

Summary of Oral History Transcript

Coady, E. Patrick

Interview conducted by William Becker and David Milobsky, on 1993-04-19

In late 1988, Coady joined the U.S. Administration at the request of a former partner, Nicholas Brady, then Secretary of the Treasury, and agreed to put himself forward as a potential U.S. Executive Director (ED) at the Bank. He had very little understanding of the Bank, since his background dealt mostly with international merchant banking. Coady speaks of his dual role both as representative of the U.S. and as spokesman to the U.S. for the Bank, the uniqueness of the U.S. position in the Bank, and the long history of tension with other member countries. According to Coady, at the time of his arrival, the traditional U.S. Government agencies (Treasury, State Department, AID) working with the Bank all had long established working relationships in place, this included the official channel between The Treasury and the Bank.

Coady covers the workings of the Board and the great lengths it pursues to abide by its tradition of reaching consensus; Management's Board strategy of "divide and conquer"; runs a comparison between presidents Conable and Preston in terms of Management relations with a live-in Board which meets frequently and where the Articles give it more powers than a normal board; and comments favorably on the composition of the then newly elected board resulting in greater consensus on most lending issues from both the donor and borrowing side. In addressing the reasons for the Board's ineffectiveness in policy-making, Coady sites as a factor the level of communication, or lack thereof, due to the increasing distrust between Board and Management, and the Board's tendency to micro-manage issues due to the

long history of endless debate on clarifying the rights of the Board and Management. Coady also blames the existing process, gives his opinion on a remedy, and welcomes the exercise of redefining the Bank and its major policies as well as the review of Board procedures resulting in streamlining the policy formulation process as an important reform in streamlining procedures, thus allowing time to focus more on policy and country-assistance strategies and less on micro-management.

Coady addresses in detail IFC's request in January '90 for a \$250 million capital increase, his involvement therein, IFC's rationale versus that of the U.S. The Knapp Commission report's analysis of the Bank's commitment to the private sector, the isolation of the U.S. in the debate and eventually exercising their veto power in not supporting the capital increase based largely on a Board that admittedly did not believe in the policy framework put forth. The mishandling by the press and the separate request by the U.S. for the Bank to do a study of its Articles to determine the limitations on its ability to support the private sector, and the Knapp Report's Private Sector Development Action Plan covering the collaboration between the Bank and IFC in light of their wide cultural and operational differences.

Coady broadly discusses the environment issue in the Bank with which he had become closely identified, his involvement in the creation of a new forestry policy paper, and heading the U.S. delegation of the Global Environmental Facility (GEF) proposed by the Germans and the French. The Bank running the GEF Trust Fund and its role as its principal project implementer encouraging a proper relationship between the environment and development. The GEF as a mechanism encouraging countries to address their local and international environmental responsibilities simultaneously, hence having a policy framework integrating both local and global instruments. Coady mentions the huge strides made by the Bank toward making the environment a central concern of development projects in

light of the criticism received from environmental groups. Coady concludes with his opinion on the pros and cons of the Bank's salary system and its effects on the human resource dimension.