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Transcript of interview with

JEAN-FRANCOIS RISCHARD

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Interview by: William Becker

JEAN-FRANCOIS RISCHARD
Session 1
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[Begin Tape 1, Side A]

BECKER: Good afternoon. Today is Monday, February 27, 2006, and I'm William Becker, at the World Bank Group Archives. And I'm here today to interview Jean-Francois Rischard.

Mr. Rischard?

RISCHARD: Yes. I am indeed Jean-Francois Rischard. I used to be vice president for some 12 years in the Bank. I retired a few months ago, and that's why I'm being interviewed.

BECKER: Very good, very good. I would like to begin by asking a few obvious questions, if I may, about your background. When and where you born?

RISCHARD: I was born October 2, 1948, in Luxembourg, in the city of Luxembourg, where I grew up. I'm still today a national of Luxembourg.

BECKER: Luxembourg.

RISCHARD: And I was for a long time the only Luxembourg staff member in the Bank.

BECKER: From Luxembourg?

RISCHARD: Yes.

BECKER: Okay. I've been to Luxembourg, so—who were your parents? Were they academics or lawyers or . . .

RISCHARD: My father was a physician. My mother was also trained to be a medical doctor, but stopped before final graduation because she met my father. So it was more of a medical family, but both my parents were very cultivated, intellectually curious types.

BECKER: Uh-huh. Were they from Luxembourg?

RISCHARD: My father was from Luxembourg and my mother is French.

BECKER: French.

RISCHARD: She's still alive.

BECKER: Do you have siblings?

RISCHARD: I have two brothers and one sister, all younger than me. I was the oldest of four children.

BECKER: Uh-huh, okay. Where were you educated?

RISCHARD: I started to read and write in German, in the primary school system of Luxembourg, which functions with both German and French.

BECKER: Right.

RISCHARD: And over the schooling years, then you gradually move to a regime where it's eventually 50-50, French and German. So you will have one year mathematics in French, the next year in German. History keeps going from one language to another. .

BECKER: I see.

RISCHARD: . . I even learned Latin, in French, then in German, then in French again, and so forth. So I grew up in the public primary school system there, then went to public secondary school at an institution called Athénée Grand-Ducal in Luxembourg until age 18, and then I went to France to study at the university. Luxembourg does not have a university, so you have to go abroad.

BECKER: Why did you decide to take advance degrees in economics and then the law?

RISCHARD: From the age of 17 on, I was very taken by economics. I would read the articles on economics in the newspapers, and my mother bought me an economics manual written by a Belgian professor, and I became interested in this field.

But then since I wasn't sure what I was going to do, whether I really wanted to do economics, I also studied, simultaneously, law. So I did the two degrees at once, which was a lot of work, but was—if you stretched the envelope feasible. But it meant passing the economics exams in June and then studying very hard—catching up the law during the summer and then passing the exams in September in law. The two degrees were like two different worlds. Throughout my career, I have loved doubling up like that, and I'll give you an example later on.

BECKER: And you said you went to France. Where in France?

RISCHARD: I went to Aix-en-Provence. As I said, Luxembourg does not possess a university, so you have to go somewhere, and I picked a place which was furthest away from my family and where the girls looked the prettiest, to boot ..

BECKER: I see. Well, very good.

RISCHARD: . . and where, by the way, the law studies and economics studies were actually very high-quality by French standards.

BECKER: I see.

RISCHARD: That was a powerful set of reasons!

BECKER: I've been to France a number of times, but not Aix-en-Provence.

Now, you practiced—you went back to Luxembourg, then, to practice law. What kind of law did you practice?

RISCHARD: Actually, the economics degree I did in the French system. The law degree I did in the Luxembourg system. They had a system where you could pass national exams, but you took the law courses anywhere you wanted so long as it was the Napoleonic law system that was taught. Having passed the two systems, I stayed in Aix-en-Provence and started teaching economics to the first-year students at university. I must have been 23 years old when I was lecturing on macroeconomics.

And at the same time, I started doing a few law cases in Luxembourg. But since I was physically not there a lot, it was occasional. So I pursued my first lawyer's activities off and on, but never really became an established lawyer in Luxembourg.

BECKER: I see, I see, okay. Now, then you decided to take an MBA degree from Harvard Business School. What prompted that decision, and when was that?

RISCHARD: That was after I had my two post-graduate degrees in law and economics in 1973. So I was 24 or 25 years old. Essentially, by then I wanted a much more practical form of training, with the view of going to the Bank. Actually, I already knew that I wanted to go to the World Bank, and in those days doing a Harvard MBA was the way to go.

And so I applied to several MBA programs in the U.S. and Europe, not knowing much about them. I passed the sort of standardized test to go into U.S. MBA programs, did pretty well, and could have gone to INSEAD or Wharton or [inaudible], and so forth. But the Harvard Business School was the one I knew the best, and Harvard was the one that made it easiest to go into the World Bank.

BECKER: I see.

RISCHARD: So I went to the Harvard Business School with a clear idea in mind, which was to go to the Bank.

BECKER: When did you learn English along the way?

RISCHARD: Along the way. Starting at age 13 or so in Luxembourg high schools, you would start English.

BECKER: I see.

RISCHARD: But since you had a base of German and French, it would be . .

BECKER: Right, and Latin.

RISCHARD: . . and Latin, it was pretty easy to get into English. Yet when I arrived at the Harvard Business School, I found it at first hard to speak and read at the speed of my American friends, and so I had to learn very quickly how to express myself clearly, how to read through enormous case studies at night fast, and so forth. So I had to learn quickly, and the hard way.

BECKER: Yes. Did you take the—I guess it was called the BIGE course at Harvard? That's the business, government and international economics course.

RISCHARD: Yes, you had to take that during the first year. It had another name then. It's now called the BIGE, but it was called IEM, or something like that. And I took it, but I found it light-weight because I already had doctoral degrees in economics and law.

BECKER: Yes.

RISCHARD: Often I had a feeling that I knew a lot of that stuff much better than the professors.

BECKER: Okay. I was going to say—yes, I was going to say I knew some of the people who taught in that program.

RISCHARD: Bruce Scott was already there. Do you know him?

BECKER: No. I knew Tom [Thomas K.] McCraw and a fellow named Vietor and—

RISCHARD: Richard Vietor.

BECKER: Yes.

RISCHARD: Yes. Actually, I'll tell you a story later, but when I recently got in contact with them, they offered me to teach the course. This was a few months ago.

BECKER: Oh, really, really?

RISCHARD: Yes.

BECKER: And Alfred Chandler, too, who I don't think taught . . .

RISCHARD: Yes, Chandler was the great man at HBS in those days.

BECKER: Yes.

RISCHARD: [Henry] Cabot Lodge was there, too.

BECKER: Yes, yes. I had studied with Chandler, so that's how I got to know all the people there.

RISCHARD: Yes. Actually, I've seen the current curriculum of the BIGE course because they offered me the job.

BECKER: Right.

RISCHARD: And I was taken aback that it hadn't changed much compared with the early ‘70s.

BECKER: Oh, really?

RISCHARD: It hadn't evolved really, and I was disappointed at that. The New Deal. The 1967 sterling devaluation . . .

BECKER: Yes.

RISCHARD: Anyhow, that's a little besides the point of our talk.

BECKER: Yes. We could, yes [inaudible].

Now, you said that you had become interested in the World Bank. How was that interest prompted? Did you study international economics in university or . . .

RISCHARD: Yes, I was drawn toward international economics, and I'm from a very small country which considers the world to be its oyster. It's so small, Luxembourg, that you have to be international.

BECKER: Yes.

RISCHARD: Moreover, Luxembourg hosted the European Union institutions existing at the time, so I was swimming in an international environment. And the World Bank had a tremendous reputation in those days, largely because of [Robert S.] McNamara, the Green Revolution, et cetera. And my parents were idealistic types, particularly my father, so it was natural for me to be interested in something like the World Bank.

And then I met a banker in Luxembourg, a Belgian, called [Philippe] Duvieusart, who had been two or three years at the Bank. And he said he had had wonderful years working in the staff of the World Bank. And in French, "staff" means the high-level staff of an army, so I wrongly understood him to have immediately operated at the top of the Bank.
[Laughter]

BECKER: The top, yes.

RISCHARD: And since I was an ambitious type, I thought it would be very easy to get to the top of the Bank just like him. And so this mistaken reasoning also made it enticing to go to the Bank.

BECKER: I see. So you came to Harvard, then, with this idea of the Bank in mind. At the time you got the MBA, did you have to specialize in a particular area or was it . . .

RISCHARD: No. You could take electives in the second year, and I took a lot of international economy, international finance courses, and so forth. But I also took (which was unusual for MBA students) some development courses “across the river” at the faculty of arts and sciences, in the economics department. One of my professors was someone who ended up working in my first vice-presidency many years later, who's called Millard [F.] Long, and who was a great specialist of financial systems.

Another professor in development economics I had across the river at Harvard was Ernie [Ernest] Stern's brother, Joel, who was working for HIID [Harvard Institute of International Development]. And so I was taking courses preparing myself for something like the Bank; but I nevertheless kept an open mind. And, actually, in the second year I had several job offers other than the Bank.

BECKER: Okay.

RISCHARD: But I'll have to tell you how I missed the Bank interviews, and so forth. I got into the Bank in a surprising way.

BECKER: How did that happen?

RISCHARD: Well, as I said, I missed the Bank's campus interviews, and I didn't even know the interviewers of the YP [Young Professionals] Program had been there. So I wrote a hasty letter to the Bank saying I missed the interviews several months or weeks back, but could I still apply for the YP program? And to my surprise, they invited me to the final round of the interviewing, probably on account of my very exotic nationality.

And so I went straight into these final interviews. In terms of physical appearances, I was a sort of hippie type. I had very long hair and I had nine silver chains around my neck, no necktie. I didn't look the part at all. Yet I had a wonderful interview with Ralph Hanan, who was running the YP program. He asked me one main question--which was about shadow prices. And <u>that</u> I had studied exhaustively across the river with Millard Long, so I was good at giving a technically perfect answer.

My luck continued, and I was then interviewed by a Haitian staff member called Marc [L.] Bazin, who merely asked me about the May '68 riots in Paris and other places in Europe. Of course, which I… [Laughter]

BECKER: You had been there?

RISCHARD: I had been there and was one of the student leaders in my country at that time. So I knew all about May '68. . . . Another perfect answer!

And then the third interviewer was the chief economist for the East Africa Region. He was called Rudolph Hablutzel, and was a cigar smoker. When he asked me off the bat what development depended on, I responded that it depended mostly on cultural and religious factors--which was something you weren't supposed to say in those days. And that led to a very spirited conversation with him on [Max] Weber and other theories.

And those were my three one-question interviews and I made it into the Bank. That year, there were 25 YPs coming in the September cohort.

BECKER: This is 1975.

RISCHARD: September 1975. Amazingly, half of these 25 YPs were from my class of the Harvard Business School.

BECKER: Oh, I see.

RISCHARD: This is because, in those years where, as I said, the Harvard Business School was sort of the main entry channel for YPs.

BECKER: Now, what was the YP program like in 1975?

RISCHARD: It was wonderful. It was small. It was, like today, well-managed. They were looking after you. I had downplayed the fact that I spoke French because I wanted to escape being assigned to Africa right away, but I nevertheless ended up on my first job on Madagascar, a wonderfully interesting assignment.

And then, having participated in the economic mission in Madagascar, where with my long hippie hair I was handling employment issues and population control issues, I did what I could to enter into the Industrial Projects Department.

BECKER: Why had you selected that?

RISCHARD: Because it was one of a few worldwide departments. And it was very finance-intensive. Its projects involved very big, complex industrial ventures under state control, but complicated projects. And I was really attracted to that department, famously known as the most demanding department in terms of quality and technical knowledge requirements. And it had the beauty of being a worldwide shop. In short, it was <u>the</u> place to go in those days.

So I did my best to get there, and I got there. I was interviewed by the division chief of the Chemical Division, who was called Chauncey [F.] Dewey, who was a wonderful man . .

BECKER: Yes.

RISCHARD: . . who looked at me and said that he would may perhaps recruit me, but that I had to swear that I would stay at least two years. He didn't quite trust that I would be stable enough to stay with the Bank. And yet I stayed 30 years!

BECKER: The Bank has a reputation for being a very buttoned-down, white-shirt kind of operation. Were you put under any pressure to change your appearance?

RISCHARD: No, not at all. The Industrial Projects Department had a very interesting group of eccentrics, and you could do certain things that you couldn't do elsewhere. By the way, the director of the department was called Hans Fuchs. He was a very precise, meticulous, brilliant German. So the professionalism was very, very high. It was one of the most demanding departments, and the way he ran it made even more demanding.

But despite this professional rigor, you could do certain things. I remember an engineer called Don [Donald E.] Brown, who was often working in blue jean suits. And I myself would go to the office in jeans from time to time. Also, I had the habit of showing up only at eleven o'clock a.m. and then working very late into the night. So I would arrive late in the morning because I would sleep in the morning! We had a very good-natured and interesting culture in the Industrial Projects Department. At the same time, we were real pros.

BECKER: Now, over the years—first off, all— you say that half your program intake, the YP Program, were people from Harvard. Did you know many of them, or all of them?

RISCHARD: Yes, I knew many of them, and some of them are still here today, and I've tracked most of them in their professional lives after they left, and they all did very well.

BECKER: And did you say—then there were maybe 12 or 13 others who you met for the first time. Have you stayed in touch with any of these people? I mean . . .

RISCHARD: Yes, to this day for most of them. Deedee [DeAnne S.] Julius, for instance, was one of the women who joined that particular batch of the YP Program, and she was until recently on the Council of Monetary Affairs of the Bank of England, a real feat for an American. She's now running Chatham House in London, and I saw her a few weeks ago, and we exchanged war stories. We've been in touch ever since we left the Bank and graduated together.

BECKER: Okay. Now, what were some of the first projects that you worked on in the—you know, in the industrial sector?

RISCHARD: I was in the Chemical Division, Industrial Projects Department Division III [Projects, Chemical, and Fertilizer Industries], which was one of three divisions. There was one division that was doing steel and mining which was run by a gentleman with the unbelievable name of [Leon] Hartsell Cash. And Chauncey Dewey was running the second division, the Chemical Division in which I was. The third division was doing miscellaneous industries—textiles, pulp and paper, shoe factories, and so forth.

And in the Chemical Division, chances were you would end up working mostly on fertilizer projects. So I ended up at first in the fertilizer business, and my first projects were to supervise fertilizer projects in India, for instance, in Gorakhpur. Then I worked on a very problematic fertilizer project in Bangladesh, in Ashuganj. And I did a lot of work in Romania, which was a very big industrial borrower in those days, and did a few projects in Romania as well, some fertilizer, some not, and did a lot of work in that country. Therefore, India, Bangladesh and Romania were my main travel destinations in the beginning.

BECKER: Now, what responsibilities did you have? I mean, what, in fact, were you doing?

RISCHARD: I was always the so-called financial analyst. The typical team would include a senior engineer, who was often the project leader. And then you had a second person for the financial analysis, which was often me, and sometimes a third or a fourth who was often a specialized consultant.

In those days, you had to wait several years before you could lead a mission. So the people that would run the missions were like coaches and mentors at the same time, for youngsters like me. (This useful practice has unfortunately disappeared from today's Bank.) But even in that subordinate role, I would still have full responsibility for the financial and economic analyses and the market analysis.

BECKER: Now, eventually you became an expert on petrochemicals or . . .

RISCHARD: Yes. I started on fertilizers, and over the years became good at chemicals and chemical industry. I could recognize all the equipment pieces, and so forth. I was always running around with engineers and loved it and learned a lot from them—engineers like Antonio [S.] Tarnaviesky, who was wonderful; the eccentric Don Brown; and many others. They were often colorful characters, and they had tremendous experience and knew a lot of things. And so I became good at this, and even developed a basic sense for chemical engineering issues . . .

BECKER: I was going to ask you if along the way, you know, had you studied chemistry.

RISCHARD: No, but I started knowing the basic formulas by heart and, as I said, the equipment pieces, the flow in the factories, the markets of petrochemical products--to such an extent that at some point I took a few months off, which you could do in this department, from doing project work, and I wrote a book that was published by the World Bank on the chemical and fuel uses of methanol. This book, which was technically very detailed and complete, had a lot of impact in the industry.

It was, for example, forecasting large markets for methanol as a raw material for a product called MTBE, which was an octane booster, and a lot of MTBE factories were built as a result of the book signaling the merit of that product in terms of natural gas and methanol uses. When I see that book today, it's written by someone who really knows this stuff. So I picked up a lot of industry knowledge at the time.

And I was among the most qualified financial analysts in that team, and so I was also helping others. I also introduced several methodological improvements in the financial analysis of the projects, particularly in the selection of mutually exclusive projects, the calculation of adjusted rates of return, and the valuation of natural gas. I became a sort of expert in natural gas applications.

And then over time we started doing petrochemical projects in Brazil and in India, and those were new for the Bank. They were very complicated because the Bank would finance the so-called ethylene cracker, and then you had six, seven downstream units for polyethylene, polypropolene, MPVC, and so forth. Those would often be financed by IFC [International Finance Corporation], and the two houses would collaborate closely.

And to analyze a complex like this, and to do the economic return, you had to include the seven downstream units, plus the cracker. It was a very complicated piece of financial analysis, and so I became specialized in these.

And at the time, not only were we doing qualitatively challenging work, but we also managed huge volumes of Bank projects in chemicals. One year, I remember our Chemical Division committing $2 billion worth of loans by itself—something like 15% of total Bank lending that year.

BECKER: This was in the '70s?

RISCHARD: This was in the second part of the '70s and the early ‘80s.

BECKER: Yes.

RISCHARD: Big industrial projects operations in those days.

BECKER: Right.

RISCHARD: And our division had less than 20 technical staff. Actually, we became so good at all this that we started also doing advisory work for Saudi Arabia.

BECKER: I was going to ask you, yes.

RISCHARD: In those days, the Saudi Arabian government would hire the Bank to help them analyze joint venture propositions from the oil companies and the chemical companies. And we would sit with the Saudis, with an outfit called SABIC [Saudi Arabia Basic Industries Corporation], now a giant multinational, and something called the PIF, Public Investment Fund, to help the Saudis analyze the proposals and negotiate the deals they were concluding with foreign oil companies and chemical companies like Dow Chemical and others. And that was fascinating work because it was project work of the highest order, but for very demanding clients.

So all in all, I learned a lot in that Industrial Projects Department.

BECKER: Okay. What did the industry think about the World Bank providing this kind of financial expertise, you know, to the other side?

RISCHARD: To the Saudis?

BECKER: Yes.

RISCHARD: Oh, they were grateful because this would give more professionalism to the Saudi side of the negotiations. And the Bank was able to provide the sort of project appraisal which the Saudis themselves could not have produced with their scarce and novice staff.

BECKER: I see.

RISCHARD: Essentially, we were providing a much stronger grounding to the projects. And we did some very important things. For example, I was one of the people that recommended the pricing formula for natural gas pricing and profit sharing in Saudi Arabia based on a country-wide cash-flow sharing analysis, which is still more or less a model today.

BECKER: Now, you stayed at the Industrial Projects through the beginning of '82?

RISCHARD: '82, and then I made a strange move. What had happened is that being a sort of—how shall I say without being boastful—a star financial analyst, I was sort of the top of the line when it came to very fancy financial analysis.

And in that capacity, I was doing quite a bit of thinking. One day, I realized that the way the World Bank was disbursing loans was very strange. The Bank would borrow currencies all over the world—Swiss francs, French francs, pound sterling, dollars, whatever. And a dollar loan would be made, expressed in dollars to, say, Romania for instance, and the Bank would put an interest rate on that loan; let's say 5 percent or whatever it was. But the currencies that the Romanians would get debited were the ones that happened to be disbursed—these currencies would be whatever the Bank was disbursing the day the Romanian disbursement request would come in and be processed.

So you could have three weeks in a row where contracts were coming in from one borrower for financing, and we would disburse Swiss francs against them. Then we were out of Swiss francs and it was time for French francs or Italian lira, and then the next borrower would see these currencies debited against his loan. So it was sort of the luck of the draw, and two identical borrowers for $100 million each could have completely different compositions of these loans at the end of the disbursement. Some would have a lot of Swiss francs to repay, some would have little Swiss francs but had a lot of softer currencies to repay. And so the <u>effective</u> cost of each loan was different, once you took the evolving exchange rates into account. No borrower had any ex ante idea of what his loan was going to really cost.

BECKER: Right, and some risk involved with that.

RISCHARD: Well, Romania actually ended up with a lot of Swiss francs and had to pay—in effect, because the Swiss franc went up—huge interest rates on its loan and on an all-in effective basis. Other borrowers were luckier. There may even have been some "insider trading" going on.

So I was struck by this haphazard handling of the disbursement pattern, and the resulting pricing aberrations. I constructed a model. These were the days where we were using the first computers to do simulations, and I was IT-versed enough to be able to create my own models in FORTRAN. I built a sort of model that showed how effective interest rates on loans could be completely different, based on what would happen to the disbursements and the exchange rate scenarios thereafter.

And I packed this into a two- or three-page note, which made its way to the finance complex, to the Treasury people, to Moeen [A.] Qureshi, who was the senior vice president of finance, on the other side of the house. And they were so impressed by that note, which was actually revealing a very grave weakness of the Bank's pricing system for loans and its disbursement systems, that they offered me right away a job in the financial think tank of the Bank--which was called Financial Policy and Analysis, FPA.

So that's how I moved over from industrial project to the so-called Finance Complex—which was very rare to move, from operations to finance.

BECKER: Right. I was going to ask how that happened because that is unusual.

RISCHARD: Yes, and I did a lot of moves like this . .

BECKER: Yes.

RISCHARD: . . over time, triggering my own moves, but making very unusual moves. This was just the first one of them.

BECKER: Yes, but I mean you didn't see this as a way of making this move. I mean, you wrote the memo and . . .

RISCHARD: No, but the fact is that this was a policy memo . .

BECKER: Right.

RISCHARD: . . it was a honest-to-God financial policy memo—was my way of saying, "I'm interested in this stuff, and here is a big issue that everyone needs to look at."

BECKER: So when you went over to FPA, what responsibilities—what did they put you to work on?

RISCHARD: Well, there were three divisions in FPA. It was run by Joe [D. Joseph] Wood, who later became a vice president and who was one of the Bank's most brilliant and charismatic men. FPA was sort of the think tank that McNamara had set up for all the policy issues. I wish we had a think tank like this today! It had three divisions.

One division was handling IDA [International Development Association] negotiations. I first ended up in that one, but I hated it. I couldn't stand this fundraising work. It was not technically demanding—it was all political. There was no financial analysis requirement, which was what I was good at. So I immediately shifted from that division to another division, which had to do with the formulation and review of financial policies of the IBRD [International Bank for Reconstruction and Development]. It was run by Paul [V.] Applegarth, who actually recently started as the first boss of the U.S. Millennium Challenge Corporation. He was then a young division chief in the Bank.

And I loved that division. It was the place where we would re-think the liquidity policy of the Bank. We would formulate the borrowing policy of the Bank. We would review the policy for loan pricing, for loan disbursements. It was in a way the asset liability management hub of the World Bank, of the IBRD. It was very high-level work, and one dealt with wonderfully smart colleagues. Some of the most remarkable people I've seen in my Bank career were there.

BECKER: In that division, and did you deal with people out . . .

RISCHARD: In FPA, in general.

BECKER: Yes.

RISCHARD: FPA had some of the best and the brightest in the Bank, and the work was fascinating. So you would work on financial policies, which meant as many Board papers, and so you had a lot of dealings with the Board. And sometimes you had fascinating assignments, involving outside financial industry people.

For example, for a while, we were preparing a blueprint for a Bank affiliate in London that would have borrowed on the LIBOR [London Inter Bank Offer Rate] markets. It was code-named the World Bank's Bank, and we had feet and feet of documents on how much it would cost to get space in London, how we would staff it, what the legal regime would be, what sort of a Bank affiliate it would be, and so forth. So anything that was an interesting, challenging issue would go to FPA, and I loved that whole area.

BECKER: Did you ever have any interaction with—well, McNamara, I guess, had gone by the time you went to—you went over there. I guess he left in . . .

RISCHARD: McNamara left in '81.

BECKER: '81, yes, and you went into this in '82, so . . .

RISCHARD: Yes, so it was during [Alden W. "Tom"] Clausen's time, who was a fierce banker from Bank of America . .

BECKER: Right.

RISCHARD: . . but who actually was often completely overwhelmed by these financial policy issues. . . .

BECKER: Well, Bank of America was into home mortgages mainly, I think, and . . .

RISCHARD: Yes, and Clausen actually got them into trouble. He had to go back later, after his Bank tenure, to fix it.

BECKER: Yes, right.

RISCHARD: And, anyhow you had to deal with Clausen, who was generally interested in these issues. We had a lot to do with Moeen Qureshi, who was a very remarkable senior vice president. And so I thrived on that job, and as I said, this was the brainiest part of the Bank and had remarkable people there to work with the likes of David [P.] Bock, Joe Wood. Danny [M.] Leipziger, who is today a vice president of the Bank, was there, too.

And after two years of that, Joe Wood offered me a choice between leading two divisions, either the Strategic Planning Division.

BECKER: Within this larger . . .

RISCHARD: I can't remember whether it was in FPA or connected to FPA.

. . or the Financial Management Division, that would focus exclusively on IBRD policies and asset liability management. So I took that latter one and became a young division chief. I was 35 or 36 at the time, and I ran that division for two years, working on the whole array of the financial policies of the Bank.

But then something else happened around the time I had become a division chief. We had an anxious development: the bank—debt crisis in Latin America . .

BECKER: Right.

RISCHARD: . . '84-'86; Chile first, then Mexico. And, literally, we had to invent on the spot the techniques of debt rescheduling and debt restructuring, which had never been done in this way before: negotiate with the banks because the commercial banks were holding a lot of this debt; and actually use Bank instruments and IMF [International Monetary Fund] instruments to help the Bank put in new money and reschedule existing debt.

So we literally started in my division a sort of weekend operation, where during the week we would work for Moeen Qureshi, who was the senior vice president-finance, doing the regular financial policy work, and on weekends we would work for the senior vice president-operations, Ernie Stern, and essentially calculate the debt re-schedulings for Ivory Coast, for Chile, for Mexico, and actually negotiate these deals with the banks in New York. And I loved that. I've always loved having two jobs at once just as I liked to double up and complete 2 degrees at once, as I described above. And it was like a bootlegger's operation, almost a skunkworks operation. But we became very good at it.

BECKER: Now, were you involved with the Baker and . . .

RISCHARD: That was the [James A. III] “Baker Initiative.”

BECKER: It was the Baker Initiative.

RISCHARD: Yes, we worked at the heart of this Initiative. But one day, I remember, I took one of my colleagues, used Mexico as the theoretical case, and described nine different ways in which one could handle the Mexican debt overhang. It was an unsolicited memo, but very detailed and stuffed with different innovative techniques—e.g., oil-indexed bonds.

But one of them was the technique of “defeasance,” where you collateralize bonds with a zero coupon bond, which I had dug up at Chase Manhattan. And that was one of the nine techniques, and that inspired JP Morgan. My paper was given to JP Morgan by Ernie Stern and its defeasance ideas inspired JP Morgan and led directly to the development of the [Nicholas] Brady Bonds that came in many years later as part of the “Brady Initiative.”

BECKER: I see.

RISCHARD: These Brady bonds were based on this defeasance technique idea of ours. It's one of the things I'm most proud of having been part of. In fact, I was part of a small team with [Jacques] de Larosiere at the Fund, Paul [A.] Volcker, Ernie Stern, Bill [William R.] Rhodes in Citibank, Susan Segal at Manufacturers Hanover. There were essentially a handful of us handling that debt issue with the banks, with the IMF, with the U.S. government, with . . .

BECKER: Who was the U.S. Treasury representative in this? Do you recall?

RISCHARD: It was Baker.

BECKER: Oh, Baker.

RISCHARD: Yes, and David Mulford.

BECKER: Baker was actually there?

RISCHARD: No, mostly Mulford.

BECKER: It went to Baker's level? I thought he . . .

RISCHARD: Yes, on key points, and actually, when the crisis started, he launched the Baker Initiative. On the Bank side, I had to flesh it out within 24 hours. There was a meeting at the International Institute of Finance, and I wrote literally a piece for the Bank, a think piece, five, six pages, on what the Baker Initiative should look like.

It was fascinating stuff, and we did a lot of important work in that mode. And looking back, these were some of the most interesting moments in my career, being in the cockpit on these things, while still doing the day job, which was to run all the asset liability management of the Bank.

BECKER: Well, you had a staff of, what, about 100 people or . . .

RISCHARD: No. It was a very small division.

BECKER: Oh, it was small, oh, okay.

RISCHARD: Maybe 15 of us.

BECKER: Oh, I see, okay, because I was going to ask how does one deal with these think pieces and the managerial issues and your weekend job, but . . .

RISCHARD: I was quick on my feet and I had good people around me. We did not respect the normal hierarchical lines, and would decide and act on the spot.

BECKER: Well, that helps in management. That's for sure.

Now, this experience must have changed your view of the Bank. I mean, what you knew of the Bank was from the industrial side and the project side, and obviously . . .

RISCHARD: Yes, and there I really grew in the job. I became the thinker behind loan loss provisions, reserve policies, liquidity policy, borrowing policies, re-schedulings. All these things I was part of, and I became even more oriented towards finance than I was before, and that's what got me to Wall Street.

BECKER: That's my next question. How does all this lead to Wall Street?

RISCHARD: The Treasury people in the Investment Department and the Borrowing Department started to look up to me as someone who was part of that family, and at some point three of us bolted and left for Wall Street to join the firm of Drexel Burnham Lambert.

BECKER: Right.

RISCHARD: And that opened a new world for me. I left, actually, in October '86, and the last job I did for Ernie Stern before leaving was to negotiate the Mexican debt re-scheduling in New York, with Ernie on the phone and Volcker and others involved and with the Mexican team and the banks in the room. And the Mexican debt negotiator was Angel Gurria, who became finance and then foreign affairs minister later in Mexico, and who was just named to be the head of the OECD [Organization for Economic Cooperation and Development]. I am still in touch with him.

BECKER: Now, were eyebrows raised in the Bank when you left for Wall Street?

RISCHARD: No, because the finance complex of the Bank was not very well known. It was a sort of secluded operation. Most people in the Bank didn't know what we were up to, except on debt rescheduling issues where they saw our face. But financial policies of the IBRD was a thing a small group of people would know about. So we left, and I don't know whether it created a stir, but what may have created a stir was that the three of us left, *en bloc*.

BECKER: Who were the other two?

RISCHARD: One was Hani [Khalil] Findakly, who was the head of the Investment Department. One was Arturo [Eduardo] Brillembourg, who was a trader. And I was not from the trading team at all. I was from the financial policy and asset liability management team of the Bank. While there wasn’t a stir, there were some jealous people. [Laughter]

BECKER: Why did you—how did it come about that it was Drexel Burnham that . . .

RISCHARD: Because Drexel was the up-and-coming investment bank. It was a very aggressive investment bank . .

BECKER: Right.

RISCHARD: . . which was formidably strong in virtually <u>any</u> financial business. Actually, when I arrived there, an audit requested by management revealed, to everyone's surprise, that there were 550 profit centers in Drexel, and that it was always number one or number two in each of the businesses: in bond trading, in gold trading, in international equity, etc., that is, it was good in everything—not just junk bonds.

And Drexel was the place to go to if you wanted to get a real whiff of Wall Street at its best. And, clearly, my other two colleagues were the ones that had the original contacts.

BECKER: I see.

RISCHARD: They were the ones to get the deals done.

BECKER: I see, I see. So you went as the senior vice president for international capital markets.

RISCHARD: In the beginning, I was just a vice president, and I was sort of the more junior one of the three. And I ended up in essentially developing Drexel's international bond business in the world. That was our mandate. And in typical World Bank fashion, when I arrived, I spent two months writing up a strategy on what we were going to do in Switzerland, in Spain, in Italy, in Japan, in UK. It was an immaculate, sort of World Bank-type presentation.

And then we went to see the vice chairman of Drexel with the strategy document in hand and said we wanted to have a board meeting because we needed a capital allocation for this strategy, about $100 million. And the vice chairman said, "What do you mean you want us to look at this in a board meeting? We hired you people because we thought you knew what to do. Why do you ask us as a board? We have no clue about these things! How much money do you need?" [Laughter]

"A hundred million."

"Here they are, go for it." So it was another world all right.

BECKER: Yes, yes. I was going to ask how did, you know, the hot-shot firm on Wall Street—how did the atmosphere compare to the Bank?

RISCHARD: It was night and day. There was as much stress as in the Bank, but in the Bank it was negative stress. People would always try to raise issues when you had a new idea, tried to slow you down, raised concerns about what you were doing.

In Wall Street, it was the opposite. You had a new idea; everyone would band together and help you get it done. So you had stress, as well, but it was positive stress.

And what I remember from my three years in Drexel is: a lot of laughter, good humor, mutual help, doing deals together; almost nothing in writing, as was shown by my incident with the strategy; very quick decision-making and a bottom line that you had to honor directly. So for me, these were very happy years. I loved the firm. Unfortunately, it hit into insider trading problems, with respect to its dominance of the junk bond markets, just a week after we arrived, for no reason of our doing.

BECKER: Yes.

RISCHARD: And so I saw the firm slide down over the next three years, but it was a tremendous firm and I learned a lot. And what I did later in the Bank was because I had this . .

BECKER: I was going to ask you that.

RISCHARD: . . catalytic passage through Wall Street.

BECKER: Now, why did you decide to leave? I mean, is it that the Bank [inaudible].

RISCHARD: Well, first, my two colleagues only lasted a year and disappeared, so I remained alone.

BECKER: You had moved to New York, I guess, to . . .

RISCHARD: No. I actually—I was still living in Washington. I had an office in Broad Street, in downtown New York, and I was flying every Monday to somewhere in Europe. I had a venture in Spain, in Italy, in Switzerland, in France. We also had a UK office, and every Monday morning I'd fly to Europe. Every Friday, I'd be back in Washington for the weekend. So I did this for three or four years.

I became senior vice president. We were doing quite well, particularly on swaps, and everything was well. And Drexel was going through hell—it eventually had to pay a huge fine.

BECKER: Right.

RISCHARD: But I still assumed it would go from 11,000 staff down to 3,000 and become a Lazard-like outfit, but much more aggressive, and I wanted to stay with them in that Lazard mode.

BECKER: Lazard being more traditional and smaller.

RISCHARD: Yes, Lazard is a smaller, more advisory-oriented investment bank; it's very famous. So I thought Drexel would become a sort of a more aggressive version of Lazard.

And then one day Ernie Stern unexpectedly called from the Bank and said that the head of the Investment Department had left, or had been asked to leave. (I've never known what it was.) Was I interested in coming back to the Bank and running that Investment Department? (I had left the Bank completely; I was not on leave of absence.)

BECKER: Yes.

RISCHARD: And this came up out of the blue at a time where I was getting tired of flying up and down to Europe every week. I had a little boy who was three years old and kept looking at me as if I was a stranger. And when Ernie's call came, it went to someone who had always had a great admiration for the trading department, the Investment Department of the Bank—have you ever seen the trading room?

BECKER: I've seen pictures, yes, yes.

RISCHARD: It's a fantastic operation, and so that's why I came back. I would not have come back to the Bank for anything else . .

BECKER: But for that.

RISCHARD: . . but for the trading room.

BECKER: Right. Was Gene [Eugene H.] Rotberg—what was his role at that point?

RISCHARD: No. Gene I had known before.

BECKER: Yes.

RISCHARD: He had been the treasurer.

BECKER: Right.

RISCHARD: When I returned, the treasurer was no longer Gene. It was someone called Don [Donald] Roth, from Merrill Lynch.

BECKER: Okay.

RISCHARD: Jessica [P.] Einhorn was running the Borrowing Department [Financial Operations Department] and I was running the Investment Department, and fell in love with the Investment Department. For three years, I ran this wonderful team in this very secluded part of the Bank. It was a trading room where you do the opposite of what the other guys do in the Bank. They all do long-term, high-risk placements in developing countries, and here you do the opposite. You do very short-term-oriented, very high-quality paper placements in the big markets, the so-called high-grade fixed income markets.

I loved the fast-paced nature of this department. It was an intellectually challenging place: I did a lot of changes to improve the measurement of performance, the risk management, and so forth.

BECKER: Now, this is a department that had, what, about 100 people?

RISCHARD: It had about 100 people, both traders and so-called back office people. We were trading a portfolio of $30 billion of—these were the assets we had to manage--the liquid assets not just of the Bank, but also of IDA and IFC. And we were running a turn-over, meaning buying and selling bonds and notes and Treasury bills all over the world, at the rate of some $3,000 billion a year, some years $5,000 billion. So it was a very actively traded portfolio--very safely traded, but very actively traded. As a matter of fact, many of the big traders in Wall Street came from that trading room.

BECKER: I was going to ask you, where did you get the talent, the trading talent, to staff this department?

RISCHARD: There was a very interesting system. We would take World Bank economists from Operations and bring them in through a system that was called "Treasury Fellowships." We would bring them in for six months or a year, take them out of their World Bank projects, and put them trading the Fed funds market or the Japanese yen bond market or the French OAT [Obligations Assimilables du Trésor] market.

And so the crew was actually made up of World Bank economists who had an interest in finance. Many of them would come to the trading department [Investment Department], become very good traders, and then leave for Wall Street. So it was a very peculiar way of staffing. We would only rarely hire people from—traders from the street. We were growing them . .

BECKER: Inside.

RISCHARD: . . inside.

BECKER: Yes. I've written a book on the Export-Import Bank, the U.S. Export-Import Bank [*The Market, the State, and the Export-Import Bank of the United States, 1934-2000*], and getting talent in that bank was an enormous problem because people were lured away all the time and it was just very difficult to . . .

RISCHARD: Yes. In our case, we grew them in house.

BECKER: Here, yes.

RISCHARD: And if they left, it was a sign of success.

BECKER: Yes.

RISCHARD: And so there was a constant flow of young traders. There were also some tremendous division chiefs that were looking after this, and we had a special system, separate research—we would formulate our own benchmarks. There was a division that did nothing else but formulate benchmarks that were harder and harder to beat for the trading divisions.

So if the U.S. benchmark was easily beaten by using CMOs [collateralized mortgage obligations], which are mortgage obligations, the next year we would put the mortgage obligation into the benchmark and the traders had to find some other thing to beat the benchmark.

We also had measurement systems where we could measure the performance of every trader, every team, every day, down to the basis points, immediately. And we wrote even some of the software of Bloomberg for portfolio management. So it was a very interesting, brainy operation. I loved that department. It was great, great atmosphere.

BECKER: Now, with bringing in a lot of inexperienced people, were there ever, well, disasters or serious problems?

RISCHARD: No. We had a very clean record. The only near-disaster I remember was that we had every day to place some $10 billion or so in the Fed funds market, and that was done at great, great speed. You had to do it very, very quickly, bank by bank, and you had to check that each bank was creditworthy and then put the money in, but you had very little time to do it.

And the woman who was running the Fed funds market, two days or a day before the attack of the U.S. and the other allies on Iraq because of its invasion of Kuwait . .

BECKER: Right, yes.

RISCHARD: . . had placed some short-term funds in a Kuwaiti bank. And then Saddam Hussein goes into Kuwait . .

BECKER: Right.

RISCHARD: . . and our money was stuck in this Kuwaiti bank, and we had to get it out, even though everything was frozen. So we were in a little bit of a sweat, as a few hundred million dollars could easily have been lost.

BECKER: Yes.

RISCHARD: But we got them out.

BECKER: Okay, okay. Now, do you think that the Bank in this period was responding well to the changes in capital markets, I mean, which were changing rapidly in the 1980s?

RISCHARD: Yes, I think we kept ourselves ahead of the changes--first of all, on the trading side we were very sophisticated, and I once calculated, when I was running the shop, that we could have sold ourselves for $250 million as an operation. That's what we were worth as a trading entity. And as I said, many of the star traders in Wall Street came from that department over time. There were about 50 big traders that came from there, including the number two of Goldman Sachs and Bear Stearns.

The Borrowing Department was also very good, and it was in those years that Ken [Kenneth G.] Lay was working there. He invented the global bonds, where he would issue $1 billion in four markets at the same time. The Bank also invented other things—for example, it did the world’s first currency swap ever in those years.

So, no, the Bank was very good at remaining up-to-date. Even though the financial management of the Bank as a bank was and still is very conservative, there was always a lot of creativity in the Treasury of the Bank. .

BECKER: Okay.

RISCHARD: . . which had another consequence—actually, back then (and to this day) the Treasury atmospherics and culture were very interesting and very positive in the Bank.

BECKER: Is there still a fairly high turnover? Are you still losing a lot of people, or the Bank losing a lot of people to Wall Street or . . .

RISCHARD: I assume that's still the case, for very powerful, logical reasons.

BECKER: Yes.

RISCHARD: But I've noticed that they nowadays sometimes bring in traders from the outside who have made a lot of money and who want to do some public service, and come in and are hired into the Bank trading room. So there's been a reverse flow which didn't exist in my day.

BECKER: Right, right. Is this the context in which you got to work with Gary [L.] Perlin?

RISCHARD: No, not yet, no.

BECKER: That's later.

RISCHARD: I was indeed the one hiring Gary Perlin.

BECKER: Yes, right.

RISCHARD: Yes.

BECKER: But that was in the next job.

RISCHARD: That was in the next job. But in my Investment Department job, I did something again very similar to what I did with this 1982 memo on disbursement and exchange rates we talked about earlier. I had a lot of time in the Investment Department because at four o'clock the markets were closed.

BECKER: Yes.

RISCHARD: And if you ran your show well, you had a lot of time. And I wasn't liking what was happening on the other side of the Bank. Coming from outside again, I was looking at the institution with a new eye. So I wrote a five-pager, which was a manifesto on what had to be done to the Bank on the operations side to reform and improve operations.

The first page had a list of critical descriptors of the senior management team in the left-hand column, and in the right-hand column a list of descriptors of how the senior management team should behave. (There were many tensions between Ernie Stern and Qureshi at the time.)

BECKER: Right.

RISCHARD: And there were lots of issues about how the team was running. This was under [Barber] Conable. And I essentially was saying that the senior management system of this Bank wasn't working and that here is how it should work.

Page two, I said we needed absolutely to create a central vice presidency for private sector development, one for the environment, and possibly one for human development. Page four-five, I was recommending that the Europe and Middle East and North Africa Region be split into Eastern Europe and the Middle East, because Russia and all these were coming in. Each page had little organizational charts for the new setups I was suggesting.

BECKER: Right.

RISCHARD: So I was essentially dictating what the Bank should be looking like, and that was a very bold, arrogant thing to do. And I shipped it up—no, first of all, I showed it to Ernie Stern, who was the senior vice president of finance in those days. He had switched with Qureshi. And Ernie didn't dispute what I was saying. He actually sharpened some of the first page wording on the malfunctioning of the senior management team, but did not interfere much with anything I was saying.

So essentially it was my paper. It was actually not really a paper. It was like organization charts saying, “Do this.” And I shipped it to the president of the Bank, to Conable, through his assistant, Marianne Haug. When he got this thing, he was furious and called in Ernie Stern and said, “Did you ask this little jerk to send me this thing?” And Ernie denied that he had anything to do with it, which was the truth. He had been passively supporting it. And that was the end of that, but then there is a nice sequel to the story because Conable leaves and [Lewis T.] Preston comes in.

BECKER: Right.

RISCHARD: And when Preston came in, I was still running the trading department, and Preston liked to be kept abreast of markets. So every week, I would go up to his office and tell him about what happened in the markets. And I was doing this in a sort of way he must have liked, so I got to know him a little bit.

And one day, in my third year of running the trading department—I was already beginning to think of leaving again, back to Wall Street or something like that—Preston called me in said, “I want you to start a central vice presidency for private sector development.” And then he pulled out the old blueprint that I had done for Conable and said, “I'm essentially executing your plan.”

And, indeed, all the things I had put in there were done—the splitting of the EMENA Region into Eastern Europe and the Middle East, setting up the three central vice presidencies, and they fixed the senior management team. So that paper had a lot of impact, even though it was done out of the blue, out of the trading department.

BECKER: Again, how did you—it seems to be that—well, you said you had time on your—well, not on your hands, but . . .

RISCHARD: I had time, and I would talk to many people.

BECKER: Yes.

RISCHARD: And I had this outside view of someone who had left and come back.

BECKER: Yes.

RISCHARD: And I was always curious about things, and so forth. And if I had one knack throughout my Bank career, it's that I'm quickly able to see the *gestalt* of what needs to be done. I still have this today. I know exactly what I would do with the Bank by 2015. I always had a for clear sense for what the strategic moves ought to be.

BECKER: Now, you weren't here at the reorganization, which is generally thought of as being . . .

RISCHARD: No, and I was horrified . . .

BECKER: That was '87.

RISCHARD: I was horrified by it.

BECKER: That was '87, when you were away.

RISCHARD: Yes. I was horrified by the method that had been used and by the fact that it presided over what I thought was a dumbing-down of the Bank to a lower level of quality and higher level of abstraction.

As a matter of fact, not only did I do that paper, but I found for you something neat, which is a slide show I was presenting all over in the Bank to many departments during my Investment Department days. It covered at one glance all the decades of World Bank, the '50s to the '70s, '70s, '80s, the '80s, the '90s. And for each decade I was describing the buzz words, the context, the fastest growing business, who was the hero, who was the under-dog, the presidential style of each of these periods, the staff morale, the reputation for technical excellence. And for that period of the '80s, I was saying that the Bank was declining.

BECKER: Yes. I'd like to have that. That would be very useful. Thank you.

RISCHARD: Yes, that's interesting stuff because it was—this was a very controversial slide show, and—what was more amazing, it was being presented by the head of the trading department. I essentially was saying that the Bank was going into a direction where its technical expertise would go down. There had been a sort of takeover by the macroeconomists in '87, which I thought was very damageable for the Bank.

BECKER: Now, did you ever find out how Preston got hold of your organizational blueprint? Did Conable give it to him on the way out or . . .

RISCHARD: I suppose so.

BECKER: Yes.

RISCHARD: But it's a wonderful story because it showed, first of all, that you could do this in the Bank--that you would not be punished for this arrogance.

BECKER: Yes.

RISCHARD: But, number two, that it has had an impact . .

BECKER: Yes.

RISCHARD: . . like my first memo had an impact and sort of caused a reform of the loan pricing and disbursement systems. And my own job changes were often triggered by these things. . . .

BECKER: So could you talk a little bit about Preston? I mean, Preston was here for a short time, and in a way even while he was here—because of his illness and all. But could you just describe him? Not many people that we interview worked very, you know, closely with him or for any length of time. What was your impression? You obviously worked with him fairly closely for a while.

RISCHARD: Yes. I admired him a lot. He had a very good sense of management, much more than his two predecessors and his successor.

BECKER: Yes, yes.

RISCHARD: He had a real managerial acumen, and actually the central vice presidencies that he set up were superb creatures. That was a wonderful little reorganization because the Bank needed to have these central vice presidencies.

He was a very elegant man in every sense of the word, and at the same time he was a very shy man who was quite reserved. He didn't like the limelight. He didn't like to speak on TV.

BECKER: Yes.

RISCHARD: Sort of ill at ease with a lot of the nature of the debates in the Bank, and you could see it. But when I would come and do my market sort of update, he was perking up.

BECKER: Yes.

RISCHARD: But I'm sure five minutes later you would talk about some problem in Mexico and he would not be really as perked up as he would be.

BECKER: Yes, yes. Now, the other—it's always struck me that people who come from, you know, the private sector—well, Conable came from the Congress, but Clausen and McNamara had had a career in the private sector. Dealing with a resident board—I wonder, did Preston ever talk to you about that? I mean, that's certainly not the style of the Morgan Bank.

RISCHARD: No, and actually they were all shell-shocked by needing to deal with that Board. So was [James D.] Wolfensohn, and I'm sure [Paul D.] Wolfowitz at this point.

BECKER: Yes.

RISCHARD: But Preston did it. He chaired the Board in this elegant manner he had, and I remember a famous scene in the Board where I think it was a Canadian executive director who was giving him a lot of grief on something and kept repeating the same demand. And Preston just stood up, walked from his chair from where he was chairing the Board, walked behind the executive director of Canada, puts his hands on this fellow's shoulders and said, "Look, I told you we would discuss this later." [Laughter]

But he was a very interesting leadership figure—and someone I really worshipped, even without knowing him that well. He was a great man, and when he died I remember having tears in my eyes. I was so sad. He had cute expressions. He was very New York. He was a patrician from New York, and when he would tell me something, a little bit of gossip, he would say "between us girls."

BECKER: I see, okay.

RISCHARD: But he was someone who probably was not very happy in the Bank world. But he was very good to the Bank because the few things he did on the organizational side were superb, whereas Clausen had not been a very high-performing president, and Conable, either.

BECKER: Yes, yes.

RISCHARD: Preston actually set some of the stages for what then was done by Jim Wolfensohn later. And he corrected some of the deficiencies brought about by the ill-conceived '87 reorganization, quietly.

BECKER: Now, when you became the vice president for Finance, Private Sector Development and Infrastructure, did—well, I didn't know about your memo, so my question might be somewhat off the point here. But did Preston—I mean, obviously you knew what you wanted this vice presidency to do. Did Preston give you some sense of what he wanted you to do with this vice presidency?

RISCHARD: No. I was given one paragraph saying we would set up—meaning, I should set up a central Vice Presidency for Finance and Private Sector Development. And it was amazing, but the three of us ([Armeane M.] Choksi; [Ismail] Serageldin; me) who were asked to start the three central Vice-Presidencies were given more or less carte blanche. There were people in the respective specialties scattered all over the Bank, and we could sort of marshal them into the new vice presidencies. But still, basically, we started them from scratch.

So I had to leave my trading room to set up this vice presidency. Of course, I had authored the whole thing myself to some extent. At any rate, I had to proceed quickly. You had to decide whom you wanted to have, how many shops, what would be their titles, who would lead them. I designed the new vice-presidency within one week, with the help of a few trusted hands, such as Magdi Iskander.

I decided early on that I wanted my teams to be heavily oriented toward doing things, giving cross-support to other parts of the Bank and very little paper-writing and academic sort of research. I actually found the 1993 memo through which I was welcoming all my new staff. There it is; I had not read this memo since then.

BECKER: Well, okay, thank you.

RISCHARD: It's a note that gave the flavor of the shop, which I meant to be very, very much like a very fast response, high-level consulting firm, and actually always had a vision of it with senior partners, partners, senior associates, associates. I never got that done because it was forbidden in the Bank to use such labels, but that's essentially how we ran it.

BECKER: I see, I see.

RISCHARD: And I had, of course, the freedom of taking the best people and I had a star team which was Richard [D.] Stern, who became vice president later . .

BECKER: Right.

RISCHARD: . . Magdi Iskander, who was fantastic, and then former V.P. Gary Perlin, whom I fished out of retirement from Fannie Mae [Federal National Mortgage Association].

BECKER: Right.

RISCHARD: He was 42 years old and retired.

BECKER: Right.

RISCHARD: So I lured him back into the Bank.

BECKER: Right. Now, how did you—I've interviewed Perlin. It's a wonderful interview, and he keeps sending me papers and things, speeches of his and all. Did you know him? I mean, you must have known him . . .

RISCHARD: I knew of him because in Treasury we had meetings with other treasurers sometimes, and he was considered a very good treasurer at Fannie Mae. Moreover, he was an ex-World Bank guy.

BECKER: Right.

RISCHARD: And Jessica Einhorn liked him. We all liked him, but it was a chance in a hundred to get him back into the Bank. But I got him back to run the Financial Sector Development Department, which had to do with reforming banking sectors and developing capital markets, eventually.

BECKER: Right. I guess his first assignment was Argentina, was it, or if I recall . . .

RISCHARD: Yes. I had cooked up a complicated backup facility structure which was actually my design. It was a structure whereby banks in Argentina would issue medium-term bonds—in order to have them make ten-year loans, which they didn't do at the time--and if they had a problem refinancing the bonds every three years, the backup facility would buy the new bonds.

And I had designed this for [S.] Shahid Husain because even though I was vice president, I would still design transactions. And when Gary Perlin came in, I had him immediately assigned to making that thing go live. I actually may still have the memo where I was laying out this transaction.

BECKER: But this in the early '90s is a . . .

RISCHARD: Here it is, the bond structure.

BECKER: Oh, great. I'll have to read that. I'm sure these are in the Bank records someplace.

RISCHARD: Unlikely.

BECKER: They're not?

RISCHARD: No, they're probably not. These are from my private hoard—I have a whole hoard of things like these—I was never good at filing things, but some things I kept.

BECKER: Okay, well, very good. I appreciate it.

RISCHARD: Anyway, there were three departments. One was Financial Sector Development, Gary Perlin. One was Private Sector Development; that was privatization, deregulations of utility sectors, improving the business environment, bankruptcy laws, things of that kind.

BECKER: Right. Who . . .

RISCHARD: That was Magdi Iskander from Egypt, who was one of my colleagues in the Industrial Projects Department. And Richard Stern was running the third department, called Industry and Energy [Department].

BECKER: Now, in the financial sector, the Bank became more interested in this, I guess, after the experience of the '80s. Was this a Bank initiative, the whole idea that you need to—I don't like to use the term "Washington Consensus," but if you're talking about a different approach, a neo-liberal approach to development, where's the idea—is it the Bank or is it the Fund? Is it the U.S. Treasury?

RISCHARD: No. There were just many banking crises in those days. In Spain, in Scandinavia. In Latin America. In Africa.

BECKER: Yes.

RISCHARD: And they were going very deep. They would often cost 5, 6, 10, sometimes 30 percent of GDP, and handling them well was a massive job--someone had to do it. And so it was typically done by the IMF with Bank help, the Bank doing the longer-term things like installing supervisory systems, and so forth.

Actually, there was a small division working on such things even before I started setting up the central Vice Presidency for Finance and Private Sector Development. I took over that small team which came from, I think, the Research Department and which had people in there that were good at reforming banking sectors and bank supervision systems, and so forth.

All I did is to blow this up under Gary. Then I asked Gary to add another business line which didn't exist to the same extent in the Bank, which was developing systematically the capital markets . .

BECKER: Right, right.

RISCHARD: . . the capital markets being essentially safer systems than banking systems, in that they actually demand a higher degree of discipline. And I always thought it was better for countries to have both a banking system and a capital markets system. So that's . . .

BECKER: So you mean insurance and pensions and . . .

RISCHARD: Well, developing new bond issuance practice by the government; primary dealers; corporate bond markets; commercial paper markets; systematically developing these other circuits. And that had nothing to do with the Washington Consensus. Actually, I've never known what the Washington Consensus was until [John] Williamson produced an article where he listed ten obvious things to do . .

BECKER: Yes.

RISCHARD: . . as being part of a consensus, when they were actually all common sense [“What Washington Means by Policy Reform,” in John Williamson, ed., *Latin American Adjustment: How Much Has Happened?*]

BECKER: Yes.

RISCHARD: If you had an ailing banking sector, of course, you had to reform it. You didn't have to be told by a Washington Consensus for those types . . .

BECKER: Well, it's like so many things. It sums up what everyone has been thinking.

RISCHARD: Yes.

BECKER: But it becomes easy for people to grasp. I think of it in the same way that George Kennan after the Second World War wrote this very famous memo that outlined what everyone came to call containment in dealing with the Soviet Union ["The Sources of Soviet Conduct," *Foreign Affairs*, July 1947].

RISCHARD: Yes, right, yes, yes.

BECKER: And it's a document that Kennan himself didn't recognize after a while because . . .

RISCHARD: Yes, and it was a very short piece.

BECKER: Yes, and other people took and read into it.

RISCHARD: Yes.

BECKER: And Williamson . .

RISCHARD: Right.

BECKER: . . had the same—has exactly the same experience that the document took on a life of its own.

RISCHARD: Where we may have been more Washington Consensus-like was in the privatization area . .

BECKER: Yes.

RISCHARD: . . where we actually were sucked into massive privatization by what happened in the USSR. And so, there, we ended up with a stellar team of privatization experts lead by John [R.] Nellis and Ira [W.] Lieberman, and we sort of wrote the book on it in a way in times of great experimentation. And that was a very, very strong team, which may have had a Washington Consensus tingle to it, more so than the financial sector development team.

BECKER: Okay. Now, one of the things that you became interested in in this period is information technology, and it's the Information for Development Program.

RISCHARD: Yes. There was a telecom division [Telecommunications and Informatics Division] as part of what I inherited in this new vice presidency, and this telecom division was going from public switches, and so forth, to a deregulation system. And it was a time where computers were showing up, and new technologies were becoming very important.

BECKER: Right.

RISCHARD: And so I almost single-handedly pushed the Bank into making a major effort to use the new technologies for development, and that we did by creating in 1994/95 a consortium called InfoDev, Information for Development Program, which ended up having about 15 donors—it still exists today—government donors mostly.

BECKER: Right.

RISCHARD: But for the first time in the Bank's history, we brought in donors like IBM or Telecom Italia mixed with government donors, and we created this very original Information for Development Program whose purpose was essentially to demonstrate what you could do with the new technologies, through pilot projects. The basic motivation was to get the whole development profession to really take an interest in the power of these technologies for health and nutrition, for environmental management, for education, distance learning, and so forth. So that was a little revolution in the Bank because the Bank had not been interested in this until that time.

BECKER: Right.

RISCHARD: McNamara had said telephones were a luxury, and so this was a way of showing . . .

BECKER: Now, who did you put in charge of this? Who ran this for you?

RISCHARD: I ended up putting in charge a Brazilian called Carlos [Alberto Primo] Braga, who ran it for many years. And it became—it raised $50 million, and became a real leverage player in that whole field. The InfoDev program acquired a strong brand name, all over the world.

BECKER: You say it still exists. What still needs to be done?

RISCHARD: It’s moved from piloting the technologies toward supporting incubation systems for new enterprises created around these technologies. So it's moving into a very different mode, but it's still around, and it still has a very good team.

BECKER: I promised not to keep you beyond an hour-and-a-half, so we have just a few more minutes here for today. Another effort that you spearheaded was the Business Partners for Development Program. How did that—well, first of all, you know, what do you think the accomplishments were there, and what were the frustrations with that?

RISCHARD: Well, we were among the pioneers on this—in the Bank, we were among the only parties that were systematically wanting to speak to the big companies, as exemplified by InfoDev. But I even further than that: I took an interest in trying to demonstrate that you could do a lot of things in developing countries through a tri-sector partnership between multinationals, NGOs, and governments.

And to prove that point, with a few colleagues, we created a big symposium on these tri-sector partnerships. And some 800 people came from all over the world, but only eight people from the Bank showed up, which shows you how uninteresting people thought that topic of enterprises becoming involved in corporate social responsibility was at the time in the Bank.

And the symposium was so successful—and this actually coincides with Wolfensohn arriving—that I launched, with the help of the Business Leader Forum of the Prince of Wales, called the International Business Leader Forum, an effort that was called Business Partnership for Development, B-P-D, in which we marshaled together some 120 players, of which there were 70 multinationals, and organized them around four clusters.

One cluster was traffic safety. One cluster was social development program around oil fields and mines. A third one had to do with water for the poorest people, and the fourth one was youth development.

BECKER: Okay.

RISCHARD: For each of the so-called clusters, the idea was that they would select projects where they would work together between multinationals, foundations, NGOs and local governments, with the Bank's sort of mid-wife role, and that we would document how these experiments had worked and draw the lessons from this way of working in tri-sector partnerships.

BECKER: Now, where did this idea come from? I mean, where did you . . .

RISCHARD: It was an idea that was stirring a little bit in the business world, in the Prince of Wales Business Leader Forum . .

BECKER: Right.

RISCHARD: . . or in the World Business Council for Sustainable Development. But the idea had never been taken up by an actor like the World Bank.

BECKER: IFC didn't . . .

RISCHARD: No, IFC was completely out of it and hadn't sniffed it out at all. It caught up later. IFC was not very visionary in this area at all, nor was it visionary in the new technologies field.

BECKER: Right, right.

RISCHARD: Actually, I was always thought IFC was a disappointing player in those days, in general. They had a lot of mileage in front of them, but they didn't—they were not very bold.

Anyhow, this BPD experiment ended up with some 30 projects for about the tune of $45 million, and as many countries, and was actually documented. And there's a book written about what happened to these projects.

BECKER: Who did that? Did you do the book or . . .

RISCHARD: The book was done, I think, by Price Waterhouse or KPMG, for the Bank and the IBLF.

BECKER: I'm interested in this. I'll try to find that.

RISCHARD: And there is someone in the Bank whom I hired who was the then director from Action Aid and who is still here. He's called Nigel Twose, and Nigel came over to the Bank and has run this program even after I left for Paris.

BECKER: I see, okay.
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RISCHARD: And he did the debriefing on this.

BECKER: Well, I'm going to stop it here because it's five o'clock . .

RISCHARD: Okay.

BECKER: . . and you said you've had a long day, so we'll pick up tomorrow. And it's good point to stop because it's right before Wolfensohn arrives.

RISCHARD: Yes, and we—yes. It's indeed the Wolfensohn point we're at now.

BECKER: Right, okay.

RISCHARD: Thank you.

[End Tape 1, Side B]

JEAN-FRANCOIS RISCHARD
Session 2
February 28, 2006

[Begin Tape 1, Side A]

BECKER: Well, good afternoon. Today is Tuesday, February 28, 2006, and I'm William Becker, at the World Bank, at the Oral History Program in its Archives. And I'm here today again with Jean-Francois Rischard, and so it's nice to see you again.

RISCHARD: Yes. I'm Jean-Francois Rischard. I used to be vice president for Private Sector and Financial Sector Development, and vice president for Europe, and I retired a few months ago, and I'm being interviewed for a second time.

BECKER: Very good. It's nice to see you again.

I wanted to just follow up a little bit about your tenure as the vice president for Private Sector Finance and Private Sector [Finance and Private Sector Development]—and yesterday you gave me a paper, which I must say in my research I had not seen before. I was happy to read it last night and it's the paper on synchronizing the World Bank with the world economy, and you wrote this in 19 . .

RISCHARD: '94.

BECKER: . . 1994, yes. What was the context of having written this paper?

RISCHARD: It was in a very difficult context where there was the 50th anniversary of the World Bank, and it was centered around the 1994 Annual Meetings in Madrid. And the Bank was being criticized by everyone, by NGOs, by the business sector as well, by the American government and other governments. It was completely beleaguered in 1994.

And I think it was Sven Sandstrom, who was a managing director, who asked one of the central vice presidents, Armeane Choksi, to come up with a sort of vision statement for the Bank, to try to come up with some sort of response and a vision of where the Bank would be going. And they produced that paper, which I called the no vision paper because it had only motherhood and apple pie in it—be close to the clients, be good, be this, be that, but there was nothing tangible in it.

So I wrote an alternative vision which I called "Synchronizing the World Bank with the New World Economy" because I felt the world was changing a lot and the Bank wasn't changing with it. And in that paper, I was describing four banks—the money bank; the macroeconomic advice bank; the connector bank, which was the ancestor of the knowledge bank; and the fiduciary bank. And I was describing how the Bank had to change to be good at these four functions.

And that paper circulated a little bit in the Bank, and when Lew Preston died the U.S. government set up a little task force to look at various candidates for his replacement; there were seven or eight candidates for replacing Preston. And Jan Piercy was the U.S. executive director then.

BECKER: Right.

RISCHARD: She gave the paper to each of the candidates, and so I had discussions with the would-be candidates, with some of them, on that paper, with Michael [E.] Porter, for instance, who was very excited by the ideas in the paper. And I even was dispatched to New York to have a discussion with candidate Wolfensohn in his office.

And so that paper may have been a little bit influential. To the extent Jim Wolfensohn read it, it had some of the elements which he later pushed, like the knowledge bank, which I then used to call the connector bank (I still think connector bank is actually a better label than knowledge bank).

BECKER: Yes, okay, because that was my next question. What was the influence of this on Wolfensohn?

RISCHARD: Well, I assume he was impacted by it--even though he would never admit to having been influenced by it--but I think it had an influence because it came up early in the formation of his thinking and of the other candidates' thinking.

BECKER: Who were some of the other candidates? I mean, Porter is . . .
RISCHARD: There was a Mexican and a U.S. ambassador to Mexico whose name I can't remember, and a few other names. I don't know—I cannot remember all eight names.

BECKER: Yes, okay, okay. It's sort of interesting that Porter was interested. It's the kind of thing that—I mean, he's very much interested in structures, obviously.

RISCHARD: Yes. Porter would have been a very interesting candidate, but Jim Wolfensohn had so many connections and other things going for him that . .

BECKER: Talking about a connector bank, yes.

RISCHARD: . . he move ahead of all the other candidates.

BECKER: Yes, as [Sebastian] Mallaby makes quite clear in his book [*The World's Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations*], yes.

RISCHARD: Yes.

BECKER: Well, speaking about Mr. Wolfensohn, I wanted to talk a little bit about when he first came here, and also his initial efforts, or his early efforts, to look at reorganizing the Bank yet again.

And you were appointed, with Caio [K.] Koch-Weser, as the head of one of the working groups. Could you talk a little bit about your working group and the larger steering committee, and how this whole effort worked?

RISCHARD: Yes. I think Jim came in in May '95 or June '95, and he was questioning many things at the Bank without necessarily knowing exactly why he was questioning it, but he was questioning things.

And so early on, in August—I remember I was on holiday in Corsica—I got a call from Gautam [S.] Kaji, who was one of the managing directors, saying, "Jim wants to have a look at the structure of the Bank, the way the organization functions, and I want you to be part of that effort."

And the idea was that there would be two pairs of vice presidents setting up two parallel groups to work at the issue of the organization and the staffing of the Bank. My pair was myself and Caio Koch-Weser. The other group was Russ [Russell J.] Cheetham, one of the vice presidents, and Johannes [F.] Linn, another vice president. They were going to look more into staffing issues, the quality of staff and so forth, how careers should be run, career development, whilst we were going to look at the structure.

And we were not given any detailed marching orders, so with Caio we decided to select 20 people in the Bank, with the sole criterion being that they were creative, interesting, curious people that could help brain-storm in a deep way what the Bank should become in the future.

And so we selected 20 extraordinary characters. Praful [C.] Patel, Andrew Rogerson, Jane Armitage were among them, and there was many others. And we retreated with the group of 20 people to the Watergate Hotel, and essentially cooped up there for two or three weeks in the hotel's mediocre internal conference rooms.

And I had the idea with Caio to bring in McKinsey [& Company] to help us--not to tell us what to do but to tell us how other companies had gone through the process of rethinking themselves. And so we spent two, three weeks there, and we produced what I still consider today to be a fantastic analysis of the Bank and its weaknesses and of where it should be going.

The first slide—there were 16 slides which were very masterful, actually, I mean, the McKinsey people thought they were really very high-quality--the first slide was a harrowing slide that showed the Bank declining the next ten years—that was one scenario—or the Bank becoming again the premier development institution. It was at a crossroads.

And then it was followed by slides that were essentially proposing to do two things: to decentralize the country directors into the field, so that those that were strategizing with countries and for countries would be close to their clients, and at the same time do something to concentrate again the sort of worldwide knowledge of the Bank into strong technical vice presidencies. Those were the two points, and then there were many other points going with it. Even though the other team was dealing with staffing, its vision resembled and validated ours.

And we worked out these 16 slides, and after having done that, some of us were asked to go to New York to Mr. Wolfensohn's private office. And on a Sunday or a Saturday—I can't remember—Caio and I presented the 16 slides, and the other teams presented theirs. And the President took a deep breath, seeing what we had to do and the magnitude of what we had to do, and didn't really react by saying, “Let's do it.” He wanted to let it sink in first.

Then there was a period where we were not sure where we were standing. As I said, the other group came out, even though they were studying different things, with roughly the same conclusions, which was a nice way of validating the thoughts because it was almost like a double-blind test.

And there was a difficult meeting with the whole senior management team in the Hay-Adams Hotel where we explained what we were going to do. That session was preceded by a sort of exploration of the overall strategic environment of the Bank by Moises Naim and Mark [William] Baird.

And it was a rough meeting—I think it's described in the Mallaby book—in the sense that Wolfensohn didn't clearly come out indicating what he wanted to do, whether he was in line with what we were saying needed to be done, and so he gave the impression that he was not completely backing us. At the same time, there was a whole day of discussion on changing the Bank, and a few vice presidents were actually negative about the plan. Some were positive, but it was a sort of murky atmosphere.

But somehow, a few weeks later, we were dispatched to the Board to explain what was going to happen. So we didn't get wholehearted support, but at the same time we kept going through the motions. And at the Board--I remember I was the one presenting the slides to the Board—the Executive Directors were stunned in the same way Wolfensohn had been stunned in New York by the boldness of what was being proposed and the number of things being proposed and the depth of things being proposed.

And I will remember that Board session a long time. It was three hours' worth, with the Board again, as I said, taking a deep breath, not quite knowing what to do with all this, but sort of trusting our judgment.

In this murky period, the question also had come up as to how to communicate all these plans to the staff. The managing directors thought that we should not show the blueprint because we shouldn't give people the impression that there was an imposed blueprint. And so instead of that, there were focus groups organized around the Bank based on a very short, highly abstract slide show saying we would be close to the customers and technically good. So, again, motherhood and apple pie, but not really showing the goods.

BECKER: Yes.

RISCHARD: And those focus groups—there were dozens and dozens of them throughout the Bank—happened in an atmosphere where people were a little bit worried about the whole thing. I was of the opinion that we should show the full blueprint and the slides to everyone, and I actually violated the rules and did a few focus groups of my own with the slides!

And each time I did that in a few departments, such as the Legal Department, people said, “Oh, this is interesting,” and “How can we help?” “Maybe you could do this this way.” People became problem-solvers when they saw the blueprint and wanted to fine-tune it, as opposed to what happened in the other focus groups, where people just thought we were hiding something . .

BECKER: Yes.

RISCHARD: . . because we weren't being detailed about what was happening. So that, I think, was a big mistake in communication.

And the murkiness continued. There was a town meeting where the staff was getting anxious about all of this and where Caio Koch-Weser was up there on stage explaining again what the principles were for this new organization, and where Wolfensohn sort of taking distance from Caio saying, “I'm Chirac,” meaning Jacques Chirac.

BECKER: Yes.

RISCHARD: And where he pointed to Caio Koch-Weser saying, “And he is [Alain] Juppe,” who was the sort of unhappy prime minister at the time.

BECKER: Yes.

RISCHARD: And so things continued in this sort of murky fashion, but at the same time the decision was made at some point to use Africa as a guinea pig for the new blueprint. And one of the central vice presidencies—I think the one for Human Development [and Operations Policy]—was also going to be ahead of the others in modeling these changes.

And these changes had a matrix in which Regional vice presidencies dealt with technical vice presidencies. The latter were called networks, and there was a big fight about that. I wanted the networks to be like worldwide consulting firms or high-quality practices, and I wanted all the technical staff of a particular feather—private sector staff, human development staff, environmental staff—to report to the network vice presidents wherever they sat in the world, whether they were working for this or that Region. In my vision, the technical staff's first reporting relationship would be to their technical family, and the network head would be the head of the family. Similarly, in my vision, the Regional vice presidents would have bought the services from these technical vice presidencies, and they would have judged their technical vice presidents on the merits of their deliveries.

BECKER: And also the Regional vice presidents would have been decentralized with a good deal of authority of their own.

RISCHARD: Yes, in any case, but they would have had more authority to decide which projects to do . .

BECKER: Right.

RISCHARD: . . what strategy to pursue in the countries. Their powers would have been augmented, of course, which was the general idea, but they would <u>not</u> have owned technical troops. They would only have owned a small staff of strategists and country economists. So their job would have to be the strategists and to liaison with the countries. But they would have held the bulk of the operational budget, that is, they would have had a lot of power.

BECKER: Right.

RISCHARD: And that blueprint, which to this day I think was the right one, was not adopted. And when I was on vacation again—this must have been a year later or sometime later—I was on vacation again in Corsica. When I came back, Caio and others had pushed a hybrid version of the matrix in which the technical staff remained in the Regional vice presidencies, so that their first allegiance was to the Regional vice presidency.

But with their left hand, they had to report to a network head, who actually was now more like a trade union leader than a real boss. And I thought that design was very neither here nor there, and that it would lead to an erosion in the skills of staff because I didn't trust the Regional vice presidents to hire world-class people. Even if the network had encouraged them along these lines, they would still sort of hire local staff, and not go for worldwide quality.

So that was a debate. Caio Koch-Weser was for that hybrid version. I was for the clean version, and I lost the battle. And as I lost it, the Bank lost it, too, because a lot of the erosion in the quality of staff that has happened since, in the last ten years, came from that hybrid, neither here nor there design, of which I'm very critical to this day.

BECKER: Yes. Now, did you ever talk to Wolfensohn about why he made the decision that he made on this or . . .

RISCHARD: Wolfensohn never understood the nature of the matrix. He always thought that the way the Bank had been structured was my way. He always thought the network heads could decide to double education lending and that this decision would then be readily executed. He always thought the network vice-presidents were very powerful people, but we were not. He never understood that the technical staff remained under the primary allegiance toward the Regional vice president, except for the small central units which were called anchors that were under the network heads.

And so Wolfensohn never understood the fine details of this, never probably really cared about them. And to this day, I think he misunderstood what was actually happening and that he would have been on my side had he been more studious in terms of discussing the two models.

BECKER: Now, he was early on focused on the managing directors and the people that he had around him. Is that what happened, that his focus just got off of this reorganization and he focused on more or less the people that reported directly to him or . . .

RISCHARD: He focused on big themes like poverty . .

BECKER: Yes.

RISCHARD: . . or fighting corruption. He was traveling a lot. He was a fantastic president from an external standpoint, and he rebuilt the image of the Bank, which was very damaged by 1994. But he was never very deeply immersed in the managerial details of how the organization runs, how it should be structured. He left that to the managing directors, criticizing the managing directors when he thought it wasn't going well, but rarely intervening in the decisions themselves.

BECKER: In this proposal that came out of these meetings in '95—in the paper on synchronizing the World Bank with the world economy, it had what I would think would be an interesting/controversial idea about the whole civil service mentality of staff careers at the Bank. Was that a source of some discontent, or—the question is did that end up in the report?

RISCHARD: No.

RISCHARD: No, it didn't, and . . .

BECKER: Yes, that's a very interesting set of ideas.

RISCHARD: Yes, and they never made their way into the other group that was looking at staffing. What the other group did is to try to have two career tracks, one career track that would lead to managerial ranks and one that could be a technical track where you could go very high up in the salary grades, but as a technical guru—a good idea, but which was not really executed the right way.

BECKER: Okay. So I want to follow up on this and talk a little bit about what you call the connector bank, and what Wolfensohn called the knowledge bank. Now, he or more or less bought into your ideas, or the ideas that your group had proposed on this. Is that correct?

RISCHARD: You remember I had been one of the pioneers in the Bank on using the new technologies for development. . .

BECKER: Right, right.

RISCHARD: . . this InfoDev example.

BECKER: Yes.

RISCHARD: And actually what happened—this was 1996, so it's the second Annual Meeting for Wolfensohn, and it so happened that a month or so before, after having heavily insisting that the senior management team should hear from me about the new technologies, Wolfensohn staged a meeting of all the vice presidents around a slide show that he asked me to prepare on new technologies and development.

And I did that, and I did it with three “witnesses.” One was the minister of technology in Brazil, one was the head of the Israeli Open University, and one was a Wall Street investment banker called Bo [W. Bowman III] Cutter, who had worked in the White House and he was very much into new technologies.

So I explained what new technologies could contribute to development and an example of the things you could do with the technologies was to essentially turn the Bank into an electronically accessible, systematic repository of best practices and knowledge. And I said that we could call it a knowledge bank. I didn't use the word "connector" bank.

And Jim, who—it was the first time he saw that slide show. (I must have it somewhere. It was actually a neat slide show.) Jim got very enthusiastic about this and immediately wanted me to set up a task force on the knowledge bank idea. In the book of Mallaby, there's a little anecdote where Jim is in a traffic jam in New York and he calls me and says, “There's nothing in my Annual Meeting speech,” and I come up with the knowledge bank idea.

BECKER: Yes.

RISCHARD: I can't remember that detail very well, but it was part of what was happening at the time. There was a colleague called Stephen [M.] Denning, who was also pushing the knowledge bank idea separately. We sort of united forces in that task force, gathered some 20 or so people, came up with a sort of proposal and a report. And it sort of entered into the Annual Meeting speech, and Jim became a strong proponent of these ideas.

BECKER: These ideas are popular—also are developing in corporate settings in the U.S.

RISCHARD: Yes. They were new at the time. They ran under the heading of “knowledge management” in the corporate world.

BECKER: Yes.

RISCHARD: And we actually brought in some experts. One was called Brooke Manville—I can't remember which company he was from--who was one of the gurus of knowledge management. And then we had some people from Price Waterhouse which were gurus in this. And so we designed a systematic system of knowledge management for the Bank.

And in the Bank-wide organizational blueprint that we talked about earlier, knowledge management was a component piece. The idea was that the technical vice presidencies would have as one of their functions to maintain first-class knowledge banks in their field. And so the knowledge management drive took off.

In my vice presidency, I started help desks and I had people named as knowledge managers. I think I was one of the first ones to experiment with this. And we built up something called thematic groups, which happened, I think, in early '97 at the point where the central vice presidencies became network vice presidencies. It was January, February '97.

The reason we invented the thematic groups was that, in my case, in my network vice presidency, we had something like 1,300 people. It was a huge thing, so the only place I could gather them in was some hotel on 14th Street. And when you had 1,300 people, the question was what do you do with them?

BECKER: Yes.

RISCHARD: So we made a list of topics on charts and said room number 16 is privatization. If you're interested in insurance reform, go to room 8. If you're interested in highway maintenance, go to that room 24. And people flocked spontaneously to these various rooms.

And then we saw that these groupings were successful, we said, well, let's transform these people into thematic clubs and make that part of the knowledge management system. So we invented that thematic group concept, but we had a very hard time getting the Regional vice presidents who owned the technical staff, according to the hybrid matrix version that had been retained . . .

BECKER: Right, yes.

RISCHARD: . . it was hard to get the Regional vice-presidents to actually consider that it was the duty of their technical staff to spend one or two weeks a year debriefing themselves on the best practices. They always thought knowledge management was a futile thing and that time devoted to this was “stolen away” from operations.

BECKER: Yes.

RISCHARD: This was one of the casualties of this very ill-thought-through design that Caio and others pushed.

BECKER: Now, were there other thematic areas [inaudible]?

RISCHARD: In my vice presidency of Finance and Private Sector Development, we had 32 thematic groups, and then the other vice presidencies had another equal number of them. But we had lots of them because we had so many technical specialties.

BECKER: Now, overall, how do you think this has worked? I mean, this is right before the Internet explodes, and so you're sort of ahead of the technology in a way because once the technology is there, it becomes easier to do these things.

RISCHARD: Actually, the technology was part of it, but the most successful device was not a website. The most successful device was the help desk, where you could call the highway people, for instance, from anywhere in the world and ask them what were the six best surfacing methods for highways or the best toll systems, to call and find out what had worked in which country and what hadn't.

That was the main topic. You needed to have staff who were manning these help desks or a knowledge manager that would systematically get out of the highway gurus all this practical knowledge on how to do things, where are the best consultants, which are the best books to read, the best articles, the best case studies, and so forth.

So technology was part of it, but it was not . .

BECKER: Not the driver.

RISCHARD: . . the central idea. The central idea was to create a culture where it was the duty of every technical staff to produce and store knowledge for the house. And we must have done OK—the early motions must have been the right ones because we got many awards from the corporate world for being ahead of other firms in knowledge management. And I remember trooping around giving lectures in Paris to Suez and other big companies about how to become good at knowledge management.

BECKER: Yes.

RISCHARD: But because of this ill-thought-through matrix structure, the system actually fell apart because the Regional vice presidents never let the technical staff reporting to them devote serious time for this. They never could see the merits for the Bank being very good as a knowledge bank.

BECKER: I worked on a history of Coopers and Lybrand, the accounting firm, and they around this time right, before they merged with…

RISCHARD: Oh, it might have been Coopers.

BECKER: Yes . .

RISCHARD: Yes.

BECKER: . . because they had a vice chairman and her job basically was to do this kind of thing.

RISCHARD: Yes. I think I may have met her, and there was another man from, I think it was Coopers that helped us think that through.

BECKER: Yes. They were leaders in that, and then, of course, they merged with Price Waterhouse.

RISCHARD: Yes, that's right.

BECKER: And I don't know what ever happened to any of them, actually. We wrote this history for their 100th anniversary and they swore they were ready for another 100 years, and within months of the thing . .

RISCHARD: They were gone.

BECKER:. . .they were gone. So, anyway, that's the way these things work.

I want to move on to your next vice presidency, but before doing that, the timing is close enough to the Southeast Asian financial crisis, I want to just change the subject just for a few seconds here.

Since you had been involved with the debt crisis in the '80s with the Baker and the Brady Plans, how do you think the—in view of your earlier experience in the '80s, how do you think the Bank dealt with the crises in Mexico in '94 and '95 . .

RISCHARD: And then the big one in ’97-'98.

BECKER: . . and then the big one in '97-'98, and then also the Russian problems?

RISCHARD: Well, first, I have to backtrack . .

BECKER: Yes.

RISCHARD: . . and say that the central vice presidency I had started in early '93 had roughly 300 people . .

BECKER: Right, and . . .

RISCHARD: . . and went very well. And they were highly booked, very sought-after, very expert. It was a wonderful team, and it was working fast, quick response, and so forth, a very popular outfit.

In early '97, those central vice presidencies morphed into the network vice presidencies. So I went from 300 people to 1,300.

BECKER: Yes, yes.

RISCHARD: And those people—they were not really my staff. I was at best a sort of trade union leader. We had to create a sort of network council, with delegates from all the Regions. So you had sort of board meetings. And within your vice presidency, there were several departments. I had actually four departments by then—urban and transport, private sector, financial sector, industry and energy. Each one of them had to create a sector board, which also had one guy from the central unit and one from each Region.

So what in my old central vice presidency was very un-bureaucratic and was like a consulting firm, and a good one, became a sort of bureaucratic thing with sector board meetings and council meetings. And I remember my job changing completely—I was a real business leader in my first job, whereas in my second job, my main function was to constantly beg the Regional vice presidents to pay attention to knowledge management, to give us resources to perform global initiatives, to be serious about the quality of the recruitment, and so forth.

And I could beg them as much as I would. They didn't care very much about the network vice presidencies from the start. So that poor matrix design played havoc, and one of the casualties was not only the knowledge management system blooming and then collapsing, but the other one was the capacity to properly handle the crisis of '97-'98. Indeed before the crisis hit, Gary Perlin and I got very worried that the Bank and especially the Regions, were not making enough efforts to consolidate and strengthen banking sectors in countries. There were too many signs of stresses in the banking sectors.

BECKER: In Southeast Asia and elsewhere.

RISCHARD: All over the world.

BECKER: Yes.

RISCHARD: And we had, especially in the Regional vice-presidencies, very few staff of the kind that could do bank supervision, reviews of banking sectors. It's very difficult work.

BECKER: Right.

RISCHARD: And I could see it coming that we would need many more expert staff in that area. So I tried to convince the Regional vice presidents to give me money for a central kitty. I needed $4 or $6 million, something like that, to hire in advance of a crisis the pool of experts we needed, and to be ready for it.

And I remember, as a network head, I just had no clout. I had to beg all of these people. None of them forked over money, and I still have somewhere a memo from the vice president for East Asia, Russ Cheetham, who turned me down by saying, “Look, I'm not going to give you money for this because we have no banking sector problem in my Region." A few months later, his Region had the nastiest of all crises, and he had only 2 staff in that area. Famous last words.

So that is a telling illustration of the weakness of this hybrid network concept. As a network vice president, you had no clout, even on something as urgent as this, and even with the support of the managing director, I was not able to marshal $4 to $6 million out of Regional vice presidencies (that had hundreds of millions of dollars of budget) to prepare for the eventuality of a serious set of banking crises in many countries. That was the type of difficulty inherent in that . .

BECKER: System.

RISCHARD: . . very poorly thought-through design, hybrid design.

BECKER: So what did the Bank—or did you get involved in the Bank's response?

RISCHARD: Yes. When Thailand got hit by its crisis in August '97, I got a call. I was again in Corsica, and all hell was breaking loose in Bangkok.

BECKER: Thailand, yes.

RISCHARD: And we had to literally scramble—well, to make things worse, senior management had taken away Gary Perlin away from me.

BECKER: Made him the treasurer?

RISCHARD: Yes, made him the treasurer, which was a waste of throw weight for the Bank. He was in a much more important spot in the financial sector development network, and he had been treasurer before, in Fannie Mae.

BECKER: Right.

RISCHARD: And the last thing he needed was to be treasurer again, but they took him away.

BECKER: Right. This was because Jessica Einhorn moved . . .

RISCHARD: Yes, Jessica stole him away. She became for a brief stint managing director for Finance [and Resource Mobilization], and she took Gary as a replacement.

BECKER: Okay.

RISCHARD: So I had to replace him, and it was very, very hard to replace him. And I brought someone over from Comptroller—not Comptroller of the Currency, but the outfit that was dealing with the S&L crisis.

BECKER: What is it, the . .

RISCHARD: Office . .

BECKER: . . Office of—it's Thrift…

RISCHARD: . . Thrift Supervision, OTS or something.

BECKER: Yes.

RISCHARD: He was called Jonathan [L.] Fiechter, a towering man, huge, six, seven feet tall, maybe more. And he came over and, like me, was very worried about not having enough staff. And then the crisis hit in August '97, and I had to send Jonathan and the teams literally overnight to Thailand, together with the IMF rescue team. And when they arrived in Thailand, there was pandemonium. The central bank was empty. Everyone was on sick leave. The ministers were denying any responsibility. No one knew what to do with the so-called finance companies. They were all going bust. There were some 59 of them. We had to close them overnight, with the Fund. It was extremely difficult work under duress, under high-speed conditions.

And then Thailand was followed by a crash in Korea and in Indonesia, and the small troops we had were completely stretched, and I really regretted then not having gotten the money I was looking for from the Regional vice presidents to set up a pool of crisis management experts. And then I went to the Board, with the help of the managing directors, and got $25 million allocated to a Crisis Management Unit, like that, on top of the so-called Strategic Compact, which had allocated lots of money to the changes that Wolfensohn was making.

BECKER: Right.

RISCHARD: And we booted up a sort of special, intensive—sort of intensive care unit for financial sector. And I had to contact many central bankers in the world to get some staff seconded to that team to be able to hold the fort. So these were very, very tough times, and I worked very closely on these things together with another network vice president who was called Masood Ahmed, who was running the economic management network [Poverty Reduction and Economic Management Network]. Together, we tried to hold the fort as best we could, but it was a high-anxiety time.

BECKER: Yes, yes. I lived in Singapore at the time and so literally could watch what was happening. The Singapore press doesn't cover Singapore very well, but it covers all the neighbors very well.

RISCHARD: Yes, and actually I remember early in January '98 Korea had reserves down to $1 billion.

BECKER: Yes.

RISCHARD: A week more and Korea would have had a bankruptcy problem.

BECKER: Yes.

RISCHARD: And what had happened in Korea is when the trouble started in Thailand, the problem was the finance companies—but in the case of Korea, it was more of a *chaebol* problem.

BECKER: Right, right.

RISCHARD: In Indonesia, it was more of a problem of the private sector people taking on a lot of foreign debt.

BECKER: Right.

RISCHARD: And what happened . .

BECKER: And a very weak banking sector.

RISCHARD: . . a very weak banking sector . .

BECKER: Yes.

RISCHARD: . . but also a terrible over-indebtedness of the private sector, which no one knew about, and brutal capital movements. I think wealthy individuals in Indonesia moved $42 billion out of the country and put it into Singapore in a few weeks' time.

BECKER: Yes.

RISCHARD: Anyway, we held the fort as we could, working with the Fund a lot and the central banks, but these were harrowing times.

BECKER: Okay. Now, from all of this, has the Bank learned?

RISCHARD: No. I think the Bank has kept on to this hybrid structure, which has led to a massive erosion of the skills of the Bank. In other terms, the world-class skills of the type I had in my old central vice presidency, that's hard to find today. And you have too many task managers. There are 1,500 of them. They should be only a very small group. There are no mentors for the young technical staff.

Instead of hiring the world's best mortgage finance specialist, the Regional vice-presidents hire someone, say, in the Delhi office because he knows about the Indian banking sector. Not a chance in hell he or she will be a world class expert. The hiring practices and the quality maintenance practices have deteriorated, and I think this hybrid structure has caused very great damage to the Bank.

So the Bank didn't learn anything from this, and they should have learned, if anything, from the financial crisis where, clearly, had I been able to get the money ahead of time, I would have been much more prepared to do this rescue work than we were with this hybrid structure, in which Regional vice presidents who don't know anything about financial sectors were deciding whether or not to add staff.

BECKER: Right.

RISCHARD: In the case of East Asia, not only did the man tell me he had no problem, but when the s… hit the fan, you recall he had only two or three staff in the financial sector area in East Asia. It was extremely weakly staffed, and it was a real disaster.

BECKER: Now, the Bank worked with the Fund in this effort. You haven't mentioned much about the Fund. Did you have many contacts with the Fund?

RISCHARD: Yes, we had many contacts with the so-called [International] Capital Markets Department, and many joint meetings, and all the missions were joint. So it was our bank supervisor-types going out with the more macroeconomic financial sector specialists of the Fund, and we were working hand in hand. I had many, many meetings and joint approaches.

BECKER: Now, Thailand has worked out pretty well. They did reorganize the banking sector. Indonesia is still troubled.

RISCHARD: Yes.

BECKER: Korea worked its way out of that, but to what do you attribute that? I mean, actually Thailand turned around within a year, I would think.

RISCHARD: Actually, they all turned around. When you look at the statistics, they all had big drops in GDP.

BECKER: Right, right.

RISCHARD: And within a year-and-a-half, they were back. But they all started working at consolidating their banking sectors, some better than others. But we never could stop because as soon as Asia was finished, Russia was in trouble.

BECKER: Right.

RISCHARD: And then you had Brazil . .

BECKER: Brazil, yes.

RISCHARD: . . surprisingly, but Brazil was actually more of a shallow crisis because we had done a lot of work beforehand to strengthen the banking sector. So in that case, it was much less serious than [inaudible].

BECKER: And Russia ended up being more a Fund problem.

RISCHARD: Russia was partly a problem around the issuance of government bonds. And the weakness of the banking sector was glaring—that we knew, and we actually had tried to develop a much stronger banking sector in the form of something called the International Standard Bank. So each crisis was slightly different, but they all had the financial sector component.

BECKER: Now, in September of that year, a new vice presidency is created and you're it. How did that come about, the Vice Presidency for Europe, in September of . . .

RISCHARD: No. Actually, that's early '98, I think.

BECKER: Oh, okay. I had September, okay.

RISCHARD: What had happened is actually I had—even though I was the private sector vice president--a lot of links with Brussels and the president of the [European] Commission at the time, who was called Jacques Santer. And I had repeatedly pushed Bank management to create the Brussels office to be close to the European Commission and the European Investment Bank, which are actually the biggest multilateral partner we have. And so I had been instrumental in getting the Brussels office started, and it was started up by the External Affairs Department.

BECKER: Okay.

RISCHARD: But that was maybe '96 or '97, something like that [inaudible]. And then in early '98, I had been a private sector vice president for five-and-a-half years already. So I was beginning to get tired of the business, and, particularly, I disliked this network vice presidency mode, where I had to constantly chair council meetings and sector board meetings, and always beg the Regional vice presidents for attention, and so forth.

By contrast, I had really loved my early days as a central vice president. I didn't like so much the network vice president, and the other network vice presidents didn't like their lives either. So one day I wrote a list to Sven Sandstrom, just on a piece of paper, listing four options for my next move. One was to be an operations vice president in IFC. One was—I had been offered to be the East Asia vice president two years before, but I wasn't interested.

One was to be—I can't remember what the other two were, but the fourth was to become a vice president for Europe, working out of Europe, an off-the-cuff idea as it were. Sven gave that list of four options to Wolfensohn before the spring meetings of '98, and Wolfensohn immediately liked the idea of a European vice presidency and of making a special effort to get close to the European shareholders.

BECKER: Some of the largest single groups, I guess.

RISCHARD: Oh, 30 percent of the capital . .

BECKER: Yes, yes.

RISCHARD: . . against 16, 17 percent to the U.S., but they had never realized that they were that big a shareholder collectively. And so Wolfensohn so liked the idea that he announced it to the visiting EU ministers that were coming to the spring meeting, giving me just a few hours to tell my wife that I had a new job ahead. [Laughter.] And that we were moving to Paris within a few months.

So we created, with Mark Malloch Brown, who was running the External Affairs Department [Vice Presidency], and who was by then, I think, a vice president—yes, he was—we concocted the creation of a European vice presidency based on the Brussels office which I had started to [prompt?] the Paris office, which had been there since the war, and the London office, which was very small.

And so I essentially redesigned that series of offices into a real [little?] vice presidency, but it was a small, embedded vice presidency contained within the External Affairs Vice Presidency. We later added a Rome office, under the pressure of the Italian shareholders.

BECKER: I see.

RISCHARD: So I went from the biggest vice presidency of 1,300 people to the smallest one, with about 60, 70 people.

BECKER: Let me ask you a frank question here. Obviously, you were unhappy about the network vice presidency. Did you make your unhappiness known to Wolfensohn or was that . . .

RISCHARD: No. I was just getting tired of it, and after five-and-a-half years in the job, I wanted to do something else.

BECKER: I mean, you didn't have the sense that this was a way to get you out of his hair or . . .

RISCHARD: No. I actually always got along well with him. He may have found me wanting as a network vice president. That could be, but we found—everyone found all the network vice presidents wanting because they had such a thankless task. And my FPSI vice-presidency had a huge scope, representing that of three vice-presidencies today. So I don't know. Maybe it was part of that, but I think he really wanted to do something special for Europe.

And actually, once I was in that Europe job, I got very close to him, and we did a lot of things together. I think it was particularly my wanting to move on, but it may have been in a context where they may have wanted to do some changes at any rate, in which case my Europe idea preempted things to come.

Actually, when I left, what they did is they took this huge vice presidency I had and they carved into three pieces and gave it to three vice presidents. So my successors—there were three of them, and indeed for one person it was a hard job.

BECKER: Too much.

RISCHARD: You had to jump from financial sector to urban projects, to transport, to energy. You had to know about everything, and it was possibly too big a job.

BECKER: In my looking at this, reading about this, one of the pieces I saw said that it was—this was not an expansion, but really a shift in focus of what the Bank had been doing in Europe. It also strikes me that this is a very, very large mandate to, what, 30-plus countries that are in your . . .

RISCHARD: Yes, it was fascinating. The mandate was to get the Bank and Europe much closer to each other as the largest shareholder, but the shareholder who didn't know it was the largest shareholder, and representing—55 percent of IDA was from Europe—the biggest bilateral systems, the most influential ones like DFID [Department for International Development] in the UK and the Dutch. They were very important. The Scandinavian . .

BECKER: Right.

RISCHARD: . . shareholders were important. The Dutch were key trust fund providers. So there was a lot to do, and I designed a sort of program to make the vice presidency a very happy, ambitious one, even though it was small and embedded. And I even got some money out of the budget people for doing it. And so I took what I had and I added a little bit of money, and we multiplied what we were doing in Europe by four or five in a very short time.

BECKER: Now, what kind of things did you do to improve these relations—well, first of all, it's a job to sort of clarify the Europeans' own identity in terms of development and all the efforts that they were making.

RISCHARD: Yes. We actually helped do that as well.

BECKER: Yes.

RISCHARD: It was interesting how we did more in that sense than the European Commission itself. Often, I would go to countries explaining what was going on in development and their own role with their own bilateral system, and what we thought of it. And they said, “Well, it's interesting; the Commission never told us that, but it's coming from you.”

So we had several business lines. One business line was to intensify the country dialogue with individual European shareholders, and I did a lot of that. I would be every week somewhere else, in Portugal, in Iceland, in Greece, in Ireland . . . explaining the Bank, explaining the stakes, raising money, forming partnerships with the countries. In each country, I would often see the prime minister, sometimes the president, the development minister, the finance minister, the NGO community, the business associations, the parliamentarians, and so forth.

Either I would do it, or I would get Jim to come five, six times a year and do it. And we were using different approaches depending on the country. All in all, we became very close to the Italians, the Germans, with the French. We would visit Chirac. We would have meetings with [Gerhard] Schroeder. Or [Silvio] Berlusconi. Or [Jose Maria] Aznar. We ended up with very high-level relationships throughout Europe and a great deal of influence on aid systems, on the G-8 agenda and some of the G-20 agenda, and so forth. And we ended up with an explosion in the partnerships with the European Commission and the European Investment Bank. So this strategic dialogue was very important.

Then we decided to create outreach efforts to entire constituencies, not country by country, but to zero in, for instance, on all the European parliamentarians . .

BECKER: Right.

RISCHARD: . . or all the European academics. So we created something that became a real institution, which is called the Parliamentary Network of the World Bank (PNoWB), which we started with the European Parliamentary Conference, with Dutch money. And today that network has a thousand parliamentarians from all over the world that are members, and has become a sort of parliamentary assembly for the World Bank. It started out of Europe, but now it is a global effort, managed still out of Paris.

Then we launched—this was the other thing we created—the annual conference of academics here that was called the ABCDE Europe Conference.

BECKER: Right.

RISCHARD: Annual Bank Conference . .

BECKER: On Development Economics.

RISCHARD: . . on Development Economics. It had run for years in Washington.

BECKER: Yes.

RISCHARD: And we created the European version of it, which became much more grandiose and bigger because you always would find money for it from countries. And so we had terrific conferences in Paris, in Brussels, in the Netherlands, in Switzerland, attracting hundreds of academics from all over the world, to the point where today the only ABCDE conference is that one. It’s organized by the Bank’s European team, even when it goes to Tokyo, as it soon will.

BECKER: It's not here. It's there.

RISCHARD: It's there, and indeed this year it's going to Japan. So we started to do things out of Europe that were global.

The third constituency we went after was the business constituency because when I came to Paris there was one person trying to connect the 400,000 companies regarding procurement opportunities with the Bank, or IFC and MIGA [Multilateral Investment Guarantee Agency] opportunities. So what I created was a network of liaison officers in the countries. I would ask each country to donate a staff out of the trade ministry or the business associations.

And those people—we now have 70 or 80 of them throughout the developed and developing world. They're called private sector liaison officers. They work with the Bank, but they're not Bank staff members. They have a title and an association agreement with us, and that powerful network is run out of Paris, and is a fantastic way to communicate to businesses about investment opportunities in developing countries, procurement opportunities with the Bank, opportunities with IFC, MIGA, and so forth. So we created yet another global network out of Paris for this constituency.

BECKER: Now, is there a group of business leaders or executives that come together regularly to look at these issues, or do you deal strictly through this network of liaisons?

RISCHARD: This world-spanning network is one of the ways to get to them, but Wolfensohn also had a group of 14, 15 CEOs that would get together every year, and I always participated in these events with him which . . .

BECKER: European CEOs?

RISCHARD: No, worldwide.

BECKER: Worldwide, yes.

RISCHARD: We would have [Jürgen] Schremp from DaimlerChrysler, [Louis V.] Gerstner from IBM, the lady who runs Bain Company, people from Brazilian companies like Aracruz, the head of HSBC, and so forth. And there were many other venues for dealing with the private sector, including, you remember, my Business Partnership for Development, which was this tri-sector partnership.

BECKER: Right, right, so that was still . . .

RISCHARD: That was still running as well, right.

BECKER: How did you do all that? There are only 24 hours in a day. I mean, this strikes me as being . . .

RISCHARD: Well, I was always—I was sort of an entrepreneur in the Bank. I actually—there was about 20 things I've started like that during my career, most of which still exist today, some of which are gone, but I always loved to create new things.

BECKER: And let me ask about two aspects of what you were doing in Europe and the Bank. First of all, what about the EDs [executive directors] from the European countries? I mean, did you work with them, or did you find them resistant to this?

RISCHARD: No. They were actually very happy that we did this, and I became a catalyst for closer cooperation between them—in the early days of being in Paris, I would fly over to Washington and I would invite them to lunch, and that's how they would get together. They would not normally get together, and in the beginning I was the glue between them.

In those luncheons I would give them a state of Europe report of sorts or more precisely a report on the state of the Bank in Europe, and that created the beginning of the glue between themselves. Today, they're running their own meetings. In the beginning, it was actually often me who was the get-together agent.

BECKER: So I mean they didn't . . .

RISCHARD: And at some point, I think, after four or five years we started inviting the European executive directors to come on study tours to Europe, and we would take them to Brussels, to the European Commission, the various commissioners and departments. And that they had never done, as well. That was a new thing, and after two or three years they began doing it on their own.

BECKER: Now, do you see within the Bank that the—I mean, given the fact of the share the Europeans have, are they cohesive enough to form—I don't know what the word is—bloc, or at least on issues of . . .

RISCHARD: No, because Europe is quite disorganized on the foreign affairs front. Even on World Bank matters

BECKER: Yes.

RISCHARD: Although in the IMF, where they do have a natural bloc, which is the euro . .

BECKER: Right.

RISCHARD: . . but even there, they're not acting completely as a bloc. But in the World Bank, it's worse because they all have their pet theories on development. So the Brits have one approach, the Dutch have their own approach, the French yet another, and they don't like necessarily to be on the same page in terms of development approaches. So they do have their idiosyncrasies.

But these days, partly thanks to our efforts, they're now much more cohesive, and I hear that sometimes they have meetings before Board meetings to see whether they will have a European position on it. There are instances of joint statements by many European EDs, especially under Paul Wolfowitz’s tenure.

BECKER: Yes. What about your work and the work of the Regional vice president for Europe and Central Asia? Did you work closely with Linn for a while, I guess, when you were . . .

RISCHARD: No. We had very few links.

BECKER: Yes.

RISCHARD: We were in a very different business. We were looking for support, support for campaigns, support for G-8 ideas, money for the Bank, in a very different mode than those that were working on the Eastern European developing countries.

BECKER: Right.

RISCHARD: As a matter of fact, now that many countries have joined the European Union, I think the European vice-presidency should have taken over those countries in terms of the daily work because there's not much anymore for the Bank to do in those countries . .

BECKER: Right.

RISCHARD: . . other than treating them like what we call Part I countries.

BECKER: Yes, okay. Now, looking at this in retrospect, even though it's only a few months, what—of all of the efforts in this vice presidency, what do you think worked the best? What do you see as the most promising for the long term and, frankly, what didn't work too well?

RISCHARD: What worked well was the enormous increase in the dealings with the Commission and the European Investment Bank and the other European players. I don't know what the multiple is, but it's like four or five times more links.

And the way we would operate, we had lots of connections to the Regional vice presidencies and the network vice presidents, and we would facilitate their discovering the parts of the European Commission that were relevant to their work. So that was one thing we did.

Secondly, we helped Wolfensohn become an agenda-setter early on—disseminate his Comprehensive Development Framework and his ideas about Poverty Reduction Strategy Papers by using all the development ministers of Europe as his support group for this. That was a very big part of the show.

And then we supported a lot of the work after the Monterrey Summit, to get Europe to become a proponent of higher aid budgets, and all the harmonization efforts on the aid front between the Rome--there was a Rome conference and the Paris conference. Those were all the kinds of things we did.

We facilitated European access and partnerships for other Bank vice presidencies. So we were actually very close to the senior management team and the vice presidencies in the Bank, and we got lots done for the Bank.

BECKER: Okay.

RISCHARD: Anything that didn't work well? I think--given that it was a small vice presidency, I think we did very well. Not only did we do well in Europe, but as I told you, we did many things globally out of Europe which would not, in my opinion, have been feasible in Washington.

There is no way you could have created the global Parliamentary Network of the World Bank out of Washington. We would have been killed in endless meetings. We did really creative stuff out of there that you could only do by being a little bit at a distance, and at the same time with the lean and mean ways of a small unit.

BECKER: Is that then a model to create some vice presidencies in other parts of the world, perhaps, that are not in Washington or . . .

RISCHARD: I actually think the Regional vice presidents should be in their Regions in most cases.

BECKER: Yes.

RISCHARD: The network vice presidencies, however, should be central . .

BECKER: Yes, yes, okay.

RISCHARD: . . with branches in the countries, but they should have a central Washington-based location.

BECKER: Now, in the midst of all of these other efforts, I guess it's at Davos in 2001 you gave a talk that ultimately you expanded into your book on high noon [*High Noon: Twenty Global Problems, Twenty Years to Solve Them*].

RISCHARD: I had given that talk actually in one of the ABCDE conferences in Europe, and I had written it in one week. I would often take a few days of leave to write a speech. And these were not really World Bank ideas. They were my personal ideas on what was wrong with the international system, why the big issues were not being solved, and what to do.

And the speech went well. Shortly thereafter, around end 2000, and typical of what we were doing in Europe, in our high-level strategic dialogue mode, we had Schroeder, who was by then chancellor, requesting a briefing from Wolfensohn and a few others of us on development issues for four or five hours. (We did lots of these things in Europe.)

So we set up this meeting in a restaurant near Hanover on a Sunday afternoon in January 2001 with Chancellor Schroeder, and there was Wolfensohn, Nick [Nicholas H.] Stern—who was the chief economist—and myself, and Schroeder and two other people. And Wolfensohn explained about development and poverty for three hours.

And I had kept the last hour for my own ideas on global governance and how to accelerate the solutions to pressing global problems, which took a little bit of courage to do. And I did it, and I explained to Jim a little bit what it was about before, but he had never seen the slides.

BECKER: Yes.

RISCHARD: And he was amazed by it, Jim was, but Schroeder as well. And Schroeder said after one hour of this stuff—we were already at the fourth hour of our meeting on a Sunday, and we said "Should we stop?" Schroeder said, "No, this is interesting, let's keep on going." So we did another hour on this theme.

And in the evening, I was in the Adlon Hotel with Jim in Berlin, and we had dinner, and I said, "What should I do with these ideas?" And he said, "Well, this going far beyond the Bank, so write them up on your own." So I decided to think about it, and by happenstance I invited David Ignatius, who's one of . .

BECKER: Yes, sure, the columnist, yes.

RISCHARD: . . columnists, and he was then the editor of the [*International*] *Herald Tribune*, for lunch, not because of this, but because I had read a novel of his which I had liked which was called *A Firing Offense*. And we sat down and talked about his novel, and he asked me about what I was doing, and I told him about my ideas. And he said, "Do you have anything on this?" I said, "I have a speech that I gave." "Well," he said, "send it to me." So I sent it to him.

And I was headed to Davos a few weeks later with Jim, and Ignatius went to Davos independently for the *Herald Tribune*. And on the flight there he read my paper, and when he arrived in Davos—I had given no speech in Davos at all, I was just with Jim, Jim had given speeches--Ignatius wrote an op ed for the *Herald Tribune*, for the *Washington Post*, saying nothing's going on in Davos, but there is this one guy who has this idea, talking about me and my ideas. And so people always thought I had given a big speech in Davos, but I never did. He just had entitled his column as having been written in Davos.

BECKER: I see.

RISCHARD: And I got a lot of mail after that op ed, and so I went to see Ignatius again and said, "What should I do? He said, "There's an agent I know"—he gave me the name of a book agent in Washington—"go and have a look and see what he says." So I went to see that agent.

BECKER: At Basic Books they . . .

RISCHARD: No. Basic Books was the publisher . ..

BECKER: Oh, yes, okay.

RISCHARD: [Inaudible] and the agent said I should do a book proposal, which I did. I produced a sort of five-, six-page book proposal, gave it to him and sort of forgot about it. That would have been April-May 2001. And being in Corsica again in the summer [inaudible], when I arrived mid-July, there was a phone call from that agent, whom I only had seen one hour in my life. I've never seen him again. And he said, "Good news, bad news. The good news is we've sold the book. The bad news is you have to deliver the first manuscript in October," and this was July.

So I sat down and wrote and wrote and wrote. I had to clear the idea of the book with the managing director because this was a personal book and I could have damaged the Bank.

BECKER: Yes.

RISCHARD: But the managing director, Sven Sandstrom, and the vice president for External Affairs [and UN Affairs], Mats Karlsson, thought it was actually going to be good for the Bank to do the book. So they . .

BECKER: [Inaudible].

RISCHARD: Yes, they approved the book outline and Mats even the final text. And so I wrote the book, and it was published less than a year later in June of 2002.

BECKER: Now, I want to talk a little bit about some of the ideas in the book, but how has the book been received?

RISCHARD: Surprisingly well. It's in its fourth year and it's still selling quite well. It has sold more than 50,000 copies across the world and it's in 10 languages. And it's the only book of its kind that not only reviews all the big global issues and why they're not being solved, but also gives some sort of ideas on what we could do to get out of the predicament we're in.

So because it's the only book of its kind that is not just gloom and doom but has some ideas, it's still sort of carrying weight—I mean, just in the last two days and next days, for example, I will have given the speech eight times.

BECKER: Oh, okay. I won't ask you to repeat what you've said, but what I find interesting about all of this is that I'm curious about how you came up to what I would call a holistic view about problem-solving. I mean, had you read things?

I mean, I know all of your experience, and especially your cross-European experience, but so few people—I read a lot of material on development. So few people try to take a large view.

RISCHARD: Yes.

BECKER: You know, what prompted this holistic view?

RISCHARD: Yes. I think what prompted it was, first of all, being from the World Bank. And you saw my career.

BECKER: Yes.

RISCHARD: I was jumping from industry and petrochemicals, to asset liability management, to running the trading room, to being in the private sector development area, to worrying about urban projects, to working in external affairs. So I was always a broad type. And I'm a very curious and studious type. I read a lot and I'm curious. So I know about lots of things, more so, I think, than most people in the Bank, who tend to be relatively narrowly specialized. So I was always a big-picture-type guy.

Also the job in Europe helped because in Europe I was representing the whole Bank, and I had to be knowledgeable about all the things the Bank did, from environment, to agriculture, to AIDS issues, to country issues, and so forth. It was one of the few jobs—being vice president of Europe, it was one of the few jobs in the Bank, next to the president's job, where you have to know everything. There are very few jobs like this in the Bank. Managing directors don't know that much beyond the direct scope of their work, but the vice president for Europe, the External Affairs vice president and the president are the three that have to know about everything. So that was another explanation for my having a broad sweep.

And then I have the habit of clipping newspapers, so I had tons of articles on global warming, on trade, on water, on poverty, on any topic that I cover in the book. I had a hoard of articles, and I still have at home bags and bags full of these things. And I was able to essentially describe 20 global issues as disparate as, as different as . .

BECKER: Right.

RISCHARD: . . global warming, to drug-trading, to . .

BECKER: Taxation.

RISCHARD: . . taxation, to intellectual property rights, to AIDS, malaria, tuberculosis, in one style, in one way of writing. And I think that is coming from having been at the World Bank for so many years.

BECKER: My own take, not that—this is not about me, but what struck me about this was to look at these issues in what you call global issues networks, I mean the whole idea that these issues are, in fact, a network problem rather than just a discreet, you know, separate kind of problem that's—and that they're also global, that the problems, in fact, are so interrelated.

RISCHARD: Yes, that's the thing. The problems are inherently global. They're cross-border issues by definition and they're long-term issues. And the problem we're facing on this planet is that we've carved it up into 190 nation-states, all of which are not global, but they're territorial in their perspectives, and their politicians run for election every four years. So there's a clash between the nation-state system and the nature of these cross-border, long-term issues like global warming.

And so my diagnosis—and I haven't changed my mind on this—is there's not a chance in hell that 190 countries will get together at the UN level and solve these problems. Just think of global warming. And they're actually not doing this at all, and so you must find another way to prompt a solution toward this problem.

And the only other way I know of is to create networks of experts that delve very deeply into each of these issues and essentially delineate the solutions which the world would adopt if it was under single management. What would we now be doing to stabilize the concentration of carbon dioxide? What would we now be going to prevent the collapse of fisheries? And based on these solutions, then spell out the norms that fit with these solutions and the norms that would coax the nation-states into the direction of the solutions. And finally, rate the countries against the norms to essentially create reputation effects, embarrassment effects, and essentially help the voters in the world figure out where their government stands against these issues; in other terms, create some sort of pressure on the nation-states and their politicians to be more planetary-minded and more long-term-oriented than they naturally are by using experts. And to get experts to work together on issues, you use networks.

BECKER: I looked up some of the reviews of the book, just to get some of the larger—you know, how people have reacted to it. And the one critique—and I'm just curious about your response to this critique—is that—and I'm not saying this as, you know, a parochial American, but the one critique was that you left out—that you underestimated the power of not all states, but critical states like, you know, a country like the United States.

The current administration in the United States ignores a lot of these things and [held?] views of this are beyond embarrassment, it seems to me, about a lot of these things. So what do you do in the face of something like that?

RISCHARD: Well, one of the examples that has inspired my ideas of norm-setting and rating of countries is actually what happened in the money laundering area four years ago, where the G-8 asked something called the Financial Action Task Force to spell out 40 criteria on what constitutes the toleration of money laundering by countries.

Based on these 40 criteria, 15 countries were named on the blacklist. Russia was on it, Israel was on it. And a year later, half the countries on that list had passed legislation and regulations to get off this highly embarrassing list. And the U.S.—very few people know this—the U.S. violated 28 of the 40 criteria, and the U.S. was so embarrassed of even risking to be on the blacklist on money laundering that they immediately did what they had to do to not get on the list. So even the U.S. can be shamed and embarrassed.

And these global issues networks, which would be very solemn, very Nobel-Prizing-winning in their ambience and their loftiness—if they produced their 20 ratings on 20 norm settings, because there are 20 issues, on all the countries in the world and if the U.S. didn't stack up well and the U.S. fell in the rogue state category, as it were—I'm not saying it would, it’s just an illustration . .

BECKER: Yes.

RISCHARD: . . I think this would embarrass the hell out of the U.S. public. The voters would act up in the next elections, and other countries would begin to exercise at least reputational embarrassment and maybe even sanction effects on the U.S.

So I think even a very powerful country, when it's exposed as a rogue state, would pay attention to this. At any rate, if these reputation effects and voter information effects are not going to do the job, I don't know what else the solution is to the predicament we're in . .

BECKER: Yes.

RISCHARD: . . because, as I said earlier, the nation-states themselves will not come up with the solutions at the global level.

BECKER: Yes.

RISCHARD: So we need some form of pressure on them, and I think reputation pressure actually is one of the few things that work in this difficult time.

BECKER: Yes.

The other thing you suggested in some of your other writings—you talk about leadership and the less than likely—that we're going to find a political leader with the kind of vision and also with the—given the problems that leaders in all the major countries face—with the sort of political capital to take on these larger global issues. I mean, where do you see some leadership coming in that area?

RISCHARD: I think—I don't think you can expect there to come up a new generation of [Winston] Churchills and [Franklin D.] Roosevelts.

BECKER: Or Jean Monnet.

RISCHARD: Or Jean Monnet.

BECKER: Yes.

RISCHARD: And it will be futile to wait for that as the solution to our woes. Leadership won't come spontaneously. Especially not in this age.

BECKER: Yes.

RISCHARD: As a matter of fact, as the world becomes more chaotic, we may have downgrades in leadership qualities, and I think that's what we're seeing now.

BECKER: I agree with that.

RISCHARD: So for me, the leadership cannot come from the electoral systems that bring up politicians. The leadership has to come from experts, the world's best experts on fisheries depletion, on global warming, on drug-trading, and so forth. We must let the experts speak by organizing expert groups into serious, solemn, well-managed networks that create the leadership that is not coming from the political class.

If there is one class that is lagging in global problem-solving, it's not the CEOs, it's not the leaders of the NGOs . .

BECKER: Right.

RISCHARD: . . it's not the leaders of the multilateral institutions. It's the political personnel of the nation states that's the laggard. With their four-year electoral cycles, politicians aren’t really capable of handling the issues.

So, as I often say, when you fly through a storm, would you rather have the pilots drive the airplane or a committee of the passengers? For me, the experts are the pilots, and it's time we bring in the experts to fly the plane. The committee of the passengers, being the committee of 190 nation-states getting together in the UN—that's not going to produce a solution. And our planet is flying through a storm for sure.

BECKER: Yes.

RISCHARD: So it's high time that we moved to the leadership of experts. Whether you like experts or not, when the going gets tough, that's where you have to go.

BECKER: Yes, yes. You said you've had very good sales with this and all. You've retired from the Bank, in May of 2005.

RISCHARD: That's right.

BECKER: Yes. Have you tried to institutionalize some of these ideas?

RISCHARD: I'm still giving lots of speeches on the *High Noon* book and on the *High Noon* speech, and I'm beginning to—I have a sort of business plan, which I already had a year ago for setting up a foundation, the job of which would be to lobby many global leaders, business leaders, religious leaders, parliamentarians, any sort of leaders in the world, toward putting pressure on heads of states to sit down and discuss the question of the methodology of global problem-solving, and maybe authorize two or three experiments along the lines of what I'm suggesting.

So for me, the next step is to create a foundation to lobby as many leaders as we can in the world to get to that point where the leaders, the heads of state-type leaders, will get together on this massive issue of the methodology. So I have documents to do the fundraising, but I'm just starting on that approach.

BECKER: Do you want to take a break?

RISCHARD: No. It's . . .

BECKER: I have some final questions I want to ask you, but . . .

RISCHARD: No. Let's keep on going because I need to [inaudible].

BECKER: Okay. Well, let me just check how we're doing with our tape. I might have to stop and change tapes. I'll let you know. The little buzzers go off.

Why did you decide to retire when you decided to retire?

RISCHARD: I decided to retire for various reasons. One is I rediscovered Europe being the only vice president outside Washington and the idea of returning to D.C. felt like a regression. And yet—I had to come back. I could no longer stay. I had been in my job for more than seven years, which was unheard of.

BECKER: Yes.

RISCHARD: And each time they tried to yank me back—they wanted me to be the External Affairs vice president, for example—I would turn them down. And at some point, Shengman Zhang said, "No, no, it's over, you have to come back." So I was faced with the idea of coming back.

Secondly, I would have come back and would have ended up in the new presidential regime of Paul Wolfowitz, and then I thought to myself, "God, this will be my sixth president. Do I still have the energy to help regroup the new president who comes in and doesn't know much about development?" And that didn't appeal to me too much.

And the third reason was that I felt that I could not go all out on these ideas of the *High Noon* book while being vice president of the Bank. Actually, it's amazing I could do as much as I did under Jim Wolfensohn, who was protecting me, I guess. And the Bank, in general, was very protective, but there's a limit to how much you can do when you're a staff member of the Bank and you have to criticize the G-7 methodology, say.

BECKER: Yes.

RISCHARD: So it was time to swing to a more activist mode on these ideas and maybe write another book. Writing this book while being at the Bank, that was a tough thing to do in the first place.. .

BECKER: Yes.

RISCHARD: . . because I was a very busy vice president.

BECKER: Yes, yes.

RISCHARD: And so the time had come to move on. Also, I had been in the Bank 30 years, with the exception of the Wall Street years.

BECKER: Right.

RISCHARD: So it was actually 27. And a lot of my friends were beginning to leave the Bank, and it was also a good time to go and start another career around particularly the ideas of the book.

BECKER: Okay. How much time do you have?

RISCHARD: I could check with my [inaudible].

BECKER: Yes, okay, okay.

[End Tape 1, Side A (Side B not used)]
[Begin Tape 2, Side A]

RISCHARD: On the Bank's future, I think the Bank is more at a crossroads than it was ten years ago when we made these big changes we discussed, and I really think the Bank has two problems. It has a business model problem and it has a structural problem.

And the business model problem is that there are actually three business lines to look at. The first business line is what I call the mission-driven business of the Bank. This is where the Bank goes into a country with a Country Assistance Strategy and a Poverty Reduction Strategy Paper and it tries to help the government fight poverty and do the right thing.

That mission-driven business today is 90 percent of the Bank, and that business line, I think, will dwindle down year after year after year, because we're going to lose the investment-grade borrowers—China, India, and others, Brazil and Mexico—who will no longer need—they don't need the World Bank money anymore.

BECKER: Right.

RISCHARD: And at the other extreme, the very low-creditworthiness borrowers are getting grants and debt relief. So the Bank's credit culture has been undermined. So you lose the top clients and the bottom clients, and you only have this strip in the middle. And I see that Bank as declining from money-wise and volume, but also in quality.

The second business line would be a demand-driven, sophisticated best practices business. In that part of the Bank, the client there is not a government, like in the first business line. The client is the government official who needs quickly some advice on sectoral management; what are the best pension reform methods and how did it work in Mexico as compared to Chile; quick advice on the best road surfacing methods in certain climate conditions, and so forth.

And, there, whereas in the first business line, the mission-driven business, the competitors and would-be partners are the bilateral agencies and the other multilaterals, in this business of sophisticated best practices the partner or competitor is the OECD. And the Bank used to be in my days in the central vice presidency very good at this stuff. I had superb insurance reform experts, mortgage bank experts, experts in bankruptcy laws, and you name it. And that part of the Bank today has shrunk to 5 percent.

The third part of the business model is what I call global issues-driven business, issues like climate change, issues like avian flu, and so forth, where the client is not the developing country government or even official, like in the first two business lines, but where the client is the international community itself. And that business line is only 5 percent today.

So the Bank is 90-5-5 in terms of these three business lines. And that Bank, I think, will decline. The Bank--if the Bank wants to survive to 2015 and be a strong and acclaimed Bank by then, it needs, in my opinion, to be 50 percent mission-driven, 30 percent sophisticated best practice-driven, 20 percent, at least, global issues-driven.

For me, that's the Bank of the future. That's the Bank that will be there 15, 20 years from now. The status quo Bank will just dwindle down. In other terms, the Bank needs to ignite the engines of the second and the third business lines big time.

The second and third business lines are much less Regional vice president-centric than network vice president-centric. The global issues business is something that is very centered on network vice presidencies; the sophisticated demand-driven best practices, half and half. It's only the first business line that is Regional vice president-centric.

So I think the Bank has to go into that three-business-line model, rather than hang on exclusively on this mono-line business of poverty reduction in a mission-driven mode. And to get there, there are problems of structure.

The first problem of structure we already talked about; it's this hybrid design, which has caused the quality of the Bank staff to go down. And the Bank has essentially lost its franchise it had in being the sophisticated provider of detailed development strategies and best practices.

And so we must change back to the design I said earlier I was defending, where the technical staff reports to the network vice presidencies in the first place, and the network vice presidencies supply these people back to the Regional vice presidents as you provide consultants. And the network vice-presidencies are then judged by the Regional vice presidents on their deliveries of high-quality staff and products.

If the Bank doesn't swing over to that structure, which is the structure we should have adopted in '96, the Bank will be going down. We can see that the Bank of today has lost its technical aura in many, many areas I could mention, and it no longer has this reputation that it has that cadre of gurus on any topic in the world you wanted to ask something about.

The second structural problem is that over the Wolfensohn years, when you analyze the composition of the senior management team, not all is well. In the old days, before Wolfensohn came in, the proportion of senior managers that were what I call business leader types, visionary business leaders for Africa, for environment, for each topic—the proportion of these business leader types has gone down over time very dramatically.

And the proportion of what I call process manager types has gone up. Of course, these manager types are those that are good at World Bank procedures and in running the trains in the station, but they're not passionate and high caliber leaders of a particular business or a particular region. And that, for me, has been one of the reasons of the decline of the Bank. Wolfensohn, in a way, didn't like to have too many visionary business leader types around. So he put in many process managers, and that has been the bane of the Bank, alongside with this faulty structure.

And the third thing that needs structural change in the Bank has to do with the fact that the Bank has over the last ten years been really invaded by an overgrowth of internal procedures, safeguards, guidelines, vetting systems, internal meetings, to the point where the staff spends more than 70 percent of their time talking to themselves in terms of internal procedures.

The Board runs 400 meetings a year. The introversion and overgrowth are just tremendous, and that has to be tackled, absolutely. And the Bank needs to go through what I call a detox exercise, and about two-thirds of the internal processes have to be canned because a lot of them do not add any value to the clients of the Bank.

So for me, the Bank has to have a new business model, the 50-30-20 model, not the 90-5-5 model, and it needs to make these three structural changes in short order before it's too late to recapture its role not just as a premier development institution, but in the future as the main docking station for many of these global issues networks that I'm talking about in my book, without which we will not be able to solve the big issues of the world.

BECKER: Okay. I often end with a question about the presidents of the Bank that you've known, and you've spoken rather fulsomely about Preston and you've had a lot to say about Wolfensohn. Is there anything you want to add? I mean, where do you think Wolfensohn will stack up as a World Bank president?

RISCHARD: Wolfensohn was a fantastic president in terms of rebuilding of the image of the Bank and on the external side of the Bank. I mean, I've been with him trooping throughout Europe and all over the world many, many times and he was just a master at this. He knew every leader in the world. He had an intuitive way of explaining the Bank and development that was fabulous. He was an absolute star on that front.

And the Bank of 1994 was very depressed, very criticized. He rebuilt its image and reputation in a very masterful way. He connected the Bank to many other constituencies like religions, parliamentarians, the business world. He has been on that score a great president.

Where he has been weaker—and you could see it from my remarks . .

BECKER: Sure.

RISCHARD: . . was in the internal management aspects. First of all, he never understood very well the structural problems that were engineered under his beat. He presided over the over-population of process managers, as compared to business leader types, and he chased some of the visionary business leaders away. And he didn't do much about preventing this overgrowth of internal processes that has marked the last ten years. But he was not the only culprit. The Board was quite bad at this, as well—the Board, influenced by the NGO world.

So I think he will still be one of the greatest presidents, probably, with or after McNamara, or maybe even before McNamara in terms of ranking. But he had his weak points, as well, and the weak points are those that have caused the Bank to be in bad shape in terms of the quality of its staff and its products.

And so he has the left the Bank with a much better reputation than in '94, but in a way a Bank that has singular weaknesses as it goes into the next century.

BECKER: Right. Well, thank you very much.

[End of Tape 2, Side A]
[End of Interview]

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