and increasing participation in the equation. So, I think, the strongest aspect of the CDF actually is this focus on institutions. And, at least in terms of the theory, its articulation. When Jim talks about waste in development he does give prior place to governance issues which were not all that much emphasized. I think the explosion of work, in a way, in this whole area is very positive for the Bank. Not only in corruption, but in the public sector management, and so on and so forth. And, in fact, performance of public sector management projects is improving. I think this is encouraging.

Q: Can the Bank as a global institution address governance issues without going beyond its mandate and becoming too politicized?

A: I think so. I think this is crucial too. I think the work that Shihata did on this was extraordinarily helpful to show that there is a role for the Bank in this area. Good work has been done by others as well, such as Geoff Lamb during the Conable years. But there remains an issue of the Bank's independence from individual country pressures … and that's an issue. I would not link it to governance, but I think that is a problem on its own for the Bank to be even handed and not succumb to the midnight phone calls of lending here and there. This is a very important question. I know some of the developing countries are worried about governance issues within the Bank. But, on the other hand, I think that they also by now accept that the Bank has a role to play in improving governance in developing countries. It's just that they are concerned about how the Bank exercises its role. It's really a matter of competence and of sensitivity, and of observing the articles. I think it can be done. It must be done! Both things need to be done. That is, we need to deal with governance issues inside and outside, and we need not to be too politicized.

Q: Does the Bank place enough emphasis in its development assistance programs on strengthening the evaluation capacity in developing countries?

A: No, it doesn't.

Q: What is the role of OED in this?

A: Well, the role is, OED can only become catalytic. Basically, we view evaluation capacity development as part of the public sector management. And it's very important not to simply push evaluation capacity without a framework which makes it useful. And, therefore, it is country departments who have to look at governance in public sector management, again using the results of this framework. Then, you are led automatically to include evaluation in your programs. It is not yet mainstreamed, though there are some early successes in places like Ghana and Uganda where we managed to get the interest of the country manager and the country. But, we are a very long way from getting this mainstreamed.

We are hoping that the Poverty Reduction Strategy Paper (PRSP) is going to create a big market for this given the commitments made. In fact, we're planning a meeting in the Hague with the help of our partners and Evelyn Herfkens who will inaugurate the workshop focusing on the question for PRSP countries. OED is not playing the key role in this. We have now brought in Ray Rist who used to be in the World Bank Institute. So now, we have a single place where we are focusing on this, which is in OED. OCS is also helping, but basically we're the lead agency on the professional side of evaluation and capacity building.

Q: Critics such as Jeff Sachs say that the Bank is no longer relevant and that development should be carried on through concessional lending only. How do you answer such criticism about the Bank's relevance, especially in light of the Bank's recent decline in its traditional lending and increase in its advisory services?

A: Well, I think Jeff Sachs is not motivated by seeking the truth. I mean, he seems to have his own agenda, and I think his critique of the Bank has been soundly rebutted by the U.S. Treasury. I think he has a Faustian bargain with Meltzer. And the fact that, of course, we need global public goods and the Bank can help in that area, however, it doesn't mean that we need no transmission belts to the countries to achieve policy reform. The notion that you can do this with grants alone and that there's no room for business-like linkages through loans and credits just doesn't add up either in terms of the arithmetic. It is really the synergy between the various instruments which makes the Bank what it is. Yes, Jeff Sachs is right that we should be doing more grants than business. But, frankly, it is the middle income countries who are resisting all this as they are being funded out of the net income and they feel this is essentially just one way of taxing them. The real problem is that we don't have enough development aid to deal with the tough problems, and, therefore, we are taxing other developing countries. So there is that element of it. And then, if Jeff could deliver on the promise that you would get a huge increase in the U.S. development assistance that's one thing, but there is no evidence that this is likely to happen. Therefore, I really think it's best to go back to the rebuttals that OED or Joanne Salop and the U.S. Treasury did. Does he want us to get out of middle income countries? We have a very good record in our operations. It's not good everywhere, but the trend is positive which is not surprising because we're learning as we go along and countries are building their capacity. We could do better, obviously. But to say that the Bank has lost its relevance is ridiculous. If the Bank had lost its relevance people would not be demonstrating against it. I think he's irresponsible. I mean, it is a pattern, now he thinks we should get out of the middle-income countries. When he was working on Russia he was saying we should throw huge amounts of money on Russia. He was very much backing the mass privatization approach which created a kleptocracy … His own involvement in Russia has been investigated. So, it is amazing to me that this man has so much influence.

Q: How successful do you think the Bank is in maintaining its relevance in this rapidly changing global environment?

A: Well, there's a race going on. Are we changing fast enough to keep up with that? I think the jury is still out. I think we are changing in the right directions. My feeling is that we should change even faster and more; by changing much more radically our procedures, redeploying our resources much more rigorously, and the Bank being much more focused and selective in dealing with globalization issues. Also, we need to improve our partnerships which would mean us letting go of many things, and that's what we're not doing. The so-called budget crisis is more an indication of the lack of priority setting than it is a genuine resource constraint. So, it's not clear to me that we are changing fast enough.

Q: We'd like to turn to some of the World Bank presidents, and you have touched on many of them already. What are your perceptions of President Wolfensohn and his mission? Some people have maintained that he is taking on too much for the Bank and that a stronger focus on the main issues would be a wise policy?

A: Well, I think this really has to do with what I just said, namely that we need a better resource management and allocation system inside the organization. But, I think that what the president is arguing for in terms of changing the mission of the Bank, is correct. He's absolutely correct. His focus is right. He has good intuition and a good understanding, in fact, terrific understanding of the challenge. The problem is, not so much that his mission is wrong, but the issue of selectivity and of partnerships. He needs much better management in order for his mission to be accomplished. I mean, we simply cannot be the adjunct of the Fund, that's not good enough. We cannot simply be either the money bank or the infrastructure bank and so on, we have to be a multi service, full service development institution; a general practitioner of development. But that doesn't mean that we have to do thousands of little projects all over the world, we could probably unload a lot of our current project operations and let the bilaterals and the regional banks handle them provided we focus on the framework and really operationalize the CDF, and find the mechanism and negotiate the protocols to create a new development architecture. That's what he has in mind, but, of course, he doesn't control the other agencies. And that is really for the governors--the owners and so on--to really help in modifying the whole system so that the Bank itself can provide a platform for effective development cooperation.

So, it's not simply Jim. It's really a question of the whole development community who is not taking tough decisions. And hence the Bank gets landed with all kinds of tasks that the G7 wants it to do and subsequently criticizes that it's taking on too much. It's a typical institutional economics problem-–a collective action dilemma. And, how to get out of it is far from obvious. The solution is not within the Bank, it really has to do with the system.

Q: The larger context?

A: The larger context. But the directions are right. The strong partnership with the Fund now with a new managing director is very, very encouraging. Of all the annual meetings, the last one gave me a lot of hope that there was a lot of support for the two institutions and a lot of commonality of objectives with harmonization on the agenda as well as transaction costs. So, I think, although it may take another big financial shock, that the next Bretton Woods should not simply be about us and the IMF, but about the whole development system which is in crisis.

Q: Briefly, what are your thoughts and/or assessment of the various presidents you served under at the Bank?

A: Well, as I mentioned, this still is, to some extent, the McNamara bank. But Wolfensohn has taken a lot of the things of the McNamara bank and brought them up to date. So, I think he's going to be viewed as a very important president. As I said earlier, I think Mr. Conable has been underrated in terms of his contribution. I would say Mr. Clausen and Mr. Preston did not contribute as much as the others. George Woods made a lot of contributions and opened up many directions. So, I would rank Clausen and Preston at the bottom of the list and Bob McNamara, Conable, and Wolfensohn close to the top.

Q: What qualities do you think a World Bank president should have?

A: What we need is a combination of vision and internal management… One without the other is not enough. Preston was a good manager, but he didn't have any vision. The same goes for Clausen. So vision is number one in my view, and an understanding of the business and commitment to the business is crucial. So, we're very lucky that we have somebody who wanted the job and who has an understanding of what we're trying to do and what the business is about.

So, a vision and an understanding of the World Bank is number one. Management is also very important. McNamara combined the two. So he was our greatest president, there's just no doubt about it.

Jim has problems in terms of management, still. I don't think he has mastered it, partly because he tends to be too nice. This is paradoxical, people think he's not nice enough. It's not true! He's too nice. He hates to say no. He can lose his temper at something that's screwed up, but fine. He doesn't keep people accountable; he bails them out again and again, and again. I think we need both. We need the strong internal management. But, of course, it may mean it's impossible to get it in one person. So the notion of a dynamic duo, or with somebody running the inside and somebody running the outside makes sense. Here, we have one person running the outside and fifty people running the inside, so it cannot work. We need somebody to run the organization--the inside of the organization. We cannot have five managing directors running the organization together. It cannot work.

Q: We'd like to turn to just some further reflections; personal reflections. What do you think your contribution will be to the Bank?

A: I don't really know. I think that maybe, providing or helping to provide some institutional memory and some consistency in the values of the organization. I mean, that's what I've tried to do throughout my career. But that's hard to measure, hard to pin down.

Q: What would you say you've learned from your experience at the Bank?

A: I've learned a lot about really how group behavior is very different from individual behavior. People can behave very rationally individually and very competently but that doesn't add up to the collective results. So, that's where institutions are so important. So what I've learned is the importance of institutions in human affairs and how they can be shaped to produce better results for mankind. And that, I think, is a journey we still have to complete or even to take seriously. We must embark on the journey of institutional adjustment, institutional construction, and institutional change. It is not simply in terms of organization, but in terms of rules of the game, in terms of culture and customs and this kind of thing. So, I think it is a fascinating place to learn about how the world works or doesn't work. So, I'm really grateful to have had this vantage point on the world.

Q: If you had it to do all over again, would you do anything differently?

A: Obviously, yes. I mean, you learn things. It is partly I think what I said earlier that as a manager I've tended to--until recently--underestimate the importance of process. I did set up management processes when I was in projects and so on, but it took me a while to recognize the importance of designing the right processes… Had I recognized this earlier; giving up focusing too much on the product and more on processes I would have done better. I've tended to feel that people management was not a high calling. I still feel that way to some extent, because I feel that many people who look at management that way in a large knowledge based organization are in fact very destructive, because we're not running a plantation--you cannot manage people and know nothing of their work! If you know nothing, you should not be here managing them. So, I've taken that position a bit to an extreme. I have tried to add value to the product because I think focusing on management of ideas and management of values is better than focusing on managing people…. But not focusing on process and assuming that people will behave well and rationally and so on, is naive in many ways. It took me a long time to figure that out. The management consultants who are roaming the corridors in large numbers and who I used to think are wasting everybody's time do fill a need. I have learned this lesson rather late in my career. Had I learned that earlier, I think I would have been more effective.

Q: I think you've touched on this a bit too, but what advice would you give current managers?

A: Well, I would really tell them to focus on strategy, communication and substance, and not simply on trying to manipulate people just to maintain themselves as managers. I think, that is the problem with the Bank today. We have a lot of people who say, "Well, what we need are pure managers!" But, in a development institution like the Bank they talk about "pure" manager as though we are running a corner drug store. We need to have people of some understanding of what we are trying to achieve here and who are committed to it. So, the advice I would give them is really to nurture their own commitment to the business and to really go beyond their little parts of the organization, and really try to understand the role of the Bank--the future role of the Bank. If they understood that, I think things would be much simpler. We have a lot of managers now who are simply yearning for the "good old days" which are gone and which cannot be recaptured, and who are complaining about all kinds of things. That's because they're not focusing on the tremendously important role of this organization. And that's why they're frustrated because they look at it very narrowly and do not try to capture the whole picture. I think this is happening too much because the Bank has become very decentralized. And so, it's an enormous task to keep focused on the big picture. So Jim's main achievement may be to have created a certain amount of cohesion at the senior management level—albeit at a high cost in terms of having had to fire a lot of experienced managers to get there. This has been a problem because cohesion was achieved to some extent at the cost of professional experience at the top.

But anyway, it's a good thing that he has managed to get cohesion. But he also knows that the links to the troops is weak. And that's what he keeps bringing up. And I don't think we are there yet since few managers are able to carry their troops all the way. There's a lack of trust. I think the attitude survey is a wonderful instrument to help distinguish between managers. We've got pretty good managers here in OED. Not to brag, but you know, that is key to really being able to transmit a vision to the staff and then they can take the stress. If you cannot do that, then your unit becomes a consulting firm.

Also, the pure knowledge bank is not a world bank. To have knowledge as one of our instruments is very different but it cannot be the only thing because that is naive in the extreme. First of all, because knowledge is everywhere and all we can do is channel it and build platforms to make use of it. We cannot generate huge amounts of knowledge. It's surprising to really think that we have knowledge here that we can send out. That is not real. So there's a lot of confusion about knowledge. I think adding that dimension to our work is very important, but it's not the main thing. The main thing is to facilitate adjustments to local trends, get people together to resolve problems, and create institutions to make things happen for the poor. I mean, it's really much more, and that goes beyond knowledge. It has to do with relationships, management, resource transfers, it has to do with high quality research. And that's what our current managers have got to understand if they want to make a contribution and also be satisfied in their work.

Q: Finally, what has it meant to you so far, since you have years ahead of you yet at the Bank …, A: Not too many years. Less than two in fact.

Q: …… to have served for such a long period an institution such as the World Bank?

A: Well, you know, the reason I didn't leave is because, in large part, there was such diversity in the assignments. And so, in a way, you get different jobs within the same organization. But, you know, every time I was about to leave they would give me an exciting new assignment. So, either accidentally or deliberately, I don't know, but I was able to maintain curiosity and interest, in a sense, by doing different things which made it interesting too. So, that explains why I stayed, in addition to the other reasons that I mentioned earlier. And, it's really fitting to have been associated with a great idea and a wonderful concept that the Bretton Woods framers invented. Theirs was a really terrific idea. So, I feel lucky to have stumbled into this place, because it's a very interesting experiment.

Q: Well, thank you very much for your contribution to the Bank's Oral History Program.

A: Thank you.

Q: And, thank you for an invaluable contribution to the Bank's Oral History program.

A: Thank you very much!