

# BANK'S WORLD

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Sirens screamed along Pennsylvania Avenue on May 30 as a fleet of ambulances, fire trucks and police rushed to the Bank to ferry food-poisoned staff members to hospital. About 35 staff fell sick after eating blue marlin in the MC cafeteria. A Bankwide alert went out to warn other MC diners of symptoms to watch out for.

## 1,200 Non-Regular staff sign protest letter to president

By BW Reporter

ALMOST 1,200 Non-Regular staff have signed a letter of protest to president James Wolfensohn demanding that the Bank take urgent action to ensure that they are no longer "second class citizens". The letter calls for measures to redress inequalities and ensure that there is a single staff.

The widespread support for the letter indicates growing discontent among the consultants and temporary staff who form 25 percent of total employees of the Bank. "I am leaving," declared one consultant recently given a junior managerial post. "I am paid 30 percent of what so-called Regular colleagues are paid, yet I am just as dedicated and hardworking. As a US citizen, I cannot get pension benefits or maternity provisions. I am fed up with a Bank that perpetuates two classes of worker and is not honest enough to admit that this is driven by dollar budgeting."

As reported in *Bank's World* in April, human resources VP



One of the 1,200 protesters signs

Dorothy Berry is working on a wide-ranging review of employment policies, which will address the questions of Non-Regular staff.

In their letter, the Non-Regular staff pledge their commitment to Wolfensohn's renewal policies, but point to the "gross inconsistencies between the conditions of employment for NRS and the long-term stated goals and obligations of the Bank." They demand the immediate lifting of limits on NRS employment, provisions for Non-Regulars to get maternity leave and a contribution retirement plan. Longer-term they want "equal compensation for equal work" and a proper pension plan.

The letter notes the president's promises to be personally involved and recalls that in 1988 Ian Hume, then director of personnel, promised to correct the anomalies of the ambiguous status of NRS staff.

## Bank wrestles with major managerial reorganization

# SWEAT, TEARS, HOPE

By Kevin Rafferty

TOP EXECUTIVES of the Bank are working hard to calm a widespread and deep sense of uncertainty and worry over the ongoing managerial reorganization, "the great unknown reorg" as one Asian technical specialist calls it.

Senior managers point out that the objects of the reorganization are to make the Bank more effective as the world's leading development institution and also to seek and nurture managers who will bring out the best in their staff.

Managing director Sven Sandstrom said: "You should see the reorganization in the context of the broader objectives we are trying to achieve, to streamline the Bank, make it more effective, more efficient, more decentralized, delayering, changing the structure in the regions, creating the networks. Selection of new managers is driven by the Strategic Compact and the business rationale..."

"We need managers who are strong on technical skills, on delivery and on people management. The process is new, but it was used earlier in IFC and is practiced in other outside organizations. It is a very open, very transparent process

where we try to bring in as many perspectives as possible, so that we get decisions based on as much information as we can obtain, in contrast to the way it was done earlier where decisions were seen to be taken without a clear explanation or rationale.

"We have opened things up, job descriptions and vacancies are advertised, staff are encouraged to apply, we do external searches and try to get the best and strongest groups of applicants we can."

Under the reorganization, all director and division chief jobs in the regions (except for Africa, which completed its reorganization some time ago,) are being contested, about 170 posts in all. Jobs are different from previously because of the move to a more field-based Bank, delayering, the creation of the networks and simplified business procedures. The new managers will take up their jobs by July 1. The first batch of announcements from

ECA and MNA was being prepared as *Bank's World* went to press. EAP has only just started shortlisting. About 700 individuals have applied, but this means 2,000 total applications (See p. 6-7).

There is much sweat and burning of hundreds of hours of midnight oil as the shortlisting teams, broadly chosen from across the Bank, strive to keep the promises of fairness and transparency to select the best people for a rejuvenated



Sandstrom: more open

Bank. The selection is also producing strong complaints from experienced managers who have not made shortlists, and concern and anger from others who question whether the turmoil is worth it.

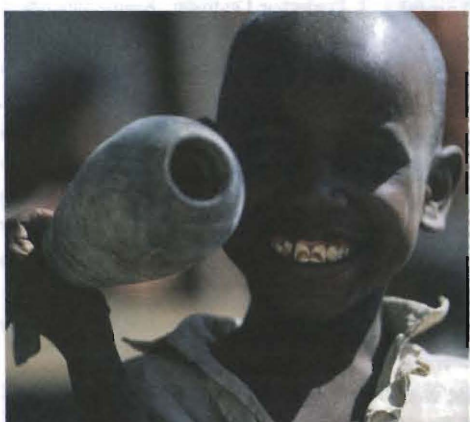
One experienced manager claims that "there's already blood on the carpet" and another asserts, "I have had three grown men crying on my shoulder, literally, because they have not made the shortlist and feel their lives have been wrecked."

To calm these worries, president James Wolfensohn last month

sent a letter to all staff. "Let me start by saying that there are many stars in our organization, who may not be shortlisted for available management positions," he wrote. "They may well be, however, future leaders of our institution. There are many paths to the top at the Bank and the old perception that line management is the only route is outdated and incorrect."

Not everyone is reassured that the upheaval is worth it. A task manager in Asia complains: "Work has noticeably slowed because we don't know who will be in the managerial seat in a few weeks. ECA is full of rumors of who is getting what, but in South Asia we are worried that there are no rumors."

ECA vice president Johannes Linn conceded that the selection has been "more painful than we realized." But he justifies the decision to fill all the jobs together: "Having this continued sequential commotion cascading through the Bank would have prolonged the agony, and all agony is bad." He praised the new emphasis on people management as essential to remove "the cynicism and the gap between management and staff and strengthen the partnership and vision of the Bank."



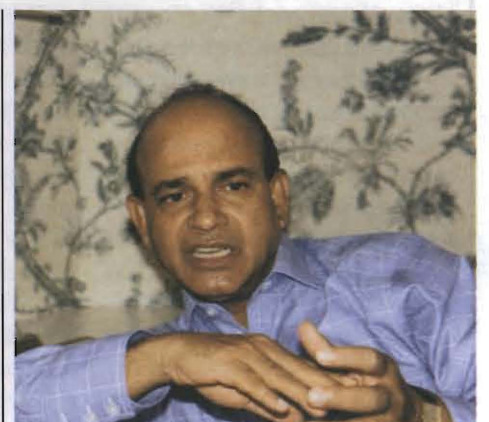
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## BANKER TO BIKER IN 10 MINUTES

Whenever Tom Hoopengardner goes on mission to places like the Ukraine, Moldova or Germany he takes his trusty bike with him. How does he do it? — neatly folded and packed in a standard suitcase in his check-in baggage. It weighs about 22 lbs, including the toolkit with puncture outfit. Assembling it is a matter of a nifty seven to 10 minutes, depending on how nimbly he handles the assembly. (He did it just inside 10 minutes, including tightening all the nuts, in the demonstration, pictured above, in the N building.) Being able to tuck the bicycle neatly into the suitcase solves the problem of airlines which will not allow

bicycles to be carried, folded or not, either as checked or hand-carried baggage.

There is no better way to get to know a place and no better way to start a day," says Hoopengardner, who regularly goes for an hour spin before breakfast and work. Even the "humungously steep hills" of the Ukraine pose no problem for his 24-gear machine, which cost a cool \$1,000. If he gets lost, local people are quite happy to chat and thus teach him new aspects of the country. "I have learned more about places by riding my bicycle than ever I would without," he says.

— Story + pictures by Rafoto

## ... ANSWERLINE ... ANSWERLINE ... ANSWERLINE ...

**Q:** I consider myself modern in most ways, but I find it hard to adapt to these new Lotus Notes. In sending e-ns, the person receiving the message is addressed as James Wolfensohn/Person/World Bank. I know he is a person. Why is it necessary? To distinguish him or her from dogs, cats, creatures from outer space or UFOs which Lotus Notes aspires to communicate with?

When I receive e-ns, they simply come from jwolfensohn@worldbank, without indicating that the sender is male or female, what her/his job is and without the telephone extension like on the All-in-One system, which means that I have to find a telephone directory if I wish to speak to the person (and as you know these are in short supply). If we are going to go modern, why can't we adopt a sophisticated system which is an improvement on the old?

**A:** Unlike All-in-One, Lotus Notes allows mail messages to be sent to other types of accounts besides individuals. In Notes you can send messages to applications, to mail-in databases that can be shared by groups and to service accounts. Notes provides organizations with the ability to segregate these accounts through a naming hierarchy. With this technique an organization can easily specify the types of privileges and accesses these different service accounts can have. It was necessary to pick a convention to distinguish staff members from these other types of service accounts. The display of the fully qualified name only occurs when you type in the name for

address validation. Under the newer release of Notes version 4.5, ITS has made some local modifications so that the /Person/World Bank does not appear when reading or printing mail you receive, but still maintains this information for system and administration purposes.

With regard to your second point on received messages, mail which goes from All-in-One to Notes must be converted by a set of mail gateways. Since the majority of dissimilar mail systems use the Internet protocol to communicate we opted to do the same. It is necessary to convert the e-mail addresses as well to this protocol. The address jwolfensohn@worldbank.org is such an example. The basic Notes product does not by default provide phone numbers or unit information in the electronic mail headers. However, ITS has already made a local modification which is currently being tested to provide this functionality for all mail sent from one Notes user to another. These enhancements, including the ability to suppress the display of distribution lists, will match what you have in All-in-One.

While we are providing many of the All-in-One features, Notes offers much more than All-in-One. In Notes you can easily attach and send workstation files, directly view documents, spreadsheets or graphics sent to you, simply cut and paste from other Windows applications directly into your mail messages, and create mail messages that have rich text features (such as bold, italic, different fonts, colors, bulleted and numeric lists, indented block

text, graphics and bitmaps, collapsible sections, links to other messages and documents, etc.). You can set up your mail files to support a multi-level folder structure allowing you to organize your mail with much more flexibility. Notes will also allow you the option to receive your faxes directly in your electronic mail, and to send faxes complete with Word, Excel or PowerPoint attachments at the same time you send them to your colleagues on e-mail, and you can do all this using a graphical Windows interface. That is just for starters. The benefits of Notes and the things you can do with it are too numerous to describe here. We invite you to visit our Web site at: <http://wbln0011/Information+Technology/Notes/Notes-Lib.nsf> and the Lotus Web page at [www.lotus.com](http://www.lotus.com).

As to Notes allowing communication with creatures from outer space and UFOs, we checked with Lotus but alas that feature is not available, but it is promised in a future release.

Marc Nodell

Manager, Messaging and Collaborative Tools (ITSMC)

**Editor's note:** The person who posed the question obviously has name-dropping pretensions above his/her station since he/she should have known that jwolfensohn cannot be found on Bank e-mail lists.

Send questions to Morallina F. George, AnswerLine, Rm. U-11-028, using an envelope sealed with a "CONFIDENTIAL" sticker. Non-confidential questions may be sent as an e-mail to BanksWorld, using "AnswerLine" as the subject line.

## Publisher goes to market to get Bank's message across

DIRK KOEHLER, the Bank's publisher, is invoking market principles to turn his division into a modern, streamlined and cost-effective operation. Key elements include a charge-back system for publications within the Bank and efforts to make the information more readily available in both printed and electronic formats.

He says the object is "to facilitate the dissemination of the Bank's messages. But we are convinced that this should be done in a cost-effective and targeted way, and the best way to achieve this is by using market forces. This means that within the Bank the decision to give away a book should be made in the front-line, and the person who makes that decision should have a chance to value that book according to his or her budget. By doing this we allow the originating department to recover part of the production cost.

"The new policy says that the originating department has to pay all the production cost, and the office of the publisher works as a clearing house only." Koehler adds that the policy applies only to priced publications.

The internal price will be set close to the unit cost, so that the originating department should neither make a profit nor have to shell out large sums for copies given away by others. As an example, the *World Bank Atlas* sells at \$15 for the outside world, but the internal price is \$3, or 20 percent of the list price in industrialized countries (it is cheaper in developing countries in their local currencies). *World Development Indicators* has an internal price of \$15 and list price of \$60 in industrialized countries. For the *World Development Report* this year, the originating department has set the internal price at zero.

A small number of "institutional" copies will continue to be given free, for example, to the president, executive directors, some senior managers and for media and 240 depository libraries round the world. The minimum free distribution of any book is 800 copies. The Annual Report, the Bank's "best-seller", will continue to be free inside and outside the Bank, but Koehler has set a 40,000 limit for free copies inside the Bank. He hopes this way to cut the print run from 80,000 to 70,000.

He is appalled by wastage, and cites discovery of 800 copies of the 1996 atlas last month. The department where they were stored didn't even know what was in the unopened boxes; the Bank

had run out of stock of the atlas early this year. When resident missions were asked this year how many copies of the 1997 atlas they wanted, Russia asked for 50 free copies, but Madagascar wanted 300 for its tiny country.

"I so often go into offices that which are converted into mail rooms and book warehouses," Koehler grumbles. "People just hoard these things and send them in a costly and amateurish way.

"Our experience is that people write something, then arrange for typesetting and printing, then the boxes wait in front of the office until they find the telephone and give us a call and tell us, 'Now I have here 10,000 copies and I don't have the space for them; can't you market them?' That's impossible: we don't have funds then to market something like that. It probably is a product which is not targeted. This is the

kind of dissemination — to print a huge number, to order a huge number without thinking — we want to avoid since it is uneconomical."

A new product development and planning unit will guide authors on

how to publish effectively, including editing, design, marketing, distribution and even translation. The publisher's office offers to handle all aspects of publication from manuscript to printed and electronic products, "leaving the author to concentrate on the research." At the moment, the publisher is responsible for 500 works a year out of about 1,500 Bankwide — "nobody knows exactly how many because the records are fragmented," Koehler says. He predicts that the campaign may lead to fewer but better publications.

— BW Reporter



Koehler: horror stories about waste

### BANK'S WORLD

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# Jet engine of Lotus Notes ready for Bank take-off

By Lauren Ptitto

ALL-IN-ONE may still be king, but Lotus Notes is set to dethrone it. With 1,700 Bank staff using Notes exclusively and another 1,200 using it in addition to All-in-One, the coup seems imminent. "Once we hit a critical mass of 2,000 Notes-only users, we expect the momentum to pick up," said Marc Nodell, head of information technology's messaging and collaborative tools division. Current plans call for the All-in-One phaseout to be completed in about a year, with both headquarters and resident missions using nothing but Notes by summer next year.

Notes incorporates a host of new features never dreamed of in All-in-One: document sharing, discussion databases, Web publishing, advanced text searching, group and personal calendaring and scheduling, and a simple and practical filing system that allows folders and subfolders to simply be dragged and dropped. ITS is working on adding inbound and outbound fax capability.

"Our team opted for Notes because of the tight integration of a number of features. Other packages could do part of what Notes could do, but none could do the whole enchilada the way Notes

can," said Gary Stuggins, a task manager for energy efficiency and power projects in Russia. "We've established discussion databases that bring the whole project team — staff in DC and in the resident missions, as well as clients — closer together and move the center of gravity away from Washington."



Nodell: in pre-jet engine communicating mode

Yet some staff are reluctant to make the switch, preferring the reliable workhorse over the much-touted — but delicate — thoroughbred. "It looks great, but I don't trust it," said one staff member. "I'm hanging on to All-in-One until I can be a hundred percent sure that my messages are being delivered, and delivered in a timely manner. I've heard horror stories about lost or delayed mes-

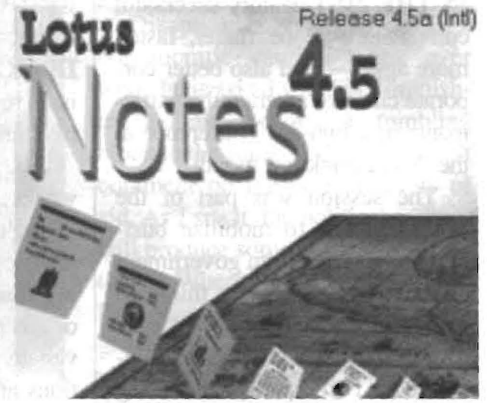
sages, and I can't afford to have that happen." This attitude may account for the fact that while 2,785 headquarters e-mail users have Notes installed on their PCs, 39 percent of them are still hanging on to All-in-One.

ITS statistics indicate that there have indeed been some serious problems, such as the scary-sounding "network degradation", "server hang", and "memory leakage". April saw at least four service disruptions, one of which affected the mail transmission ability of All-in-One users and caused much frustration among staff. On May 15 a hardware failure knocked out the Notes 002 server and some development applications for several hours. The next day, Notes 001 went down. And the following week there were serious mail delivery delays. "This type of failure should not occur, and if it does, the backup system should kick in within, literally, 30 seconds," said one scornful IT expert. "There's really no excuse for this kind of thing."

Nodell admits that there have been glitches, but adds that with any rollout of this magnitude, they are to be expected. "We've had some problems, but we are addressing them as soon as they occur and taking steps to prevent

them from happening." He says ITS has recently upgraded both hardware and software and has been working with Lotus and with Innosoft, the makers of the All-in-One gateway, to solve mail transfer problems. "Of course, as soon as everyone is using Notes, this gateway issue will be moot," he points out. ITS is also installing extra Notes servers in the Bank's computer facilities, which will constantly back each other up. In the future, if one server goes down, the staff member will be able to log in on the other for full access.

"We have also formed a crisis management team to deal with incidents swiftly and effectively with a minimum of disruption to our users," adds Nodell. He has a message for the All-in-One loyalists: "Don't romanticize All-in-One. For most staff, it is the only system they know and they forget that when we first rolled it out, it was slow and laborious process. Over the years, it has been ultra-customized, which was easy to do because the Bank was one of the largest single sites using All-in-One; we were the big fish. We got special treatment from Digi-



tal [the developer]. To IBM, we are relatively small compared to the firms that have 60,000 or more users."

Some staff are concerned that the Bank's technology infrastructure will not be able to support the network traffic generated by the more powerful software. Not so, says Le Vu, who heads the network and communications infrastructure division: "In anticipation of Lotus Notes, we upgraded the entire network infrastructure."

At the user level, however, some upgrading needs to be done: until the planned desktop reform project is implemented, there is a significant number of staff still using 466 computers, which are not up to the task of running Notes. According to one techie, "it's like strapping a jet engine to the Wright Brothers' plane."

## Managers find their roots in poor villages

By Al Drattell

MANY YEARS AGO on my first mission to a developing country, I visited Bank projects on site and learned, surprisingly, that I was the first Bank staff member the villagers had ever met. The project work had been done with the government people in the capital, and little thought was given to seeing what was happening on the ground and how the people were being affected.

Fast forward to more recent times. When Mieko Nishimizu was a country director in South Asia, she decided to see for herself what was happening in the villages. She spent several weeks in Pakistan, seeing the face of poverty at the grass roots. Her exposure to the realities of the Bank's work became a pilot for an intensive village immersion program (VIP) that today as South Asia's vice president she wants the region's staff to participate in fully.

As planned, "this [immersion] will not be a once-off training," said Susan Hirshberg, an education specialist in the region whom Nishimizu has just named headquarters coordinator for South Asia's VIP. "We will want staff to incorporate spending time in the villages as part of regular project preparation and supervision."

Five countries have been targeted: Pakistan, Sri Lanka, Bangladesh, India and Nepal. The first VIP was in Pakistan (*Bank's*

*World*, February 28) and was followed by others early this year in villages in Sri Lanka, Bangladesh and India.

"The focus of the program is about taking yourself out of the Bank context, to listen to people and to observe," Hirshberg said. For some staff members, this loss of control as managers may pose a problem, Hirshberg observed, but in the end the rewards for the Bank and the program recipients



Indian village: humbling experiences for Bank staff

will be greater. "Staff have got to remember when they participate in a VIP, they are not appraising or supervising," she added. "They have to know how to ask questions and observe the lives of the villagers."

Hirshberg equates VIP with the Bank having a vision. Recently, the program was extended to include graduates of the Bank's

executive development program.

Others in the Bank are looking at VIP too. Nicholas Bennett in the Resident Mission in Cameroon arranged for some staff in Washington to spend nearly two weeks late last month in a village. In an e-m to those in the program, he stated:

"The village is a hill village about 75 km from Maroua, and about 6 km walk from Mokollo. Each large family lives in a com-

the availability of a clean hut for you alone, the availability of a relatively clean pit latrine, and the overall cleanliness of the compound.

"Three families have been selected with between 12 and 16 members in each compound ... The compounds are relatively far apart. There is no electricity or telephone, but a relatively clean water supply which can be made perfect with a couple of iodine tablets.

"The rains have started but are not too heavy. Daytime temperatures are around 30 degrees centigrade, the hut being about 5 degrees centigrade lower. Night-time temperatures are a bit lower still. The hut has a small door and a very small window. There are plenty of mosquitoes in this season. Plowing is under way, and the construction of small dams to hold the rainwater. It is a site of extreme beauty. So bring a camera and film.

"We are renting a bed and mattress for each of you (to save you from ground bugs) and buying you insecticide impregnated mosquito nets. Also we are buying plates, etc., a hurricane lamp and petrol, and a few other things for your host.

"The normal diet is a millet dough and a vegetable sauce. In the morning there is a kind of porridge drink made of millet, sugar, maize and milk..."

Staff who are involved in VIP, added Hirshberg, have found it a humbling experience.

## MIGA TO BOOST AFRICA MINING

MINING IN AFRICA presents rich opportunities, and MIGA is this month sponsoring a symposium in Denver, Colorado designed to spur flows of foreign direct investment in this sector.

"We're not just about guarantees," said Karin Millett of MIGA. "We're also into technical assistance." The conference is bringing together ministers and decision-makers from many African countries with key representatives of international mining companies from around the world.

To date, Africa has been a small part of MIGA's portfolio; as of last fiscal year, it was only about 8 percent. "But we expect to see an upswing in that percentage" when all the figures are in for FY98, Millett said, adding, "Africa is very high on our agenda."

*Mining Journal* said that Africa "witnessed a major resurgence in mineral exploration and mineral project planning in 1996. This increased attention by the world's minerals industry ... can be attributed to several factors, [including] the successful effort of MIGA ... in working with many African countries to put in place the more progressive mining and foreign investment laws that will attract foreign capital and technology."

Speakers are from international agencies, investment banks and industry, and include Price Waterhouse, Dresdner Kleinwort Benson, Caterpillar, African Selection Mining, Randgold Resources and Etruscan Enterprises. — AD

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## Good citizenship helps bottom line

IN THE 21ST century successful companies will be flatter, faster, more agile — and also better corporate citizens, asserted the participants in a two-day conference at the World Bank last month.

The session was part of the Bank's efforts to mobilize business as a partner with government and civil society. It sees this both as a challenge and an opportunity to enhance development effectiveness. Participants, including civic and corporate leaders, presented their case to the executive board and president James Wolfensohn. All asserted that good corporate citizenship is less about philanthropy and more about the bottom line.

Rodney Chase, CEO of BP Exploration, stated that in this age of instant communication, customers and employees demanded a higher level of responsibility. David Logan, president of Corporate Citizenship International, stressed the importance of corporate social investments, noting that businesses need physical infrastructure, political and social stability and a healthy educated workforce, all providing incentives to invest in education, health care, civic amenities and the environment. — **Catherine Woolley**

## Fast flows challenge third world

By BW Reporter

**IF YOU ARE** an institutional investor today, the globe is your marketplace.

Financial markets around the world are rapidly integrating into a single emporium, and, although the report card is mixed, developing countries are increasingly part of this process, which is being driven by advances in communications and information technology, deregulation of financial markets, and the rising importance of institutional investors able and willing to invest internationally.

This conclusion is at the heart of *Private Capital Flows to Developing Countries (The Road to Financial Integration)*, which the Bank published last month.

Their main findings are:

- Net private capital flows to developing countries exceeded \$240 billion in 1996 — \$265 billion if the Republic of Korea is included — nearly six times greater than in 1990.

- Private capital flows dwarf official flows and are five times the size of official flows, a reversal of the situation five years ago.

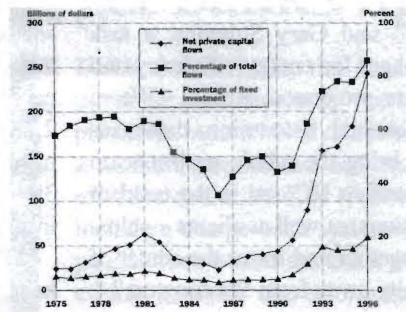
- Developing countries are now a much more important destination for global private capital.

Their share of global foreign direct investment (FDI) flows is almost 40 percent, (15 percent in 1990), and their share of global portfolio equity flows is almost 30 percent (about 2 percent before 1990).

- The importance of private flows has also increased markedly in the economies of developing countries — from 4.1 percent of domestic investment in 1990 to almost 20 percent last year.

In addition, the composition of private capital flows has changed dramatically as FDI and portfolio flows have grown and bank and trade-related lending declined in relative importance. The flow of private capital has shifted on the recipient side, away from governments to the private sector. Private capital flows to developing countries have also proved to be resilient, almost impervious to the rise in US interest rates in 1994 and the 1995 Mexican peso crisis.

A dozen countries accounted for about 80 percent of net international private capital flows in 1996, but most developing countries remain a long way from establishing the rigorous preconditions needed for successful finan-



cial integration, says the report.

Management of these rapid flows has not proved easy, and governments must build better macroeconomic, regulatory, and institutional environments to channel this private capital into broad-based and sustainable growth.

The report concludes that countries receiving large capital inflows should avoid using them to finance large fiscal deficits or consumption booms.

Countries that are not attracting private capital flows should strive to eliminate constraints impeding them. Stable macroeconomic conditions, outward-oriented policies, and addressing other constraints to private investment all help, according to the report.

The report predicts increasing financial integration of developing countries and bigger flows between them as well as from industrial countries.

## Global knowledge in the spotlight

**MORE THAN** 1,200 people will converge in Toronto, Canada on June 22 through 25 to explore the role of knowledge and information in sustainable development and the ways in which the information revolution transforms development. The Global Knowledge 97 conference is being hosted by the Bank and the Canadian government. James Wolfensohn and UN secretary general Kofi Annan will speak at the opening.

"Knowledge is as important for development as foreign direct investment is, and we are helping to do for knowledge what we have done for FDI: creating a conducive environment and bringing together the various stakeholders," said one of the conference's organizers.

An eclectic array of experts will participate in more than 80 working sessions on seven themes: empowering the poor with information and knowledge; policy and regulatory frameworks for the information economy; harnessing information and knowledge; fostering science and technology in developing countries; public information, civic dialogue and effective governance; life-long learning and distance education; and partnerships. — **BW Reporter**



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**W**atch out: Gus O'Donnell is so excited by his recent return to Washington that he is threatening to start playing soccer again, having "hung up his boots", as old pros of the game say, some while ago. O'Donnell's favorite position was left half back, that of the classic hard defender. It was the position of the famous — or infamous, if you had to play against him — Nobby Stiles of Manchester United and England whose name often appeared with the epithet "bite yer legs". In soccer legend it is also the position for many famous (infamous) crunching tacklers given nicknames like "Clogger" and "Skinner" and even "Killer".

But if the IFC soccer team is hoping to sign up O'Donnell, it had better hurry since his term as the new British executive director to the World Bank may prove one of the shortest on record. This is not because he is suffering from a terminal illness — unless you count a Labour government in Britain as one. It's just that the Labour Party said that it would prefer to have separate EDs for the World Bank and International Monetary Fund instead of combining the two jobs as O'Donnell does.

In the flesh, if not on the football field, O'Donnell is pleasant and mild-mannered (as indeed was Nobby Stiles). He has come to Washington from a UK treasury post. But before that he was famous in Britain as the shadow of prime minister John Major, seen darting to the side as Major emerged from Downing Street to talk to the television; the press referred to him in expressions like "Downing Street sources". He was the PM's press secretary.

Margaret Thatcher's press secretary Bernard Ingham, a former journalist for the left-wing newspaper *The Guardian* before joining the civil service, became almost as famous as his boss, affecting a loud gruff watchdog bark when the press offended him and quite happy to savage his former colleagues. He was notoriously quick-tempered and did not suffer fools at all.

O'Donnell is almost the opposite, polite and courteous, quick to hide his personal



opinions behind civil service privilege that advice tendered to ministers is secret. The best story he will tell about his Downing Street years is about a visit to Saudi Arabia "when

we were going to see King Fahd. There is always this mad rush when you get off the plane to get into the convoy and make sure that you are close to the PM because there will be press waiting for him. On this occasion, just in the lead-up to the Gulf War, I was delayed for some reason, so dashed out, got in a car and said, 'Quick, follow that convoy.' When I got out, I was met by the Saudi foreign minister who said, 'I think you are in the wrong place. We are just about to have a cabinet meeting. Your convoy went that way.'"

The British bureaucrat justifies his low public profile: "As a civil servant, you are required to implement the policies of the government of the day. You might think that a particular policy is not sensible, but it is your job to get on and make it work. You might have argued privately, internally, against it, but once the decision has been



ALL PICTURES © RAFOLO

## UK'S MAN AIMS POLITELY TO GINGER UP THE BANK

made, that's it. As press secretary, you are very firmly presenting the government's policies. The one thing you should never do is rubbish the opposition's policies."

Unlike Ingham, a personality in his own right who left Downing Street with Thatcher, O'Donnell returned to the treasury after three years with PM Major to be a key figure in negotiations towards European monetary union. Insiders claim that in spite of the antipathy of their politicians, British officials have demonstrated with their commitment and grasp of the nitty-gritty of details that being British is not synonymous with ignorance of Europe. O'Donnell sways away from the attempted bouncer: "Officials have certainly played a full and constructive part in the preparation. Politicians have stated their positions and argued their case very

very important role in monitoring [the compact], and I hope to play an active role as a member of both the budget and the personnel committees." He later adds the aim of playing "a constructive ginger-group role to make sure that it all happens."

O'Donnell emphasizes that the Bank has to change to meet a changing world and has to lead its clients: "One of the key things will be that the World Bank should be seen by its clients as being more effective and providing a better service. There is a lot of scope for tailoring products to meet the needs of recipient countries. Also, it is important for the Bank to focus its agenda more clearly to tackle those areas where the private sector is not going to fill the gap. Those are things to do with the provision of information, transmission of knowledge

**'We have a wonderful carrot in HIPC. We should use that extensively.'**

forcefully. There is a wide spectrum of views. I am sure we will take the decisions in the best interest of the UK."

Britain's ED is happy to be back: "I lived in Washington between 1985 and 1988 and I loved it. I was very much looking forward to returning. This is one of the best jobs." As to whether the job of ED of the Bank and IMF should be split, he responds, "I shall give my advice privately." When pressed, he adds that in his short time as ED, "I have found it very useful to be on both boards. Some of the issues we are discussing, such as HIPC, are joint issues. Pay and budgetary matters show a strong parallelism, so so far I have seen strong gains."

He arrived in Washington just in time to vote for the Strategic Compact, in spite of murmurs that the UK was against it. O'Donnell explains that: "The real test of the compact is in turning the document, the vision, into reality. I, and the government, fully endorse the vision. The compact is an important and a big change, and the board wanted to be sure that it was possible to turn the vision into reality. So the reason why some people may have got that impression [of British hostility] is simply that we wanted to question it in great detail to make sure that it was possible to deliver the very worthwhile aims. The will is there. I had a meeting with the World Bank Staff Association and I was very impressed with their commitment to it. The board has a very

and helping to provide those things that we economists call public goods, particularly helping in primary education, especially for girls in rural areas. It seems from recent World Bank research that assistance is more effective where countries have proper policies in place.

"How do you persuade those countries that aren't pursuing the right policies, to change them? I am not sure that I know the answer to that." Asked whether the problem is that the Bank doesn't have either a big enough carrot to reward a country that is doing the right things nor a big enough stick to persuade recalcitrant countries to mend their ways, O'Donnell responds, "I think we have a wonderful carrot in the HIPC initiative. We should use that extensively because it is precisely arranged that countries with good track records, those that have been doing the right thing for a long time, can be rewarded. I have been involved with debt initiatives for a long time [as press secretary to Nigel Lawson before he joined Major]."

So when British records are opened in 30 years time will the name of Gus O'Donnell be found as progenitor of the ideas? He retreats into his modest civil service shadow: "I wish. No, it is ministers who give these things a push."

He has faith that a rejuvenated, redirected World Bank has a vital job: "There are still ways in which the World Bank can be very effective, but they are changing. Now

we need to concentrate on a catalyst role, and I very much agree with the kinds of ideas which Joe Stiglitz is pushing."

Disappointingly, O'Donnell's bureaucratic caution takes over when he is asked whether diminishing aid may become a stumbling block to the Bank's efforts: "I won't comment on the current levels of aid. As I see it, the political process will produce some numbers domestically. Where I have come from in Europe, especially given the background in EMU [forcing governments to trim their budgets to meet the criteria for membership], the fiscal position is very tight in all of these countries, so I don't think things are going to get much better very quickly in terms of producing lots more money for aid. The name of the game now must be improving the effectiveness. That's why I think that the word 'catalyst' is a good one. We must make sure that what money we have works harder, that we generate joint ventures with the private sector, that we do things, particularly in the area of financial

institutions, which may not themselves cost a lot but which then facilitate very large private flows. This is why I feel passionately about HIPC. It gives countries a chance to get themselves back into sustainable positions and provides a marker that a country has pursued a long track record of keeping to the right policies to encourage the private sector to join in in the success story."

He admits that there may be a lag before the results of policy changes are perceived, let alone realized: "We need to find ways to fill that gap and to build up democratic support for those good policies. That is likely to be the case in Russia now. We need — the World Bank, the IMF — to show that aid which goes in is very effective in getting countries to pursue the right policies, in poverty alleviation, in improving the lot of the poorest groups. If you do that, you then start to build up the political support which you need to achieve the consensus to increase aid funding. The hostility to aid comes from a feeling, backed up by a number

of studies, that allege that aid was actually harmful. We need to demonstrate that what we are doing is not only not harmful, but is actually positively beneficial. Once you have done that, you get rid of the negatives. How far you can sell the positives, I am not sure, but I am less cynical. You have only to look at the vast numbers of people doing volunteer work, contributing to charities."

As a university economist before joining the government service, O'Donnell gives a brief economics lesson for those on Capitol Hill and other places who see aid as a waste: "This is not a zero-sum game. If with a small amount of seed-corn money we get these countries growing faster and convince them of trade liberalization, countries like the US and UK gain enormously. One of the key exogenous determinants as to how fast the UK grows is world trade growth. What has really turned the world round in the last 20 years has been increases in world trade."

— Kevin Rafferty

## Linn: Staff trust matters most

Johannes Linn describes the selection of new managers as "like putting the engine in the car, but the rest of the car is terribly important, so is knowing where you are taking the car and who is going to drive it."

"Not being selected as a manager is not a death knell, is not the end of the world, is not the end of a professional career in this institution," says the ECA VP. "On the contrary, one of the ideas is to reprofessionalize the institution... We have raised the weight we are giving to people management. The amount of cynicism and the gap between management and staff in this institution is astonishingly wide; we ought to close that gap, all be talking the same language and having the same objectives. It must have something to do with the way that we, as managers, treat staff. It cannot be but that. How can we maintain and hope to build an effective Bank if that gap gets wider?"

"We had to find a way to bridge the gap, and the only way to do it is to give more weight to people management. I think a number of us were surprised by some of the outcomes of the shortlisting committees. But [the diversity of the committee members ensures] the judgement of a representative group of people with no ax to grind, who have only the institutional benefit at heart..."



Collegial Linn

He rejects the idea that too much emphasis has been placed on getting along with people and not enough on achieving results. "I don't think a lack of ability to achieve results will be a pervasive feature. The minimum threshold of effective people management has been raised, and we simply have collected more information about people's management skills and the two things combined have led to some surprises for all of us. I have no reason to think we are doing the wrong thing."

"The real question is what signals we send to our managers. The signal we need to send is that this institution's staff is its most important asset, and it is going to live or fall or die by it. If we don't have staff who are motivated and who believe in the institution and that management is doing the right thing, we may as well go home."



## Lauren Ptito and Kevin Rafferty discuss the managerial reorganization

The question of the hour is whether the gains from the managerial reorganization will outweigh the pain. Management is confident that they will. Indeed, VP Johannes Linn says that the present agonizing will be a mere "blip" in the history of the Bank and that the new managers will take a cutting-edge Bank into the 21st century.

Some staff are not so sure. Those who have failed to make the shortlists can see obvious flaws in the new system. Does it give undue weight to people management over results? One unhappy candidate declared: "I fear that some of the new choices may get eaten up by the governments they will have to deal with; being nice to your staff is not enough in this tough world." Or, as a woman director not involved in the reorganization said: "In the emergency room, you need a surgeon with a steady hand and clear eye, not one who is nice to the nurses."

Old-timer Michael Finger recalls what he sees as a better time, when "everyone was a professional, an expert in their field, and those that became senior professionals pitched in to help run things. But they were economists, sociologists, engineers, first. Now, we are supporting this class of people who do nothing but 'manage'." Others complain that the 360 degree evaluation has been enshrined before being accepted as valid for annual staff appraisals, and that candidates should have been given the chance to reply to criticisms.

The Bank's executive directors are taking a close interest. Jan Piercy of the US said it was not the job of the EDs to involve themselves in individual cases, and the selection process looks very good on paper, "but we must not turn it into popularity contests. Results, speed and delivery are important." Russian ED and personnel committee chairman Andrei Bugrov noted: "The two ingredients for the Bank to be in

business are the clients and the staff. In its 50 years, the Bank has been doing a lot for its clients and its record in poverty alleviation and development is quite good, but it has done much less for its staff."

Finger offers a word from the wise: "Don't let it get to you. Work hard on something substantive. If you can show good work, someone is bound to notice, and it'll serve you well. It's like a roller coaster. If it's going to crash, it's going to crash — whether you worry about it or not. So enjoy the ride."

Meanwhile, former staff member Anna Maripuu points out that the reorganization is only part of wider upheaval. There's still the new employment policy to come and what to do about the complaints of Non-Regular staff that they are second-class citizens.

### AFRICA OPTIMIST

Hasan Tuluy, country director for Western Africa 2, expresses his happiness about the changes reorganization has brought to the region: "The renewal program has noticeably improved things. The new structure puts the focus squarely on the country; it allows for a more integrated, strategic program and forces a greater clarity of objectives and trade-offs. The work program and budget for a country are discussed in more open country team meetings, and we continually realign our priorities and reprogram resources. We look at the problems to be addressed, at the strategies, and only then do we look at the instruments, which wasn't the case in the past, when there was a tendency to design projects first and justify them later."



Optimist Tuluy

"Our resident missions are being integrated into the programs with specific and

growing work responsibilities; tasks will be increasingly delegated and decentralized to the resident staff. The new organization demands a more open culture; you can't just lock yourself in a little box anymore. It is improving the relevance of our work, enthusiasm among country-team members is high, where a problem-solving attitude prevails. On the other hand, with the replacement of management layers with a matrix organization, there is also a sense of greater work load."

### MODEL MANAGER

Ngozi Okonjo-Iweala is the very model of a modern World Bank manager. She's from a developing country — Nigeria — and was educated at Harvard and MIT. She joined the Bank as a YP for the past year and a half has been director of the institutional change



Model: Okonjo-Iweala

and strategy department, which has given her an excellent perspective of how difficult change is, and how tough yet how flexible you have to be to accomplish it.

Though her VP Mark Baird wants her to stay on, Okonjo-Iweala has entered the running for the jobs now open. As a member of the selection committee for the Africa reorganization she worked "for three weeks round the clock", and understands the concerns of those going through the process.

But she wholeheartedly supports the reorganization within the Strategic Compact as the way to bring in "new blood and fresh ideas" especially since the world is changing fast. She is also conscious of the pain that may come to someone "who has delivered for 15, 20, 30 years and is then told, 'you are not the type of manager we need

## Managerial selection procedures are the most painstaking and fair

This managerial reorganization is supported by the most rigorous and indeed painstaking research, inquiry and assessment to make sure that the process is fair and that the best people are chosen for each job, asserts Cathy Cardona, the executive resources manager supervising the selection.

The aim, according to vice president Dorothy Berry, is to find "leaders with excellent technical and people management skills" as well as diversity in terms of nationality and sex. Positions have been ad-

vertised widely both inside the Bank and outside in the quest for the best of the current managers plus fresh blood from inside and highly qualified people from the outside world. About 700 people have applied for the 170 managerial jobs. Counting those who have applied for more than one post, the selectors are having to review more than 2,000 separate applications.

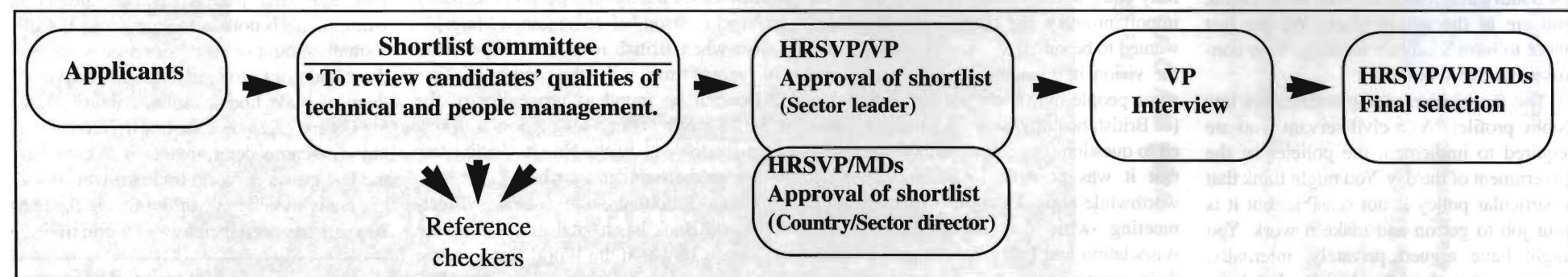
Transparency and thoroughness are the watchwords at stage 2 (see diagram), that of screening and shortlisting. Two commit-

tees, one for each country director post and one for sector director or leader, sift through the applications, look at curricula vitae, examine the two most recent performance reviews in the staff file and decide which are the most competitive candidates. The committees have a wide range of members to avoid accusations that a cozy "old boys' club" is deciding promotions.

Human resources is keeping a tight central grip so that there will also be no accusations of independent fiefdoms developing

within the Bank. Each shortlisting committee is chaired by executive resources. Other members include representatives from vice presidencies other than that for which the jobs are being chosen, external appointees, and two members of the actual vice presidency of the job, one who is a staff member from grade 11-17 and the other a representative of the human resources team.

The qualifications of the most competitive candidates are then carefully reviewed by checking their references. Taking up of





## and talk to concerned staff

now," and urges better support mechanisms, especially to help people whose cultures don't allow them to vent their feelings.

But she is conscious that the best support must be given not to the "30 percent who make the most noise" but to the 70 percent who will come up with the fresh ideas necessary to keep the Bank on top of the world.

### HAPPY EX-BANKER

Anna Maripuu left the Bank in March after seven years as a consultant, recently at EXT, and moved to the IMF. She is glad she did. "The Fund doesn't make me feel like a second-class citizen, like the Bank did. At the Bank I was doing the same work as Regulars, but was cheaper. I went from contract to contract, and each time I was up for renewal I had to renegotiate my terms without support. The system was not interested in my welfare. Life at the Bank was full of interesting experiences, and I had wonderful colleagues and some good bosses. But there was no stability and a pervading sense of being second-class."



Mover Maripuu

"At the Fund, I was given a formal job title and my salary was fixed by equity assessment, without the bickering that goes on at the Bank. I was encouraged to go for training, whereas at the Bank I had to beg and plead. Even in small things, I feel a full member of the IMF staff. My badge is the same color as everyone else's and doesn't have an expiry date."

She asks if the present managerial reorganization isn't like putting the cart before the horse, and points out: "Everybody in the Bank is concerned about holding on to their jobs and putting all their energies into that. No wonder morale is low. The question is whether the long-run benefits will outweigh this period when clients are not getting the best service."

# Dial 1-800-War-2-Peace

Nat Colletta and his team will follow Isaiah's prophecy and teach how to beat guns into plowshares, Phil Hay reports.

With the city of Kinshasa firmly in the hands of Laurent Kabila and his young supporters, the shooting war is over, but the real battle must begin in a country which has been systematically looted and tyrannized throughout its post-colonial history. This is the battle for a stable peace and economic recovery.

A priority for the Democratic Republic of the Congo (as Zaire is called now that Mobutu Sese Seko has been ousted) will be to demobilize the victorious rebel army, in particular the battle-seasoned 15- and 16-year-olds in Kabila's army.

"You could call it the mother of all demobilizations when it happens," says Nat Colletta, who manages the Africa region's war-to-peace transition team and is an international authority on post-war reconstruction. "Kabila's got about 60,000 to 70,000 teenage soldiers on his hands who've tasted real power and will now have to surrender their AK-47's and be absorbed back into productive national life. This is a time for strong leadership for the Bank in Africa, helping countries to manage these transitions to peace."

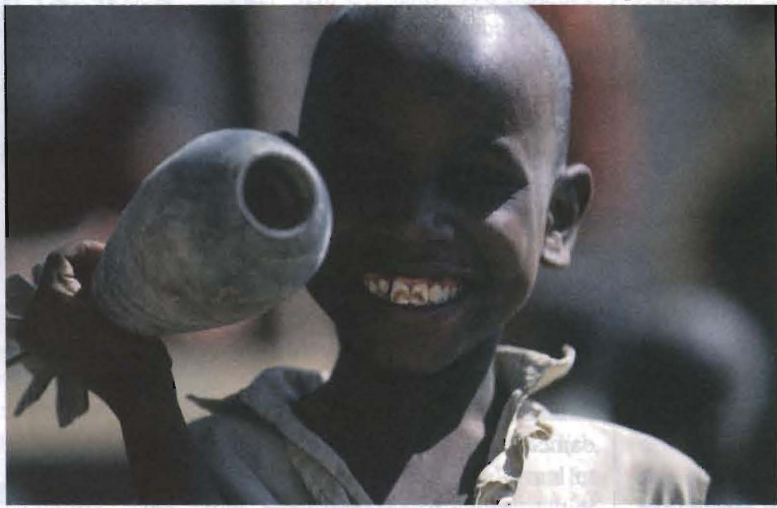
The Bank was making contingency plans before Mobutu fled. President James Wolfensohn told *Bank's World* last month that once the shooting stopped, the Bank would be ready. He later announced that he would send a senior economist from the Warsaw office down to Kinshasa to assess the reconstruction needs of the Kabila government.

The Bank will almost certainly offer emergency loans to the new Democratic Republic of the Congo as well as its considerable experience with post-war reconstruction in other African countries left dazed and bleeding after years of conflict. In fact, Kabila's government may well be one of the first clients of a new World Bank post-conflict unit, operational on July 1. The unit will take the work and experience of Colletta and his colleagues and offer them to war-torn countries trying to navigate a more peaceful future.

"We'll be a bit like 1-800-War-to-Peace,"

says Colletta, who has just returned from a trip to Rwanda to check on the status of a demobilization and refugee resettlement project there. "We first got involved in post-war reconstruction in Uganda back in '92 when we helped President [Yoweri] Museveni put the pieces back together again and make the transition to peacetime. Then from Kampala, we've been just about everywhere, including Namibia, Rwanda, Angola, Chad, Liberia, Mozambique, Sierra Leone."

The new unit will offer four main services:



How to demobilize battle-seasoned teenagers with weapons

- strategic operational support for Bank staff and client governments (including rapid-response teams of post-conflict experts);

- knowledge building and sharing (best practice studies, Web pages, tool kits, specialist consulting etc.);

- fostering of external partnerships with UN and sister agencies, as well as NGOs such as Oxfam, Save the Children, and Care, to coordinate post-conflict work on the ground and mobilize joint resources;

- war-to-peace training for Bank staff and government and NGO workers.

The success of any war-to-peace transition lies in absorbing former soldiers back into a productive, civilian life. Colletta and his colleagues recommend that demobilization, for example, be linked to normal crop and school cycles if possible. They suggest emergency cash payments to ex-combatants to help them with food, clothing, and other basic goods, but warns that the payments should not put the soldiers in a privileged position. Those who have spent many years in the military may need to be taught

about civilian life, health, job training, and access to land and credit.

Other measures that Colletta and his team propose are transport to get the soldiers back to a place where they can begin a new life, housing assistance, health care and education for their children.

"Sometimes people say, 'why's the Bank involved in something like war-to-peace transitions, what's the link with development?', says Colletta, just off the phone with officials in Guatemala who

were anxious about their post-conflict initiative. "I say to them, look at all the people uprooted by conflict in Central and Eastern Africa, there's about 22 million of them. How can you even conceive of development and lending money for projects in these areas before they've mastered the art of peacemaking? Conflict, violence, and development are inextricably connected."

Colletta credits

Wolfensohn for putting his shoulder behind the Bank's war-to-peace initiatives and giving them the impetus they needed to become more prominent within the institution.

Despite his constant exposure to the wreckage and human toll of wars in Africa, Colletta is optimistic about the continent's future. Much of the warfare which consumed its neighbors always had some connection with the old regime in Kinshasa, he says, so resolving the power struggle in Kabila's favor will certainly have major benefits for Eastern and Central Africa.

"When I was down in Uganda and Rwanda recently I saw Asian businessmen shuttling around looking for a new home for their money. The Koreans, for example, have just opened a big plastics factory in Kampala. So, when you see those things happening, you know that things are on the up and up. They say the next century belongs to Africa, and I think those Asian businessmen are living proof of the move in that direction."

## est ever, taking hundreds of hours

six references is the minimum, of whom three are subordinates, two peers and one supervisor. But eight to ten referees is the norm and in some cases, adds Cardona, as many as 14 people have been contacted.

The names of members of the shortlisting committee have not been published to protect them from undue pressure or influence. But those involved in the selection express their admiration for the care and thoroughness of the questions and procedures. "Obviously a lot of time and trouble is being taken and hundreds of hours being spent," said one shortlister. Days and nights until almost midnight are becoming standard for those involved.

The shortlists are reviewed by vice presidents and managing directors to ensure the Bankwide quality before the respective vice presidents conduct interviews to make their selections. Candidates who fail to make the

shortlist are told by human resources, and given information about why they were not chosen with the aim of helping their career development. Vice presidents have to hold face to face interviews with the people they have not chosen to explain why they did not select them. Finally, Dorothy Berry and the vice presidents and managing directors meet to make the final selections.

Cardona sees the positive side of the process. "I am pleased that this is being done so thoroughly and from many different viewpoints. Vacancies are open and posted. Selection procedures are open. References are gathered through structured questions. There are checks and balances at each stage of review. There is feedback to candidates, and we have had a number who have said that though they did not like the bad news they were given, they were grateful to hear the comments."



Supervisor Cardona

## ... COMPETITION ... COMPETITION ... COMPETITION ... PLEASE, SEND US YOUR CLONESCLONESC



A recent breakthrough in biotechnology has given humans the ability to replicate themselves (and other creatures). While many herald this scientific advance as the dawn of a new era of hope and opportunity, others are troubled by the dilemmas it raises.

Bank insiders are already asking: If Mark Malloch Brown were cloned, would the *Washington Post* have to expand its Style section?

HRS, meanwhile, is wondering whether G-IV staff cloned in the US are tax-exempt.

And by the way, would it be ethical to produce 10 Ngozi Okonjo-Iweala clones per year, hire them as YPs and thus hope to put right gender and part II imbalances and find a fu-

ture woman president of the World Bank?

Send your cloning dilemmas to Bank's World via e-mail ("BanksWorld"). The person who offers the wittiest suggestion will win a copy of the bestselling *Bloomberg by Bloomberg*. Libelous suggestions — such as that there might be anyone in the Bank or in public life who cannot be cloned because you must use LIVING tissue — will immediately be disqualified. Entries must be received by midnight, June 20, 1997. A selection of the best entries will be published in a future issue of *Bank's World*. The contest is open to all Bank Group staff. The decision of the Editor is final. Please, no duplicate entries.

## STAFF ASSOCIATION

ACTION, NOT VISION,  
IS THE PROBLEM

**J**ust ten years ago, the Bank Group launched a major reorganization. The published vision statement for that reorganization included reorienting the Bank as a knowledge-based institution, cutting across institutional boundaries, adapting to a changing external environment, getting closer to our clients, and achieving cost efficiencies.

Did we achieve our goals then? Obviously not, for here we are, ten years and two reorganizations later, going about still another reorganization with the same goals still out there.

Reorganizations seldom fail for want of vision statements.

The reason they fail is because the process of translating vision statements into action breaks down. At some point, we lose the connection between vision and action. We know how to cut costs, but we lose our way in translating cost-cutting into creating value for our clients.

An illustration: in order to promote flexibility in deploying resources, the Bank introduced dollar budgeting a few years ago. A major outcome of dollar budgeting was a dramatic increase in the use of consultants. But how much value has this new flexibility in staffing created for our clients? How do we know?

We believe that staff morale is currently low precisely because staff perceive a disjunction between management's ability to develop vision statements and its ability to translate those vision statements into the creation of value for the Bank and for our clients. There is little confidence among staff that freeing up dollars by cutting staff and, potentially, benefits will create value for our clients. There is little confidence among staff that sound management choices can be made when the performance management system has yet to demonstrate that it is oriented toward creating value for our clients. There is little confidence among staff that, with the inadequacies of our time recording system, the Bank yet knows how much work it takes to make a successful project.

With the approval of the budget for the Strategic Compact, the Bank Group stands at a critical crossroads: we have resources available to make some significant changes. We in the Staff Association believe that the measure of those changes will be in how much value they create for our clients. So far, the beginnings of the changes have been strong on vision and cost-cutting, but short on the analysis of the process and incentives/disincentives for how we create value for our clients. We need measurements. We need benchmarks. We need quantitative and public criteria. We need to know clearly and concretely what we mean when we talk about creating value, especially for those aspects of value that cannot be captured by spreadsheets.

We still have time. Let's do it right.

## ... NEW DEPARTURES... NEW DEPARTURES... NEW DEPARTURES...

## Frank aims to be no mere rainmaker

**R**ichard Frank admits to mixed emotions about leaving the World Bank Group at the end of the month after 27 years: there is the sweet sorrow of parting, especially leaving work still to be done; on the other hand, he faces fresh challenges of practicing what he has tried to preach and the excitement of developing emerging markets in the actual marketplace.

President James Wolfensohn announced that Frank, one of the five managing directors under him, would become managing partner and chief operating officer of Darby Overseas Investments, founded by former US treasury secretary Nicholas Brady. Frank says that he will plunge straight into his new job without a break: "I leave the Bank on June 30 and start at Darby on July 1."

"It's mixed emotions. It's hard to bring myself to imagine that I will no longer be in this fascinating institution with these incredible colleagues trying to make a difference in the world at a fundamental level. It's also hard to leave behind some of the initiatives we had started to get the Bank Group and the private sector working closer together and to get private capital into parts of the developing world where it is not now going through guarantees and other vehicles."

"On the other hand, I can say I have been preparing for this [move to Darby] all the 27 years I have been here, to go off to the emerging markets finance field. Given my background, I have done so many things to position me for just that. Also, private investment is becoming such a big force that maybe individuals who have worked at this from a multilateral prospect can go off and do it, add some value and credibility, and that will be good for the movement. So, I am not turning my back on the field, but just continuing it in another form."

Frank added that in any new career he wanted to be an active manager, a principal and equity shareholder and feared that if he delayed, he would be consigned to the role of general adviser and rainmaker. "I want to be an executive with an equity position in a firm that I can help build to a world-class

emerging markets finance firm and to look forward to 10 or 15 years to throw myself into that exercise."

He has been one of the handful of managing directors of the Bank since former president Lewis Preston called him in November 1994 on a visit to Australia and asked him to take on the job, an event commemorated by an inscribed (but unused) cricket ball since the Australia trip gave Frank his first opportunity to watch a game. Before becoming managing director, he had been vice president and chief financial offi-



Richard Frank: tailor-made for world-class finance

cer of IFC and had helped establish the corporation as a triple A borrower on the global capital markets. When he took over as president, James Wolfensohn asked Frank to be chairman of the private sector development group to create a more coherent approach between the Bank Group and the private sector.

"It was almost tailor-made for me, given my experience in both the Bank and IFC," adds Frank, noting that he had told Preston that "I always wanted to go out [into the marketplace]." The time is now ripe, he believes. "The emerging markets continue to do well and are moving into a phase where investors need more seasoned people handling their funds. They want to put more money into the emerging markets, but want to be more discriminating. After Mexico, the investment community said, 'Yes, we want to put more money in, but we need people who understand these economies and where they are likely to go up and go down.'"

Frank recalls his early days in the Bank

under Robert McNamara and "his call for an attack on rural poverty, in which I was more than a foot soldier, one of the frontline lieutenants or captains working on projects that increased production in agriculture and also improved the standard of living. That was a very exciting time. We were really implementing his vision."

"[When I moved to IFC] I was involved in the birth of the emerging markets. Under David Gill we really developed the vision that you could get private capital to go to these countries in a portfolio form, and we

worked on what we called the plumbing, which was to get the countries to build a domestic system of securities regulation, to set up stock exchanges, investment banks. We did it in East Asia, we did it in Latin America and put in place the launching of the very first of the country funds, the Korea Fund. We were ridiculed and laughed at in Wall Street when we tried out the idea and very discouraged by governments who thought that hot Wall Street money would disrupt their markets and they were not interested

in getting these portfolio flows.

"The second strategic decision at IFC was to establish it as a borrower in its own name, against a lot of skepticism, inside the Bank and in the markets. I personally directed that whole effort, pounded the pavements to sell bonds, went through the agony of getting the credit rating. What came out of that was more than the establishment of a world class borrower. We had to change the way we did business, establish profit and loss centers. Out of that came an association with the markets, so that the banks who came to underwrite our bonds, began to understand our business and become partners in co-financings. We began to understand products better and introduced floating rate notes, swaps and became just much more knowledgeable." It is a range of activities and contacts that constitutes not a bad resume for a new mover and shaker of the emerging markets.

— Kevin Rafferty

## Ghana girls surprised Americans don't know Africans have houses

"A lot of children are today not in school because their parents cannot afford to pay the high cost of school fees. Can the World Bank talk to governments to allow such children go to school without paying fees?"

This question came from 10-year-old Lauric from Accra. She and 23 other schoolgirls visited the Bank's Ghana office for "Take-your-Daughter-to-Work Day". A televideo conference with more than 300 girls in HQ was one of the highlights.

Girls in the US asked fascinating questions: Was Ghana "old fashioned"? What type of houses are there? What work do women in the resident mission do? The languages spoken in Ghana; whether there are cars in Ghana; what subjects are taught in schools? What would you do to increase the number of female workers in industry? How can we abolish racism? If being a housewife was a good idea. The Ghanaian "TV stars" asked, in turn whether American school-

children study anything about Africa; the languages other than English spoken and taught, and whether there are children in America who do not go to school; and so on.

Ayesha, aged 9, said that she was convinced that more girls need to go to school longer and reach higher levels of education so that "society can be improved". Michelle could not believe that there are still children in the US who not know that Africans live in houses. — By our Accra Reporters

## ... CLASSIFIED... CLASSIFIED... CLASSIFIED... CLASSIFIED... CLASSIFIED... CLASSIFIED...

**APT. IN COPACABANA BEACH.** Avail. for 10 wks or two 5-wk. periods, Dec. 25/97 - Mar. 10/98. 10th fl., glorious view. 1BR w/BA, lg LR/bar, sm. terrace, dressing rm., kitch, maid's BA. All white marble, furnished and equipped, charming. US\$ 9,750 for 10 wks, incl. maid's salary and utils. Max. two people. Fax (55-21) 541 1177 or x36043.

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# FIRED AT 39 — AND LIFE BEGINS

Kevin Rafferty compares and contrasts a real life business story with the textbooks

Poor Mike Bloomberg! Having served loyally for 15 years of high-pressure 12-hour days and six-day weeks, having won garlands of praise for his performance from inside and outside the company, at the age of 39 he was thrown out on the street, sacked on a Saturday in August 1981. Well, actually, not quite so poor. When John Gutfreund, managing partner of Salomon Brothers, told Bloomberg, "You're history," he also handed over \$10 million.

Gutfreund was wrong. Far from being history, Bloomberg's story was about to begin. He started what he hopes will become the world's biggest media empire. He's not there yet, but a billion dollar business bearing his name and thousands of investors who would find it hard to live without Bloomberg's online information services illustrate the challenge to long-established giants such as Reuter and Dow Jones. Indeed, in online services Bloomberg has virtually destroyed some competitors and left others trailing.

Even the bullsh\*t factor in Bloomberg's ebullient story lends excitement to its telling. Students of management, change or how to build a business would be well advised to junk many of their set texts and study how Bloomberg made it. His story is full of aphorisms and nuggets of wisdom which could usefully become part of good management lore, if not law.

For example, he dismisses "goodwill" as "the accounting treatment for paying too much". Managers he notes, "are human beings, too, with personal interests, egos and insecurities similar to real people (the people they supervise)."

Bloomberg's recipe for success is a vision that is affordable, practical and fills a customer need. Work out your plan in logical detail, then rip it up because you never



Bloomberg no longer has to fix machines in a taxi

know the curveballs and sliders that real life will throw and it is disaster if you cannot respond flexibly. Go for it without second-guessing your creativity. Bloomberg knows: he only sorted out the bugs in the system he was providing to Merrill Lynch in the taxi on the way there, and did not realize he had been successful until he turned the machines on.

As for banks and venture capitalists, consider them "your worst enemies" since they demand five-year projections "in a world that makes six-month forward planning difficult, even for stable and mature businesses... Often, they kill off what's different, special and full of potential."

Bloomberg makes a habit of tilting at conventional wisdom: on salaries — he boasts he receives the same as the lowest-paid member of his staff, or \$19,000 a year; office space; perks; the start to the working day — 7:30 or earlier; the need for constant training and improvement; and the absolute loyalty to Bloomberg that he insists on. A perfect world would not work with too many Mike Bloomborgs, and it's easy to argue with some of his views, but there is so

much common sense and practical wisdom in his story that it should be textbook reading as an antidote to business school prescriptions.

The other books are the best of standard business books, all including checklists of dos and don'ts that uncomfortably echo Maoist dogma. John P. Kotter of Harvard Business School provides an action plan for change that seems so obvious as to make you wonder why anyone should pay to receive it, except for the fancy diagrams and charts that make it look learned. Kotter claims that classical prescriptions of total quality management, rightsizing, restructuring and so on fall short because they fail to alter behavior. He

makes a useful distinction between leadership, which is essential, and management, which may emphasize bureaucracy, arrogance and block leadership and change.

*Winning through Innovation* has funky diagrams, but some look more like records of baseball hits or Sir Don's or Gavaskar's boundaries than anything from business life.

Robert P. Bauman and his colleagues list the "five requisites" for a company to become and stay the best: "a winning attitude; the organization as hero; cumulative learning; strategic communication; aligned behavior and strategy". They tell how Beecham merged with SmithKline and defied critics who said it would fail.

**Bloomberg by Bloomberg with invaluable help from Matthew Winkler; John Wiley; 261 pages; \$24.95.**

Plus, from Harvard Business School Press: **Leading Change by John P. Kotter; 188 pages; \$24.95.**

**From Promise to Performance by Robert P. Bauman, Peter Jackson and Joanne T. Lawrence; 302 pages; \$27.50.**

**Winning through Innovation by Michael L. Tushman and Charles A. O'Reilly III; 259 pages; \$24.95.**

## Not quite the world's most powerful man

Chairman of the US Federal Reserve Board Alan Greenspan (right) is widely renowned as "the most powerful man in Washington" or even "the most powerful man in the world". Wall Street and, following its lead, every other stock market in the world trembles before the Fed sets interest rates and may soar or plunge when Greenspan opens his mouth, however anodyne or delphic his utterance.



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President Bill Clinton blasted the Fed as the most wicked kind of ogre, declaring that a balanced budget amendment "could give the unelected Federal Reserve the power not only to raise your interest rates but also to cut spending on things like Headstart, childhood immunization and educational opportunities for all our children." Not quite up to the iniquity of the Big Bad Wolf, but getting there. But even Clinton had to bow and choose Greenspan for a third term at the Fed or "a major fracas would develop," writes Steven K. Becker.

The author praises Greenspan as the man who pulled the world back from the brink of financial meltdown on "Black Monday" in October 1987 when the Dow Jones index

plummeted by 508 points or 22.6 percent in a single day, a drop that John Phelan, president of the New York Stock Exchange, described as "as close to a financial meltdown as I'd ever want to see." (In its "Black Tuesday" crash of 1929, the New York market fell by 11.7 percent.) Greenspan, who had taken over from Paul Volcker two months earlier, made the crucial statement that the Fed "affirmed its readiness to serve as a source of liquidity to support the economic and financial system."

Nervously, confidence returned, the economy picked up. Today, in spite of bouts of hiccups over the US budget deficit and over Mexican debt, the US has seen six years of steady growth while unemployment has fallen to 4.9 percent, way below the 6 percent rate previously thought to be the trigger for inflation. The Dow has gone from record to record, crossing 7,000 and then 7,200, so that Greenspan questioned whether such stock market values were sustainable. Wall Street duly twitched, but quickly shrugged off the Fed chief's nerves.

Becker himself has achieved minor fame as a financial writer whose reporting moves markets. No less than trader turned scribbler Michael Lewis — of *Liar's Poker* fame — paid tribute to Becker's influence in an article in *The New York Times*. If any reporter knows Alan Greenspan, Becker has the closest claim, through 20 years of cov-

ering the Fed on a daily basis and knowing Greenspan before he succeeded Volcker.

The raw material of the history of the Greenspan years is here, recounted on almost a blow by blow basis, enlivened by direct quotes from most of the major players except the Fed boss himself. For all this, the book is a disappointment.

Greenspan remains elusive. This is not entirely Becker's fault. The Fed chairman flits through Robert Reich's recent account of the years of President Bill Clinton's first term with the shining charm of mercury. But, though he has to be careful in his public utterances, Greenspan is a friendly sort of chap, the opposite of a monk, carefully cultivating friends everywhere, as Reich found. The other fault is that Becker as a news agency reporter is great at describing the leaves in great detail, but less good at capturing the trees, let alone the forest.

As to the larger question of Greenspan's real power, Becker sees the Fed chief as a hero in the grand sense, but does not go along with the view that he is a god. This is surely correct. Indeed it is a sad commentary on the games played in the Washington sandbox that the head of the Fed is so influential.

**Back from the Brink: the Greenspan Years by Steven K. Becker; John Wiley; 452 pages; \$29.95.**

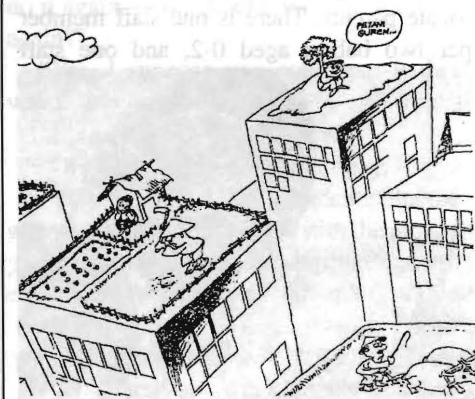
— KR

## How to safeguard Indonesia's riches

Indonesia stands out with Brazil as one of the most fascinating countries in the world for the richness and variety of its resources and the immense challenges that they present. Bluntly, the question is to how to manage, preserve and develop them: satisfying the needs of today's generation while leaving plenty for tomorrow. Critics would use stronger and more emotive words, like "greed" and "plunder" to describe the threats to the rich but delicate ecosystems of the two countries.

These two volumes on the ecology of Kalimantan and of Java and Bali reveal the treasure trove of riches of Indonesia, but the imminence and the immanence of the dangers. The lead authors of each book work for the World Bank as biodiversity specialists and here show professionalism, technical excellence and an ability to fit their scholarship — presented with wonderful gentle humor, as the cartoon indicates — into the wider perspective of society.

Too often, scientists and technical experts affect a narrow blinkered view, so the Bank managers must ensure that such talented people as Kathy MacKinnon and Tony Whitten do not become an endangered species here. The lessons of such books are that species are in danger because their importance is not properly understood, because protection plans are



half-baked or not properly policed or because the species get in the way of people pursuing policies of growth or economic maximization without understanding the long-term effects.

The volume on Java and Bali is the more thought-provoking simply because the two islands are densely populated and the demands of human beings are so pressing. My main quarrel with a work that is so rich in wisdom is that the authors would have benefited from a more thoughtful editor. This is not a grumble about some over-American spelling — "advizable" for example — but whether to reduce some of the 101 philosophizing and to put the advice on changing lifestyles into an appendix.

MacKinnon and her coauthors are also concerned about the destructive and thoughtless hands of humans. Kalimantan is the Indonesian part of Borneo, the third largest island in the world after Greenland and New Guinea, according to the authors, which might surprise Australians. Like Brazil's Amazon region, Kalimantan is sparsely populated, jungly territory rich in mineral resources, though with poor soils. It is a test of our civilization whether this important global center for biodiversity can be preserved from the depredations of humans.

**The Ecology of Kalimantan by Kathy MacKinnon, Gusti Hatta, Hakimah Halim and Arthur Mangalik; 872 pages.**

**The Ecology of Java and Bali by Tony Whitten, Roehayat Emon Soeriaatmadja and Suraya A. Afiff; 1,028 pages.**

**Both published in the US by Charles Tuttle; in Europe by Oxford and Asia by Periplus Editions; US price \$49.95 each.**

— KR

... COMMUNITY CONNECTION... COMMUNITY CONNECTION... COMMUNITY CONNECTION...

## Happy hour for abandoned babies

The May 16 happy hour at the Bank was special for more than just the tropical theme and the knockout rum punch; it also raised \$1,000 for the Chi Child Care Center, a transitional home for "boarder babies" — infants born in area hospitals, often to drug-addicted mothers, and abandoned there.

Chi Eta Phi sorority, an international organization of professional and student nurses, provides a loving home for these babies, who would otherwise face months in hospital without a medical reason. The group's Alpha chapter runs the eight-baby center, caring for and nurturing their charges until they can be placed in permanent homes.

"In 1989, when crack became a real problem, babies — many of them born addicted — were being abandoned in hospitals. We wanted to start a project — our motto is 'Service for Humanity' — and decided to establish a home for these babies," said Margie Word, the center's executive director, who was chapter president at the time. "Howard University, which had a big problem with abandoned babies, had already identified an empty building, and WHUR had a telethon to raise money for renovations. The center opened in August of 1989," she explained.

The center is like a home, with round-the-clock highly trained staff acting as surrogate parents. There is one staff member per two babies aged 0-2, and one staff



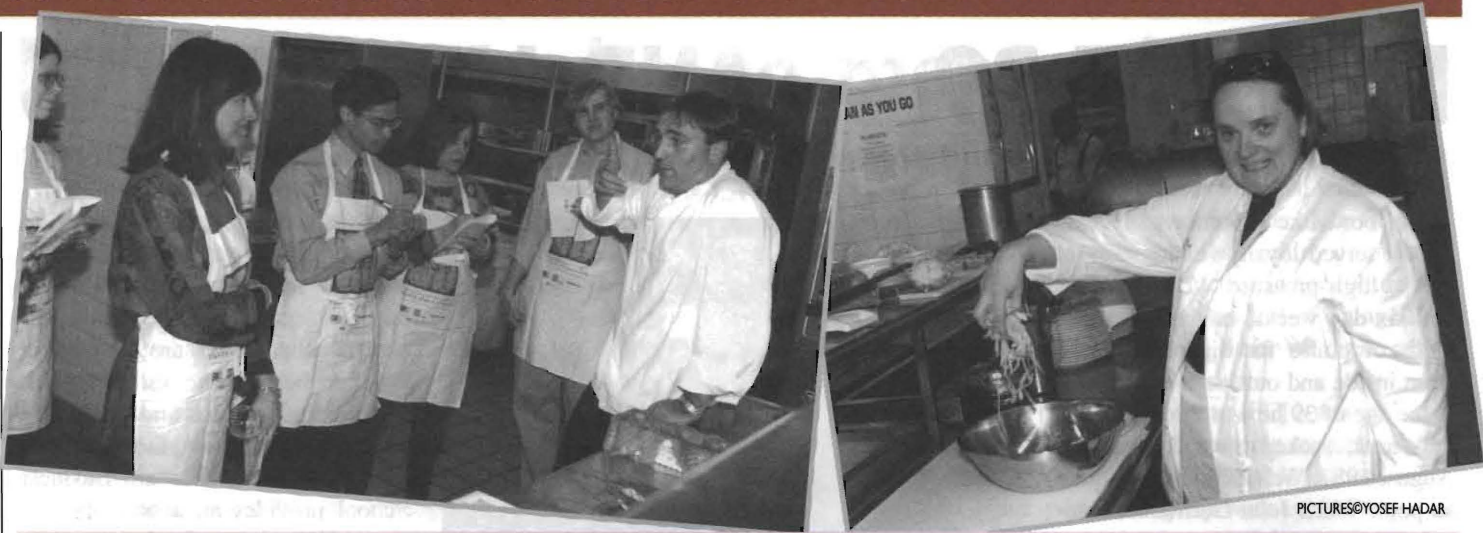
Baby: changing at Chi Child Care Center

member per toddler aged 2-5. Each baby has its own "mother", who has chosen that baby to care for. The children are cuddled, read to, taken to nursery school, and they leave with an album of photos, mementos, and information about their first home.

About 80 babies have been placed in families so far. The center tries to place children with relatives, but has been able to do so in only 10 cases. The rest are either adopted or put into permanent foster care. Word recalls the first time they succeeded in reuniting a child with its biological family: "The baby went to the father. He was a young man; the social worker had located him but he was financially unable to care for his child. When he was ready and able, he came for his baby. He didn't have any idea what to do — we spent hours with him, teaching him what he needed to know." Only one child has ever made it to five without having been placed.

The event was sponsored by the World Bank/IMF Caribbean Association, a forum for discussion of Caribbean affairs and a source of education and information about the Caribbean for non-Caribbean nationals. Contact Rita Archer, x82500. For information on the Chi Child Care Center, or to volunteer, call (202)388-8660. To adopt or become a foster parent, call (202)724-3990.

Community Relations organizes the monthly happy hours, which benefit local non-profit groups. Call Yossi Hadar x31791.



PICTURES@YOSEF HADAR

## DC'S TOP CHEFS SHARE THEIR SECRETS WITH BANK

Look out for a rash of dinner parties in the coming weeks — The recent graduates of the "Home Cooking" classes organized by Community Relations, Marriott Food Services, and Share Our Strength are ready to show off their culinary skills.

"It was wonderful," said Sanjay Wagle (above, third from left) of IFC's infrastructure department, who attended May 13's "Latin Extravaganza", with chef Jose Ramon Andres of Cafe Atlantico and Jaleo. "I'm a great fan of nuevo latino cuisine, and

Jose was incredibly entertaining — so genuine about his philosophy of food; it comes from his soul." Wagle, who has attended cooking school, found the recipes "delicious yet surprisingly easy." A second series of classes is already being planned.

Pictures show: (left) Chef Jose Ramon Andres explaining the fine points of smoked salmon and coconut terrine; Chef Susan McCreight Lindeborg and her julienned chayote.

## Bank's bikers are wheelers, not dealers

On June 15, the second annual BAW 100 Tri-City Century will take participating pedalers from Baltimore to Annapolis to Washington, DC without driving the Beltway, the Parkway, or Route 50. There are 100-mile, 50-mile and 25-mile routes, with fully stocked rest stops, mechanical assistance, maps, and cue sheets. The event will raise money for Wheelers Not Dealers, a local coed development and adventure program for urban youth, as well as the East Coast Greenway Alliance, a regional group established to develop a city-to-city multi-use trail system that will eventually extend from Maine to Florida. This is not a pledge ride; the entrance fee is only \$30 (\$15 for those under 18). The BAW 100 also features "Challenges", whereby groups from companies, police departments, youth clubs and bike clubs try to rack up the most mileage and the highest average mileage. Last year, the World Bank Group, which is also an event sponsor, won the Corporate Challenge. Volunteers are needed for pre-ride and ride day activities, and will receive a free t-shirt and ride registration. For registration information, call (202)686-5879 or visit <http://www.erols.com/baw100/>.

man-Walker Clinic and Food and Friends, which provides meals to AIDS patients (and where Strange volunteers). Staff wishing to support Strange may contact him by e-mail.

Staff cyclists are active in other charity rides as well. About 30 Bank staff rode in the Maryland and Virginia MS Bike Tours on the weekends of May 17-18 and May 31-June 1, respectively. And on June 19-22, several staff, including ITS's Richard Strange, are planning to cycle 350 miles to Raleigh, NC in this year's AIDS Ride. Strange raised \$1,000 from fellow Bank staff last year, and several hundred more from other sources. The minimum pledge amount this year is \$1,700, which he has almost raised. He has put an international spin on his effort this year: "Once I hit \$1,700, I will ask those who want to help to send their contributions directly to the International HIV/AIDS Alliance, which is in London and works with NGOs in Africa and Asia," he said. "That way staff can help international AIDS efforts, and 100 percent of the donation will go to the cause, since there's no overhead to worry about." The local beneficiaries of the ride are the Whit-

man-Walker Clinic and Food and Friends, which provides meals to AIDS patients (and where Strange volunteers). Staff wishing to support Strange may contact him by e-mail.

More than 200 Bank staff are frequent bicycle commuters. Bicycle parking is free in Bank-owned garages, and there are locker rooms for commuters in the E, J and I buildings. (Members of the H building fitness center can use that facility as well.) The World Bank Staff Bike Club is an informal group who share information on bicycling and bike commuting. To find out more about the club, check <http://www-int/html/extracur/bike/index.htm>.

The June 27 happy hour will benefit the Washington Area Bicyclist Association, which promotes safe, convenient, purposeful and recreational cycling and runs the Bike Commuter Hotline — (202)872-9831 — which offers advice to new commuters. Their home page is at <http://www.waba.org>.

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## Art is part of our life and experience

Regarding the controversy over nude statues, [Bank's World, Letters, March 24 and April 15]: As the arts embody our differences, our individual viewpoint, I appreciate the Bank's efforts on bringing various exhibitions, performances and other extra activities on arts. Though staff do not actively participate in the events that the Bank offer, they are already living in the artistic environment. Whether or not we are conscious of the role of art, art is a part of our life.



Art cannot be separated from our lives. Art is the way we live our lives. I don't think nudes should be banned in the workplace because of possibilities of misunderstanding of art. Does the staff think that such art is pornographic, subversive or even offensive? I am confident that most Bank staff are not only culturally open and diversified but also pursue higher standards of art instead of stereotypes of artwork.

There are many characteristics in the arts that can enhance our lives. Through the arts we can have enjoyment, artistic stimulus, curiosity, and even comfort. The arts can add flavor to our work when we are in

an artistic environment. I think exposure to various arts is an important part of employees' overall working conditions. By exploring various artworks, we can expand our experiences and imaginations, which can enhance our creativity and efficiency in work. Therefore, it is not necessary to limit the range in selection of artwork, particularly in a workplace like the Bank which reflects multicultural taste, various interests and an international view.

Eun Ok Lee

I couldn't agree more with Rachel Yoka and especially with Gianni Zanini in their support for artwork display at the Bank [Letters, April 15]. In fact, what bothers me most is the way these beautiful pieces are displayed: below eye level. Maybe putting them on a higher pedestal and bringing them to a pleasant average adult eye level would do them more justice?

Gordana Dolenc, Another Art Lover

I would love to see Michelangelo's male nudes in every Bank lobby.

Sandra Vivas

## LARGE TREES BRING NEW LIFE TO ATRIUM

I was delighted to see the introduction of several large trees in the atrium to dilute the sterile and austere impact of reflective glass and steel with a splash of green. There is still far too little that is alive in this central common space, but one step away has been taken away from the echoing, engulfing emptiness of the atrium. And for that I am grateful.

Jon A. Hitchings



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## BOLIVIAN PEOPLE GIVEN CHANCE TO BE PARTNERS

President Gonzalo Sanchez de Lozada explains why his country decided not to follow the classic privatization remedy and opted instead for capitalization.

The net worth or book value of [Bolivia's] long-distance telephone monopoly, domestic and international, was \$130 million. STET from Italy came in with a \$610 million bid, meaning they were willing to contribute to the company \$610 million to own 50 percent of it. MCI was willing to contribute \$305 million, and the Spanish telephone company was willing to put up about \$146 million.

It is interesting to note how big the range was. If you look at the telephone company, it had about \$170 million in assets, \$40 million in debt, \$610 million in cash. I don't know why they bothered to connect the telephones. All they have to do is collect the interest on the cash.

[The aim was to achieve] privatization through a capital contribution, which is the heart and the essence of what we are trying to do with capitalization.

[I was given the idea by an Indian friend from my childhood whom I asked]: "How has land reform affected your life?" And he said, "Well, we got the land, but we didn't get the technology, the seed, or the financing to be able to do much with the land." It was evident that they had lost all the structure of services and the middleman process that the landlord provided. He continued: "I have three choices. One is to sell the land. But although I may use the money wisely, in the health and education of my family, at the end of my life I will have no land and no money.

"Another possibility is to go to the moneylender in the village and borrow money, but I would then become — again — a serf, because of course," he added very wisely, "there are three



Sanchez de Lozada: giving money to the true owners

things that grow while you sleep: children, crops, and the interest rate. So there is no way I can pay the interest."

As you know, moneylenders in villages don't lend money at very low interest rates. So he [had the solution]: "What I do is I go to my godfather, who lives in the village, and he puts up the money for seed and fertilizers, and we work the land together. When we have a bad year, he gets back his capital, so the next year he can buy seed and fertilizer, and I get enough to survive. If we have a good year, he makes a very important profit, and I have a very good standard of living."

This was how capitalization was born. Basically, it was based on this idea, which is deeply embedded in Bolivian agrarian society, that you don't sell something. You set up a 50-50 partnership.

[By comparison] when you privatize the first thing you have to do is downsize. These are state-owned companies. They are always bloated in employment. If you pri-

vatize, you are obliged to downsize to start getting your money back. So the new owners really squeeze and try to get a very good dividend flow to start showing their shareholders that they are making money on this privatization. And the second thing is they defer investments as far ahead as they can.

The big problem is that these businesses [in key areas like electricity supply, railroads, telecoms, transport] desperately need good management and a lot of money spent on the expansion and the modernization of their service. So it made a lot of sense to give them that money, where privatization would deprive them of it.

We also felt that capitalization would address a deep problem with privatization. What is wrong about privatization is that it gives countries time and excuses not to get their fiscal situation under control. It is really burning the house to pass the winter. Everyone lives happily until there is a crisis. Experiences in Latin America and round the world have shown it: you have a wonderful time as you spend the money on public works, but you don't really get down to getting tax collections up and expenditures under control.

So, our second postulate in capitalization was not to give the money to the government, but to the true owners. They were the companies of the people and had been paid for through inflation, taxes and all sorts of instability and sacrifice.

So we took the shares that belonged to the Bolivian people and had to decide how to get them back to the people. I had the idea that, as they have done in some eastern European countries, to give the shares to everybody of majority age. But the Bolivian people wisely

rejected this, especially women, who said, "If you give them some shares, they won't know what it is worth, and my husband will spend it at the bar or my son will spend it on loose women."

So this led us to create the first universal social security for people over 65 years of age, called Bonasol or solidarity bonus. Somebody said to me: "I am 65. I hope to live until I am 85. That means I can buy 20 cows because a Bonasol is equivalent to a cow, and those cows will have cows, and I will start the first year having milk for my family. From the second year, I will be able to sell milk to the town and from thereon I will be a small cattle rancher when I die and my family will be sorry to see me die, but now they would look forward to my dying quickly."

This is one of the most important developments in laws known to mankind because it is the only one I know where it makes women willing to declare that they are older than they really are.

### LETTER FROM HEAVEN

You know, I'm beginning to enjoy myself. The perpetual bliss they inflict on one up here can pall after a time, and I don't require my mathematical training to tell me that the period one has spent here so far is as nothing compared with what they have in store for us. So I regard the chance to communicate with *Bank's World* as — well, an earth-sent blessing.

Funnily enough, both the Bank and the Fund came into my mind only the other day. I was in the Ambrosia Bar, settling my monthly account (they are very trusting in these parts, and the credit is quite good) when the subject of debt inevitably came to mind.

Debt has become associated with Keynesian economics, although I myself was never a believer in being



and offered them as much as they wanted." "And Western governments?" I went on. "What was their attitude, if I may ask?"

"Oh, they positively forced money on those debtor countries. You see, the oil producers created a gaping hole in the world economy with all that money they couldn't spend, so the fashion was to recycle it."

"So it suited the lenders?"

"Very much so."

"But one now reads that some governments in the west are being quite niggardly in their approach to forgiving the debts that those

African countries, for instance, cannot repay or even service."

"Too right, Maynard. They're all very worried about moral hazard."

"This 'moral hazard' I keep hearing about. It

## To forgive is divine

is debt through thick and thin. The whole point of my analysis was that debt eased the thin parts of life — whether private or governmental — and that, in times of plenty, the debt should be repaid. Speaking for myself, I have never had any problem with the concept of balanced budgets; the art lies in the timing of these things. It is amazing how one's views get distorted.

But what has been interesting us in the Ambrosia Bar recently is the goings on in Zaire — or the Democratic Republic of the Congo, as I believe we now have to call it. (All these Congos: death can become confusing.) We read, in the Paradise Edition of the *Financial Times*, that investment bankers were queuing up to see the rebel leader even before he got to the capital (I refer to Kinshasa, not to the capital Mr Kabila wants to get his hands on from the bankers). This episode has prompted all sorts of reminiscences from recent arrivals at the Celestial Heights Hotel about the rush to lend to Zaire and other countries in the 1970s and early 1980s.

"Did you," I asked the former chief executive from one New York investment bank, "make your lending decisions in those days in accordance with sound banking principles?"

"You must be joking, Maynard," said my new-found banker friend. "We asked a few routine questions about their economies, got onto the subject of their borrowing programme as fast as possible,

is a phrase that was not around in my day. Does it mean that you punish people *pour encourager les autres*?"

"Well, that's not how it's usually put, but I suppose you could say that."

"So you don't forgive debt because you're scared they, or somebody else, will do it again — or, should one say, not do it again?"

"Yes, I suppose you could put it that way."

"But they can't pay anyway?"

"Oh, no, they certainly can't pay."

I reflected on this for a moment. "But the goods they bought from you with the money you lent them helped to keep the western economies going during a difficult time?"

"Yes, sure it did, Maynard — in a positively Keynesian way, you might say."

"Well, I can see considerable problems in being too concerned with moral hazard. In Cambridge, England, in the old days we used to talk about cutting off your nose to spite your face. If I were you I'd say it's time for a new beginning — wipe the whole slate clean and help those economies to get back on their feet."

"There's not much I can do about it from here, Maynard."

"I'm sorry — I was forgetting. I'll make my views known to higher authority. After all, to err in lending is human, but to forgive debt is divine."

"Oh Maynard. Ouch. You can buy me a double nectar for that ..." — KEYNES

## THE NEWSROOM

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## STAFF WEEK BRINGS WARMTH TO ATRIUM

THE ATRIUM, subject of controversy for its cathedral-like loftiness and coldness, was filled with warmth and life last month. The newly planted trees helped in providing a splash of welcome color that positively sparkled when sunlight shone through the soaring glass walls. But the real contribution came from the hundreds of staff who poured in to see what was going on, examine the stalls, pick up the freebies and chat.

Outsiders often complain: "Where and what is this World Bank?" Ordinary people can neither make deposits with it nor get a loan, and when they ask where to find its staff they may be directed to any of a dozen buildings, all of them with austere and forbidding exteriors and all displaying a stern security face if they dare to peep in.

Yet Staff Week showed the strength of the Bank, its people from almost every country under the sun, bringing together all kinds of expertise, listening and learning from each other and from their clients — who are directly the shareholder governments, but indirectly virtually all the people on this planet. The success of the



James Wolfensohn presented Manager of the Year awards to Jeffrey Gutman (l) and Mohini Malhotra (r), and Fred Wright gave the president an umbrella

atrium-based events suggests that it would be worth considering a Bankwide "Open Day". Another idea would be to hold a permanent exhibition in the outer atrium before the security cordon to showcase work that the Bank is proudest of.

### A picture when it rains

The Staff Association's own stand was the most popular with a constant queue of people waiting for their umbrellas. Thelma Jones pointed out that "the first day it rains, it will make a wonderful colorful picture to see all the umbrellas open together." James Wolfensohn is the only member of the Bank not qualified to join the Staff Association, but he got his umbrella as an honorary member and as a reward for agreeing to be host at a lunch for winners of the raffle. "I came here to enjoy the first free lunch I have had at the

Bank," he joked as he pulled the winning tickets, "but now I have learned that there is no such thing as a free lunch." Fred Wright risked the president's bad luck by opening the umbrella, but Wolfensohn himself was so delighted with his present that he insisted on having it up again for every photograph. The Staff Association did not do badly, signing on about 400 new members.

### MDs Q for umbrellas

It was touching to see Wolfensohn himself mingling with staff, sitting on the steps to eat his buffet lunch, enjoying himself chatting to all-comers. Some of our spies even spotted a couple of managing directors taking a breather from their reported 20-hour days to see what was going on — though the cynics said they had only come for their free umbrellas.

### Entrepreneurial Malhotra

One of the delights of the final day of the week was to see the utter, flabbergasted astonishment on the face of Mohini Malhotra when Fred Wright announced that she was Manager of the Year along with Jeffrey Gutman, then the tears of joy on the faces of Malhotra and all her team who had chosen her. "I had no idea," she stammered. She also received a huge bunch of roses tagged "Happy Mother's Day" from her staff, "because they see me as a mother hen," she laughed. Fittingly, Malhotra, who holds Nepali and US citizenship, is working at the frontline trying to encourage microentrepreneurs, a terribly longwinded word but effectively meaning the poorest of the poor and especially women. For Gutman, it was the second award in a month since he was part of the Thailand land titling team. Dare the selectors now pass him over for one of the big jobs in operations?

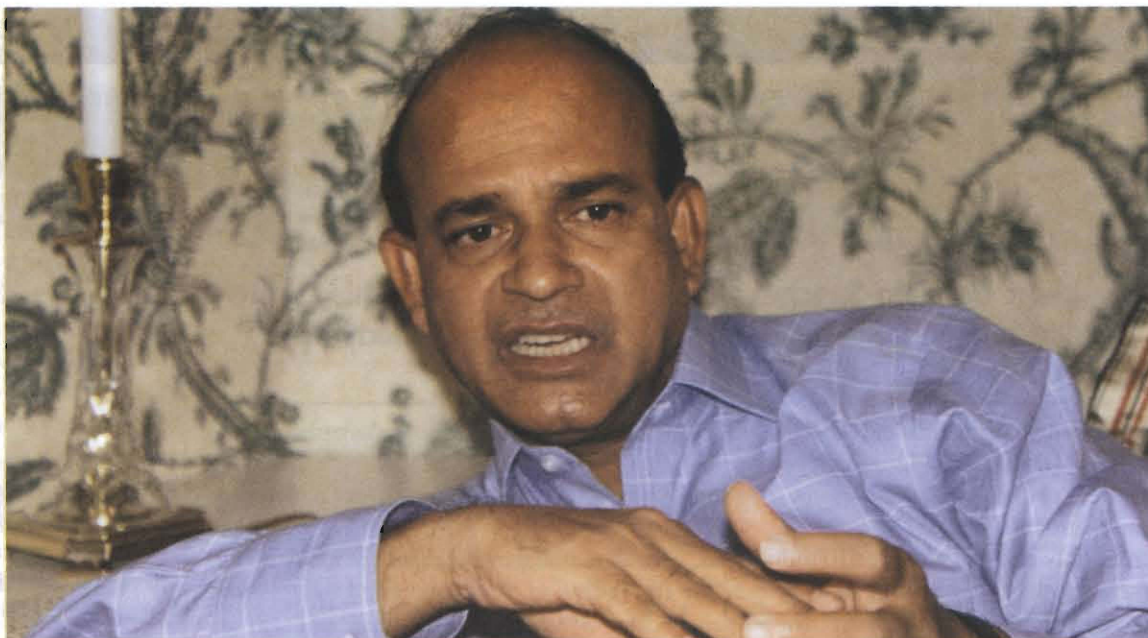
### Make faces for health

Another popular stall was that of the Chinese Staff Association, which had thoughtfully provided calligrapher John S.C. Wang and a free medical check from Jackson Deng, professor of acupuncture at the Center of Alternative Medicine. It was also fun to watch the patients putting out their tongues for inspection. — BW Reporters

### Even the top executives have to shift offices

Richard Frank has been shifted to an office hardly larger than that of an ordinary task manager. It's not a punishment for leaving, but part of the remorseless renovation of the buildings linked to the main complex. "You should see Sven Sandstrom's office," says Frank's assistant, "it's tinier." President James Wolfensohn has also moved, but says cheerfully, "It's not the size of the office that counts, but what you do in it."

For a time Dorothy Berry was a holdout in the E building in a 3rd floor office that had become a bunker, reached by going to the 10th floor, across, then down through packing cases and rubble. A strip of white plastic hung outside her window, "not a flag of surrender, but of peace," said one of her staff.



Hussain challenges conventional wisdom

## Big C isn't the only cancer

By Kevin Rafferty

ANWAR HUSSAIN, Bangladesh's minister of communications, warns the World Bank and other major donors not to press so hard to eradicate corruption that they let in Corruption by the back door. "Remember, politicians in democracies have to fight and win elections," he adds, noting that if water is completely pure and distilled, fish cannot survive.

He declares: "The demand that 'I will not give you this contract unless you pay me this amount of money.' Yes, this kind of corruption should be resisted — though I should say that many developing country leaders beloved of the West prospered this way. With the end of the Cold War and with the latter days of Mobutu, the West has stopped this patronization.

"But everywhere the party [anxious to win a contract] has to leave behind some concessions, financial or otherwise. I might even call it capitalism. For every service rendered, to that some percentage has to be added, or no business contract will be made. Even if you do not pay the politicians, the bureaucrats and the experts will have their price.

"The important thing is that the costs should be built into the price and not added on afterwards. If the price of a contract is 100, that should include the 2 percent that is being paid out. It should not be added on top so that the price becomes 102 or escalates higher and higher."

For a poor country like Bangladesh with 125 million people and a per capita income of \$250, it is difficult to gain access to the international capital markets. Aid is a tricky lifeline. His country has to compete with 150 other countries for soft-loan funds. "Our interests must coincide [with the donors']. Nobody is sitting there to render charity." He compares national attitudes toward aid: if the Italians give grants, they will insist on Italian contractors; the British will allow free international competition; but the Americans, "Americans will come and say whomsoever provides the money, American companies must have a fair chance to compete. Even British money

must offer American opportunity."

Hussain adds that recent revelations have shown how widespread corruption was. "Look at Korea, which benefited from huge sums of money, its system was so awfully corrupt. After the Cold War, this dirty linen has started coming out in public, and now you see massive corruption revealed in Italy, Korea, Japan."

The minister complains that the rules of the international club of aid donors sometimes raise the cost of projects. He cites the huge 4.8 km bridge across the Jamuna (Brahmaputra). When Hussain was minister of communications in an earlier government, he pushed for the bridge, costed at \$500 million. Now he has come back to the job to find the bridge nearly finished, but the cost has risen to \$900 million.

"Why are we all talking about corruption and not getting to the crux? Why has the cost risen? It is the international club: bureaucracy to bureaucracy, but politicians get the blame." Chinese engineers who were the cheapest for the river-training, the most expensive item, were disqualified by the international consortium because they could not work to a depth of 30 feet. A Dutch concern won the contract at a much higher price, "but the length of work actually done to 30 feet is small," he notes. If the Chinese had been allowed to compete, they would have won the river-training contract.

"So far, the Chinese have built four 'friendship bridges' [so-called because they are built at a friendship price] and a fifth is under consideration. Our engineers grumble that if we had built the bridges, it would have cost one third the price. They complain that the Chinese bring more rods, more cement than they would really need and maybe they will sell some of it in the open market. These are allegations. But so far as I am concerned, I am getting the bridges free."

As energy minister before he took the communications portfolio, Hussain got his first sour taste

of international club rules. "China was the lowest bidder in a very small energy plant. The World Bank said 'No', declaring that the project would be delayed because the Chinese did not speak Bengali or English, so we gave it to another bidder at a much higher price.

"The 'free world' complains that Communist countries do not have any costings, so they decide politically which project to take, and when they decide they give any price. But China is becoming capitalist, and we have had to give concessions to China, which now discovers it can no longer complete a road at the price it promised."

His latest headache with the Jamuna bridge, which will unite the east and west of the country, split by the Ganga-Brahmaputra river system, is compensation to people displaced by the work. The government of Khaleda Zia devised what the World Bank considers a model compensation scheme. Hussain has to live with the consequences: "I know the area since I pressed for the bridge and when I went there was not even a large crow living there in some of the areas where people say they have been displaced. But now there are large numbers of



Bridges bring Bangladesh together

people who claim they have been displaced and demand compensation. There is a racket and this is real corruption." The minister says he accepts the need to compensate people whose homes and lives have been disrupted, but wants to separate genuine from bogus cases. But he doubts whether Bangladesh could afford to be equally generous on every infrastructure project.

He takes heart from the Bank's commitment to improving infrastructure and its recognition "that roads are important as part of communications, bringing the country together and allowing people to get their goods to market."