

**WORLD BANK HISTORY PROJECT**

**Brookings Institution**

**Transcript of interview with**

**BRADLEY O. BABSON**

**October 22, 1991  
Washington, D.C.**

**By: Richard Webb and Davesch Kapur**

## FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: [John P. Lewis, Richard Webb and Devesh Kapur, \*The World Bank: Its First Half Century\*, Washington, DC: Brookings Institution Press, 1997.](#) It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

*Bradley O. Babson*  
*October 22, 1991 – Final Edited*

*[Begin Tape 1, Side A]*<sup>1</sup>

**BABSON:** My current niche in this system is the population and human resources work in eight countries, which include Korea, the Philippines, Malaysia, Thailand, Myanmar, Laos, Vietnam, and Cambodia. And that's a very interesting mix because on the one hand we have the kind of emerging mix--Korea, Malaysia, Thailand--which are doing very well and where--in fact Korea has just within the last two weeks provided us with a letter with a "graduation plan." So we're in the graduation phase of our relationship. In a sense I'm sorry you're not going to visit Korea because we're at a point now where we have had a very long institutional relationship with Korea which is just shifting gears and where their views of how the Bank has supported their development success I think would be a very poignant part of the spectrum in the stories that your group will be telling.

**WEBB:** Maybe I could explain. A case study is being written on Korea as part of the history, but a Korean is doing this. It's because the idea of the history that will be, like *[Edward S.] Mason-[Robert E.] Asher*, a history, but then in addition to that a second volume of cases written by people who are looking at the Bank from the vantage point a country, one Korea, or some other institution like the Fund *[International Monetary Fund]* or the U.S. But one is Korea. Kim Mahn-Je is doing that with a partner, so that's just a short reason why we're not going there. I understand what you're saying, certainly have to become quite familiar with that.

**BABSON:** The countries that graduate, it's a very different frame of our--as I look across the spectrum of these countries, and one of the things that is nice about this group is that it is such a wide spectrum--that the whole character of the Bank's relationship with a country like Korea is completely different than the character of a relationship with a country like the Philippines which is almost like an accident-prone child that continually seems to be stumbling and needing to be helped up and encouraged to move along, or countries like Vietnam, where we're now just beginning our relationship, we're really at the--and Cambodia, where we really have never been active. We made one loan to Vietnam in 1978, but we basically have had no relationship with the country ever of any significance, and now we are just at the beginning stages of structuring that relationship. And both in Cambodia and Vietnam it will be a major goal for the Bank in the next ten years to help these countries, the whole Indochina system of relations and economic interaction, mature and integrate within the region. And the Mekong system which has five riparian nations, the Mekong Committee and the Bank's role in facilitating the transnational decision-making around those resources is going to become a prominent feature of our involvement in the region, I think, over the next five years when the political conditions now are allowing these countries to begin to interact and coordinate their decision-making a little bit. Not quite there yet. I mean, the Cambodian accords will be signed next week. They did come to the Annual Meetings. We invited them to

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<sup>1</sup>Original transcript by Brookings Institution World Bank history project; original insertions are in [ ]. Insertions added by World Bank Group Archives are in *italics* in [ ].

come to the Annual Meetings, we kept at it. They did have a meeting with the Bank last week. And we're quite active now in Vietnam.

**KAPUR:** [*inaudible*] the U.S. saying, "Okay, lend?"

**BABSON:** Well, it's not just the U.S. I mean, it's the U.S. and the Japanese and the Europeans. And the Europeans, particularly the French, are taking the lead in trying to come up with a financing solution to the arrearages that the Vietnamese have with the Fund which have to be sorted out before we can begin lending.

**WEBB:** Are you hiring any young diplomats?

**BABSON:** Young diplomats?

**WEBB:** Yeah. This kind of work—it sounds as if the work has changed character from what the Bank has been doing 10, 20 years ago. I don't know of a--well, some kind of international wheeling and dealing, diplomatic . . .

**BABSON:** There's an element of that. Vietnam's a good example because last year--and our methods are changing a little bit. Instead of relying only on doing economic and sector reports where we come in, a bunch of outsiders, analyze, collect information, write something, we do that--we continue to do that--but in the case of Vietnam in how to provide guidance and encouragement on some of the reform efforts that they are now undertaking, the approach that we used was to organize in effect a seminar and to bring in some of the people from Indonesia and from Korea and from Thailand who have guided the policy processes in thinking of the development experiences in those countries and created opportunities for the Vietnamese leadership to interact with these people in a very informal but very sort of constructive kind of setting where the lessons of that experience, their reflections on what worked and what didn't work and how they handled their relations with the external donor community and lots of things that concern the governments that are just getting started, a much more effective, in my view, way of providing, creating opportunities for learning and building bridges which has more to do with stage setting and facilitating than it does with producing a piece of product with the Bank's name on it. And I see that that type of role is something, particularly in the more--because there has been so much experience with development now, I think that we don't just see ourselves as somehow the agent of development in the sense of finding the people who know and bringing it to the people who don't know and transferring knowledge or experience that way, but creating contexts in which experiences can be shared. People can learn from each other. They can be brought together in a way that creates value added.

Some of the work we've been doing--I'll give you another example of that approach which we've been using in the area of health finance. We found a number of the industrializing countries of Asia are at the stage in their development when they're thinking seriously about health insurance, and the Koreans adopted a policy of universalizing health insurance. It's an issue in Malaysia. It's an issue in the Philippines,

in Fiji, Indonesia, Thailand. And all of them--a number of them had come to us saying, "We'd like--we feel uncomfortable with the issues in this area. As you look around OECD [*Organisation for Economic Co-operation and Development*] countries there are very mixed stories about the way they've organized their health systems, the public/private sector role, share of public financing, private financing, the role of health insurance. There isn't an obvious answer to the right path to go in these sorts of questions, but we sure don't want to end up like the United States, which is very high cost. We can't afford that outcome. It may or may not have attributes which are worth learning from, but we certainly don't want to be spending 12 percent of GNP on health if we can avoid it." That's the kind of feeling that they get, exposed to these kinds of issues.

So what we did was we worked on a, with EDI [*Economic Development Institute*], to very carefully between the region and EDI, to organize a seminar and to bring the people from these countries who were worrying about these issues together and commissioned a series of case studies of the histories of how policy choices were made in a number of OECD countries, including Korea and some Latin American experience, and brought a number of thinkers. In fact, Uwe Reinhardt was one of the people we got involved, and he wrote the paper on the U.S. He and Bill Hsiao from Harvard came to sort of manage the overall discussion in that seminar. And that was very--we didn't have a Bank point of view. Basically we took the position that we, we're learners in this process. No one else seems to have figured it out fully, but we'll be partners with these countries in trying to go to a process of mining the experience of other countries that have been through it, to pull that together in writing and to create a forum in which the issues can be discussed and at least a framework for thinking about how to proceed at the national level could emerge.

That has now led to a spin-off in terms of our country-level work in five or six countries, a follow-up in studies and in policy analysis and to some extent the shape of our discussions about lending in the future, which I think is a very effective way for the Bank to be operating in these kinds of areas, where we don't present ourselves as having the answers but to--being able to find the people who can engage in the right kinds of discussions to clarify whether the questions are the right questions or the analytical approaches that are appropriate to pursue the issues in different contexts are the right ones to be pursuing, what kind of research agenda really makes sense for this country or that country, and what kind of intellectual and other resources could be mobilized to help individual countries down their own paths. And it's that kind of facilitating role which has come back to us very strongly in terms of the Bank's credibility on an issue where we really can't say that we have a standard answer, but we can be seen as a partner in a process to help them think it through and to address the questions.

**WEBB:** How long have you been doing this kind of work?

**BABSON:** Well, I've been in this job since the reorganization which was now, what, four and a half years, going on five years.

**WEBB:** Here in this region still?

**BABSON:** Same. I mean, this job, education, health, family planning, in this group of countries for the last four and a half years.

**WEBB:** That's pretty stable for the Bank.

**BABSON:** Yes, well, it's been--there hasn't been a push, and there hasn't been a pull. I haven't felt a desire to go elsewhere. There are fertile fields to do interesting, useful things in this group of countries. From my point of view, this has been just a dream assignment, and so far no one has been pulling me out to do anything else or pushing me out to do anything else. That may change, but I think for the last four years it's been a very satisfying role.

**WEBB:** Have you seen the job evolve as, in four and a half years, or changed in character?

**BABSON:** I would say yes because--and this may be a reflection on the reorganization. When, in my sector, in this group of countries, the Bank had not been very active in the period five years before the reorganization. I inherited a portfolio of about ten project loans, most of which would have been negotiated in the late 1970s, very early 1980s. There had only been about five new projects in the three or four years prior to the reorganization in these sectors in these countries. That was partly because they weren't the big deal countries in Asia. So when we had a centralized population department, they had worldwide orientation, and they focused their efforts in Asia on the big countries, on India, on Bangladesh, on Indonesia, to some extent the Philippines, but the other countries were small, difficult, not major players in the big demographic issues of the region by numbers, and they were just to some extent prickly countries to work with, difficult countries to work with. The Malaysians are very sensitive. The Thais are not all that interested in borrowing in the social sectors. No one had ever even thought to ask the Laotians whether this was an area that they would like to work with the Bank. The Philippines is, because of the Catholic culture, a very difficult environment to do population work.

And education similarly. There had been a regional education division, but again most of its activities were focused on Indonesia and countries that were major clients of the Bank, although there was certainly a larger role there. But by putting those countries and those sectors together under one management orientation, basically my mandate was to see what real scope for Bank involvement in human resources in these countries is, with not having to compete with Indonesia or China or India for resources or management attention. So I saw my job after the reorganization as testing the market and seeing whether the Bank really had anything to offer to these countries. Many of them, like Korea and Malaysia, don't need to borrow from the Bank, so if there's a role for us, it's because we can provide something that they consider valuable, not--in this sector resource transfer is not that easy because a lot of expenditures are in local currencies. Then the question is, is there a role for the Bank in human resources in these kinds of environments or not. The answer turns out to be yes.

My program has grown enormously since the reorganization including in, surprisingly, in the most advanced countries of the group. I'd say my strongest lending now is in Korea and Malaysia, and I've been lending two or three loans a year to Korea, and I'm at the moment preparing four loans for Malaysia in help in education which will be delivered over the next 18 months. And I think in Malaysia we're now the dominant sector. In Korea we're now the dominant sector in the Bank's overall lending relationship. At the same time, as we moved into work in the lower income countries, the Philippines is all over the map. We're active there in education and health. We've just published this month a sector study on population. We're now going to be working toward lending in population now that they're back as an IDA [*International Development Association*] borrower. That will make it easier for us, and we have a real agenda in the Philippines. But it's a difficult environment to work in because the macroeconomic conditions keep somehow washing over our sectoral activities.

And as we're now getting geared up in Laos and Vietnam and Cambodia, it's basic education, basic health services, basic family planning issues are ones that the governments are giving a very high priority to. So I'm very active in Laos, got to appraise a major primary education program. We've written a sector study on health and population there, and we're now in the project preparation phase of our first health project. We are about to appraise, although we're not saying so officially, our first primary education project in Vietnam next month, and we will be producing a major report on population, health, and nutrition in Vietnam this year. We've had the mission, and it's now under the sort of the report-writing phase. And we've identified and initiated preparation of our first health project in Vietnam. There will be a series of health and population interventions there over the next four or five years.

We haven't started work in Cambodia yet, but again the basic human issues, public health and trying to jump-start the education system where they killed most of the teachers in the 1970s, dealing with the terrible demographic distortions that exist in that country in the sex ratio and the age profile, and helping to try to track the implications of that through the development planning effort are sort of the agenda that we have there that we haven't even scratched the surface on yet. So I see a major involvement of our human resources sector in the addressing of the basic needs of those newly emerging clients of the Bank and is where I think our emphasis is going to shift, as Korea graduates and as Malaysia reduces its overall level of borrowing from the Bank, that our effort will shift from the sort of high-tech orientation toward the industrializing economies and helping them acquire the more advanced skills for the industrialization effort that they're involved in, which is what we've been focusing on, to focusing more of our resources and energy on these new, emerging, very poor, IDA-oriented clients in this country group.

So I see this is, you know, a program that has really just blossomed since the reorganization, and I think the reorganization had a lot to do with it.

**WEBB:** Why is that?

**BABSON:** I think it's because it put someone like me in the role of saying, you know, "You're responsible for these sectors in these countries. You don't have to worry about other sectors, and you don't have to worry about Indonesia or India. Your job is to find out what the right thing for the Bank should be doing in these countries in your sectors. It may be very different things in Korea and the Philippines." And I spent the first two years really defining the agenda, getting to know my counterparts, spent a lot of time traveling, getting to work out basically an understanding with each country what the critical issues where the Bank could be playing a useful role were, and they're quite different.

**KAPUR:** How would it have been different from, say, the years '72 to '80, when you had the South Asian and East Asia, and China was not yet a member of the East Asia [both speaking at once]

**BABSON:** Well, in those days, you see, you had a project division, the education division handled everything in--well, in those days East Asia. And so when China became a member of the Bank, there was enormous allocation of resources towards building up the education program in China. And the same thing—and Indonesia has been a very major borrower in education for many, many years. So Indonesia and China basically consumed the vast majority of resources that the region put into education.

**KAPUR:** Could that not be true, for example, in the '80s?

**BABSON:** Well, before 1980 the Bank didn't have much of a population or health policy. It was a very small, centrally managed department. It was getting started really in the late '70s. I mean, it wasn't until about '76 or '77 that the Bank even started any population lending--anywhere in the world.

**KAPUR:** '72.

**BABSON:** It was the first one. Well, it didn't really [both speaking at once] engage. I mean, the country--we started work in the Philippines in around '74, and we had two projects, one in the early '70s, one in the late '70s, that percolated through. We had a Thailand program in those days. We had a Malaysia program and a Korea program. But in the case of Korea we had a one-shot involvement that was very successful but then they didn't really need us anymore, and they didn't--there wasn't much that the Bank could offer that they couldn't do on their own in this field.

Same thing in Thailand. We had a very successful project in Thailand, a very difficult one to implement in terms of our understanding the way they worked and their understanding the way we worked. But the fact is that it was, in my view, an extremely successful project in creating capacity and helping them down the road. And again, they don't need us in this field in Thailand anymore--or, at least, they don't feel that they need us. My feeling is that in the AIDS issue currently in Thailand they ought to be working with the Bank, but they don't want our help.



**WEBB:** I'm trying to understand how this happens. You get this considerable growth in resources in this area. I don't mean the kinds of--to what extent was this being driven by an allocation decision in the Bank?

**BABSON:** It's not. I mean I'll give you a personal rendering of this, which is my strategy, to be honest, is not to take the budget that seriously. My feeling has been if I had real work to do, if there was a client with whom I could establish a relationship and where I had a clear understanding about the agenda that the Bank should be following in that country in this sector, if there was something specific, whether a sector study or a project that was worth doing on its own merits that was in that agenda and there was motivation on the client's side, then we should do it and not take the budget as a constraint. And if that meant that we overspent the budget, then we go and we say, "We have something real to do, you know, and I need the resources to do a real thing." But I've not operated—and as I think I've taken my responsibility to (A) make sure that the activities we're involved in are appropriate ones, that they're ones where the Bank can make a difference by being involved, adding value to whatever it is, that we can do it--but we can come back to how we do that--and that if the client wants it, and it's real and it makes sense, that somehow the money, the resources, will find their way to follow up and support it.

I've operated with that assumption, often spending my consultants budget, committing all of it or almost all of it by mid-year, and then going into the mid-year review saying, "This is a real work program, and these are the missions we need to carry out to move this down the road," and asking for additional resources in mid-year review, mainly for consultants to help us keep the momentum going. And so far no one said no. I mean, on the margin at the end of the year I may trim a mission here or there or slip it a few weeks in order to cross the end of fiscal year deadline if there's, when we start counting pennies at the end of the year, are real issues. But frankly I haven't found the budget system in fact to be a constraint, but I haven't behaved as if it was a constraint. And I have been given, slowly, incremental positions over the years, first one and then a shift in the TD [*Technical Department*], and then another one last year and another one this year and building up slowly the base of staff. But in competing for CAMS resources, my CAM work program has gone up steadily every year.

**WEBB:** What is CAMS? I don't know that.

**BABSON:** That's the Country Assistance Management System, which is what drives the work program. It takes a country work program, translates it into staff weeks or staff years of effort by task as you build it up from the task level, and you--that becomes a sort of staff/week budget that you work with to perform a particular work program, in my case made up of the specific lending and sector work and supervision activities in this year in these countries.

**WEBB:** Is there somewhere in the Bank, then, a cultural man-years spent on each country?

**BABSON:** Sure, I mean that's all in the computer system. It's a planning system so that we have—we know what we're spending per country and by task within a country, and we have a planning vehicle for that. We update it at mid-year. We monitor what we're actually spending against it. We also do an input plan which is how much of those staff weeks come from staff in my own division, staff in the technical departments that I contract with to perform work for me, consultants, input people from other parts of the Bank to do it on an ad hoc basis, and we can track all of that. We do an ex ante plan and we do an ex post analysis of whether we—whether the sourcing of the inputs worked out along the line that we did our budgeting.

But I've never taken the budget as in effect the constraint. It's basically--at my level in assistance, I viewed it as a planning vehicle against which, if there was something more to do, then you say, "Let's do something new" and then make a case for the need for incremental resources to do it or occasionally to switch priorities and to back off things. But I must say in lending it's very difficult to do that. It's very hard to say that you should trade off a project in one country for a project in another country. It's very difficult at my level to say that there are real switching opportunities in resource allocations either in terms of the source of money or in terms of people. Sometimes the projects you might want to switch out of aren't the ones with the skills that you need. In my sector, if I decide to delay a health project in Laos by a year, that doesn't mean I can turn around and do an education project in Korea just like that, even within the same staff/week budget. It depends on who's available to do the work.

**WEBB:** You're really the highest instance for population and human resources in the Bank, aren't you? There's nothing at a more central level?

**BABSON:** There is a central department which Ann Hamilton runs which is in the PRE [*Policy, Research and External Affairs*] complex. They maintain a kind of--not an oversight, but they keep an overview of what we're all doing in all of these different units around the Bank in these sectors. For example, they produce every year a report on what happened the year before in the sectors, how many loans were done, what the issues were, what the supervision problems in the portfolio across the Bank were, so that there is a sectoral overview function that is located in the PRE complex.

**WEBB:** How does that work in practice? How do you see it?

**BABSON:** Well, in [both speaking at once] practice, from the point of view of simply collecting information and putting it together and creating a Bank-wide story, it's an important function. It has to be done. Otherwise, we lose the sectoral context of the Bank's work. We've chosen to organize primarily along geographic lines, but the Bank in its operational work is very much a sectoral organization, you know, and educators--the fact that we're all split up in little units all over the place doesn't mean that the educators don't want to feel as part of the community of education sector staff in the Bank. But every time the Bank is reorganized, if you go back over the series of organization charts, you find that we differentiate the number of bottom and line units. There are a larger number of smaller units. It's almost--if you go back to 1972, the last one when they

regionalized projects--it used to be central area departments--all of a sudden there were six regional departments and function project divisions. Before that it was even a smaller aggregation. So if you go back and look at the history of organization change in the Bank, it's always been towards creating a more complex organization structure, a larger number of smaller units.

The implication of that is every time we become more complex at the micro level, it raises the issue, the complexity of the resource deployment questions in resource allocation, whether it's people and the whole issues, discussion around career development, reassignment, et cetera, the more units there are, the more complicated it is to have a person work, shift from country A to country B. They have to go across a unit boundary. Just take population staff. Before the reorganization one guy could work on Nigeria and the Philippines. Now you can't. You either have to be in Asia or in Africa. Before the reorganization in education you could work on China and Malaysia. You can't do that now. You either work on China or Malaysia unless you're in the technical department. So it--we've created a lot more complication for redeploying resources in the Bank, which is why I think that there is so much attention at the moment being given to try to think through how to get the personnel processes to work better. To some extent I think--my own personal view is--this is a function of organizational choice that has put enormous demands on the personnel and the budget systems for redeploying to create processes and capacity to redeploy resources because there are many more managers and decision makers involved now than there used to be.

**WEBB:** Does the technical department help you?

**BABSON:** Yes.

**WEBB:** In practice?

**BABSON:** Yes.

**WEBB:** These issues that you're trying to work out with these different countries, looking at different health systems, is that the kind of thing that they can help you with?

**BABSON:** Absolutely. They--in fact, most of the--my work program is a little unusual. Only about a, less than a third of the work in my work program is performed by my own divisional staff. About a third is performed by staff in the technical department, and about a third by consultants.

**KAPUR:** And PRE?

**BABSON:** Almost nothing. I don't depend on PRE for anything because no matter what you agree, they're never there when you need them. So my attitude is if you are purely ad hoc or when there's a very definite synergy between their research agenda and our operational agenda, we can do it as partners. We've done some country studies together in which I put in some sector work resources, they put in their own research budget, and we

get a country case study on something where we both are interested. That works. But to get them actually to do project work, unless there is something in it to their research interests or policy interests, doesn't work. I just, you know, I've given up trying to use them that way.

**KAPUR:** I'm not sure, but one thing which is what you were reflecting on—post-'87-- again I'm sort of thinking of the '70 to '80 [*inaudible*] efforts and wondering how much of the changes that you see are because of organizational structure and how much are because of different agendas of the presidents.

**BABSON:** I think it has a lot less to do with agendas of the presidents than the agendas of people in the front-line divisions, the freeing up of people in the last reorganization to do that. See, it--I mean, in my view the reorganization of '87 accomplished what it set out to do, which was to give country directors and SOD [*sector operations division*] chiefs a lot more degrees of freedom in making judgments about what they ought to be doing and how they ought to go about doing it. And it allowed entrepreneurial behavior-- and I put myself in an entrepreneurial category for what I've done the last few years. I was asked to be an entrepreneur and to use the new structure to see whether the Bank couldn't create a role in business for itself in the sectors in these countries where we really weren't very active and pretty creaky. And in my view it worked. I mean, I adopted an entrepreneurial strategy, and we now--I'm sending six appraisal missions this fall, three pre-appraisal, and we really have a cranked-up lending program. Easily I can provide somewhere between four and five loans a year in my portfolio, and I don't really want to do any more than that. Even that's a little heavy.

But I think that that strategy has worked. The organization allowed me to do it. It only required a certain amount of chutzpah on my part to go and to test whether there is potential demand for Bank, agree on the specific things that we could do that the clients would find helpful, find ways of doing it that they--experiences being responding to their interests not responding to the Bank's needs, and just not taking the budget all that seriously and just doing it and finding the people who had the skills to do it. That's why I've relied very heavily not on my own staff, but on the TD and consultants because in that mix of countries with that mix of issues it's not very reasonable to expect a small group of people sitting in one group of offices are going to have the set of skills to have that kind of relationship and impact. So what I've done is to try to have orchestrators. And I've recruited people who could be orchestrators, mobilizing expertise from wherever it really made sense to get it to work on the issues, so that with health insurance we go out and we get Uwe Reinhardt and Bill Hsiao and others like them from other countries to come together and to give us support or . . .

**WEBB:** Are they orchestrators? You're talking about your own staff.

**BABSON:** No, my own staff, or staff in the TD.

**WEBB:** What do you mean by "an orchestrator"?

**BABSON:** Well, somebody who can mobilize at the task level. I view my role as the program level, and I view the role of what the Bank now calls the task manager is basically to orchestrate the way of accomplishing the task in a way that will provide the most benefit to the country. That means like, for example, in Vietnam where we're working now on textbooks, the whole approach to textbooks is--they have a series of state-owned textbook publishing entities which provide very poor quality textbooks at totally unrealistic prices--and so our whole effort there in trying to improve the quality of primary education, one of the thrusts is to get the whole textbook production/distribution system functioning in a more efficient way. Now, how do you take a country that's doing it all wrong and get it to do it better? The answer is you get some of the people who've been really running national textbook programs in developing countries to go assess and transfer some of their experience, people from the textbook corporation in the Philippines who go out as consultants and people from Africa and now we're using people from the U.K. But basically I view the role of the task manager, in having defined that there is an issue around textbooks, to find the consultants that will really give the Vietnamese the best advice as to how to do it properly, and if that's somebody who's been running the textbook corporation in the Philippines, then we hire her for two weeks to come do it.

**KAPUR:** But surely there is to an extent a finite resource envelope for a region or a country. Within that envelope, if, say, one looks at the figures the last three years and say three years in the '70s, the relative share of, say agriculture and social sector has really switched. What used to be the share of agriculture is almost but not quite the share of social sector and vice versa, which means that if one sector is increasing its share, by definition other sectors have to be reducing in their relative share. So that in all these areas of--sort of where you always had these who are all sort of advancing their, what they believe is important for the country. How are those allocated because then you start to have a zero sum game?

**BABSON:** Yeah, well, there are two questions. One is, is there overall growth in the program . .

**KAPUR:** Right.

**BABSON:** . . and is there switching occurring in this sort of sectoral composition. And I think it's important to distinguish the two questions because at one level it's the Bank—the Bank opted around 1980 to view the strategic business unit as the country, and so basically the idea is what role should the Bank be playing and what level of effort in this country and what is the country agenda, is the balance of activity between different sectors. And we have a series of management processes around that question, the country program papers and the articulation of country strategies and how that guides what we do in our sectoral context. And I think if you start with that, then the question is should we be in an expansive--in that context you can deal with the switching issues. You can deal with whether the program should be growing in the Philippines or shrinking, whether we should be shifting more emphasis on social versus agriculture, or what. So that's the vehicle by which those kinds of questions and a kind of notional work program are worked out. And it's easiest to tackle at the country level.

In addition to the sort of conceptual argument about the way, what we should be doing and why and what the level of effort should be and how that's related to economic analysis at various times, there is the question on the practical side of it, whether you have relationships in these sectors or they want to work with you, you know, whether the minister likes the Bank or doesn't like the Bank, whether you've established a rapport at the working level where things take on a life and momentum of their own. Where does the creativity in the system come from? Is it imported from the Bank or is it really *sui generis* in that subsystem within the country and are we there basically to feed it and to support it?

There are enormous differences even within the same country, across sectors and agencies and over time, as people change, leadership changes, in the conditions for doing good development work. To some extent you can work out all the lovely conceptual arguments, but at another extent you go back to development in a kind of opportunistic way. You get the right issues with a group of people who have the motivation and the skill and the political clout to address it, and you take it, if you see an opportunity and say, "On this subject now we can do something. Let's go with it."

And there is an opportunistic element to doing effective development work, particularly in countries that really don't need the Bank, I mean they're--in the sense that they're not so out of whack on the macroeconomic front that they've become dependent on adjustment lending. If the country's in a dependency relationship with the Bank, that's an entirely different ballgame, but that's not true in my group of countries. They're not dependent on the Bank--maybe with the exception of the Philippines--and the only reason we're there is because we have something that they find valuable. You'll find this true in Indonesia, too. But it's not a question of we're saying, "If you don't do what we want, we won't bail you out." It's not that kind of situation. It's a situation where they're pretty much in control of their own economies and development process, and there are areas, issues, opportunities where we can come in and do something useful. And that leads me to take a somewhat eclectic view of how we should conceptualize our role in some of these countries where it should be sort of very selective on those issues where we feel we can do something useful, and the opportunity is there, and the timing is right, rather than driven by a kind of inductive reasoning from the economy on down, which has been the more traditional approach.

**WEBB:** And yet at the same time I think you said you don't travel as much as your predecessors.

**BABSON:** I'm not sure that's true. I traveled quite heavily during that first phase, partly because there were so many countries and wanting to establish an understanding and a rapport with the--really, I view my counterpart as the secretary or director general level.

**WEBB:** Of health?

**BABSON:** Of health or education, usually the education ministry, the health ministry. If there's a population commission or something like that or a nutrition commission, the executive director or the director general, that's the level that I pitch my counterpart relations. I know the ministers. I usually see them when I'm there, but frankly I think it's at the secretary general level, the guy who's running the show, that the most important counterpart relationship has to be created at my level. And then my staff really have their major relationships at the directorship level where the work is actually done. But I like to go on mission to agenda-set and to agree with that level and with the core agencies on what are the major priorities for what we should be doing over the next year or two and to get feedback from them informally on what they've gotten out of what we've done recently. So I get an independent—I like to go in between missions sometimes when I have major missions there. I sometimes like to go in between and to get feedback and to get agreement on how they would like to proceed in the next steps before addressing it at a kind of formal level.

**WEBB:** You're dealing with eight countries, two director generals in each country?

**BABSON:** Yeah, it's a big set. Now, we have not been active in some of the countries. I mean, up until very recently we weren't that active in Vietnam or we haven't yet been active in Laos. But I'm active in Korea; I'm active in Malaysia; I'm active in the Philippines and in Laos. Those are my major ones. In Thailand they've not been willing to borrow in the social sectors since the early '80s, but they've been very anxious for us to do sector work. So we have had an active relationship around issues, mainly in education that we wrote a report last year . . .

*[End Tape 1, Side A]*

*[Begin Tape 1, Side B]*

**WEBB:** These sectors have melded a lot, haven't they, health and education and population?

**BABSON:** Well, in the sense that we now define them as a sector and we used to define them as different sectors. They are not melded as much—I mean, at a conceptual level, and the Bank has written a paper on human resource strategies and this and that, there's some work going on. And I think it has been helpful to combine health and education because the health people say, basically have taken the view that if you don't get the kids before they've five, you've basically lost it. And the education people said, "Well, life begins in first grade." And somehow there was a total sort of passing of the wind in their view of what was an appropriate level of age to focus on intervention, and I think what that's all done is it has led—at least the benefit for me--has been to help the Bank focus much more attention on what happens at the pre-school age level, the sort of two to five age range, where pre-primary interventions of various kinds can make a big difference in terms of educational and health outcomes in the long run.

I mean, you say, "Why should the Bank be getting into pre-schools?" Well, it turns out, I think that's a very critical moment in the formation of human resource potential. And if

there are problems there and you see a lot of things go together, that the kids from certain kinds of households cannot go to primary school or drop out very quickly also are ones who are having nutrition and health problems, you find that there is a target group there. And the question is can you find mechanisms to reach those groups. And that's brought us in some ways very much closer to the work of UNICEF [*United Nations International Children's Emergency Fund*] in some of our thinking about intervention.

**KAPUR:** Also, I guess, in prenatal care.

**BABSON:** In prenatal care, yeah, exactly, the whole maternal health side of things. And I see us—there is a nice integration at family planning, child health, and pre-primary preparation for learning which to me is a very major core of effort that we are really only now beginning to push on. There's a whole 'nother set of activities around more on skill formation for economic activity, and there you see it at the secondary and post-secondary levels and you see it both in the industrializing economies like Korea and Malaysia, where we're very active now, and in the Philippines in trying to strengthen science, engineering, R & D, manpower creation--a lot of effort at that level of assistance.

**WEBB:** What about organizational beneficiaries? Is that a big deal you face in your region?

**BABSON:** It's a big deal in my work program, the whole question of NGOs [*non-governmental organizations*] and participation in project design, in health particularly, in family planning particularly. We're doing it also in the area of drop-out interventions in primary education, the role of NGOs and parental groups. I think it's absolutely essential in my sectors to do that. It's not all that important in Korea because we're working at the post-graduate level of science and engineering. It's not relevant there. But it is when you're trying to reach the kids or reach the poor households. I don't think--we've been most effective where we've found mechanisms to work at the local level, at the community level, or to somehow facilitate the government working at the community level and getting inputs and working collaboratively with resources at the community level.

The real temptation is for the Bank to jump in the middle between the government and these various other actors, and it's very important for [*inaudible*] for me, for the Bank, to see itself as supporting the way in which these actors interact in more productive ways within a country than the Bank to get itself in the middle of it because then you get tied up in knots. So it's a question of how, what role can we play to support and encourage these kinds of partnerships to come together rather than sort of making big deals out of having NGOs on our teams, although we do do it. I'm not saying we don't do it, but to me it's more important to see the nature of collaboration between the government and these sort of community organizations than it is for the Bank to be directly involved.

**WEBB:** Is there something that could be called a community in the population and human resource area? Is there a community that includes NGOs and people like



UNICEF, other donors, local organizations who--is this something that really exists and [both speaking at once]

**BABSON:** Yes. I'll give you an illustration. In the Philippines when we wrote the sector report on family planning, there's a whole delivery system through NGOs that complements what the government does in its delivery system through the department of health. When we wrote the report, we have a whole set of discussions about the issues facing NGOs in carrying out their part in all of this. When we discussed the report, we had a meeting just with the council of family planning NGOs on the draft report, got their comments on it along with the government's comments, and see them very much as an integral part of the whole program effort there. And the government does, too. I mean, this is not an area where the Bank has a different perspective than the government. And so it's very natural when we are talking and developing our activities in this subject in that country to simply include NGOs as part of the problem and part of the solution and to try to figure out how whatever we do can support an appropriate role that they can play.

**WEBB:** Is this much of a change in the Bank?

**BABSON:** In this sector, not really. Even back in our first population project in Korea in the mid-'70s, an NGO executed the Korean IPPF [*International Planned Parenthood Federation*] office, executed part of the projects, way back in the mid-1970s. We didn't make a big deal out of it. I don't think anybody cared until all of a sudden this whole subject became very attractive. But the fact is that in this field I think the Bank has been working in this sort of NGO collaboration mode for, almost since the outset.

**KAPUR:** I was wondering if we could go back a little bit, to the [*inaudible*] in your work there, which I gather was mostly organizational

**BABSON:** Yeah, when I joined the Bank in 1974 I joined through the Young Professionals program. My first assignment in the YP program was in the personnel department where they decided, I think, because I was probably one of the few YPs who ever came into the Bank with an undergraduate degree in psychology that that's probably the only person that they could fit in the personnel department. So I spent my first six months working on the new performance appraisal system that was being created at the time, and I then went on to work in operations.

When I left the YP program I opted to take a permanent assignment back in personnel. I ended up spending nine years in the personnel department working on the policy side, not on the sort of administration side, but on the policy and planning side. I was the Bank's manpower planner for a while, and then I was put in charge of the policy unit and then later a policy and planning division, managed the first attitude surveys in the whole development of the policies of research and personnel planning, orientation. I wrote most of the personnel policies that were produced between 1975 and 1983 personally or was responsible later on in my division for those, not including compensation because there was another policy group on the compensation and benefits, but on the staffing side and

on sort of the treatment of people, personnel information, the environment, promotion and training, et cetera, that whole set of things, plus the attitude survey, the creation of the principles of employment, staff rules, that set of things. I was very deeply involved—all of which was kicked off by the 1972 reorganization.

As I understand it, there was a survey done about a year after the reorganization by McKinsey [*and Company*] which was sort of a check on attitudes, how people were reacting to the reorganization. And what they discovered--and this was done by OPD [*Organization Planning Department*] very quietly; it was not something that was published--they discovered that there was a lot of unhappiness, that people who had been regionalized were feeling disassociated from their professional colleagues, split up into different units, smaller units, and with people with other disciplines but not their friends who they worked with in the old area departments or project departments where they were.

By then [*Robert S.*] McNamara was on his growth, deep into his growth strategy, and the orientation of the personnel function in the late '60s and early '70s was on recruitment and benefits. What do you have to do to attract people and get them into the Bank to feed this growth strategy? That's where most of the effort was in the personnel department in the late '60s and the early '70s--which is fair enough. I mean, if you're going to grow that rapidly, that's what you've got to attend to. And they did it quite well--very well, I think--but with the reorganization which was meant to set in place a structure that could absorb this rapid growth without the structure itself having to come under pressure for a significant period of time—and that was what that reorganization of '72 was all about--then the issue became what do you do with all these people once you've got them here, and what does the Bank need to do to acquire competencies and systems, procedures and policies to handle careers of people, a larger number of people in more boxes who are going to need to be, maintain their professional skills, to upgrade them. Will we now have to think about reassignment as a normal part of life not as something that you only talk about in dark whispers in the corridors? Formalized promotion processes are made more transparent, the basis on which those sorts of decisions are made to get some sort of organized processes of training in place. What do you do with people who go on external service? How do you make judgments about performance? How do you relate pay to performance? All those kinds of questions were put on the table about the day that I arrived in the Bank. And there was a task force that had been chaired by the current at that time vice president of personnel, Bernard Chadenet, which sort of created the agenda for developing a personnel function during the 1970s to flesh out these things. But what I was hired to do after I left the YP program was to create that infrastructure of policy and procedure in this area of Bank management in which there wasn't any infrastructure. It was all very ad hoc.

And so I spent almost the first nine years of my life in the Bank essentially creating that infrastructure. For better or for ill, we went through lots of processes, lots of consultations, wrote a lot of policies, published a lot of things in the personnel manual, set up fake job postings, set up reassignment panels, tried to rationalize the way in which promotion decisions were made. We did a lot of things of that type, went through a series

of reorganizations of the personnel function trying to--there was a period where--I guess my general feeling was that the personnel function has always been, and maybe necessarily so, a step or two behind the forces driving the Bank as an institution, struggling to catch up. And it's true now with what's driving the organization. First it was to recruit and pay people so that the staffing strategies and growth strategies could be maintained. Then it was trying to shift gears to--well, then it was trying to create a policy infrastructure so that people had a clearer idea about how decisions that affected them were actually made and who had the authority to do what and what information was needed to drive all this.

That led us into a major computing system effort in the mid-'70s, something called the human resources information system, which I tried to spearhead. Part of my role then was working through the politics of the Bank's computing processes to get new system specifications and computing capacities on data needed to manage all these new policies and procedures and systems and such. So I was very much involved in that effort, too.

But I think, you know, what happened was that this was also a period when the image or the self-concept of personnel management was shifting from a kind of personnel administration orientation to a human resource management orientation. And the difference in the language reflects a very different image of what the personnel function is all about and what impact on the organization it should have, moving from just basically making sure decisions are documented, that the proper bread-and-butter activities are taken care of efficiently so that everyone knows where they stand and that everything is legal, you know, et cetera, to a role of trying to--more interventionist in terms of interventions that affect growth of people, how people grow and acquire competencies over time and whether that is something that is purposeful or just ad hoc. And as soon as you accept that there is a role for an institutionally mandated process of growing people not just using them, then you're in an entirely different mode.

And the same thing, later on when we got into attitude surveys and somewhat more sophisticated efforts in management development and organization development, what are the human dynamics involved in organizational change, adaptivity to change, how do you deal with technology changes, particularly on the information side, and how it comes back into the workplace, and where you see human resource management as managing the human side of those kinds of organizational development, which is again a very much more sophisticated concept.

Then there is a political side that swept over all this in the late '70s which was around compensation, the external feelings about the appropriateness or inappropriateness of the Bank's general compensation policies. It politicized the Board. It politicized the staff. The only time in my whole time in the Bank that I have seen the Bank fracture along nationality lines was around the first Kafka [*Joint Bank-Fund Committee on Staff Compensation Issues*] effort, around 1978 or so, when basically everyone went to their own ED. There were groups that were lobbying their own Executives Directors in their own national interests--the only time in the whole history of the Bank that I've seen the staff break that way.

**KAPUR:** When?

**BABSON:** Around--this is in the late '70s.

**KAPUR:** But also in the '87 reorganization?

**BABSON:** Not around nationalities, no.

**KAPUR:** I thought—actually there are a lot of EDs in the memos of their nationalities . . .

**BABSON:** Well, the EDs are always oriented that way. The EDs are always to take as one of their starting points how well people from their constituency are represented in the management of the Bank and in the staff at large in the Bank. That's fine. I mean, that's what you would expect the Executive Directors to be interested in and to press for, and there's a lot of politics around senior appointments, particularly management appointments at the Bank--not at the division chief level so much as directors and up where those sorts of considerations are quite powerful but not determining. I mean, I think that the Bank management, in my view, has relatively successfully resisted pressures from certain nationality groups simply to have someone from that country in a very senior position because they're from that country not because they have what it takes to do the job or that they would be best for the job. But there is always concern about balancing that's there, and it's there in the most recent set of decisions that have been made this past month. So those are all forces that are at work. But in terms of the staff itself in the Bank I really, as I say, I haven't seen--even the 1987 reorganization didn't really internally break down along nationality lines. There was a lot of apprehension for lots of reasons, but it wasn't driven by that concern.

**KAPUR:** In a lot—not a lot, but a fair number--of the European staff there was a feeling that, at least that's what we heard, that senior Bank who were sort of in the first round perhaps being let go, they approached the EDs and they approached Conable that their nationalities were being selectively [both speaking at once] and that raised the whole golden . . .

**BABSON:** Yeah, but I don't think that was . . .

**KAPUR:** . . . handshake much more than it might have been.

**BABSON:** Yeah, but my experience of the reorganization was that that was very marginal, very marginal. It had--there may have been some correlation between the elderly group of the Bank. I mean, if you look at the profile of people who were within the zone of retirement age, it does have a nationality, a different profile, than the base of staff because there's been a very significant shift in the nationality profile of recruiting in the 1970s compared to the 1950s and '60s. And so the people who were recruited in the '50s and '60s who were older and closer to retirement probably did have a different

nationality profile than the base, but I don't think that's because of any particular concern about nationality. It's a concern about the type of skills needed for the future and whether these people had what was felt at the time of '87 to be the potential or the skills and the knowledge to deal with the issues that the Bank saw itself dealing with in the '80s and the '90s. But I see that more as a generational shift reflecting the changes in the issues of development, some of the sectoral switching that we've talked about, and some of the techniques that developed for--dealers on debt and various types of things that weren't part of the basic training of people who were recruited 30 years ago. So I think it had more to do with expertise and experience than it had to do with nationalities even though some people may have felt differently.

Certainly for those of us who were involved in the selection process when it cascaded down, nationality simply wasn't a factor. Picking from within the people who were being selected for jobs in the different units when we were picking them.

**KAPUR:** Is there any way we can chronicle sort of in terms changes in the major internal incentives system, I mean, which was induced in one year saying this will have a great incentive to bring--or had or whatever--to bring their *[inaudible]* to the Board so that these, you know, at that stage rather than when the project was implemented, and that had effect . . .

**BABSON:** I think that's very difficult to document.

**KAPUR:** I mean, sort of *[inaudible]* incentive system long term rather than short term situation which is endemic in most organizations.

**BABSON:** I'm not sure how to answer that. There are lots of--I guess the way I look at the Bank's behavior, particularly in the last four or five years, is that it's almost like an over determined equation. There is a lot of bean counting. "How are you doing on this? How are you doing on that? How are you doing on this? How are you doing on that?" And every time that the Bank is looked at through the prism of one of these perspectives, you orient your experience and your information to put the best face on that particular dimension of the Bank's performance. But the next, a week later, you're in an entirely different lens, and somebody is asking, "How are you doing on Board presentations? How are you doing on audits? How are you doing on responsiveness to women in development? How are you doing on this? How are you doing on that? How are you doing on this?" It's an over determined equation. And somehow—there's, I mean part of the culture of the Bank is somehow all of these concerns are valid, and the Bank should at H Level be able to be accountable to all of them all of the time and that tradeoffs aren't allowed. Okay? That's implicit in the culture. You can't say you're going to do less with women in development in order to do better on audit. It just doesn't work that way.

At my level of the system it all becomes a little contrived. I mean, there is a sort of basic reality of the projects you're working on, you know, at whatever stage of the cycle you're in, whether it's identification through the last PCR *[project completion review]* missions. And there are features of those projects which you can't change--you can dress up or

dress down, but basically there's a reality out there. And to a large extent the timing of lending is driven by what the borrower is able to do not what we're able to do. I mean, to some extent it's affected whether we can put the team out there fast enough or whatever or can find the right consultant. But that's marginal. I mean, most projects go at a pace that is their own pace regardless of how much effort, you know, senior management tries to make in managing things like Board presentations and numbers of loan approvals and the rest of it.

The only way I know how to handle is--at my level of assistance--is essentially to have a pipeline that's bigger than what has been promised, with enough and what someone once called the "double holler" approach. You tell your management that you will deliver this on that date when in fact you're telling your clients that you're going to deliver more faster and you give yourself rope in the middle to be able to switch. If something goes really badly, you can bring something else in and switch it, that you give yourself some timing lags so that you can deal with unforeseen issues without having a portfolio slippage and that you sort of build that into everybody's expectations. If you don't, then you are promising things that almost invariably you can't fulfill because something always happens in a country that slows something up or they don't sign a document or you get into an issue and it's—and then it's--you create the impression of failure to deliver that carries with it the sort of aura of not having delivered. The only way I know how to manage that is to manage the expectation and not create expectations that you don't feel very comfortable that you can live with.

Now, some people do that well and some people do that poorly. Some people feel that they have to over promise in order to get the resources to do anything at all, and if you don't deliver, at least you've gotten the resources and you're, you know, doing the best you can. Other people play it my way. I don't think that there is a standard way of dealing with this question about accountability and managing expectations. My feeling is the departments that have the reputations for being high performing are ones that are pretty good at managing expectations and downplaying things and not over promising.

**WEBB:** I'm a bit embarrassed about the time.

**BABSON:** No, no. I'm completely at your disposal.

**WEBB:** Really? Thanks a lot. It's really helpful. This is the hardest area for us to get at, in terms of organization.

**KAPUR:** There's one that we could do with some help on also, searching out what to look and where. [*inaudible*] but obviously one can get into especially sort of intra-organizational issues of which there are a host of them, not only within the central institution here, to an extent, but some of the people perhaps and it makes consultation, incentives, the whole nature of accountability, accountability to whom, to the managers, to your employees, or to your clients, you know how all that has been—how the institution grappled and changed, evolved, adapted, whatever. And sort of which would

be, perhaps, over time, if you could maybe point out to me, at least in that period when you were involved and maybe later

**BABSON:** I can give you some perspectives on it. There aren't a lot of documents around. I mean, there are a lot of Board papers.

**KAPUR:** Right. But that's always a different thing.

**BABSON:** But I'll give you some of my own perceptions of it.

*[Interruption]*

**BABSON:** We communicate on procurement matters, for example, back and forth very easily and can resolve issues much more quickly than we could in the '70s, and so everything sort of happens in a more collapsed timeframe. And it's true with business around the world; it's not . . .

**WEBB:** Faster and more, I guess, more kinds of nursing of things.

**BABSON:** Yeah. But the response to technology has not been to diminish the need for other resources; it's been to increase the workload. Okay? That's really what's happened because the demand for development work or the opportunity for development work, is so elastic it's really constrained by the ability to communicate, the amount of time and energy that people can put into it.

**WEBB:** Yeah. That's why I guess at the beginning I asked you about diplomacy. It was really a very anecdotal way--it wasn't a very good way to get at what I was thinking about. I didn't want to get into it at the beginning. I'm interested in the—I'm just amazed by the way it's changing. And I keep wondering how does the Bank manage its personnel in like a *[inaudible]* crude, how does it choose the people for the new world?

**BABSON:** Let me give you my--a sort of the broad overview of my views on that and talk a little bit about where we are now. I would say that one of--I guess my general opinion is that the Bank succeeds because of the quality of the people that have been selected to work here and the quality of consultants that by and large have been hired to work with the Bank. That quality, I think, is very much a function of good people picking good people. I think it has had a lot less to do with formal policy and process and a lot more to do with having picked some good people, that they have a habit of picking good people and maintaining a certain standard of intellectual ability and, I would say, integrity, personal integrity, the personal qualities which I find remarkable in this institution compared with most other organization sets that I've been exposed to. And I don't think--to some extent I would say that's not been a conscious outcome. I would say that that is something that is a part of the Bank culture, that has an unconscious element to it. I think it reflects a very high degree of professional integrity within the institution that pretty much permeates the place. You know, you can always find exceptions, but I believe that is the core.

Now the question is, you know, in terms of the organized personnel function, how has that helped or hindered the processes involved and has there been a deterioration in the quality of decision making or an improvement over time. I would say--going back to the historical line for a minute--that the sort of attention focus of the people who are running the personnel department in the late '60s and the early '70s was on the compensation package and the recruitment system. And when the personnel department itself was created--when the administration department was split; this is around '68, '69—and when Reg [Reginald A.] Clarke, who had been in the administration department, was asked to become the director of personnel. And Reg basically was a financial guy. His background wasn't in personnel. His background—he'd had been a World War II ace, a very young, successful RAF pilot who went into financial related things and joined the Bank basically to do financial things and ended up as the head of personnel to make sure that the compensation policies and the benefits policies were adequate to attract good people from around the world--particularly from Europe, I think, in the late 1960s--and to begin to bring in qualified people from developing countries as the Bank took its development mandate more seriously and to put a recruiting system in place that was able to identify good quality people in a large number of places. And I think that the emphasis on the recruiting effort and going out and finding good people combined with this emphasis on getting good, attractive compensation systems was the real centerpiece of the Bank's personnel orientation in the late '60s and early '70s, and which was appropriate to the strategy of rapid growth. And Reg Clark led that effort.

And at the time Martijn Paijmans was appointed as his deputy. Martijn also came out of operations and spent a couple of years and then went back into operations and was replaced by a team of John North and Eugenio Lari, also both coming out of operations, one of whom was given responsibility for the policy side, which was Eugenio Lari, and the other for operational activities, which was John North. And I think it was under John North and Eugenio Lari that these task forces took shape and were the beginnings of a policy agenda beyond simply gearing up a recruitment system and working on compensation policy reforms.

With the development of the Chadenet task force report on staff development, which was I think what they called it, which essentially was a catch-all for everything that you do with people after you hire them and pay them, ran the gamut from cradle to grave.

**WEBB:** When was that?

**BABSON:** That was around 1972, '73. The report finally came out in its final form in the fall of '74, I think. And there were a series of task forces that were led by different people, looking at training, looking at reassignments, promotions, et cetera. And they basically came up with--and the overall report that was a kind of map of topics and directions to guide policy process, policy and system development, a major undertaking. And it set the whole philosophical frame for the way the personnel department saw itself gearing up for the 1970s and the post-growth effort period.



They created a staff development planning division, which Jim [*H. J. James*] Dyck was put in charge of. His first job was to create a performance appraisal system. They hired a training specialist. There had been a language training program, but there had been no organized professional training or management training. They hired Pierre Casse to be the professional trainer and to look after the language training. They hired John Waterston as the management trainer, and he had come out of Coverdale, which was a British management training outfit that did some early training of Bank managers on contract. John was a trainer, and he was credible to the Bank, and his father had been here and was a well-regarded staff member who had retired by then. John decided to come and leave the consulting business to come in here and develop the management training effort. I was recruited as the policy person--this was back around '75, now--to work on all this agenda that had been created by these task force reports and to begin cranking out personnel policy statements and work up procedures and clarify roles, responsibilities, decision authorities, et cetera, around the different areas of personnel management.

Our whole approach during that time was to take a very consultative approach. You'd draft. We had meetings with the Staff Association. We circulated drafts widely around the Bank to get comments from department directors and used a very--a process that involved large amounts of inputs from all over the Bank in shaping our final policy papers which were then taken to McNamara's president's council for approval, but after a very involved process. On reflection I think that was an extremely valuable thing to do because through the process of writing these policies we were in effect affecting and influencing the shaping of the Bank's institutional views of how people should be treated on issues of careers and promotions and reassignments and training. And the process of consultation and back-and-forth memos, while very time consuming—and my personal files are full of all of the correspondence that we had during that period--it was way of, there was an institutional dialogue that occurred around these sorts of subjects.

**KAPUR:** One more small sort of interruption. How interested was McNamara in intra-organizational issues of this nature?

**BABSON:** He was—I would say I am not sure how to answer it. He was interested in the sense that he knew that we needed to have it, that the organization needed to equip itself with more formal policies and procedures, that an informal system could not serve the type of organization that he had put in place. So he supported all of this very strongly as a necessary part of institution building, capacity building at the Bank. He wasn't all that personally interested in how we did it, whether you promoted this way or that way or reassigned this way or that way or the mechanisms. What he was concerned about is that there was something put in place.

He was very decisive. I can remember attending a meeting when we had put a lot of effort into writing a reflection on career planning and career concepts in the Bank, wrote a report which was widely discussed, had written proposing a number of major changes in policy and processes, when we introduced job postings for the professional grades for the first time, created reassignment panels to facilitate lateral transfers in sectors, adopted a different philosophical approach to careers and how they should be approached in the

Bank, all of which was, had been through an enormous process. It went up to McNamara for discussion with the president's council. I was invited to attend that meeting. McNamara walked in, took this piece of paper with all the supporting things with him, walked in, dumped it on the table, and said, "I think this is a superb piece of work. I think it should be implemented without delay. Is there anybody who has any questions?" You know, and that was it! There really wasn't at that level of the Bank real discussion about philosophy and approach and mechanisms. There was--our process had done a fair amount through the consultative iterations of building up some consensus before it got there, but the way that he operated didn't add to that at all. I mean, it was the ex cathedra kind of approach on these types of management issues.

**KAPUR:** Did Burke Knapp at all . . .

**BABSON:** Burke Knapp was totally uninterested. I mean, my favorite Burke Knapp story was the case of some very messy termination of a secretary or somebody that was just awful, and it was going to lawyers and going to the courts and very, very messy. It was being handled by the division at the time that handled support staff cases. And this--he was acting because McNamara was away, and this needed his personal attention because there was a major legal issue involved. And they sent this documentation up to him, needed a decision so they could get on, and he sent back a message saying, through his secretary, saying he was busy doing Bank work and didn't have time for this, you know. And that was basically the attitude of senior management: "Don't bother me. Solve problems. Get them out of the way. Don't bugger us with these sorts of things."

**KAPUR:** Was [*Alden W.*] Clausen and [*Ernest*] Stern--was that duo different from the Burke Knapp . . .

**BABSON:** Very different. Let me come to that when we get to that stage of the history.

So we spent, I would say, the last half of the '70s building an infrastructure of policy and process, trying to build some consensus around the philosophical underpinnings, and through a very iterative, consultative process with a lot of interaction with the staff association. And that's the sort of game that we were in until we got blasted by the whole compensation issue on Kafka which put the whole staff development effort on hold while the Bank at every level, from the EDs all the way through, was traumatized by compensation and what was felt as an attack on the institution by the U.S. on the appropriateness of this whole compensation/benefits package that had been put in place basically in the early '70s to promote the growth strategy.

By the end of the '70s the growth curve was over, and the Bank was flattening out on growth. What we began to see from the manpower planning part was that with the decline in growth and with low turnover rates--which is another issue we can talk about--we found that there were more--the average age and average length of service at the Bank was beginning to move up pretty rapidly. It was becoming a much larger, more mature organization of people who had been around for a while. And that added pressure. Those general organization developments were adding pressure on the staff development side

because the more people had been around longer, the more that they felt the need for some institutional framework for dealing with life after your first assignment, you know. You may have felt that yourself. After four or five years doing, you know, recruited into one job, what's next? Well, some people left, like you. Others didn't. The question is what were the frameworks for a multi-job, long-term relationship with the Bank over time? How did all that work? And that's we were about, creating frameworks and trying to build consensus around that during the '70s.

I must say that the issue of reassignment, of all the issues I've ever worked on in the Bank, is the one on which there was the least consensus--very heavily weighted opinions about how strongly it should be free market, sort of let a market go and let people end up where they will over time, versus how centrally-directed the reassignment system should be, a kind of Japanese model: "The Bank knows what's good for you, and we want you to go here and here," and a managers' job is to take, to be stewards of the institutional assets they've been given charge of, but they should take and release the people depending on what the Bank says that it should do. And you have these philosophical orientations to managing people's careers, and there was absolutely no consensus in the Bank on that when we were trying to form a basis for this. And so we ended up taking a kind of managed free-market approach, not leaving it entirely open-ended but not being overly directive from the center either and distributing responsibilities between line managers, individual staff members looking out for their own interests, and the central personnel functions. And I think that this dynamic of the interests of the Bank as an institution of individual staff about their own lives and careers and about unit managers who are basically trying to deliver a work program really set up the tension for the whole system. As I look over the years here, I see it's almost like a pendulum that has shifted from one toward the other of these reference perspectives as the dominant force behind the activities of the personnel function. In the early period it was basically driven by meeting individuals' needs, paying them well, giving them money benefits, the whole approach to problem-solving and crises which was to have a very "mother-hen" type of approach . . .

*[End Tape 1, Side B]*

*[Begin Tape 2, Side A]*

**BABSON:** . . . and then later on it shifted more toward meeting the institution's needs, and there were concerns about people spending too long in one place, the need to avoid, with the regional structure, the creation of six different banks, an active promotion of transfers across regional boundaries as in the institution's interest in maintaining some coherence in the overall long-term interests of the Bank and consistency in ideas of development across different geographic areas, et cetera. So there was a shift from sort of focusing on the needs of the individual and making him feel good and wanting to join the Bank and stay to how do we address some of these institutional needs through our policies of promotion, reassignment and the incentives, the signals that get sent through the criteria that drive decisions on promotions, the criteria that drive decisions on reassignments and on salaries and the reward system, the merit pay system, and what infrastructure can be put in place that will create, through those signals and those systems, an understanding of the institutional interests and the ability to see whether

they're being met in practice. And I think that that was the driving force through the late '70s and the early '80s.

And then in the reorganization of '87 the pendulum swung very sharply away from individuals and institutional interests to line managers, and the idea being, "Let's sort of get central personnel off our backs. Let's realize that individuals are not as important as meeting the needs of line managers." So we put the personnel teams, decentralized them, basically put a lot of discretionary authority in the hands of units of line management in the regional, departmental, and at my level, took away a lot of infrastructure of process on things like recruitment and reassignment. A lot of the capacity that was created in the late '70s and early '80s was completely dismantled after the reorganization in terms of central personnel focuses, because what was driving that--I put the entire (I would say—I'll use my--I'm biased on this) blame on that--I think it was a major mistake--on Bill [William J.] Cosgrove, who was driven by this desire to somehow get central personnel power dismantled and distributed to line managers. And that was a driving--Martijn Paijmans left over that issue, and when Bill won that political battle that was the driving force of what happened to the personnel function during the reorganization and leading us now to the stage where for the new president there's a swing back in the other direction, towards wanting to reassert institutional interests in the way the personnel function is operating and to take away some of the independent authority of unit managers to do virtually whatever they want. I think that's an appropriate shift in terms of getting the balances right. It's gone too far. The question is how to do it without giving up the good things of decentralized management accountability which is the task this task force now working has got on its plate.

**WEBB:** What task force is that?

**BABSON:** It's headed by Harold Messenger, who established this--I think the very first act of Lewis Preston was to establish a task force to come up with a way to strengthen the central personnel functions.

**KAPUR:** [inaudible]

**BABSON:** Yes. In fact, I'm meeting with them tomorrow because they're coming to ask me the same kinds of questions you are about mining my experience because they haven't got any of this either.

**KAPUR:** There's been a [inaudible] when one has heard this sort of Paijmans/Cosgrove, what I'm not sure is that these sort of battles which occurred around the reorganization of the personnel structure and processes, what was the playing field? I mean, did they occur within the task forces? Was that the group within which and then some people fight it, or it was vis-à-vis their relationship with [Barber B.] Conable that those battles were won or lost?

**BABSON:** I'll give you my opinion. I wasn't on the front line of many of those, so I don't have personal direct experience. My impression was it was done not in the task

forces but outside them. On this one it was the fact that Bill managed to get himself appointed head of the task force that dealt with the personnel set of things, and once he was head of it, it was his thing. Martijn was not part of it. Martijn was part of an old management structure that was, in the thinking of the times, being dismantled--which I think was a terrible mistake from the institution's point of view. His wife had died, and it was a difficult period for him personally. But I must say two people that I admire greatly in the Bank are Martijn Paijmans and Reg Clarke, neither of whom I think have been given the kind of institutional appreciation for their impact that they deserve. I mean, there's been a lot more talk about Ernie Stern and Burke Knapp and people on the operational side, but I don't think that there has been an institutional appreciation of what Reg Clarke particularly did for this institution during the time that he was in charge of the personnel function.

**WEBB:** The Bank really doesn't have heroes, does it?

**BABSON:** No. No, it doesn't.

**WEBB:** There are important figures, obviously. You had McNamara . . .

**BABSON:** Well, what you find is there are loyalties. The whole issue of loyalty in the Bank is a very important determinant of a lot of the behavior. You are talking about incentives. A lot of the incentives really come from the loyalty relationships. And at one stage I wanted to do an analysis of what I called "the comet effect," which was when a big person went from here to there, what the trail or the tail of subsequent reassignments was as people get pulled along in his orbit.

**WEBB:** Did you ever do that?

**BABSON:** No, but there is enough anecdotal evidence. You can see it, how that--I can see it now happening in what's happened the last three weeks, whose careers are being affected by the decisions that Preston has made to put certain people where they've been put.

**KAPUR:** I mean, it was even [*inaudible*] at this point. There were, I mean, when he was at sort of those who were identified with sort of SVPs [*senior vice presidents*] and then those were identified with sort of VPs [*vice presidents*] when they moved, LAC [*Latin America and Caribbean Region*] was . . .

**BABSON:** Right. When [*S. Shahid*] Husain went from Asia to LAC you can see over a period of years the drift this way. And, you know, when Ernie went from here to there you can see a drift.

**KAPUR:** And when [*inaudible*] goes back again . . .

**BABSON:** We'll see what happens with [*Wilfried*] Thalwitz now as people move into the Soviet system. I'd put myself in that category. I mean, I first got to know Gautam [*Kaji*]

when he was assigned to be director of personnel, but when I wanted to leave, he created a space for me in the Indonesia division. And then he subsequently picked me to be in this job, so I'm probably seen in the Bank as sort of in Gautam's orbit.

**WEBB:** Well, that's a very helpful way to see the evolution. What you were saying now reminds me. We were talking to someone just yesterday who is retired, Ben [*Benjamin B.*] King. He came out with very sharp comments against the decentralization of personnel. He was speaking particularly of the fact that he didn't have an independent judge element. He couldn't complain, didn't have any recourse.

**BABSON:** Well, there is recourse but it's only to the staff. You know, as a manager you don't have much recourse, you see. I mean, I think one of the things that we did do in the '70s was create a very good appeals and grievance system. I don't know an organization that has as good a structure of handling conflict situations with the staff level as the Bank does with the ombudsman, with the appeals committee and with the tribunal. I think the Bank has a very good system for managing conflicts when it comes to individual relations with staff and the employment relationship.

The issue really has been on the staffing side, reassignment and promotion, external relations. And there to some extent it's important to realize that the Bank by the choice of its organization structure has made life difficult for itself because if you think of most personnel processes, whether it's recruiting, reassignment, training, and professional promotion, take those four core things. They're really much more comfortably organized functionally than geographically. If you're taking educators, you know, you're recruiting an educator to the Bank. You're training an educator. You're promoting him from a Level 23 to a Level 24 based on something about quality of educational work. You really are managing that career in a sectoral context, yet what we have is a regional geographic structure of management. And, you know, I sit here. I'm one of five division chiefs. But what happens to my educators? They don't go to the other four divisions here. It's not really a career option for them to go work in infrastructure or urban or to work in the macroeconomic division. When they think about their careers, they think about going to work as an educator on China or in Africa or Latin America or in the research group. So from the personnel side the Bank has to organize its core processes around functions, not around geographical structures, because that's where the real decisions are. Where do the criteria come from? Is this guy a 25 or not? That's a decision really within the sector, not within the department. Should this person get training? Should this person transfer their experience from working in Malaysia to working on Argentina? Those are all sectoral issues, not regional ones. And so--and this is the advice I'm giving this committee that's coming up--the way to organize the central personnel function is around these sectors of the organizational dimensions that the Bank has got, which is this functional one. If we had organized functionally--and the Bank was back in 1972--then you need to have central support on the geographic dimension, but we've chosen to use geography as our primary structure. So in my view the greatest value added that the central personnel function can provide is to make sure that the second dimension is well attended to and that horizontal processes of management, not just the vertical ones, work effectively.

And that, really, that understanding was lost during the reorganization. There was a lot of focus, in my view, on improving the vertical management processes, the way decisions are made, clearances are given for loans, the authorities at each level of management in the hierarchy to know what you can decide and what you can't, et cetera. The reorganization did a good job of clearing the wood, thinning the woods, on the vertical management side, but it totally messed up the issue of horizontal management processes, and they are critical to the success of the personnel function. That's what I hope will be redressed now. It's going to take a major task force and some clear thinking to put that back in place, but that's really what needs to be done and why the matrix structure that the Bank adopted in 1972 really made a very complicated environment for doing personnel work because of this interplay of sector and geography, meaning that there are a lot of units where redeployment of people has to be managed. It just doesn't happen. It's no problem in the legal department because you have a congruence of function and structure there, so the legal department can reassign lawyers from division or from here to there quite simply, same thing in the loan department, and largely in the finance complex where you don't have the geographic complication. As soon as you get into operations and PRE, then you have this problem that you require a strong personnel set of systems to be able to manage across those boundaries.

**WEBB:** Through this history, how has compensation gone? How can we get the record on that? How has it evolved?

**BABSON:** That's probably the best documented part of the story because every year the Bank's management goes to the Board with a paper that proposes changes in compensation for the next year. And because of that active involvement of the Board in compensation decisions, when they are not actively involved in any other personnel decisions--except the selection of the president--there is a lot more typical staff effort that goes into what we say to the Board and discuss with the Board on compensation. So there are a whole series of Board papers. If you wanted to get a full rendering, you could get each of those Board papers and study it.

It was marked by two major events, one in the late '70s which was called Kafka I and then one later on which was Kafka II which was . . .

**KAPUR:** Those were '84?

**BABSON:** Well, even later than that. It really emerged after the reorganization in its final form, where we went back to first principles of trying to come up with a compensation system that was based on some rational structure of making decisions about how much salary was appropriate to pay people in the Bank and try to depoliticize the environment around compensation.

Of course, the real issue in compensation has been this tension between trying to come up with a rational, data-based framework for deciding how much people should be paid, given the range of different skills that the Bank recruits, given the different countries that people were recruiting from where the markets for these skills command very different

prices. So it is a very complicated subject for the Bank because you're dealing with different prices for the same skill in different countries. You're dealing with different countries that price things differently because of their general economic development status and a lot of pressure from the high-cost countries to make sure that their people don't get left out of the Bank because they're priced out of the market, but then a feeling that if you pitched the whole system to the highest-priced countries, then somehow you're overpaying a large majority of people in relationship to the market prices for their skills in other parts of the world. How do you "pitch" the system to the great differentiation that exists in the world for what it pays for the same skills? And that's the problem that the Bank and the Fund and any other large transnational organization has got to deal with. And it becomes very political. So the U.S. will say, "You're overpaying everybody," and the Japanese and the Germans will say, "You can't afford to recruit us, but we want to be there."

**KAPUR:** But hasn't the Bank sort of forced the issue on itself because of its more centralized organization structure? When Volkswagen sets up operations in Brazil, they don't have all the employees Germans in Brazil. They recruit most of them, Brazilians [both speaking at once]

**BABSON:** Locally, yeah, I mean, that's true, but if you're going to have a DC-based staff, and if they are . . .

**KAPUR:** And insist on them being in D.C. rather than in New Delhi or Jakarta or wherever . . .

**BABSON:** Right. But then you see what value added are we going to be to putting a big staff in New Delhi hired mainly by Indians to do work on India? That isn't bringing the value added in the international experience to bear on the development process. So it really--if you're in a manufacturing environment, you can see it; but if you're in the kind of work that we do, it doesn't make sense. On the margin, yes, you can use more local consultants, more local staff in certain areas, but there are real limits to how far you can push that without fundamentally changing the mission and, you know, the character of the institution.

And I think personally that one of the greatest strengths of the Bank is having people in Washington because again it's the horizontal, the informal horizontal networking that cuts across all the formal structures and processes of the Bank that really are what make the Bank what it is. It's the network groups, the people who sit down together. The family planning crowd from all over the Bank knows each other. They care about what they're doing. They want to know how the people handling this in Brazil or in Nigeria and what we're doing in the Philippines. They will have working bag lunches. They will get together informally. They'll go off on a half-day retreat—all kinds of things that happen informally without a lot of effort but which glue the place together are extremely important for making the Bank what it is, quite separately from the formal processes of reassignment and training, the fact that there are enormous informal networking relationships that have been reinforced through All-in-One. One of the great, I think,



advantages of All-in-One is how it has supported these networks of people around the Bank who come together because they're interested in certain things. There's a health insurance group. There's a group on vocational training. There's a group on nutrition, you know, and these people network with each other. You know, we talked earlier about the importance of local processes in development. It's absolutely true in the Bank itself, that it's the encouragement of these informal networking, informal contacts among the staff, sharing of information, networking on consultants and who's good and who's not--that's what makes the Bank work.

**KAPUR:** But is it because or despite these structures that this happens?

**BABSON:** I think it happens—well, I mean any structure will create boundaries, but the asset is having people physically in Washington. If you have them sitting out in different physical locations, it won't happen. The fact that we can get together for lunch, or somebody from PRE can say, "We've got a guy who's just written a report on this issue in Thailand, and anybody who's interested, we'll have a working bag lunch over at . . ." The weekly bulletin and the electronic mail is full of these kinds of invitations. In my view, at the technical level, that's what's really the enormous strength of the Bank, just being able to get these people together and generate the learning, transmit the creativity that's occurring in one place into people's thinking someplace else.

**KAPUR:** You were about to say on historical things, the difference between [*inaudible*] McNamara's and Clausen's of the '80s.

**BABSON:** Well, I think presidents make a big difference at one level and very little difference at another level. The difference between McNamara and Clausen was night and day. McNamara was very remote, very decisive. He was perceived correctly as being involved in lots of micro decisions. On the personnel side he made every promotion decision to a structure position at what was called Level M which is now 24 up. He personally approved every single promotion to a division chief, the creation of every single senior position. I know because I was the guy who coordinated all of that for a number of years in what we called the senior position planning review. He made micro decisions on grading and on selection himself.

So he did--what McNamara knew is that the two ways that you could control the Bank as the president were who you appoint to senior positions and the budget. And he had a strong personnel department that played a very strong, particularly at the management level, staff role to him. He was the one who made the decisions, but boy, the information was there. And he had a very strong budget department in the P&B [*Planning and Budgeting*]. He had personnel and P&B under him and effectively reporting directly to him. Reg Clarke reported to McNamara. Georg Gabriel reported to McNamara. They were the instruments by which he made the Bank do what he wanted it to do, absolutely no question about that.

Clausen--you hear all the stories about not knowing what levers to pull--he never figured out that the way you pull the levers is to have a strong personnel and a strong budget

department. What he did is he got into teamwork and senior management and all of these sorts of things, and he tried to get a top group of people to work as a team. It didn't work. And he wasn't willing to use the levers of control that McNamara did through a strong personnel and a strong budget director who did his will on a personal basis. He wanted to encourage. He came in basically saying, "You guys don't know how to work together as a team." So he worked very hard to try to get teamwork [*inaudible*] He's the one that wanted to do an attitude survey. He's the one that tried to introduce sensible management behavior into the Bank, the different systems, levels.

And I think you could rightly argue that the system that McNamara created by the end of the 1970s was one of what I would characterize as a sort of cylindrical management where the division chief director, vice presidents, senior vice presidents, were all supposed to know exactly the same thing and report up here. Very little horizontal interest, very little differentiation by level about the detail of knowledge you're expected to have. Of course, the psychodynamics of that were mind-boggling because everyone was expected to have every fact or possible contingent answer on the tip of their tongues at any moment in time. Now, that's a very frightening way to exist, and so that created a lot of, in my view, unnecessary tension in the Bank at the different levels where a vice president was expected to know as much as a division chief. A division chief was expected to know as much as the project officer. And so there was a lot of emphasis on equipping yourself with the information to be able to respond--which, in my view, was very dysfunctional.

What Clausen did is he began to try to break that down and to say, "Look, you know, there are different responsibilities at each level of management. You work together as a management team, and you delegate, et cetera, et cetera," but it was a very difficult environment. It had been conditioned by McNamara's behavior, and people didn't react to it. It was very frustrating for Clausen.

Conable came in. Well, by the time Conable came in there, you know, had been a couple of attitude surveys, and things were beginning to loosen up a little bit. But Conable came in without any real management background, and he came in with a mandate to reorganize the Bank. And so that led to entirely different type of apprehension when, you know, the Bank was put through that experience.

Now, Preston is taking entirely, I would say—he's a very, I think, competent manager. And I think that he is going back to really closer to where Clausen was in some ways, really expecting lower level managers to do their thing and not come to him unless there is a real need to and expecting them to handle the horizontal coordination necessary to do the right thing. Now, we'll see how it works. But the grand experiment is whether people will respond to this particular style of running the place.

The question is do all those differences--and I think there are quite real differences—make much of a difference at the bottom end of the system, at the division level where the work gets done, or is it really only atmospheric in terms of the relationships at the top three layers of the Bank. And the answer there is I'm not sure it makes all that much

difference. I'll be interested to see whether what we do and what I do and don't do changes much as a result of having Preston in charge rather than having Conable in charge. My guess is not a lot. But, you know, we'll see.

**KAPIR:** Just one bit of sort of changing the question slightly. Just looking at the issue of management and attention, what sort of--we went through all the PC [*president's council*] minutes in the years to '91. What amazed me was how much time management seems to, you know, [*inaudible*] people in the Bank seemed to spend on what I would have then thought were very mundane issues, travel policies, every six months for the last 20 years it comes back again and again, you know. And it's more an issue of asking--I was wondering if you think that because there's a finite amount of time in which every manager operates worldwide, and if you are discussing X, by definition you can't discuss A and B.

**BABSON:** I'll give you a very personal view of that. I think it's a function of the fact that there's a resident Board. The reason they talk about travel policies is because the Board keeps bitching about travel policies not because there is a strategic institutional issue around travel policy. I think the existence of a resident Board has a major impact on what senior management does and how it spends its time, traditionally, looking back.

There is one school of thought that views--it's not, I would say, recently, but look back in the Clausen era--as the sort of senior management being very tactical in its management orientation whereas division chiefs, lower management, being very strategic in a kind of reversal of what you would consider normal where it's relative management orientations of senior and in line management. We're doing country strategies and trying to strategically position the Bank to do this and that and the other thing, and they're up there talking about travel policies! And, you know, it seems to be a reversal of orientation, which may or may not be a good thing. It's just peculiar.

I think a lot of it has to do with a--to go back--with the existence of a resident Board and the fact that the Bank in fact has two concepts of client systems. One client system is the Board, and my personal opinion is the Bank's management and staff really are on a continuum of how they orient to, what their perception of who their client is, and the president and the senior vice presidents orient almost entirely to the Board as a client system. They're there. They sit with them every week, respond to their concerns, somehow try to represent what the institution is doing and should be doing vis-à-vis that representation of the client system which is the resident Executive Directors, whereas at the division level, the other end of the spectrum, the staff and certainly SOD chiefs like me, my primary client orientation is to the secretaries general out there, to my specific agencies, the projects I'm working on, the problems that they're having, how I can help or hinder the efforts of my clients out there in these agencies, and what the Bank is doing to help them in doing what they need to do and what resources I'm mobilizing to help them to address their problems and coping with the problems that they're being confronted with. Some of them are systemic in the countries. Some of them are their own making. Some of them are, you know, whatever sorts. But the staff are really, live in that client system. The SOD chiefs pretty much live in that client system.

The fulcrum of all of this, in my view, is the country director who really is probably the part of the management system where the balancing of spending time and worry about responding to the needs or perceived needs of the Executive Directors is balanced pretty evenly with responding to the needs of the client countries that you're responsible for, and there the balance is about equal. Above that I think it's tipped in favor of orienting primarily to the Board and below that I think it's tipped to orient primarily to the clients out there. And there is a tension, then, because of this duality of client orientation that exists in the Bank. In the end it all comes back in one loop, of course. But the fact is that the people who sit up there focus on different things and care about different things than the people who sit out in these agencies do. And they expect different things of the Bank. So you're always adjusting to try to figure out whose needs you're trying to respond to. And there is a tension between responding to the Board and responding to your own clients.

**WEBB:** That's really an interesting view. I don't quite understand [*inaudible*] particularly the position of the country director. It seems to [*inaudible*]

Is Paijmans around, do you know?

**BABSON:** He's in Europe.

**WEBB:** He's Dutch?

**BABSON:** He's Dutch. [both speaking at once] I haven't seen him. I know that he's actively consulting for the EBRD [*European Bank for Reconstruction and Development*] in helping them organize their management system, so I think that's putting a fair amount of--taking some time.

**WEBB:** We should talk to Paijmans.

**BABSON:** Yes, I think that Martijn would be a good person to talk with.

**WEBB:** And is Reg Clarke alive?

**BABSON:** No, he died of cancer about two years ago.

**WEBB:** Is he the one who wrote the book, the novel?

**KAPUR:** No, that was William Clark. He was a PR.

**WEBB:** That's right. And Cosgrove? Is he in the Bank still?

**BABSON:** No, he was, after the reorganization, appointed vice president, and then he left under very peculiar circumstances. He announced he was going to run for office in Canada, and then he was told that he in effect was terminated from the Bank because he

couldn't run for public office in a member country and be a member of the senior management of the Bank. He occasionally floats through. Now, he didn't win, and he's now doing consulting in Canada but basically has no significant relationship with the Bank that I'm aware of.

**KAPUR:** He was the only *[inaudible]* person on that body that I would risk asking that. I got a lot of this story from *[Robert]* Calderisi.

**BABSON:** There was one other thing—you know, I don't want to take up all of your time, but there was one other event or defining event.

**WEBB:** You don't have to worry about our time. This is terrific help.

**BABSON:** There is one other defining event in the history of the personnel system here that is a story that you should have down right, and that was the creation of this document, the "Principles of Staff Employment." You see, the Bank--if you look at it from a legal point of view, the Bank does not exist in a world of labor laws that define requirements of employers vis-à-vis their employees. And most national organizations, public and private sector, have to operate within an externally imposed system of rights and obligations within which then they have certain latitude to modify those for their own business interests. The Bank doesn't have that. The Bank is an open-ended employer. There are no external references to what is good and bad practice as far as the treatment of people that the Bank employs to do its work.

And the legal side of the whole personnel system is a whole story of its own. And it started with the recognition that there were some rights that staff had if they were employed, that they were to some extent embedded in formal personnel policies because that's the written documentation of what the Bank says its intentions and obligations are. And that that there are also--there was a whole debate over the notion of acquired rights and whether the practice, even if it was not articulated in policy, constituted a right, so if you treated people a certain way consistently, whether that then became a right in the employment relationship. It was a legal question.

The Bank first began to focus on this set of issues during the mid-1970s when Eugenio Lari, who was the assistant director of personnel at the time for policy, took the lead in writing up the terms of reference for the appeals committee. The first thing that we did was to recognize that certain management decisions staff had a right to question and that there should be a process to review that. But that was all still an internal process within the management of the Bank, and in effect the appeals committee advises the vice president of personnel about whether a decision that a manager made was in good keeping with appropriate behavior, but it is still an internal management decision whether to accept that advice or not. But that was the first step that the Bank took towards recognizing that there were certain boundaries to managerial discretion that should be honored in the relationship with employees. That led fairly quickly to the creation of the administrative tribunal where in effect the Bank accepted an external framework to

evaluate its own behavior in this area and where the decisions of the tribunal would be binding on the management of the Bank.

**KAPUR:** Was the Bank sort of a follower in this with respect to the other agencies in the UN system?

**BABSON:** No, I think that the UN system as a whole, and I think OECD, had tribunals before the Bank did, but the Bank was ahead of the IMF. And I think when we were putting the tribunal together--and I worked on it with the legal department and with Reg Clarke--the basic framework for that, we tried to draw lessons from the UN and OECD designs before going ahead with the proposed design for the Bank's administrative tribunal. It does differ from them in certain material ways. I can't remember offhand what they are, but they are--we did go through a very conscious review of that.

And the tribunal system has worked relatively well. But, of course, once it began to function, it all of a sudden increased the risk to the institution of mistakes, having accepted an external review body and to accept the judgments of those bodies. That led to the lawyers basically saying, you know, "You've got to have a more coherent, clear, legally defensible structure of policy and procedure in order for the Bank not to find itself in trouble."

So that led, in the logic of things, to saying, "Okay, well we need to throw out the personnel manual," that thing, and replace it with something called the 'Staff Rules.'" The personnel manual was written more from a philosophical "These are the things we intend to do and the philosophy of what we're trying to do and why, and here is sort of how it works and what the responsibilities are, et cetera."

The legal department said, "That's very fuzzy because if you are laying out statements of intent, someone might actually believe that the Bank has an obligation and there's a difference between wanting to do something and having an objective and actually committing yourself as a condition of employment to delivering on it." Like a promotion, for example, do staff have a right to promotion or not; even though we want to promote people, but do they have a right to it? You get into that kind of discussion.

So in the end basically this led to the feeling that the Bank needed to have a more formal structure of rules and regulations around to govern the employment relationship and that that had to have some standing with the Board, not just internally. So the way that we worked it out was to write something called the "Principles of Staff Employment," which was adopted by the Board in 1983, which lays out the basic framework of, if you like, the rules under which the Bank personnel policies and ways of relating to individuals that it enters into an employment relationship with would have to be worked out. So this in effect became almost like a constitution for the personnel policies of the Bank.

And this was supplemented then with staff rules which were much more detailed and go into each of the areas of benefits and reassignments and training, et cetera, et cetera, in

great detail and lay out how things are done and what the criteria are, et cetera, et cetera, in great detail which then become the legal framework for what we do.

The staff rules are changeable. I mean, the idea was that the principles would be something that would be general enough long term in framework so that they themselves would not have to be amended very frequently--although there is a procedure for amending--but that the staff rules within the purview of management could be modified as circumstances changed, as policies changed, but through a clear process in which consultation with the Staff Association became mandated by the principles in terms of a check. We spent a long time putting this together, I mean, the Staff Association, the management, the lawyers, Board, trying to be comfortable establishing what in effect is our overarching labor legislation. This came to a head in '83--just about a year or so before I left--and was published. And then this effort to convert personnel policies into staff rules and to flesh them out over time, that process is more or less in place now.

**KAPUR:** Where does the ombudsman fit in?

**BABSON:** The ombudsman is part of the grievance infrastructure. And the ombudsman was created after the appeals committee and after the tribunal as the third element in the grievance system on the philosophy that while we had a very good formal process of grievances and appeals, that a lot of conflicts and a lot of costs could be avoided through a facilitating mechanism. And the ombudsman was created as a preventive measure for resolving conflicts without having to engage the adversarial quality of the formal processes. And I think it's been a very effective program in conflict resolution, and where things can't be resolved through the ombudsman or through normal mechanisms, then we have the vehicle of the formal mechanisms. But once you opt into the appeals committee and the tribunal, then you're into an advocacy posture.

Now, what's happened is that a lot of the subtlety and sophistication got thrown out during the Cosgrove era, and a lot of the capacity that was created to deal with these things in central personnel either left, like me, you know, or just got dried up. And now I think the task that's facing the Bank is to recreate that capacity and make it better and figure out what it needs to do for the future. I'll bet you there are people over there who probably don't even know that these things exist.

**WEBB:** Yes.

**BABSON:** That's frightening.

**WEBB:** Yeah. This is kind of a question on the margin of all this--this brings up; it keeps coming back--the question of memory. It's frightening how evanescent it seems to be.

**BABSON:** Right. And it says a lot about the impact of personality on the institution, whether it's big people, like a Burke Knapp or an Ernie Stern, or it's little people like me who carry the institutional knowledge of the history of personnel functions.

**KAPUR:** I mean, it's sort of—it's more than only personnel, on a lot of operational issues also. Every new person who's sort of become in charge . .

**BABSON:** Does it their own way.

**KAPUR:** . . at least a higher percent of reinventing the wheel. I guess that's one thing that one does when one knows history. One sees something and one says, "Well, I've seen this before." You got back and you realize you've seen it even before that.

**BABSON:** Right.

**KAPUR:** And there isn't that much new as much as there is made out to be in the newest one, and yet the sheer amount of effort that seems to go into creating the new one isn't worth it. I mean, you don't get that much marginal benefit . . . seem to be as much.

*[End Tape2, Side A]*

*[Begin Tape 2, Side B]*

**BABSON:** The Bank is such a task oriented institution [*inaudible*] focus on the sort of process and housekeeping kinds of things that really is less valued. It's true. People say, "I've got a project to do. I've got an issue out there to handle," whether it's a crisis situation of a country whose balance of payments is falling apart or whether it's trying to get the department of health to actually deliver something to some poor person over there. And there's a complexity of taking on that task and trying to make it better that dominates, and the sort of maintenance activities of keeping track of institutional history, of, you know, maintaining knowledge and being able to know where precedents are and being able to relate to them, and getting the information infrastructure to bring that to people when they need it, implies a management overhead that the Bank has not invested in.

I would say—you know, there has been a lot of debate over the years about whether we are a fat or lean organization. And in my view the Bank is very lean on the management side in terms of these management systems--not on the budget but on these sorts of things--and I think your earlier question of how do you make judgments about what should be done and what shouldn't be done is a good one. The biases are in favor of the tasks that respond to real needs for development. That's a bottomless pit, and it isn't a way of really allocating resources. You end up controlling allocations of resources by controlling the inputs by saying, "I'm not going to give you more positions. I'm not going to give you more money. You have to somehow survive with what I've giving you."

**WEBB:** It's ironical, isn't it, about maintenance because the Bank is always castigating countries, borrowers, to remember maintenance roles and whatever.

**KAPUR:** Well, there are a lot of ironies which you see [*inaudible*] in general internally.



**BABSON:** Well, I must say that, having been in the business of trying to develop the Bank institutionally when I spent all those years in personnel, to go out into an operational job where we're in that role, you know, it is sobering how difficult it is to do. It's very easy to say and very difficult to do.

**KAPUR:** Well, I mean I think one of the biggest ironies of the '87 reorganization was the internal conflict that when the institution tried to downgrade [*inaudible*] staff, which seemed to be one of the mandates not the only mandate, and yet the ease with which the Bank goes out and tells the public sector side cut down by X percent, where, of course, the social security network and golden handshakes are much, much [*inaudible*]

**BABSON:** Well, it's the old "I love humanity; it's the people I can't stand" kind of issue. You know, when you get down to dealing with individuals as opposed to entities, then you engage a whole 'nother set of dynamics. And I think the psychological and emotional side of organizational life in a multicultural setting is something not often talked about in the culture of the Bank. People don't talk about emotional things, but they're very important. Loyalty is important. Fairness is important. Openness. You know, they're things—they're part of the reality of the institution. Whether you bluster about whether people are candid in performance appraisals or not, the fact is it's a human system and you make—and a human organization—you can look, again look at the Bank as various lenses as a legal system, as a financial system, as a development agent. It's also a human system. It's a collection of people who bring experiences, feelings, values, attitudes, all kinds of stuff into a common enterprise.

And the question is--if you look at the Bank from that set of lenses in the informal as well as formal ways that people relate to one another and look at it as a series of relationships that have to be maintained and managed and handled in ways that have outcomes that are valued both for the institution, for the client system, and for the individuals--then the question is how do you see the role of the personnel function or its management managing these outcomes. You can't ignore the internal outcomes for the participants in this system as part of the process, but that requires an appreciation for what those internal issues are, in a group or in a one-on-one or in a formal employment relationship. And that's where I think things have gotten a little weak because in this pendulum between the institution, the individual, and my management, it's been a long time since the Bank really focused on individuals and what really is--what individuals need in order to feel motivated and hard-working and all the rest of it. I think in general things work pretty well if you believe the attitude surveys at the local levels, but the fact is there isn't really much institutional thinking going on about how to respond to needs of individuals other than through the benefits system.

**KAPUR:** How worthwhile do you think it would be for us to go through the historical attitude surveys to get a sense of the sort of morale and élan of . . .

**BABSON:** I think it's a worthwhile thing. I think if you simply read the institutional summary reports of the attitude surveys you'd get a feel for . . .

**WEBB:** They're pretty clarifying.

**BABSON:** Yes, because we set up a core set of questions that have been traced through five of them now, so there is a data set there of comparable stuff. My view is basically what the story line is that there were really two objectives to this survey when this program was created. One was to give feedback to senior management on what the staff think or feel about a set of dimensions of organizational life, and it's quite compelling because everybody in the Bank has their opinion of what the staff thinks. But when you actually can quantify it and you have a very high participation, you can say, "X percent of the staff responded this way on this question." I found that it was compelling data, and you'll see the Staff Association and management using attitude survey data to buttress their point of view. It would also dispel points of view that are not supported by the evidence. So it's one of the few quantitative things around which one can use to sort of anchor a perspective about what's relatively in good shape or relatively not in good shape. It's been an important and quite potent impact at the senior level in getting feedback.

But the other objective of the survey was to provide a tool for line managers at each level to get feedback on their own behavior in their own units to create an incentive and a vehicle to focus on what's not working well and what can be improved in their own part of the Bank. And that's true at the division level and department level regionally as well as the institution as a whole. So the original intent was quite interventionist, to say, "We feel that there is a need in the Bank to improve management." One of the ways that you create incentive to improve management is to create a reasonably valid source of feedback about what staff feel about how they're being managed. There are a lot of--there is a whole section of the survey which talks about your manager and your manager's manager. We designed it so that every manager gets feedback about himself, not about the institution but about me and what my staff think of me and the way things are being run in this division. And we required in the early days division chiefs to share that data with their staff and to talk about the areas where things could be improved in the life of the division--very interventionist strategy on organization development, improving the management's effectiveness throughout!

The attitude survey was in many ways quite a dramatic undertaking for the Bank because it was interventionist and it was focused on creating incentives and pressure to make real improvements--not just sort of badgering people from the sidelines--by giving them data and their own data and putting controls on who had access to data. We basically said, "Rule of Two: You get it and your boss gets it. That's it." My vice president even now doesn't have access to my division results. So the intention was to really give data to people and encourage them to use it to problem solve, to adopt an orientation that in any unit there are issues and the question is identifying where are the areas where the organization, the performance of the group can be strengthened.

In my view, if you look at that part of the survey, there used to be a lot of complaining about division chiefs and about effective management at the division level. You find from the latest surveys that staff in general are quite happy at the work at the unit level. I think there has been very significant improvement in division level management in the Bank in

the last ten years, partly through the survey program, partly through the management training program--which I think has been very good, one of the better things that has been done, the executive development program--and partly through the reorganization which changed the accountabilities and authorities and allowed division chiefs to do more sensibly in their own mandates. A combination of reasons, but I think the survey data would show, if you took the first one and the most recent one, that there has been an improvement in the perception of the quality of management at the base level.

But there has been an erosion of perception of the quality of management at senior level, and a lot of that is tagged with how Clausen and then Conable particularly handled their relationships and management of the Board and of the top three layers of the Bank, Clausen never really getting a handle around the place and never really convincing them to work as a team and to get that part of the thing to work. I went to a series of managing committee meetings during those days in my policy work, and they were terrible. It was very disillusioning to go up and see the quality of discussion on a personnel policy issue at that level of the Bank. You know, you think that people who were very high up and very well paid could have good meetings, and they weren't good meetings by and large.

**KAPUR:** But how much was this—I mean, the sense that one has in reading these—not that [*inaudible*] whether it's a CPP or policy paper, that people are kind of scoring points against each other rather than really . . .

**BABSON:** There was a period when I think that was a part of the culture of the top. Now, the question is how far down does that really permeate. My biases--and I admit my experience and my biases may not reflect other people's experience--but my experience is at the division level that really wasn't operative, again because the client orientation was not impressing people up there or at the Board; it was people caring about their real clients out in these agencies. You know, if you're the guy who goes around walking around the slums and seeing whether the sewer is getting in or not, that's what drives you at the staff level, not whether you're getting more brownie points than the guy in the division next door. But so at the working level in operations, the outer orientation of the staff and of the management at that level, the whole attitude has sort of been to keep all of them away. "Don't bugger up what we really are trying to do out there in the real world." While there has been a lot of infighting and politicking among people who are inner-directed in the institution, which has consumed a lot of energy and attention and created a certain amount of bitterness in some elements of the institution about institutional life, I think you can put a horizontal or a hierarchical brake on that, sort of made it very difficult for these people, more or less left these people alone to go off and do their thing.

**KAPUR:** You mentioned the word "cultural," you know, sort of multicultural organization, and one sort of [*inaudible*] maybe one of the most successful multicultural organizations. I mean, it's amazing that really to a great extent perhaps nationality [*inaudible*] within the working mid-level--the Board might have gone through it, but in the working level it's really managed that very well.

**BABSON:** Right.

**KAPUR:** For instance, in its operational work until very recently culture or sort of how it affects work is really not part or it has not been part of the Bank's [both speaking at once]

**BABSON:** Well, I would distinguish the word "culture" from, let's say, "nationality" or "national origin." I don't think nationality mixes--most people are blind. Blind. I think the Bank basically is blind to color, and it's blind more or less to nationality with a few exceptions. And multinational teams work. I've got 11 or 12 different nationalities in this division alone, and we're not a big division. And it works! You know, just there isn't any tension around nationalities or racial lines. It is in some ways one of the most fascinating phenomena of the Bank is that the fact that there is not an issue here of any substance.

I find the same thing on the sexual side, that the women professionals integrate very well and lead teams and people accept their leadership and they participate. I don't find the kind of tension and sexual politics that you see so dominant certainly in the environment around this building. All that is irrelevant here for the same reasons that nationality and race really aren't that relevant here. It's defining differences between people. Expertise, the development of experience, you know, things that affect past competencies, yes. You know, mission leaders versus non-mission leaders, people who are organizationally savvy versus naive, fine. Those sorts of things you can cut people around, but not these other characteristics.

I guess what I was trying to say there is that that's a different thing from culture because I find that both individuals bring cultural orientations and there is a Bank culture, which may be what we're describing, where people modify their own personal beliefs or behaviors to conform to the very powerful Bank culture. I know in my own case, I can just--my first two weeks in the Bank, Reg Clarke edited all my Americanisms out of my papers. You know, what's a "ballpark figure"? You find that that acculturation happens pretty much unconsciously. I don't think it's a conscious process. It's not a managed process. I don't think there are very many people who would give you a common description of what--maybe a description but certainly not an analysis--of what the Bank culture is and why it exists, but it's there.

And I think that the unconscious side--and maybe I'm speaking from my psychological background--is a reality because people want to be part of the Bank. It is more than just a job, you know. It's a place where you can do good and do well at the same time. People are motivated here by the substance of the work, by the development mission, by the opportunity to work with very capable colleagues from other parts of the world, and people gain enormous satisfiers out of that in terms of their own identity in terms of who they believe they are and what their life means in the world. That's not often spoken about, but it's very powerful. It's why it's so difficult for some people to leave the Bank, to disengage emotionally from their relationship with this institution, and why the Bank in some ways needs to be a lot more careful about how it handles people who are retiring

and leaving so that it can manage these disengagements not just as in the formal aspects of employment but of the emotional ties.

**WEBB:** And for that reason the '87 disengagements were very . . .

**BABSON:** Were very traumatic [both speaking at once] even more traumatic because it ignored--basically the design ignored the psychological contract that exists between people, individuals, and the Bank. There's a legal contract, and then there's a psychological or emotional contract, an expectation of fairness. And people felt that their psychological contract of expectation was violated by the way that was set up and handled.

**KAPUR:** Do you know or [*inaudible*] we've been trying to, I mean one of the structures was bad and the other was the process.

**BABSON:** The process basically was Cosgrove's and his, the group of people that he assembled to design the process for implementing the reorganization. I was not involved so I can't tell you much about it, how it was done, except that they were given a very short timeframe to plan and to execute it.

**KAPUR:** By whom was that? Was that by Conable?

**BABSON:** By Conable, I guess, and the Board. Now, they wanted--they took about a year to design it, and then they wanted to implement it very rapidly. They designed these AB packages and what I call the "sandlot baseball approach" to selection, which is everyone stands in a line, somebody appoints the two captains, and the captains go and they take turns picking their teams. Somebody doesn't make the team, and they don't play. And that's kind of the way it worked. And that brought all of the fears about the loyalty relationships to the surface as people felt that their contracts of expectations had been violated.

**WEBB:** That ignored all history.

**BABSON:** And it was. It was. You know, I was asked to make decisions about people that I didn't know.

**WEBB:** Well, you've given us a lot to think about, to digest, stuff to read that we'll chase up some of that, but I'd really like to come back.

**BABSON:** Any time. I'd be delighted.

**KAPUR:** Maybe we might send you a note after I've gone through the transcript and perhaps get your help if you have some of these memos or documents . . .

**BABSON:** Maybe. I have a pretty good personal file through the '70s and early '80s. I dropped it when I joined this job and I sign too much paper that's not my own, so I don't produce anything anymore so it's all in official records. But up through about 1984 I've got a pretty good paper trail of a lot of this work.

**KAPUR:** And it's with you, or . . .

**BABSON:** With me.

*[End Tape 2, Side B]*

*[End of Interview]*