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ORAL HISTORY PROGRAM

Transcript of interview with

<u>M. ISMAIL SERAGELDIN</u>

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BECKER: This is William Becker with the Business History Group and the George Washington University. It's October 25th, and we're about to begin an interview with Mr. Ismail Serageldin.

ZENNI: I'm Marie Zenni, task manager of the World Bank Group Oral History Program.

SERAGELDIN: I'm Ismail Serageldin, former vice president of the World Bank and currently special advisor at the World Bank and also Distinguished Visiting Professor at AUC (American University, Cairo), and advisor to the Egyptian government on the Library of Alexandria project.

BECKER: It's a pleasure to meet you. We'd like to begin by talking very briefly about your background and your education. What if anything in your background, would you say at this point, most influenced your career at the Bank?

SERAGELDIN: Well, I think it would have to be my parents instilling in me very early on an interest and inquisitiveness in many different topics, and, as a result, I've always had a very wide range of interests. Even though I started my career as an architect, I was always interested in the context of things, and so in getting into buildings I wanted to know how buildings are set in cities. So I went into city and regional planning and why cities shape up the way they do, which leads to regional planning. Then I got my master's degree and from that into how regions actually grow. And that gets you into economics and national development policy. I did a lot of economic work on development policy and then later on to more or less an abandonment of conventional economics, because I was convinced that development, which is where my heart was getting more and more into, was much more about people than it is about accumulation of capital investment ratios and capital output ratios and all that stuff that we were being taught at the time.

And so by 1968--I recall very well--I spoke to my very distinguished advisor, who incidentally wrote the first history of the World Bank. Mr. Edward Mason was my advisor at Harvard, and I remember meeting with Professor Mason and saying, "You know, everything you've told us in economics is all wrong!"

And he said, "That's a rather sweeping statement!" He said, "Mr. Serageldin, would you care to elaborate?"

And I said that, you know, if we could with a magic wand remove the capital constraints from developing countries, they would still be less developed countries. On the other hand, in Europe after the war an infusion of capital with the Marshall Plan allowed them to rebuild because of the quality of their human resources. So it's really about people, not about money.

And he says, "What do you want to do?"

I said, "I want to cross register into the School of Education."

And so for the next year and a half I cross registered into the Graduate School of Education and took a lot of courses on special tutoring in education. I wrote my thesis on the contribution of education to development. And so that's this constant search for broadening and understanding the context of "why": why are things the way they are, and do we have the right tools to ask the questions? I think this is part of what helped me shape my career in the Bank.

Incidentally, it was this also that got me to the World Bank because Ed Mason then asked me, "What would you like to do now that you're finishing your doctorate at Harvard?"

And I said, "Before going back to Egypt, I would like to get some international experience."

And he said, "Indeed, and where would that be?"

I said, "Well, either UNESCO, back to UNESCO, or ILO [International Labor Organization], maybe. Mostly UNESCO would be my first choice because of education and so on."

And he said, "Couldn't you go to the World Bank?" Now this was '72; he was just finishing his master work on the Bank at the time.

And I said, "Well, I've left my engineering behind me right now. I've been practicing for seven or eight years to support myself and my family. I was practicing in urban and regional planning in the U.S., but mostly urban planning, but that was to support my studies. And I wanted to really go into education in depth."

He said, "There is more education at the World Bank than both UNESCO and ILO combined." I was very suspicious about that. And he said, "Why don't you try it?"

So I applied to the Bank. It was very unusual. It took them quite a while to respond to me and then gave me a double offer: as a YP (Young Professional) or as a regular staff member, because I had eight years of experience. I was very young when I went to university; I was 15, and I graduated at 20, and I did my eight years of graduate studies. So I was 28 when I came to the Bank, but I really had eight years of professional experience behind me at the time plus my degrees.

So they offered me both, and I asked, "What's the difference in pay?"

They said, "The same."

I said, "What's the difference in assignment?"

They said, “The YP program allows you to do more than one assignment.”

So I said, "Okay, I'll take the YP program because it allows me to do more than one assignment with the Bank."

And I started in the Bank on a very historic day in the Bank, which was October 1, 1972, the day of the implementation of the [Robert S.] McNamara regional reorganization of the Bank. So I arrived in the Bank, and it was a madhouse: brown boxes everywhere. [Laughter] People didn't even know who they were reporting to on the first day of the reorganization.

But, anyway, I got in, and I started in the Education division of the then EMENA region (Europe, Middle East and North Africa). Initially I thought that I would stay maybe two years in this place and find out what it's like. And it was a terrible place. You wouldn’t believe this. At the time, the debate in the World Bank was whether it was legitimate for the World Bank to be concerned with income distribution.

BECKER: Income distribution how?

SERAGELDIN: This had been triggered by a livestock project in Brazil the year before, where the Bank was offering below market rate loans in those days. And people said, “The only beneficiaries out of this loan would be people who have huge ranches with hundreds of thousands of heads of cattle and so on, and why should we be offering World Bank loans for people who have villas on the Riviera and fleets of Mercedes cars? I mean, does that make sense?”

And the answer at the time at the Bank was, "Yes, the job of the Bank is to increase the size of the pie. How it's distributed internally is a domestic political matter. It should not be the job of the Bank."

And of course to me, coming with the background I was coming with, the instinct of development being of people and that economics is only a tool to improve the well-being of people, this is a crazy debate! How can people even talk about development if they're not willing to discuss poverty and income distribution and so on?

And I've told Bob McNamara--who became a good friend recently, but of course at the time I knew I couldn't; he was the president of the Bank--were it not for him, I would definitely not have stayed in the Bank, because McNamara then, in 1973, made a decisive move for the Bank with the Nairobi speech. At the time we had the Montek Ahluwalia and Hollis Chenery “redistribution with growth,” which was simply saying that you can't have a distribution with growth. Today it works the right way; we would say, "Redistribution for growth." [Laughter] But in those days it was simply very apologetic; I mean how to prove that it was not a trade-off, that you could have both. And then McNamara made the decisive Nairobi speech saying the lower 40 percent of the income distribution are going to be our primary clients. And then he used words that really touched me--and I've told him this many times since—he said absolute poverty is a condition beneath any definition of human decency.

And then he had a meeting (which he doesn't even remember) which really changed my career. He met with a group of young people who were called the "Five-Thirty Club" in those days, which was a small group of young people of the Bank who would meet at five-thirty in room A530. And we invited him, and he came. And he said, "I'm looking to you to help me change this institution and turn it around." I had been moved by his speech, and when I heard him say that, I said, "Going to stay another two years! I'm going to work for this guy and help turn around this institution!"

Well, two years later I was made a division chief, so I said, "I think I'll stay another two years." And I'll stay another two years and another two. I've been staying another two years for 28 years! And now I completed what I had told Professor Mason, which was I wanted to get some international experience before going back to Egypt, except it took a little bit longer than I thought! It took 28 years of international experience rather than two or three years.

BECKER: Now, aside from these early experiences with McNamara, what other positions then in the Bank most influenced the direction of your career and your thinking about what needed to be done in regard to sustainable development?

SERAGELDIN: I think it's the other way around. My career in the Bank was largely driven by what *I* wanted to do, and I've been very privileged to do this. This is one of the reasons why I've very little sympathy for the staff who complain all the time about this and that. I have no sympathy for that at all! I've never been constrained in doing what I wanted to do in the Bank. I've never been rapped on the knuckles for speaking my mind, even when I disagreed violently with the eminent people in the Bank in those days, and--until recently, I mean. You don't suffer for taking risks, for doing what you want to do, if you're forceful enough about your ideas. And it's true the burden of proof is on the person who wants to change how things are done, and that's the way it should be. This is a lending institution; it's a financial institution, and you just can't sort of throw money at any idea that comes along. You therefore have to say to people, "Convince us that these ideas are worth supporting."

But I've never had that problem. And, in fact, I've refused to do things that I was told I should for my career, such as, "Work outside of operations, do a stint in Finance, do a stint in Administration. This is good for you for your future career." I was offered, early on, with the division chief. I was offered to take on the job of Director of Administration. It was a very big department in those days. And I said, "No."

"But, you know, this is a fast track career to vice president."

I said, "Well, that's not what I came here for. If I wanted to take care of the garages and the cafeterias, I would have joined Marriott." [Laughter] "I mean, I came here because I wanted to work on development problems in poor countries. And so if I don't get promoted, I don't get promoted. If it delays my promotion, so what!" You know, as I retire now, what difference does it make that I became a director in '84 or '83 or '86? What is more important is that I enjoyed every minute of the career. When I offer my advice to anybody who asks me I tell them, "You better take a job that gets your juices flowing, that makes you want to get up in the morning and go there and that you're doing not as a stepping stone to something else but because of the intrinsic value of what you're doing."

And that's why, for example, I also refused to leave Africa when I, after I got into the Africa region, saw the enormity of the problem there. That took three consecutive directorial assignments in Africa. And I was advised, "This is not good. You have to go somewhere else" and so on.

"No, this is where I think the biggest development challenge is, where the biggest public problems are. I'm going to stay here."

They said, "It's not good for your career."

I said, "Fine! At some point I can always resign." [Laughter] So I've never had this view that somehow the incentives are this, the incentives are that.

I spoke to a Friday Morning Group upon my retirement, and I said, "You know, this incentive stuff is really a lot of nonsense. I think people should have an internal incentive. They should, like Henley's 'Invictus,' say, 'I'm the captain of my soul! 'I'm the master of my destiny!' And do whatever you think is right." I mean, they shouldn't be responding to incentives like, you know, Pavlovian dogs who do this only if they get an incentive for it. People should be doing what they think is right. And I think there's a lot of people at the Bank who do this, and they do very well.

BECKER: Now eventually, though, you moved to be the first vice president for Environmentally and Socially Sustainable Development. How did that come about?

SERAGELDIN: Okay, you want to track the career? I can run through the career, because there are a number of important points. I started out in the Education division. I then transferred to the Programs division.

And just to show you again that you could do all sorts of amazing things, in the Education division I was also responsible for designing programs that really involved NGOs [non-governmental organizations] in a big way, like in the Yemen II Education Project. This was the first time we created something called the Basic Training Fund where the idea was that the local villages and local development associations would decide. But there were no reasons to call them NGOs. They were called local development associations. And these LDAs would contribute--I said they should contribute one quarter of the cost and we the Bank provide through IDA [International Development Association] the other three quarters, which is demand driven, ownership and all that stuff. [Laughter] It was already embedded in 1973-74 in those days, and it was an unusual concept in those days. And it was approved by the Board and so on.

Later on, I was given the task of dealing with the oil countries, but I also insisted on still retaining a link with some of the regular countries. I used to go to some of the richest countries in the world and some of the poorest--Yemen and Kuwait and Saudi Arabia and so on. But Yemen--North Yemen was very much like some of the African countries inside the EMENA region! So I was doing some of that.

But as division chief of technical assistance and special studies, I was also able to launch a lot of research projects that responded to my academic interests. And I did launch a number of very major projects, one which was on literacy retention and one which was on manpower flows. And the one on manpower flows really created the best team in the world in those days at the World Bank. We created some very complex models which I was involved in developing and so on.

And then the Bank decided to tell me I absolutely needed to move back to mainstream operations. I was having a field day doing all very interesting things, because I was doing everything from appraising petrochemical projects with, of course, Saudi Arabia, and we did an appraisal a la Bank, except that instead of going to the Board it went to Minister [Mohammed A.] Abalkhail, who was minister of finance in those days. We advised the Saudis in their early dealings on a lot of different things--housing, roads, transport, industry, manpower flows, education, literacy, also cultural studies on the sanitization of nomads. We did agricultural evaluations for Libya, the new town designs for Kuwait, and a lot of very interesting studies, plus the academic type research studies, two huge research studies that I was running. They said, "Now we really need you to take on a division and just the regular type of work of the Bank." And they shifted me to the Urban division. So I went and worked there for three years.

And this is an important story because it is a compelling argument against the nonsense about incentives. I had a very, very good division--outstanding staff--and we took major risks. Two of those major risks were, one, to go forward with a major project for a new town design in Egypt called the Al-Abour, where I pushed through an appraisal and then it was killed at the Bank, and the other was to help Yemen in post-earthquake reconstruction. And I pushed it through to negotiations, and then it collapsed because basically the Yemen government was more interested in getting funds from Saudi Arabia than from IDA, partly because we put so many restrictions on implementation.

Now, the main thing is that, in Bank parlance, to have two projects that you take post-Loan Committee and then get cancelled is considered a public disaster. But at that point I was given another huge triple job promotion from staff member to division chief--I was never "senior" anything—so I went from regular staff member to division chief, and I went from division chief to director. And we had assistant directors and division directors. And I was given this huge promotion to become director of West Africa under [Wilfried P.] Thalwitz.

The story I want to say is this: I called my staff together to announce to them that I was leaving them, and I said, "I want you to look at this promotion as a very important signal that the senior management is giving you. By conventional bureaucratic norms we just had two huge failures--two projects that have gone through the Loan Committee and which were cancelled thereafter. They were calculated risks, and I had made the case through the Loan Committee why we should try for these projects, and as you can see Management did not hold this against me. In fact, they're promoting me. So I hope that you will see this as a signal not to be scared. If you have a convincing case of why you should do something, go forward with it!"

And after I left, my deputy then told me, "Oh, you know what happened after you left the meeting? People said, 'Yeah, it's true it happened, but it's an unusual case. We know how the system really works!'" [Laughter]

I mean, you can't win, right? [Laughter] But this is nonsense. I have no sympathy with this at all! I mean, here's my own career, and I told my staff, "Look at this case. This is what happened: Al-Abour failed, and the Yemen earthquake project failed post-Loan committee—I mean, just disastrous by conventional bureaucratic terms. They were both very fast track projects. And yet, you know, it wasn't held against me."

What happened there was that Ernie [Ernest] Stern and Wilfried Thalwitz selected me for this job, and I had a discussion with Ernie. Wilfried is a good friend; he had done the nomination for me, and Ernie agree to it. Ernie called me in and said, "Look, we're going to put you through tests, so you have to understand that this is not a permanent appointment. It's a two-year appointment. If we don't like you, we won't bring you in."

I said, "You know, you can have my resignation on your desk anyway, because I wouldn't want to work if my boss didn't have confidence in me. So it's as simple as that; that's not an issue for me. You either have confidence, or you don't. So the issue of probation doesn't really matter to me at all. But, you know, why did you choose to put me in West Africa which I know very little about? I could have served you extremely well in EMENA where I know everybody and speak the language. I know the culture and most of the decision-makers throughout the Middle East and North Africa very well."

He said, "No, we want you there. This is a region where the Bank is making a very major effort; we are about to launch the new special facility for Africa and so on, with a new structure"—Kim [Edward V. K.] Jaycox took East Africa, Wilfried Thalwitz came in, Sven Sandstrom, Callisto Madavo, myself, Caio Koch-Weser, all of these were a new team that was being brought into Africa—"and we want you there." Then he added something which was very moving, and I saw him recently and he spoke about it again. He said, "You know, it's not that you work hard; a lot of people work hard. It's not that you're smart; there are a lot of smart people in the Bank. But two things are important as to why you should go for this job. First, you don't get discouraged, and this is a region where, you know, it's so hard to make things work, some of the poorest countries in West Africa. The second reason is that I think you have the compassion to really care for the people there and not get overcome by the problems of the bureaucracies in the governments."

And that's true; I got very moved working in Africa. And that's the reason why every time there was a reorganization, I said, "No, I want to stay in Africa." And so I took three consecutive assignments in Africa.

And Moeen Qureshi, when he became senior operations vice president, said to me, "You must go to either Asia or Latin America."

And I said, "No, if I take a technical department, it shall be in Africa because that's where the technical challenges are biggest."

Then came the issue of environmental sustainable development. I had been in Africa a very strong supporter of women's programs. I had launched the first two projects for women. I got Michaela Walsh, who was then head of Women's World Banking, to come (out of the director's budget, not the division's budget) and go and try to create the first micro project for women in The Gambia. I got a number of operations going--in spite of Cote d'Ivoire being in the midst of structural adjustment--within the environment project and the women's project. I said this has a signal value, that everything else we are doing in structural adjustment is because of the macro and sectorial problems, that we are going to do specific projects, two tiny projects, one on the environment and one on women, as a signal.

[Interruption]

SERAGELDIN: In those years I had been very concerned about environmental degradation in Africa: deforestation; desertification; water problems; women's problems. I was involved with creating the social dimensions of adjustment projects in Africa.

I had expressed an interest for my next promotion, so to speak--if I would be promoted--that I would be very interested in [Visvanathan] Rajagopalan's job, which was in the DEC [Development Economics] group, or in the central vice presidency, where we had the Chief Economist on one side dealing with all the macro stuff and then we had Rajagopalan dealing with all the sector stuff. I was a projects man by background, and I wanted very much to take along these responsibilities.

I was then called and told that the intention is to create not one but three vice presidencies, thematically grouping some of the sectors that were under Rajagopalan. One would be Environmentally Sustainable Development and would I be willing to take that? One was human resources, and one was private sector development. Human resources was given to Armeane Choksi, and private sector development was given to Jean-Francois Rischard. And would I consider it? I said then, "Yes. In fact, I would prefer it to human resources," even though my original background was education, because I had done a lot of work on human resources and because I felt, in fact, that the intellectual work on human resources had largely been done.

By that time we had won the battles of the Bank being involved with primary education, girls' education and all of these issues. These are some of the early debates I had with Duncan Ballantine, who was then director of education at the time, when he said, "Why should we be concerned about literacy?" And I talked about human rights, and he said, "That's not an economic term!" [Laughter] A lot of fascinating debates in those days! John Simmons and I and others were sort of the radicals of the education group in those days. But these battles were largely over. It was much more a matter of implementing programs; whereas, I felt that in the whole area of environment and sustainability we were still groping for a way out. And I had participated because by that time you recall that Thalwitz had taken over as senior vice president of policy--and then by that time we had four senior vice presidents--and he had been my boss for many years.

I was working with Kim Jaycox in Africa in those days as director of the technical department, and I was pushing policies on the questions of forest policy. He said, "I understand that you preempted the Bank's forest policy by issuing your own policy."

I said, "No, I was very careful in my monograph that was published before the Bank's policy to leave wiggle room for the Bank, but I clearly spelled out my ideas, and I make no apologies for it!"

He said, "No, it's very good. I like what you wrote!" [Laughter] "So I want you to work with Michel Gautier and Andrew Steer."

I had been put in charge of the environment preparation of our *WDR* [*World Development Report*] on environment for '92, and that had been a big battle with Mohamed El-Ashry and the economists and so on. And I was one of the technical directors involved in that. And then when that issue came up, I was very interested in trying to help with that part. I was then offered by Sven Sandstrom, Ernie Stern in particular, and [Attila] Karaosmanoglou, who was still Managing Director (before Gautham Kaji took over), to take on this job of ESD. And I said, "Yes, I would very much like to do that."

Now the Bank at that time was in very bad shape.

BECKER: What year would this be?

SERAGELDIN: It was October of '92, where we had to reorganize to be effective on January 1, 1993. It was exactly 20 years to the day, almost, when I joined the Bank, from October '72 to October '92.

And Lew [Lewis T.] Preston, God rest his soul, was a man I was very fond of. He said to me, "Now I want you to take on this Environmentally Sustainable Development and make it a reality!" [Laughter] And then he said, "I understand we're giving you the hot seat, but I understand that you thrive on it."

So I said, "Well, thank you, sir. I hope we won't let you down."

At the time the Bank stand had been trashed in Rio [United Nations Conference on Environment and Development]. There was a lot of opposition to the Bank. The "Fifty Years is Enough" campaign was really starting to pick up steam. It was a difficult time in '93 in terms of criticism of the Bank, and so I was front and center on dealing with these issues. And I agreed with Sven, who was then the Managing Director I was working with on a daily basis, I said, "I'm going to spend a good deal of my time on external relations for the Bank because we really can't afford to have the people who should be our natural allies, the NGOs who care about poverty and care about the environment, care about development, be the ones attacking us! It is ludicrous! These are natural allies. These are the people who should be out there lobbying Congress and lobbying the Parliament for more money for IDA. I mean, we must build good relations with them. And I'll take on this task and give it a good deal of my time."

The first year I was in charge, Raj continued to be chairman of the CGIAR [Consultative Group on International Agricultural Research], so I did not take on the CGIAR until January 1, 1994. Lew Preston said, did I mind that. I said, "No, out of respect, of course, for Raj, I'd be delighted to let him continue in that post. I'd be honored to take it on afterwards."

In the meantime, I focused a lot on building these relations. The first task I did was to really try to build better contacts with the critics and engage them in listening, debating, arguing with them--improving the quality of our own reasoning. I found that the biggest challenge we had, I thought, was that we really did not have enough of a comprehensive framework to pull things together. And so the manifestation of these two orientations--building networks and reaching out outside of the Bank, and at the same time bringing in the ideas of the others and then trying to consolidate them into a coherent thinking--led to two initiatives.

One was the launching of the Hunger Conference, which was triggered by the hunger strike that Tony Hall had made in Congress when they abolished the Hunger Caucus and where we said we would hold a conference. Sven said to me, "You think we can deliver on that?"

I said, "Don't worry, Sven. If you, as acting president of the Bank in those days, will make the commitment, I'll deliver!"

That was in April of that year, and we held it in December; it was a big event with 1200 people who came. We took American University and invited and obtained Jimmy Carter, Amartya Sen, et cetera; all these are personal contacts. That was an effort to dialogue with the NGOs. It was difficult because, of course, they looked at us with enormous suspicion. But, luckily, I had enough personal contacts with many of the NGOs over the years that they were at least willing to talk to us. We built that relationship as we went along.

The other was to launch the idea of the ESD Conference, which we held at the time of the Annual Meeting in September 1993. I wanted to get Al [Albert A. Jr.] Gore for the opening conference, but I also wanted to get one other very distinguished man. I was very happy I got that person: Jacques Cousteau. Captain Cousteau came as the first keynote speaker that we had at an ESD conference, and Al Gore came the next year. And every year after that, for five years, it was a big event. And it then got bigger and bigger, and it really became a rallying point where we got everybody, and there were associated events, and more and more associated events, that showed that we were getting people together.

So these were some of the big challenges.

Now the intellectual challenge of trying to weave this together finally took manifestation into something which I personally gave a big push to, which was the notion of wealth accounting and indicators. Wealth accounting is a way of bringing in the produced assets or conventional measures of economic capital.

If I may just go back for one minute, I felt the big problem we had was that the whole world had gone on the wrong track based on the [Gro Harlem] Brundtland Commission's definition of sustainable development, which was to meet the needs of the present generation without jeopardizing the ability of future generations to meet their own needs, which is philosophically very appealing but operationally non feasible. Simply stated: how to define needs. For starving people it's pretty straight forward, but for families that already have two cars and three TVs, what does that mean? Yet we know it is the latter kind of family that consumes 85 percent of the world's output.

So we are talking about sustainability. The needs criterion is not an operational one. So I suggested that if you change it slightly and you put sustainability as opportunity--in other words, it is to give future generations as many opportunities as we have had ourselves, if not more--it is very close to the Brundtland definition, but this one is operational, because if you can translate opportunity into being capital per person--if my son has more capital than I've had, he has more opportunity to generate an income services stream. Now the meaning of capital is broad. It is produced assets; it is natural capital or it’s bio-diversity, land, et cetera. It is human capital: education, health and nutrition, which is embedded in the person; and social capital which is the institutions that allow a society to function, the glue that holds a society together. And what you're saying is by putting it on a per capita basis, you take into account the population growth. And you're saying what we want to do is give future generations, per capita, as much if not more basket of these four kinds of capital as we had before.

Conceptually, what this does is that it also resolves a lot of the problems that people get caught up in--how to deal with non-renewable resources, copper in the ground, for example. Do you leave it for future generations or you take it out? It's non-renewable. I once told one of the NGOs, "What's the difference between having no more copper in the ground or having copper in the ground that you don't use? What's the difference between the two?" But you see, by allowing these four kinds of capital, you're ending up saying, "Yes, it does make sense to remove copper from the ground and invest in educating little girls." You're transforming one form of capital into the other. Now, at the same time the substitutability exists, but they are also complements, because you can't close your eyes and imagine anything taking place if you drive any of the four kinds of capital to zero. You need all four of them. And that allows you, therefore, to have a definition of sustainability that is operational.

The question was: can we measure it? So I launched two big projects and supported the two Johns [Laughter], John O'Connor first and then John Dixon later on, to take on the task of measurement. And we produced two books, one called *Measuring Developmental Progress* and the other called *Extending the Measures of Wealth*, which is more accurate, but the narrower base of first one was just to prove it. And I put out a little booklet called *Sustainability and the Wealth of Nations,* which I'm very proud of. It got a distribution of 3000 copies in Xerox form before it came out in printed form. And I'm very proud of that because that thinking earned me an honorary doctorate from the Conservatoire National des Arts et Metiers in France. And that one, of all my doctorates, is the one that I'm most proud of, because in 200 years they gave only two honorary doctorates, one to Robert Solow and one to me. And I'm very flattered to be in Bob Solow's company! [Laughter]

BECKER: Now, in redefining capital and broadening the notion of capital, was there resistance to this within the Bank?

SERAGELDIN: A lot. But in effect it came out. It had a huge, very positive public relations impact, because even people who disagreed with me on certain things, like Bob Solow—I mean, Bob said to me, "I am opposed to your concept of social capital." I think it means something, as he contributed to a chapter in the book on social capital and produced that part in his book the last year. He said, "I'm opposed to it. I think it's important, but it's not really capital unless you can say that--what the rates of accumulation and depletion are; what the input-output ratios are--you shouldn't call it capital."

And I said, "Bob, you're unfair. You're comparing us to human capital, but that's human capital after 35 years of intellectual investment. What you should compare us to on social capital is where we were on human capital in the late '50s--1960, before Gary Becker put out his *Human Capital,* 1964, and all of that work. Everybody agreed there was something important there but we couldn't quite capture it. And so now we're just at the beginning stages of thinking about social capital. You have to accept that it's not human capital."

If you look at Somalia and Yugoslavia--enormous differences in human capital! Both societies disintegrated. Liberia and Lebanon went through civil wars, enormous differences in human capital. It's the glue that holds a society together. We don't know how to measure it. We have been struggling with that.

I had invited Bob [Robert D.] Putnam earlier on; I launched a big campaign on culture and development in '91-92. There was a big conference in '92 in Africa--the time I was still director in Africa--on Culture and Development. And I called it "Culture and Development in Africa" so that nobody would ask me why I was doing culture and development Bank-wide. But it was Bank-wide! [Laughter] And world-wide! And I got Robert Putnam, who became famous afterwards for publishing his work. This was before he published the '93 milestone work on how democracy works and then later on *Bowling Alone*. And he presented his work at the Bank. We're getting into some thinking here that is very important.

BECKER: Were your academics working on this idea, too?

SERAGELDIN: A lot of it I did. I had enormous networks of academia friends. My obstacles were all inside the Bank! [Laughter] They weren't outside the Bank, largely because there was a lot of neoclassical economic thinking that dominated everything. It wasn't always like that. I remember when I first joined the Bank in '72, the engineers ruled the roost and the economists were considered largely irrelevant. It was only in the '80s that the economists took over, but by the '90s they were sort of, of course, the dominant force--and still are the dominant way of thinking in the Bank, and the net result of this.

Now I'll give you two examples of that, one of which was I kept sending lot of things to friends who were chief economists of the Bank: the late Michael Bruno, a very fine gentleman, truly a macroeconomist's macroeconomist, the very, very best of them. Michael said to me, "You know, of all the things that you keep sending me, the only one I cannot dismiss is Putnam because of the quality of his empirical work. And I want you to know that I've invited Bob Putnam to come and speak to our economists at the Bank and so on."

I said, "Michael, I'm delighted that you're doing this, but I want to ask you a question. Why would you want to dismiss an idea?" [Laughter] Even if its badly formed, maybe there's something here that's worth exploring. But he said he thinks most of the other things are wishy-washy and woolly and not rigorous, and Putnam's work is based on empirical data. But it shows . . .

Larry Summers, with whom I've had many wonderful relations, is a man of enormous intellectual integrity. And if he became convinced of something, he would take on any issue no matter how unpopular, including, for example, when he became convinced of the issue of girls' education, made that very influential investment in all the people. And he went and said it in Pakistan. But Larry is like--it's a bit like dealing with the American legal system: if you present your evidence in a certain way, you get a fair hearing; if you present it in another way, it's ruled out of order and dismissed! [Laughter] And you've got to present your argument in a very convincing economic way, and he would take them on. And so I had wonderful dealings with him. For example, he accepted very much issues of investment in girls' education and so on, but he did not accept--at least during the three years he was here—when we discussed issues about population in Africa, and he said, "Show me why population growth is necessarily going to have a major impact on economic well-being per person."

[Interruption]

BECKER: One other question about the NGOs. The Bank's contact with NGOs has increased considerably in recent years. How is that working? Is there a point of diminishing returns in trying to deal with these groups?

SERAGELDIN: I don't think so. What we have to realize, of course, from my perspective, is that the world is changing. And the manifestations of that change is that the state, which is the building block of the post-World War II economic system, has largely become too big and too little. It's become too big to deal with the citizens as human beings; it seems bureaucratic, distant, and so on. And it's become too little to cope with international issues—environmental issues that require collaboration and cooperation, and trade issues. You have to get collaboration between states to get most of these, be it capital flows, et cetera. As a result, there's been a redefinition of the role of the state, increasingly from doer and as a primary agent of instrument of development, towards being the enabler and the regulator and, of course, the sovereign creator of the enabling framework, the enabling environment.

And as a result, the two forces that are coming forward are, on one hand, the private sector (and it's increasingly recognized in public-private partnerships and so on) and, on the other side, civil society. While economists and politicians have largely accepted the private sector, they are still in the process of accepting civil society. And civil society, of course, is not a homogenous group which is well organized and that has a chamber of commerce that can speak for it and so on or a business round table that can speak for it. It is very atomized, very different shaded groups of many, many manifestations, some of which are single issue groups, some of which are multi-issue groups, some of which are very strident, some of which are very reasonable, some of whom are very grassroots action oriented, some of whom are policy advocacy groups. All of that fits under the heading of a civil society. But if you look at the world today, I think any rational person would say, "This is a reality." And thus the notion of "Why do we deal with them?" is ludicrous. [Laughter] It's like saying, "Why do we deal with the private sector?" Obviously, you have to deal with the private sector.

And if we can measure, of course, with much greater success, saying simply that the capital flows, private capital flows versus public capital flows and so on, showing the importance of the private sector that has gone from being less than one third of public capital flows to being five or six times the size of the public flows, it is no less important to understand, even if we can't measure it in the same way, that there is a civil society that is emerging and that the Bank cannot ignore that civil society any more so than any individual government can.

Increasingly, of course, we're seeing these voices expressed sometimes in private terms--in

Seattle, in Prague--sometimes in more sensible terms through thoughtful NGOs like WWF [World Wildlife Fund],like IUCN [International Union for Conservation of Nature], several with whom we have had strong and excellent partnerships. So to me there is no issue of whether we must deal with them, and there is no such thing as, "Let’s not deal with them." You're dealing with them like you deal with the private sector. Things change. In the private sector world it becomes international flow versus local domestic capital markets, et cetera. You deal with it as an ongoing, changing relationship in the same way on the NGO side.

Now, the growth of the Bank's relationship with NGOs has coincided largely, of course, with the arrival of Jim [James D.] Wolfensohn, even though Lew Preston was certainly willing to deal with NGOs and was very patient. Lew Preston was the U.S.'s most eminent banker when he became president of the World Bank. He told us once, "You know, I just sat here being lectured to by a 20-year-old girl about how I didn't understand what was going on in the world economy. It's kind of fascinating to understand that these people consider <u>us</u> to be arrogant." [Laughter] But Lew, while a wonderful human being, was not a good communicator. He was very ill at ease in dealing with the rough and tumble of some of the political nature of the open process.

Now, Jim Wolfensohn is not only a born communicator, he is an outstanding visionary and an enormously able communicator and networker and builder, and that in a sense--he intuitively felt all these issues about development being for people when he said this about a smile on a child’s face, when he said all those wonderful things when he first joined the Bank. These clearly were his innate feelings, and he communicated them extremely well and thus was able to launch a series of alliances with NGOs which I think were extremely powerful and helpful to the best movement in that sense.

I find, for example, that in my dealings with NGOs--I was in charge of one of the most difficult exercises the Bank has ever had to deal with, which is the Resettlement Review. In '93 it was started after Narmada, which was a disastrous project where we had not effectively followed our own rules. I was asked by Lew Preston—and Ernie Stern was there, and he was in charge of following that up, to do a 100 percent review of every single project now before us: 142 projects. When I took on that job from Raj, first I looked at it, then I went back, and I said, “We won’t do it on that. I want an extension of at least eight months on the commitment to the Board. I don’t care what you sold to the Board! I’m willing to go to the Board and talk with them, because what we really want to do is not to say, ‘We have visited these projects and here's what we found;’ instead, we want to be able to say, ‘We have visited these projects and here's what we found, here's what we did about it, and that's what the status of the project is.’ So we really need to do that, and that means two visits per project, and that mean I need at least six months between visits and that I need to report afterwards.”

And we pursued that, and we involved a lot of the NGOs--local NGOs and others--in the design of how to rectify things. When we went on those missions we ensured that specialists went along, not just engineers who were mostly concerned about civil works and not enough about the resettlement, and that those people would go there and say to the local officials--the central government, local government, local inhabitants and local NGOs—say to them, "Look, whatever happened, happened. We're now here. How are we going to get out of here? How are we going to make it better? Let's sit down. Let's work out a plan together. Let's hammer it out, everybody. We reach agreement on that and come back six months later to see whether it's on track or not."

As a result of that, we came up with a report which has been largely accepted despite--incidentally, there were emails going around on the Internet at that time. Bruce Rich was trying very hard to find ways of discrediting this report before it came out. But it is quite compelling that there were no leaks of that report until it was ready to go. I'm very flattered, and I think Sven Sandstrom should be also very flattered, that he and I met with the Board and asked them for a very special favor. After his initial contact, I then had to meet with the whole Board over lunch, and I said to them, “I would like you to trust me to release this report without your seeing it.” And this was quite a . .

BECKER: Courageous move on your part!

SERAGELDIN: No! Well, this is why I have no sympathy for people saying you can't do things in the Bank. It’s unbelievable!

We had 21 out of the 24 directors who came to that lunch. Now remember, this was the “Fifty Years is Enough” campaign during the ’94 annual meetings in Madrid. So I said, "I would like to ask you to trust me on this. I think it would be disastrous for the Bank if we release this report. It will leak before we get a chance to present it, and we will be defined by the critics of the Bank. Let us at least get our story right in the beginning.”

And, most importantly, the directors for India and Indonesia said to me, "Mr. Serageldin, we know our governments are going to be criticized, but will you promise us that we shall be treated fairly?"

And I said, "I promise you."

And I also promised the Board that there would be no policy-making. The report was not going to recommend a change in policy or anything that would preempt the prerogatives of the Board. It was a report on what we found on the ground and what we did about it, and, therefore, in no way did it preempt anything the Board would have to say. It was a factual report of what we found on the ground and what we did about it. And they authorized it. And therefore what we did, we arranged for a release of the report at nine a.m. to the Board, at which time we discussed with them what the press release would say. At eleven a.m. I went down and released it to the press. And we put the proper perspective on that, that in fact resettlement in Bank financed operations was less than three percent of total resettlement, that those three percent were infinitely better treated than the 97 percent who were in projects that were not funded by the Bank, and that we had found some discrepancies in the way the Bank had been acting vis-a-vis some of these projects, that we tried to fix them, and here's how we fixed them. And we found some success stories which were reported on as well. And that was the basic message that went out.

It was very well accepted. Michael Cernea was extremely active on this; he gave lectures all over afterwards about it. It was very well received in many parts of the world. So, in effect, that's another example of how, in dealing with the Board or in dealing with Management or with NGOs, you really can do a lot of things. [Laughter]

So the NGOs are there to stay. How we work with them, I think, requires--you have to be open---and in my dealings with them, I have found that we can agree to disagree. And we have to be firm about that. When we did the ESD Conference, I said, "Look, this conference is a Bank conference. You may suggest things to me, but who we invite, how we invite--that's the Bank's decision. This particular event is a joint event, so you and I have to agree on everything in it. This event is one where I will offer you space, and you can hold your own event." If you're clear on that from the beginning, people don't get upset.

When we had the Dams Commission launched later on, and somebody said, "Well, you know, there is a moratorium on the Bank funding dams until the results . . ." We never agreed to a moratorium! You have to be crystal clear on this: "There's a policy in the Bank, and it stands until it's changed, and thus the Bank is not going to have a moratorium on funding dams just because you say so".

Now, I could talk to these people in this way, and I'm happy to say that in a separate event when I ran in my personal capacity for Director General of UNESCO, even though I didn't get it, many of those people supported me. They wrote letters of support; they signed declarations of support; eminent environmentalists and so on were all very strong supporters. So your credibility with them, the way you deal with them I think is dependent on just being straight, consistent and clear. But we have to deal with them.

BECKER: Could we return to the question of environmental sustainability? The OED has been critical in its findings that there are some inconsistencies in the Bank's approach. What's your view on that?

SERAGELDIN: Well, my view is very clear on this. This is one of the few times that I've had a major disagreement with the management of the Bank and where, in fact, my views did not . . . [Laughter] I thought--still do--that there should be an independent environmental and social sign off on the main safeguard policies and that is not within the regional vice presidents.

I've had some serious problems with the reorganization that's taken place within the last few years, in the sense that I thought in the matrix structure, the thematic versus the geographic, there has been a very strong bias towards thinking the geographic rather than the thematic. And that's because we never accepted the view--which I believe in and which, I think, some of my colleagues like Jean-Francois Rischard also believe in--that we should go all the way. And "all the way" means that you must have all the staff, technical staff, under the thematic leaders. They report to the thematic leaders, not to the regional vice presidents. The regional vice presidents have nothing to say about a thematic staff!

Now, in order not to go back to the old projects departments that were highly insensitive to local conditions, the demand driven part is totally in the hands of the geographic departments. The money is in the geographic, but they have no staff of their own and they have no authority to go outside of the staff of the Bank, saying, "I'll hire a consultant." This would enable the thematic staff to say, "You want to do an agriculture project in this country? We have to invest so much to do a proper job on it. And if you want to do it for less than that, it will not be a good project. We can't accept that. You can't do things on the cheap, and we're responsible for quality. We're going to insist on that." Now, if it leads to the geographic directors saying, for example, "Okay, then I won't do an agriculture project, and I will do a transport or an education project," we catch them. That becomes the strategy paper. So we all sit together and report to them and say, "Okay, if this is the situation in this country, why are you putting in industry and electricity and you're not dealing with education and health and agriculture and forestry and so on? I mean, what kind of strategy is this! If these are the problems of the country, what kind of strategy is this?"

So you have those checks and balances, but you can't have a situation where people who report to the same managers are the ones who are responsible for insuring the quality. In commercial banks the people who do the risk assessment for the institution are never the same who do the trades. I mean, take Mr. [Nick] Leeson, who brought down the Barings Bank; this was one of those cases where the fire walls had broken down, and most people accept that.

Now the World Bank does not have a financial risk. It has an enormous reputational risk! And to me the same situation stands, that therefore the people who do the sign off on what is a reputational risk of the Bank on this operation should not be the same ones who are responsible for doing the actual operation, in the sense of those who are doing the trade. I do not believe that any institution that is a knowledge-based bank and that is geared to excellence in quality can function without the systematic peer review. I don't know of any! And I'll give you a very important example.

Long before biotechnology became an issue, I commissioned a report by a very eminent group of scientists headed by the late Nobel Laureate Henry Kendall. And Henry said to me, "Why are you coming to me? I'm a physicist."

And I said, "I'm coming to you for two reasons. You're the founder and chairman of the Union of Concerned Scientists, and you drafted the 'Scientists Born into Humanity' in Rio, and it was signed by sixteen hundred scientists, one hundred Nobels and so on. Your environmental credentials are impeccable! But you also understand good science, which is not the case on this issue and wouldn't address issues of what are the risks of unwanted lateral gene flow. I want some good science behind this before I advise the Bank and the CGIAR on what we should do."

So we arranged to get together a team of the best people in the world to be on the committee: Jozef Schell; Roger Beachy; Fred Gould, who later was also with the National Academy of Sciences report,; [M. S.] Swaminathan of India; Peter Raven, who was the Home Secretary of the U.S. National Academy of Science, et cetera. When these people completed the report, he called me up and said, "You know, we finished our report now"--we had a closed circuit internet that I was watching; things that were for me to see--"As you know, we finished our draft. And we will arrange for a scientific peer review, but we would like you to nominate two people from the World Bank to participate in this peer review." Now, I cite this. Here is a Nobel Laureate, top scientist in the world dealing with an issue on which arguably they could say, "What the hell does the World Bank know about the risks of lateral gene flow in our related speech?" [Laughter] But to them it is so much second nature to think in terms of peer review that he called and said, "Would you arrange it?"

I said, "Yes, I'll be honored!" And I arranged for peer reviews.

Now, when I came around and I said, "I want the project that this guy is doing to be peer reviewed by people outside the Bank": “Oh, you don't trust our task managers? What is this checks and balances business?” They are not living in the real world. There's no place that I know of, no journal, no scientific grant making that is done without peer review. And peer review means "independent" peer review. It doesn't mean two guys reporting to the same manager looking at each other's work and saying, "Sir, you think this should go forward?" Or people who are forced to relate to other people because they are hired on the project and they would be told, "Well, they are a problem. We shouldn't give them--they have to fill their ‘dance card,’” as they call it right now.

When I published an essay in *Science* and submitted it, it was peer reviewed. The editor sent it back, saying, "Here are the comments of the peer review." I took them into account to the extent that I felt I should, sent back my amended paper, and it was published. I mean, this is normal procedure. And the fact that we're not doing it in the Bank I think is wrong, and therefore I think we should be much more systematic about it, about calling the level that's required. And that will require investment, and a level of investment that I think is going to be extremely important, that we should be able to give it as much as we do, because our reputation risk is real.

BECKER: What about the Operations Evaluation Department (OED)?

SERAGELDIN: OED is more of an ex-post body, and what we got instead was the QAG (Quality Assurance Group). And the QAG is really a body that is on a data sampling basis. It's better than nothing, but I wanted 100 percent--no samplings--100 percent, every single operation that has to be done. I wrote three memoranda (before Jim Wolfensohn joined us) on quality. I was very harsh. They were highly confidential. I wrote my colleagues in very harsh language, saying, "We are remiss in our responsibilities as managers of this institution if we don't recognize the quality problem we have," and that there is a serious quality problem. I believe that what we did for the Resettlement Review should be done for all the safeguard policies, 100 percent. There's no such thing as sampling, choosing, selecting. Every single project has got to be looked at. And I think it would not be that costly. I estimated that we could do it for 20 million dollars which, in a budget of 1.4 billion, is not a huge amount. But we would ensure then that the safeguard policies are truly looked at.

And the reason I'm so adamant about that--I'll give you one story from the Resettlement Review. One-hundred and forty-two projects were reviewed which were under implementation; thirteen were under preparation with the enormous flood lights that were put onto this at the time. The Resettlement Review at that time was under considerable scrutiny such as newspaper coverage, the "Fifty Years is Enough" campaign, the Board, monthly reports to the president of the Bank about how it was progressing, how many missions have gone and so on. Of one of those operations a staff member said, "Ah, about 500 people will be resettled." Okay, we go back later--six months later--and it's 16,500 families! I ask you: if this had been dollars, if a staff member had estimated the cost of an operation at $500,000, and then came back six months later and said that it's $16,500,000, do you think that person's judgment would not have been called into question? Do you think that the managers of that person would not have rapped him or her on the knuckles and said, "What the hell? What kind of a person are you?" I mean, that's not a minor fine tuning! [Laughter] The orders of magnitude are different! Why is it that because it was human beings rather than dollars, ah! We shrug it off? The managers never sanctioned him. I was furious about that.

That particular case is an example that this is outrageous and that it is not actually being followed up on. It shows an attitude of "this is an add-on," and that highlights the fact that if it was done in the midst of the Resettlement Review which was busily engaging all the vice presidents and so on every day of the week, if that was happening in the projects under preparation, it strengthens me in my belief that systematic peer reviews are the only way to go, and I think that we still should.

BECKER: Well, the Bank is, until recently, acknowledging failings in its resettlement policies.

SERAGELDIN: Yeah. Resettlement, like everything else, like environment, is not something that you do on the side. There are specialists. We accept that financial matters require financial specialists, economics require economic specialists, legal issues require lawyers, engineering issues require engineers. Well, resettlement and environment also require specialists not generalists! And we're not willing to make that investment, and we're not willing to systematically backup the technical specialists in their judgments. And I think it's something we should do.

ZENNI: What is the value added in having the Global Environment Facility (GEF), which was created in '91?

SERAGELDIN: Excellent. That deals with issues that you can't deal with otherwise. I mean, it does recognize the reality. Like if you look at the bio-diversity, the costs of protecting are local but the benefits are global, and therefore the difference between global benefits and what's covered by local benefits and local costs with the differential that local costs are higher than local benefits, then the differential between that should be covered by a grant, and the GEF is presumed to do that. It does not provide diversity for all the conditions for climate change and for international waters. It's an extremely important instrument.

[Interruption]

BECKER: We'd like to turn to the advantages of consultative groups, in particular the CGIAR. Do you think the Bank makes the most of its relationship with consultative groups in terms of helping to focus on issues and mobilize resources?

SERAGELDIN: No, because you're talking in the plural. I think the only truly great success story we've had has been the CGIAR and, to a lesser extent but well on its way, the CGAP (Consultative Group to Assist the Poorest), the micro-finance program, and the third one, which could be much better, is the Global Water Partnership.

Part of that has really been the lack of willingness to make the same level of commitment which was made in 1971 to the CGIAR. At the time, it was Bob McNamara sitting with Maurice Strong and with many others who simply said, "Okay, the U.S. would take 25 percent and the Bank 10 percent, and let's get on with the show!"

And somebody said, "How about a secretariat?

He said, "We'll fund the secretariat and take it off the table so we don't spend time arguing about who funds what and so on."

And that's worked extremely well for 28 years, going on 29 years now. And I think we should learn that lesson.

The other one where we have done extremely well has been the River Blindness Program.

Now all of these programs have a logic, and the logic is that these are multi-year long-term efforts dealing with a problem. And this business of exit strategy doesn't make sense. You're not in the business of getting out of agriculture research, and you're not going to be out of river blindness until you've licked the river blindness. And the micro finance program, we should not be out of micro finance until we really get the world to see the change. And, in the same way, dealing with water issues which are not country specific nor sector specific but where aggregate water parts should be there, we need to continue to be a creator of that in a big way. These are relatively small amounts at issue; we could begin, and we need to put them in a much bigger way, a much more systematic way, over time. The payoff from that would be huge. It is simple.

Look at the World Food Prize, which is the equivalent of the Nobel Prize for agriculture. There was no Nobel Prize for agriculture, but Norman Borlaug, who won his Nobel Prize for peace, created the World Food Prize. And he's now been pretty much recognized as having the Nobel Prize for Agriculture. The number of CIGAR scientists who have won the Nobel for agriculture is enormous. It's almost 45 percent of all winners, and that includes people who are politicians, like He Kang off China. It includes people who have dealt directly with poverty, like Mohammad Yunus of the Grameen Bank. And it includes everybody who deals with hunger and food security. This year two ex-scientists won for the high quality for tomatoes, and they got that prize. [M. S.] Swaminathan got that prize; [John] Niederhauser got that prize; Hank [Henry M.] Beachell and Gurdev Kush got that prize; and Hans Herren got that prize and so on. And really it's a very impressive list.

The systematic *ex-post* evaluations show that the returns on investments have been anywhere from 22 percent to 191 percent--enormous rates of return comparing favorably to everything we do. And I've challenged many of the donors, saying, "Show me where in your portfolio you have anything dealing with agriculture that comes close in terms of rate of return, even close, not better, just comes close!" And therefore we should be continuing the support.

So I think that, in essence, we haven't done enough in these areas. I think part of the problem has been trying to put these under the DGF [Development Grant Facility]. And putting it under the DGF, the DGF council therefore gets very annoyed because you get a huge hunk under some of these programs. These are separate kinds of programs. The consultative groups would be outside the DGF officials; they have their own governance structures that involve all the donors who are anyway members of the Board. And, therefore, we should have a different way of funding them.

And therefore the short answer is no, we have not done as much as we could in that area, with the exception of the CGIAR and to a certain extent the River Blindness and the CGAP. Global Water Partnership is less, but I can see many others where we are needed.

What we have done extremely well has been consultative groups for countries. But again, that reflects the Bank's construct, which is much more geographic than thematic. We do much better on that because we have lending programs for individual countries, and people who speak on these countries represent the Bank in much more direct way.

BECKER: What were the circumstances surrounding your appointment? I think again that it was the first ever vice president for special programs.

SERAGELDIN: Well, that was really an agreement with Jim Wolfensohn, who was interested in promoting culture and a number of other initiatives at the time.

BECKER: And the year was '97?

SERAGELDIN: Late '97, early '98. At the time, I had been about six years in my job and it was time for a change, and I wasn't very clear on what the alternative or next step would be. I enjoyed being in ESD. The intellectual content was there. My disagreements were narrowly on the issue of reorganization and peer reviews--systematic reviews--of the SECAL [sector adjustment loan] policies, but aside from that, I mean this is where we were.

When that issue came up, I had discussions with Jim. And he wanted to do culture right now, but added to the things that I was dealing with--which included the ESD vice presidency, CGIAR, GWP [Global Water Partnership], CGAP, plus other initiatives including the inter-faith dialogues--the culture would be a lot. “You either should split the job or give me a deputy.”

So, de facto, we split the job. And this is not new. The same thing happened at the level of director with Mohammed El-Ashry when he was director of Environment and had Andrew Steer as his deputy plus you are dealing with the GEF. At some point we said, "You know, we have to split the job." With two jobs, then Andrew became director of Environment without a deputy and Mohammed El-Ashry took on the GEF.

"Well, let's split the job. But what would the job include?"

And I said, "Well, all the parts that I would like to keep intact--on ESSD, I've done my major thrust of what I wanted to do there, and, you know, I think the time has come for renewal there, anyway, but the CGIAR, the Global Water Partnership, all these things I would like to keep, and of course I'll be very honored to take on the responsibilities that you want to give me in culture, promoting culture and inclusion.”

And so we said, "Well, what kind of a vice presidency would that be?” They were all kind of a very special pack of programs involved. “Why don't we call it Vice President of Special Programs?" [Laughter] And that's how Vice President of Special Programs was created. It was created very much as a tailor-made job for me to deal with these particular things. I am very grateful to Jim and Sven and to others for their willingness to consider this as a very special job.

Now what I agreed on at the time was, I said, "Okay, the way I want to do this, drawing on my experiences in posts, dealing with the GEF and dealing the Social Dimensions of Adjustment in Africa, is that we need to have some buy-in from the various regions. I don't want the whole independent staff dealing with these things. We will work with the others through listing arrangements and a little bit of out-sourcing of funds.” These were provided by the President's contingency, and we started.

I set out the strategy on March 30, 1998. I gave my maiden speech in that post. I'd been in the post five days. I went to Stockholm for a big conference and presented the strategy of what the Bank would do within the next 18 months, and the Bank did it. Within the next 18 months it was all done, which included conceptual work, a number of pilot projects, strengthening linkages and networks with those dealing with culture and establishing the Bank's presence in that. And we had a big exhibition and conferences, ultimately ending with the one that was jointly organized in Florence. And so that's how that came about, and I'm very grateful for the confidence of Jim Wolfensohn and the willingness of Sven and others who really supported this.

ZENNI: What remains to be done on that? What has happened to this vice presidency?

SERAGELDIN: Well, the vice presidency basically has been chopped up. Ian Johnson took on the role of chair of the CGIAR. The Global Water Partnership I've handed over to Margaret Catley-Carlson outside of the Bank; the CGAP, Nemat Shafik has taken on that responsibility. And the culture unit has been taken over under the social development program with Gloria Davis. So that's where all these various pieces got housed differently. They're scattered. The only thing that was holding them together was really my own interest. I mean, there's no particular logic of why the micro-finance should be linked with the water. It just happened that I'm very interested in all of these topics. I was involved in launching many of them, and therefore it happened.

BECKER: In reading about the things that you've been involved in, I was taken with the inter-faith dialogues. Where did that idea come from?

SERAGELDIN: Well, it came from Jim. I mean, to be fair, Jim is really a visionary president who's got wonderful ideas on a lot of things. Everything he has said since he's come to the Bank--and I've told him this, and I say it in public--is music to my ears! I fully agree with everything--his comprehensive development framework and the challenge of inclusion, to . . .

ZENNI: Preservation of cultural heritage and indigenous cultures.

SERAGELDIN: All of that! Yeah. I think he recognized we've got important groups to deal with. Now, I have a history of dealing with that through the Friday Morning Group, and I don't know if you've seen the little booklet on *Reflections at the World Bank*.

BECKER: Yes, we have.

SERAGELDIN: And this was a long standing thing. For over 20 years now I've been holding Friday morning meetings on spiritual values and development and inter-faith dialogue and so on. So it's nothing new to me personally, and I felt somebody should do it because communities of faith are not only usually heads of large networks of grassroots benevolent action—cutting debts and all of that—well established, but they're also important to leaders of moral authority, networks of moral authority. And they are, again, our natural allies. I mean, these church-led groups are the ones who are dealing with issues in terms of debt reduction, poverty reduction, juvenile development, and therefore there is really no reason for us not to be involved with them and understand where they're coming from.

I have my own views on that, which I've expressed, have written in various parts. And, in fact, we have different perspectives. They come from a perspective where society is really a linkage of solidarity and, therefore, when you see problematic issues it is a dearth of solidarity, and thus exhortation, for example, is important. It's what has been called a "Mother Theresa model."

Now, the problem we have is most people approach these questions with implicit models in the back of their minds that are very different. There are three such models: The church groups and so on really approach it very much with the issue of solidarity. There are others who see--World Bank economists, predominantly--society as a web of transactions, and thus the issue is: there are people who are excluded, marginalized and poor; how do you get them into the transaction. So barriers to entry such as central structures, et cetera, regulatory framework, have worked where the action is. The third, which tends to be the political activists who see society as a set of power relations, and they're saying, "Well, we don't care what the rules of the game are. All we care about is: how many women are getting elected; how many blacks are getting elected; how many business people have a voice in the allocation of scarce resources." It's power that counts on the allocation of scarce resources.

Now, the reality is that, of course, society is all of these. It is not one or the other. People tend to think in different facets because they haven't really confronted and held up mirrors to themselves to see what is driving their set of recommendations, if they are really favoring an implicit model. And thus a dialogue with these faith groups and the dialogue with political activists who are on the power relation side, with most of the people in the Bank being on the transaction side, is a very beneficial thing! And I think we saw some of that in the *WDR* 2000-2001 on poverty.

[Interruption]

SERAGELDIN: In essence, when you get all those people together, you get a much richer understanding of how to promote societal change, and this societal change, therefore, I think is to the benefit of everybody. People who say, "Well, no, they're not very analytical," and so on miss the point! It is these complementary perspectives on social action, whether it's the activists in the streets or the faith groups, either directly or the thinking of the very analytical people at the World Bank on transactions--when you bring it together, then you have a much richer approach of how to deal with it, and you build alliances.

Building alliances is all about that. It's about understanding the other guy; it's about listening; it's about seeing where they're coming from and not dismissing them. You shouldn't dismiss; you should listen to what they have to say and try to understand them and then try to express your own view in a certain way. And in so doing I think that we will shape our own views much better.

I've lived in the Bank for almost 30 years, and during that time I've seen the Bank go from a place where people asked whether income distribution and poverty is something that isn't for us to address to all the innovations that have been introduced. At the time we introduced rural development and urban poverty, then population, health, nutrition, lending, environment, gender issues, structural adjustment, all of these issues, and now we are looking at the inclusion of culture--all wonderful evolutions And I do not share the view that we should be trying to just narrow it down to economics, because I think it's wrong. And I believe, in fact, we should maintain this breadth for the Bank. It is one of the comparative advantages of the Bank, and it's the only place where you can do this cross-sectoralyl and cross-country. And we should not lose that comparative advantage by becoming a narrow focus group.

So, I think this is a wonderful initiative that Jim has taken and is going on, and I understand that Katherine Marshall has now been put in charge of it. But Joan Martin-Brown did a superb job in handling that, and we did it on the side, largely. It was the kind of thing that was done on the side, as are many other initiatives in the Bank.

ZENNI: And piloting the Learning and Innovation Loans, the LILs, as they are called, is this still on-going?

SERAGELDIN: Yes, we used a lot of those during the launch of the culture program. The LILs were launched, and they were, I thought, a good instrument, another great innovation to the credit of Jim Wolfensohn.

BECKER: Well, it's just about noon, and we want to talk about development issues. The first question we have under development regards poverty alleviation, which has become the central mission of the Bank. In your view, is the CDF [comprehensive development framework] the way forward to achieving this goal?

SERAGELDIN: Well, yes. It's certainly a very welcome development in the Bank, and I said so to Jim from day one. One of my primary concerns is the selectivity of the Bank approach. Contrary to most people who worry that we don't have enough selectivity, I think we have too much selectivity in the Bank, and the CDF is a way of forcing people to remember that it's all part of one hope. And I was one of the people instrumental in launching, with Pierre Landell-Mills, the governance issue in the Bank when it was an unpopular thing in 1980s. We did it as part of the long term perspective study for Africa, where the word "governance" was really put into the mainstream of Bank work at the time. And it was important when you look at the situation. Obviously whatever you are going to do in economics, you're going to do in agriculture. If you have a Mobuto [Sese Seko] in Zaire, nothing is going to take off in that country unless you have addressed these issues.

Jim beautifully took on the issue of corruption, the "cancer of corruption" he called it, and this was a wonderful idea. So the CDF is a good thing to remind people that these are the kinds of things that you need to make sure happen in order to get the real action on the issues. By itself, of course, it's not a safe prescription. It encourages people to think more holistically about these issues, which is, of course, what my entire work has been about. It's been about expanding thinking from narrow or sectoral views towards a holistic approach.

BECKER: When one talks about governance or corruption, what about the problem of the Bank running up against becoming involved in the politics of the countries it's dealing with?

SERAGELDIN: I don't think so. I mean, I think we crossed that bridge way back there with McNamara on that issue, and we said no. I mean, we should be concerned about the lower 40 percent. This is not about domestic politics; it's about development. In 1973, remember that is where we were. Today these issues are important. I think as long as we define them accurately, and I think we do very well on the governance issue where we say, “What is good governance? What is required?” Well, it requires enough transparency, accountability, a rule of law, institutional pluralism, participation, free flow of information.

Now, we haven't gotten around to telling people whether they should have a presidential or parliamentary system, whether they should have a two-party or multi-party system, whether they should have a bicameral or single chamber, whether they should have separation of powers or not separation of powers—any of that.

I used to argue at the time in Africa, “We are spending firmly on our economic mandate.” And I made the case that if you do have these five or six characteristics of good governance that you would have an effective investment climate, that you would have an effective flow of productive goods and services being produced efficiently, that you would be maximizing your comparative advantage. You can make a very compelling case from all of that.

Now, de facto, yes, it does promote democracy, and it does promote human rights; it does promote a lot of things. But you can define it in the same way. And in dealing with corruption, transparency and accountability, and the rule of law are all very important parts of that. The Bank has a long tradition in all its procurement practices going back ages that it should insist on transparency, international competitive bidding, et cetera, which promotes much more effective, you know, fighting of poverty, of corruption.

BECKER: Does this involve the Bank in creating institutions of civil society in, say in Africa? And how does the Bank go about doing that?

SERAGELDIN: What I'm fascinated by is all this enormous differentiation between the private sector and civil society. A friend of mine in Africa told me, "What you guys have succeeded in over the last ten years"--though it was about five years ago when he said that--"is that you turn the private sector from being suspicious sharks to being respected investors." And this is part of the same battle. Governments everywhere have now accepted the role of the private sector; they are not yet ready to accept civil society. They are struggling with that concept.

Now, we did not go around saying, "We have to set up the private sector ourselves." But we did say that you can't rely on the government to run these institutions; they won't do it efficiently. We want a competitive market, so we have to get this going.

One of the things that has not served us well has also been the choices of words we've used, and these words have not been helpful. I mean, I'll give you an example. In my speeches I've always said, even while I was vice president of the World Bank--which used to surprise a lot of people--that I want to abolish the word "free markets" from our vocabulary because what we want to talk about are competitive markets. And if you think of Wall Street, which is one of the most regulated markets in the world, you know that in order to get listed you have to submit financial accounts and audited accounts and whatnot. If somebody buys five percent of the stock, it has to be publicly announced. Insider trading is criminalized and prosecuted and pursued. You have a whole Securities and Exchange Commission (SEC) that defines what brokers can and cannot do, and the margin accounts they have to hold. You have an entire legal construct behind it that enforces contract law. You have a bigger legal construct behind it that fights monopoly as in the antitrust legislations written on Microsoft as we now see. I mean, who said that you don't want governments involved!

The big difference is that these are government interventions that are there to promote competition, as opposed to "governs best that governs least, and we should have nothing to do with it." And if you want to see free markets that are not regulated, that's what happened in Albania, where we almost had a civil war. So our vocabulary sometimes doesn't help us, and it leaves us with idiotic arguments about state versus market and so on. You can't have a market if you don't have an effective state behind it, so I don't know why we're getting ourselves caught up in, tied up in knots defending things that we shouldn't be defending. Yes, we don't want governments to be in there trying to promote goods and services they're not very good at doing or they're using actually all the arguments that are in fact against the interests of the poor.

On the other hand, I think we can argue, and we have argued, that even in purest economic terms there are things called "public goods," which by definition the private sector will not do. And incidentally, Adam Smith in person, he of the invisible hand, defined that there would be certain activities where the benefits of the public would be largely beyond the return to the single individual and that therefore should be taken on by the state. And he uses an example: education. People should read *The Wealth of Nations*, not simply hear about Adam Smith and the invisible hand. He was much more thoughtful than many of his pseudo disciples!

BECKER: I have my students read this.

SERAGELDIN: Yeah, it’s a great book! It’s a wonderful book! I think Adam Smith and [Nicholas de] Condorcet of the period are far better than . . .

All these things I think we need to come back to and enrich our discourse in a way that all these natural allies are emerging. And I used to do this very frequently with governments. I would say, "I'm not here to negotiate against you. You've got a problem; I'm here to help you solve it. I'm here as your economic advisor and as your social development advisor. Let's agree. You have a problem with your debt, with your fiscal deficit. This is what you’re proposing. This is how much money we can get. You think it’s enough? Is it going to solve the problem? If it’s not going to solve the problem, then we have to do something more. Not for me. I'm not insisting on pushing you to cut more spending. But these are your own figures, and let's see. Where are you going and how? Is this going to take you out or not?" You see, it's not the confrontational issue. You build relationships with them. I'm trying to say, "What you're proposing is not enough to solve your problem. You know you have to cut deeper. You have to increase revenues."

I told one of them, "It's not ideology; it is arithmetic. If you're spending so much and you're receiving so much, you've got only three ways--and three ways only--of bridging that gap. You're either going to print money, which means there will be hyper-inflation, or you're going to borrow (and you've already borrowed to the point where you can't even pay the interest on your debt, so you can't borrow any more) or you're going to increase revenues and cut cost. We've cleared one; we've cleared two; we now are number three. So let's sit down and discuss together how we're going to do it. And I'm here to help you."

And I think, in the same way, when we start discussing these things, we get out of many of these debates on why we're proposing this and so on, because we start a problem, say, "Is this a problem? Do you recognize you have a problem here?"

"No."

"Number of poor people, number of people not going to school, number . . .?" And, of course, all governments want to have more people in school and so on. "Okay, then let's see how we're going to get it solved."

And I think that you can build very good relationships and build alliances with people by avoiding some of the heavily laden words that really do not convey the full richness of what we are all about!

BECKER: Would you say, then, that's one of the achievements of the CDF, that it has changed the vocabulary, changed the discussion?

SERAGELDIN: In part, yes, but not yet enough.

BECKER: What about within the Bank? Have the staff in the Bank bought into the CDF?

SERAGELDIN: Well, I'm not really the best person to discuss this because for the last six or seven months I have been out of touch. So, I would say, however, that they were beginning to buy into it. Some of the staff were very eager and supportive of it. Others were skeptical, but these are the same staff who would be skeptical of accepting my invitation when I got promoted and who said, "Yeah, well, it's true, what he says is true, but at the same time we know how the system really works!" These kind of guys are always going to be there.

When I was proposing this issue of culture and somebody told me, "You know that's just a foible of the president. And why should we do it, because it takes away from our mainstream activity?"

I said, "Yeah? Like what is our mainstream activity?"

"Operating the environment, women, et cetera."

I said, "Well, you know what? I remember the day when every one of those was considered the foible of the president!" It was McNamara on poverty. [Laughter] Every president had taken on these issues such as health, population, et cetera, which always were at some point seen as some frivolous add-on. In the end, if it was left to the staff of those days, they would never have allowed any of those activities to take place! It was only because presidents were empowered statutorily and by their position had the sense of vision to take the lead in the institution to get the endorsement of the Board to pursue it. They are the ones who make paradigms evolve, and those of us who are committed to make that evolve work with them on their things and we make it happen. And I think this is how a lot of these things have happened.

I think, therefore, there's a process by which we produce a change in the institution. And it takes time before it becomes adopted as mainstream. The CDF is well on its way, but it's not there yet. It's going to happen and will happen. I think Jim has done a lot for the Bank. In fact, I was telling him recently you only have to look at the Innovation Market Place. This is needed. It is a very different Bank, and it is good.

BECKER: One of the commentaries about globalization of the fast-moving private capital is that it undermines the authority of governments, that it makes the global marketplace much more powerful, and that one of the real risks of globalization is--as opposed to the SEC controlling capital markets in the United States—that there isn't really an adequate control internationally of capital.

SERAGELDIN: Well, I have a very unpopular position, which is that I happen to agree that the current cowboy capitalism of the nineteenth century that is present in the international scene should cease. I think that we're beginning to witness the end of a peculiar period of triumphalism that occurred between '89 after the collapse of the Eastern bloc countries and '98 when the East Asian crisis really broke. People say, "Oh, no, who governs best governs least. And let's get out of the way of markets. Markets will solve everything from adult education to the environment and so on," ignoring the wise thoughts about what is the difference between public goods, and precise economic terms which are nonviable, lead us to a situation.

Every one of the capitalist countries, starting with the United States, Japan, Europe, so on, have in their own capital markets instituted certain controls. And they have in their own capital markets found that they needed to evolve those controls over time. The last legal act in the United States which was repealed, et cetera, was old examples of evolutionary thinking.

So the time has come that we should, in fact, look at the international capital markets. They look to becoming important. They're no longer marginal; they're no longer secondary, no longer residual. They're huge! Capital transactions today account for 1.5 trillion dollars a day. That's enough to buy and sell the U.S. GNP in a week. And we should be very thoughtful about how to make this situation less qualified, more anchored into reality. I've written about that.

I happen to believe in the very unpopular token tax or equivalent thereof. I think we should do things like that, and I don't buy the nonsensical arguments that "Oh, we can't do this. It's not doable." If we can have a small robot moving in quasi-real time on Mars, we sure as hell can use basic computers where every single transaction is done by computers. You won't be able to find ways of organizing that if there was a political risk behind it.

Secondly, practically every other argument which is leveled at some sort of mechanism, same sort of argument we used to get about income taxes: "Well, some people are going to cheat." Yeah, that's true, but so what? The majority of people have to pay income taxes, and it's being used for transfer of payment in society. And it does result in significant reductions in poverty. And there are a number of other examples of that kind. So I think that we need to overcome that fear and get much more thoughtful, recognizing the enormous size of these capital markets.

And what we are witnessing right now is also a rebellion against other aspects of globalization that involve homogenization, loss of cultural identity, et cetera, and these do require our attention. In many ways we are reliving the nonsensical debate which we had. Today, nobody would agree differently about the social dimensions of adjustment back in the ‘80s when UNICEF was an adjustment with a human face. When I and some other colleagues in the Bank working on social dimensions of adjustment programs in Africa were addressing these issues, and a lot of people were saying, "Well, you know, adjustment is about getting the macro fundamentals right and so on." Yes, it is, but it's also about a lot of other things: about insuring who pays the burden and who carries the cost of the adjustment and whether or not you are promoting the well-being of people or not and not forgetting that the economy exists there only for the purposes of the well-being of people. It's not an end within itself.

Today, nobody would argue about poverty reduction and economic growth not going together. Back in the ‘70s with McNamara that was a big argument. Today, nobody would argue that environmental protection is against economic growth, because they've seen the costs of not attending to that. Coming back afterwards and undoing is ten times more expensive than preventing it in the beginning. The Chinese are now discovering this, and others are discovering this.

So in the same way I think people who are so laissez faire on these issues are meant to recognize that thus we need to go back again; it's not a free market, it's a competitive market. In the same way we're going to have to think in terms of what is the mechanism with which you tame the wild markets of the national capital flows and ensure that some of the new information and communication technologies that are out there are, in fact, used because they have the potential not only to increase the equalities between people but in fact to provide the means for the marginalized to express themselves, which is an enormous potential that requires imagination. And it requires reaching out to do this.

ZENNI: What role does the Bank have in humanizing the impact of globalization?

SERAGELDIN: Well, I think, for example, in the East Asian crisis, I thought and argued, and I think Jim very much saw it in the same light as some of the senior managers, that if you look at the East Asia crisis, what is the role of the Bank vis-à-vis the Fund? If the Fund's role is primarily to stabilize the situation and ensure the hemorrhaging stops, the Bank's role is two-fold: to ensure that it's not the poor who suddenly bear proof of whiplash of that event and, secondly, that it does not result in the entire sale of national assets to a bunch of Western shark! I think those are very important functions. I think the Bank will take on those functions in taming the wild markets, so to speak. Then the IMF role and the Bank's role become very complementary. But it requires a way of thinking--or it should be a way of intervention--that is not that we're here to do micro adjustment; we're here to ensure that micro adjustments that are done are done in such a way that it's not the poor who bear the brunt of it, because if you look at Indonesia, for example, about 40,000,000 people are just above the poverty line. The question is whether the result of the adjustment would be 15,000,000 or 35,000,000 of those falling below the poverty line. And this is where the Bank's role in humanizing the impacts of globalization becomes important.

I think Jim, for example, has shown enormous leadership in saying, "Yes, we do have a debt problem, and let's have something called HIPC [heavily indebted poor countries]." The first time it was announced it was leaked to the press and postponed by a year. And so, I think in the same way the Bank will have a role to play and to say, "Yes, we have to humanize globalization, tame the wild markets, ensure less volatility, and find a way of working with governments and with others in order to make this happen." I think in so doing we will be true to our mandate, which is economic development and poverty reduction. And it would be very good.

BECKER: The role of the Bank in helping to strap or restrain these markets, it seems to me, is what Joseph Stiglitz was talking about.

SERAGELDIN: Yeah, and I agree with him.

BECKER: Do you think the Bank should have been more forceful in making the case that Stiglitz was trying to make, which was that internationally there had to be some restraints on, at least the short term, volatile capital flows?

SERAGELDIN: Yeah, I think there is that, but there is also the fact that--and again, this is where I think it is our natural allies; I'm talking about the NGOs--the fact is, of course, that there is a view which is largely dominated by the G-7 in both the IMF and World Bank as to what these institutions should do. And I think the Bank can only go so far in taking that position, but I think, yes, Joe was right. I think we should speak out. We have a responsibility to speak out. And if it does create a situation where we have disagreements, then by all means let's thrash them out.

This is not the first time it has happened. I think, again looking back at the ‘80s when we were looking at this, the IMF still looked at the structural adjustment issues in Africa as being very short term liquidity problems. We in the Bank said, "These are long term problems." And we were arguing with each other over time while the poor countries were being sort of torn apart. We would come in and say, "Increase the prices to farmers so that you get the supply response." But if you did that, because most of the revenue came from the difference from what they paid farmers and what the price of cocoa and coffee was in West Africa. Then their deficit increased, and the IMF said, "Don't you dare increase the prices to farmers." [Laughter] And so the poor government said, “What was going on?” Well, there was a lot of fighting going on, and in the end of it we settled on creating this policy framework paper. The IMF wanted a one-year framework, we wanted a five-year, and we settled on a three-year framework. It was wonderful because at least we got to the more sensible discussions of the real economy and the monetary side; we got the two together. The government and the two agencies would agree on a program; it took a lot of fighting on these programs, but that was okay! We should have the same thing happening again.

These policy frameworks papers were really for the IDA of the poorest countries. But now we need to think in terms of the bigger capital flows, and we'll have other fights like we used to have before. But so what! I mean, that's how things evolve.

ZENNI: The Bank embarked on a new vision in '96 to become a knowledge bank, and to that end has launched a number of global knowledge initiatives. How does the Bank have to change its approach to development because of the information and communication technology revolution, or does it?

SERAGELDIN: I think we're doing very well. We already are doing extremely well in this area. I think the much more systematic structure of the architecture of our knowledge, availability of best practice, the generation of communities of practice are all extremely good issues. I think that attention has been paid to connectivity in Africa in particular. The notion of participating in such things as the virtual university, distance learning, WBI [World Bank Institute] initiatives in this area, all of these are very good things, and I think we’re doing very well. I think people were unreasonable in their expectations of how quickly certain things could be done or how much they would cost. But by and large, I would say the Bank is moving quite well in this area.

ZENNI: Okay, great. Thank you so much for this first session.

[End of session 1]

Session 2
October 26, 2000
Washington, D.C.

BECKER: It's October 26th, and this is the second half of our interview with Mr. Serageldin. We'd like to continue talking about development issues this morning. And the first question we have is: what do you think the Bank still needs to do in regard to its thinking or philosophy on development as it embarks on this new path of stressing client ownership policy and programs, and the need for greater interaction with civil society, which you have talked about, and also the simplification and flexibility in its lending conditions?

SERAGELDIN: Well, I think that in this instance what the Bank needs to do is just more of the same of what it's doing. I think we're doing very well in better listening and better understanding, more openness to new ideas, but there is still a significant gap between the public position and the actual performance at the grassroots level. That doesn't bother me; that always should be the case.

Throughout my career in the Bank, I was always a very outspoken defender of the Bank in many international fora. And somebody would tell me, "But you know, what you're saying and your analytical work is not what the average staff member in the Bank is doing."

I said, "Of course! It would be a disaster if it were. Part of my job as a leader in the Bank is to push the envelope. What you have to see is not the difference between where I am and where they are but to see where we were three years ago and where we are three years later. What I'm saying now is what they will be doing three years later, at which time I'd be saying something else."

Now really Jim Wolfensohn is exactly in that position. He is pushing the institution. And that's Jim's rhetoric and his vision and so on; he is ahead of the institution. And that's what leadership is all about. That's what he should be doing. So there is a gap, and there's a gap that should be there.

Now, I have frequently told people I have this amoeba model of leadership which is—you know, an amoeba has a kind of like a leg, boot pushes out, so it goes far and then the rest of the body flows into it and moves into the new position. Now, the real danger is that if the leg pulls too far out, it can pop out and leave the main body behind. And there's a gap between them. So you've got to be pushing the envelope by pushing it at a pace which allows the rest of the body to flow in and fill the space that you've gone, not to reach so far out that you actually get cut off from the rest of the body and it doesn't flow with it. A flow-in would be sometimes with complaining, sometimes willy-nilly, sometimes with some people fighting a rear guard action against it, but ultimately the institution flows.

And I think this is the question with a vision leader like Jim Wolfensohn. The question is whether he's going too fast for the rest of the institution. But I think, on balance, we're moving in the right direction. On balance, all the things that are being said are exactly what should be done. And I think, therefore, the real issue is to ensure systematic quality control in our operations, making sure that we build in the mechanisms of peer review, of systematic review, of ensuring that our partnerships and so on are more than just words, because if we don't, then we are at risk of having our partners in the countries and in the international community gradually turn sour at the end and say, "Well, these are nice words, but nothing's happening." And you lose credibility in that case. And this is where I think we have to watch that gap between rhetoric and reality. There has to be a gap. If there isn't, it's a disaster. It means that the leaders are not pushing the institution anymore.

BECKER: There's no new thinking.

SERAGELDIN: That's right. It has to be not just new thinking, because you can have a lot of new thinking going on in the institution, bubbling with ideas, and it was always like that.

Believe it or not, the famous memo that Larry [Lawrence H.] Summers had written about dumping toxic waste in Africa, that had been leaked to the press. I was traveling--I was then dealing with environment--and I arrived in, of all places, the nether land of Scandinavia where this was a very big issue. And I defended it. And I still do. I said, "Look, this was a personal memorandum inside the Bank, and I believe that it should not have been leaked, and that part of the Bank is to allow professional debates and all ideas should be accepted. No idea should be too wild or too outrageous to be presented." I said, "Now, you guys are too outraged by the ideas in that memorandum? Well, a lot of things that I write which you like outraged a lot of economists! When I dismiss many of their measurements as inadequate and so on and so forth, when I talk about cultural dimensions of development and things like that, they don't like that! So the Bank should allow this to happen." And so that's different; that's a lot of bubbling of ideas and so on.

What I'm talking about is once ideas have been adopted and jelled by the leadership, now these ideas are of course pushing the Bank in new directions. There should be a gap between what the Bank is doing today and what the leadership is saying we should do. And that's how we all move! And that gap should exist, but how big it should be is the real issue. If it becomes too wide or if there's no real cooperation, then we have a serious problem. And I think, therefore, it's a matter of ensuring systematic mechanisms of compliance, of pursuing the new ideas, of staff motivation--all of these issues which are deeply important.

BECKER: Another issue that has become very much an emotive one is the question of debt relief. In addition to the HIPC approach, what else can the Bank do?

SERAGELDIN: I think what the Bank has done, continues to do, what should be more of or simply to continue, to be outspoken in its need to simplify HIPC procedures and simplify the hoops through which countries have to jump in order to become eligible and accelerate the pace by which it can be done. And, again, I think the leadership of the Bank has done a lot in this area. It's beginning to settle into a lot of the critics outside. It's not really the Bank that is holding back but the G-7. And it's beginning now to filter through. And that, I think, will happen more in the future. But I think the ideas are right.

I personally have a different view on something else. I believe we should be setting up a fund of grant money for those who are not heavily indebted, because I think there is a real issue here. If you have poor countries, many of them in Africa--I worked in Africa for many years—who have mismanaged their economies and have fallen deeply into debt, okay, it's fair enough that we should try and help them out. But what about those who managed their economies properly, tightened their belts, and did not fall into debt? They get nothing! And it is unfair. I'm thinking specifically of Cape Verde, for example. This country was very cautious on borrowing, always maintained six months of import reserves, cover six months of imports, would not accept any indebtedness that was more than IDA terms, and they really managed their economy extremely well. Now, do they get penalized for their prudent behavior and very sensible management? I believe, therefore, we should, in reviewing these single cases, say, "These countries tried, and they're trying to put some order into their house and so on." We should also be assisting those very poor countries who did not fall into debt as a way of recognizing that good management does deserve recognition by the international community, not just good intentions today to fix bad management of the past--which is what everybody's talking about--but also that systematic good management over the years deserves special attention and recognition.

BECKER: How does the Bank deal with aid fatigue, ODA [official development assistance]?

SERAGELDIN: Well, I think we should continue to be very forceful defenders of the need for more ODA. But I believe that the credibility of ODA has been tarnished by a lot of problems with bilateral aid and a lack of clarity in the minds of the public. In those instances, the Bank should be making a claim that it is not just more of the same--more of the past--that we are a new paradigm. We're behaving in a new way. When people used to tell me, "But what does this mean? Does it mean that you were wrong in the past and now?" It doesn't mean we were wrong. For example, if you go to a doctor to get a treatment today, it would be very different from the same disease you got 25 years ago. Doesn't mean the doctor was a quack 25 years ago. It means that our knowledge and our science has progressed. It would be a disaster if it didn't! And so, yes, what we're doing now is different from what we did in the past, but the professionalism of the institution is not impugned. What you have is, basically, are we doing the best that we know how to do today? And today is different from what it was yesterday, and tomorrow will be different. Ten years from now, we'll be saying, "God, can you imagine how naive we were in the year 2000? They were saying we can do this and that and so on! Now we know we really should focus on these issues," in the same way that we're saying, "Can you imagine how naive these people were in the early '80s when they were focusing on macroeconomic conditionality and weren't thinking of governance issues?"

These are things which we--the institutional dimensions coming into focus, bringing in a lot of these issues of cultural identity, what brings people together, the glue that holds societies together, understanding the importance of that, which was factored out of analysis back in the ‘80s and the early ‘90s. I think this is part of the evolution of thinking. Now, if we manage to convey that in the same way that advances in medicine or science are not greeted by a derision of past sciences but as an example of progress, that's the image we have to project. And we shouldn't allow critics to try to define us into a position that says, "Admit that you were wrong in the past and stand there and say ‘Mea Culpa!’" Not at all! We are representing the best thinking in the world today. I challenge people on these points.

Then look at the past--yes, we were also the best thinkers In the past then. It's very easy with the 20-20 vision of hindsight to say, "How come this wasn't done?" The question ought to be, “What was being said then?” And this is where the evolution of thinking goes. Now, somebody can say, "Well, professor so and so in such a university said that at a time when we were ignoring them." Yes, but the Bank is a collective of 182 countries and it has a responsibility for mainstream thinking. And at the time it was still a minority position that gradually evolved.

And we should be willing to take strong positions on things that we are convinced about. We did fund, for example, privatization, private sectors and so on. We learned over the years that privatization should not be done under <u>any</u> conditions. It should be done under certain conditions where it doesn't turn into a Mafia-type operation, but we were right in the general tendency to think that the governments couldn't do it all. And it was unpopular at the time to take these positions, and now it's widely accepted.

So, there's evolution in the thinking globally, nationally, regionally, and the Bank should not be ashamed of that evolution. In fact, by successfully conveying the image of this evolution in thinking, far from appearing fickle, we should be giving a much stronger support to those who wanted to increase ODA.

BECKER: Well, let me turn to another question which quotes one of these professors. And it's critics such as Jeffery Sachs, who say that the Bank is no longer relevant, that development should be carried on through concessional lending only. How do you answer such criticism about the Bank's relevance, especially in light of the recent decline in the Bank's traditional lending and an increase in its advisory services?

SERAGELDIN: Well, I think there's some element of truth, although of course Jeffery Sachs has hip-hopped more than most on most issues.

BECKER: He hasn’t the greatest record.

SERAGELDIN: He doesn't have the greatest record himself. I recall very well when he was telling us how we are going to teach you guys how to do work in Africa and how to get the prices right.

Anyway, the question now is: should the Bank be doing more concessional lending? Definitely. I think certainly if we could have more IDA, that would be great.

[Interruption]

SERAGELDIN: I think the Bank should be doing more concessional aid, and that requires more IDA. But I think it's true that, of course, there are now private capital flows willing to go, but they're not willing to go necessarily in the same companies where they're needed. I mean, there's very little capital flows going to some of the African countries and some of the others.

I do not accept the notion of triage, which is, "Well, let some suffer" and so on. It is true that at some points there will be nothing you can do in a particular country except humanitarian assistance. But in most instances the business of development is about working in very tough conditions, and the best performers are those who need our help least. Our ability to work ourselves out of a job would be the greatest contribution we can make. I remember when I used to work in Greece, Spain and Ireland and so on. [Laughter] They're all countries which, of course, went on to graduate. So I think that there is something to that, that the greater focus should be on assistance to the poorest countries which require, therefore, concessional assistance, but also there's a public goods dimension that private sector money will not tackle, and therefore we should be available to help in someplace.

BECKER: Turning again briefly to globalization, what is the effect of globalization on Bank coordination with other organizations such as the IMF?

SERAGELDIN: IMF coordination with the Bank continues and will continue. When you talk about partnerships in the Bank, it's really not true. The only real partner we have is the IMF, by that I mean where you have a commitment and where you believe that you must work with them as a partner and where you believe that you both really bring something to the solution and where you're not willing to walk away because you're having a fight. This is the only one of the institutions where, at the staff level as opposed to the leadership level, there's real understanding; it is a marriage,; it's a Catholic marriage; we can't divorce. We can't walk away; we have to work it out. And in that sense we have a strong partnership with IMF.

Redefinition of roles is inevitable. The Bank went from being a lender of last resort and an institution that would really do very select projects here and there into a real development agency over a forty year period. And today, with globalization and all manifestations of the revolution in information and communications technology, the revolution in capital flows, the private sector growth, the emergence of civil society, roles and relationships are going to have to be redefined. They have been in the past; they will be again in the future; they are being now.

So I don't think there's anything particular in what we term "globalization." It is not really very different from a lot of things that happened before. I should read you one of my quotes from Karl Marx—a vice president of the World Bank quoting from Karl Marx! But it's a beautiful quote, and you'd swear he was talking about today's globalization. It is where he was talking about the industrial revolution. And so changes of that magnitude are not abnormal. They're not totally out of line. We just happen to be feeling them, and as a result we're trying to cope with them and coping with the negative aspects that emerge with it.

The industrial revolution had its luddites who were trying to oppose and stop the machines and the progress and so on, which is the same as some people today reacting viscerally against all of the global currents. But they are unstoppable. The question is: are we going to repeat the mistakes of the past, which were that we went through the industrial revolution first in the economic transformation and then we caught up with the social side of it. I mean, the nineteenth century was all about economics, accepting huge human costs--absolutely huge human costs. Remember Charles Dickens' stories about child labor. Now people forget that the first child labor act was sponsored by whom? By the society for the protection of animals, who said, "If we can have laws to protect against cruelty to animals, we should be able to protect against cruelty to children!" And this was in the nineteenth century in London. It was a question of child labor, child abuse and so on. Children were considered totally economic goods that belonged to their parents in those days.

After that there was the creation of the middle class which emerged in the twentieth century, the welfare state and so on. Now today we're witnessing again a new burst: enormous wealth for some individuals, gaps that are growing, disparities, much more fierce competition reemerging again. And it's all for the good on one side. The question is now: do we really have to go through the same--first you've got to do the economic, then we'll catch up on the social--or have we learned enough from the past that there really is no reason to impose that enormous agony on human beings and that, in fact, we can balance the two much more thoughtfully than we've done before.

Recall the history of the Bank: redistribution *with* growth rather than *for* growth. Today, nobody is going to argue that poverty reduction and economic growth are mutually incompatible or that environmental protection and economic growth are mutually incompatible. In the same way, therefore, we should be finding ways to deal with the new economy and new international flows in ways that bring in some of the regulations at the international level that countries have imposed at the national level--we talked about that in terms of competitive markets rather than free markets and so on--and begin to bring some of the taming of the wild markets with the social concerns that are there. And when you do that, then that you generate, I think, the alliances of the caring that we really need to launch. I think it is a feasible political program in which the Bank would be a lead player. But it's not easy. And we shall be criticized. I said that to my colleagues in my farewell speech, "You shall be criticized--so what!" It's a tribute to the importance of the institution.

BECKER: What about relations with the UN?

SERAGELDIN: The relations with the UN I think need to improve. I think they have improved already a lot under Jim Wolfensohn.

I recall some years ago when Secretary-General Butros Butros Ghali, a good personal friend, asked for assistance on a strategy for development. He had put out an agenda for peace in the UN strategy for development. I spoke to some of my colleagues in the vice presidencies, and they were so dismissive of the UN it was insulting. Somebody said, "Well, you send them the *WDR*s to read."

I said, "This is not a sensible reaction at all!"

As you know, the secretary-general of the UN has a position of enormous moral authority, and if he falls short in getting advice on developmental issues, the World Bank should be rushing to provide that advice, not holding back.

In that sense, there was an image which is now, of course, past, but at some point, when Mark Malloch Brown first came to the Bank to lead our External Affairs Department, he was concerned about whether the Bank should differentiate itself from the UN or link up with it. And this issue was very much at heart because the UN had a bad name among many conservatives in the U.S. and elsewhere, and whether the Bank should get closer or not--I think we need to get closer.

I think the example that we're seeing with our work on the CGIAR with the FAO [UN Food and Agriculture Organization] and the UNDP [United Nations Development Program], with our collaboration with WHO [World Health Organization] and on matters pertaining to the vaccine initiative, our closer collaboration with UNESCO on a number of areas, now and again launching with ILO on youth employment, all of these are good examples of where the Bank should strive for new partnerships. I'm using the word "partnership," but in fact these are more sort of administrative collaborations. As I said before, the only really strong partnership is, at present, sill the IMF, the one that permeates the whole institution. We need to get the rest of the UN system to be linked up in the same way.

BECKER: Should there be someone at the highest level whose responsibility it is to continue to work with the UN and other organizations?

SERAGELDIN: No. I don't think it's really somebody at the highest level. What you need is to make arrangements for collaboration at the staff and middle management level. And here is where you run into obstacles between the two philosophies. A philosophy which has gained a lot of currency in the Bank lately is sort of devolution down to the lowest common denominator. And that is not a help to development, I think, because what you end up with is that for the individual task manager, what they do is their entire lives they don't see the big picture. They can't see the big picture or they can't be a task manager. They are managing a tack. And for them it may be, for example, more convenient to simply hire a consultant rather than work with somebody out of their field. And it's easier, less cumbersome bureaucratically. Consultants are available and so on. But the net result is that, in fact, you hire a consultant or you hire somebody from inside the Bank, a colleague from inside the Bank. But the net result of that is there is an institutional dimension. You're not using Bank staff; you are using consultants who come in and out, you don't get institutional memory, you don't develop institutional expertise, which you should have. Out-sourcing is for more discreet tasks but not for knowledge of the Bank. And, in the same way, if you choose the convenience, you're losing the possibility of really systematically collaborating with colleagues in UN agencies.

And I don't think that it is a matter of simply saying that some senior person should be in charge. I think what we have to do is to find mechanisms. For example, one of the mechanisms is to take budgetary chunks and buy time from some of our colleagues in the UN agencies and arrange for these country programs, which we have one with FAO, to be able to pick expertise from across the agency there and integrate them into operations with us. This is outside the budget controlled staff. So it's provided, in a sense, for the staff as almost a free good, so you will get some of these issues.

Another one is really to raise the chunkiness of the budget to a higher level so that you don't delegate everything down for everybody. People who are outside of the Bank can't imagine that you can't find $20,000 to do something here. "Well, what do you mean? You've got a budget of 1.4 billion dollars, and you can't find funds?" Well, yeah, you can't, because outside certain contingencies, everything is really given out, parceled out into tiny, tiny, tiny pieces, and it becomes very difficult. If you keep a bigger chunk, you can keep the budget of the unit in bigger chunks, you'll be able to do a lot more, and you would remove the time constraint of staff and transaction costs of people buying and contracting with each other. I mean, that's an enormous amount of time that is being spent on administrative exchanges among staff inside the Bank, instead of which they could be having intellectual exchanges with their peers in FAO, WHO, UNESCO, UNDP, et cetera, as well as with the private sector and with NGOs. In a sense, building these alliances at that level is more important than designating your vice president in charge of UN relations or whatever.

ZENNI: What you're basically saying is keeping the budget at the level of the big picture?

SERAGELDIN: Yeah, in large part I do believe so. I believe also that all this internal transacting is a way--not only that it is enormously costly transactions, it's de-motivating for a large number of staff. It also has to create stupid alternatives to good management in the sense of saying, "We let the market speak." What do you mean, market speak? If I am a manager, I should know who is a good staff member and who isn't. I shouldn't have to rely on whether other people happen to like that individual or not. In fact, some of the best people I've worked with have been pretty abrasive people, who are not particularly nice! But they were good!

And I learned that lesson from my first division chief when I joined the Bank, who asked me to review something, and I reviewed it. He said, "What do you think of this?"

I said, “It's excellent.”

And he said, "Yeah, that abrasive S.O.B. is really good!"

And I thought, “This is a very important point. This is not a popularity contest.”

Now, part of the quality of the work has got to be also how you deal with the client, but there are people who are technical experts in certain fields, and you want their technical expertise. It’s like you want—there is something in it for a doctor to have a bedside manner, but when you’re going for brain surgery, you really want the very best brain surgeon! You don’t care how cold or abrasive they are! [Laughter] You want the very best! I think we absolutely need to get down to this thing. We need to get away from this business that we have to trust just the geographic departments to do anything.

I have maintained that we are losing the quality of our staff by moving toward generalists in many disciplines, and mostly economists. Look at the new hires over time. The net result of that is that we are losing the technical expertise. When we were confronted with the corporate and financial restructuring, people could not say that half of those added country economists can do it. Why? Because everybody knew. And Jim Wolfensohn said, "This is not a regular medicine; this is brain surgery!" The downside of bad judgment would be immediately visible in the markets, and you need to hire some of the best people in the world who can look at the Bank and say, "You pull the plug on this one," or "No, you invest 100 million bucks in fixing it up," or "You restructure it in the following way." And you've got to have people who have really got tremendous knowledge and expertise about these kinds of things.

Well, I submit that what people accepted as being necessary for corporate and bank restructuring is true of all cycles. And if you have bad judgment on the irrigation project, it'll just show up ten years later. You'll have salinization of the soil, water logging and bad drainage and so on. If you have bad environmental decisions being made today, they'll show up ten years later. The difference with the Bank, in fact, is that it shows up immediately. Now, as a result of that, we need these technical experts in every field. And just as you would say this is not a matter of whether people like them or not, we really want the best. We should want that in every field. And if you reduce the internal talking to each other and negotiating with each other to get our work programs together, then the staff would have more time to actually talk to their colleagues in the UN, in the civil society, in the countries, in the private sector, and these alliances would be built much better.

ZENNI: At some point, the Bank distanced itself from the UN because the UN was perceived to be more political.

SERAGELDIN: I don’t recall that particular view even being political. It was seen as, yeah, not hard-nosed enough. That's what the issue was. Not focusing enough on the economic fundamentals.

But there was a view of whether the Bank was really building an alliance with the private sector and the Part One countries or whether it was there for the Part Two countries. I think this is now being clearly resolved under Wolfensohn's leadership of the GR working with the private sector and the Part One countries. They really are there for the Part Twos, and the UN has a bad name in many circles, especially conservative congressional circles in the U.S. It's still the only forum in the world for dealing with certain political issues. But it has a huge developmental mandate, and it created a developmental mandate through the series of summits that took place in the 1990s. And some of our colleagues who at the time didn't appreciate these summits where the Bank was--missed the point.

I'm happy to say that at those summits which I had been entrusted to dealing with, the Bank was regarded as a tremendous success! I was in charge of two of those summits, the one for Habitat and the other for Insecurities, in Istanbul in '96 and Rome in November '96. In both cases, the Bank was not only not criticized, not attacked, but people quoted us. I was happy afterwards to organize our own summit, which was the Civil Society summit for the micro finance. Again, the Bank got very high kudos, and Jim Wolfensohn later went on the campaign committee of the micro finance. So we really shifted gears around that time. But it was only during the '92 to '96 period that there was some serious question on this issue.

ZENNI: How do you see the Bank's coordination efforts with bilateral and multilateral international agencies?

SERAGELDIN: I think we're doing quite well on the country-specifics, less well on the thematic. We should be doing more on the thematic.

BECKER: Turning to some other questions about management and the Bank's mission. We've touched on some of these issues already, but one issue is the question of decentralization which is a key issue in management of many large scale organizations. Other than decentralization bringing the Bank closer to its clients, what are the benefits/costs to the Bank in the field and at headquarters?

SERAGELDIN: Well, I have mixed views about that. First of all, that issue is one of those pendulum-type issues: you've gone too far one way and then you swing towards the other, you discover you've gone too far the other way, and you go back again in trying always to find the right balance. And there's never a right balance because what is right today is not right five years from now, and what was right five years ago is not right today. So you need to constantly fine-tune that.

But I think we make a mistake if we were to, for example, want to abolish the central headquarters and put all our staff in the field, because one of the things that countries look for to the Bank, as opposed to regional banks is--for instance, somebody in Brazil wants to know not what's happening in Argentina and Chile, not just what's happening in Brazil; they want to know what's happening in China, what's happening in Russia, what's happening in France, what's happening in South Africa, what's happening in India. Only the World Bank can provide that across sectors. We would be giving up on an enormous comparative advantage, and that enormous part that our clients value. If we were not able, in fact, to provide them with people who have that kind of expertise—they don't get that kind of expertise by simply staying in the country. Sure, we'll say we'll rotate them and so on, but I think when you rotate them, then you also reduce one of the advantages of being close to the client and remaining in the field.

Now, one other thing that I've advocated many times in the past and that's never really been picked up on is that I want real geographic specialists in the Bank. We don't have those. We have country directors who go and serve three years in a country and then move to serve three years in another country. They're oriented, and they spend the first year learning about the country and then the last two years doing, performing, and then they're off somewhere else, and they start all over again. We need people who have institutional memory. For example, in the State Department or in any Ministry of Foreign Affairs you have specialists' desks. There are people who are sovietologists, Arabists, or whatever, who speak the language, who follow the newspapers. We need to have permanent specialists who become the equivalent of political advisors to the country operational managers who come and go from different countries and who are there not necessarily as the person who runs the program, because otherwise he would become stale, but who are there to provide an institutional memory and to continue with giving them advice, but somebody who is really an expert on the politics of what's happening in that country, the credibility of various factions in any particular location and so on, all these different kinds of complexities, especially when you're dealing with institutional mechanisms and what anchors what. If you have that mechanism and you have staff that are close to the country, and then you have another group of staff who are thematic and technical specialists, you know what's happening across the world in that area of expertise. And then you go and travel around and intermingle with their colleagues located in a country. Then you have the kind of palette of skills that can serve the client best.

When you take an approach like that, you immediately see that a lot of the discussion about decentralization versus non-decentralization is not really very relevant. It's all about how you mix that palette. And so for individual countries the mixes should be different. Every region should be different. And that's, I think, a much more nuanced approach to the question.

BECKER: What works against creating these area specialists in the Bank? What's in the Bank's culture, its training, its recruitment, that works against that?

SERAGELDIN: Well, I think part of it is, of course, that you have a tendency to be worried about people becoming too closely identified for too long a period of time with a particular location. You have a tendency that's built into the economic thinking that ultimately—you know, economic and economics, although it's not stated that way--that theory applies pretty much anywhere. You just have to fine tune it a little bit. The sociologists have never been able to make headway because they are always in a position where somebody who's a specialist in bushmen wouldn't dare to believe that they are in a position to discuss Amerindians in the Amazon; whereas, of course, an economist feels perfectly comfortable that they can project their experience from Brazil to Thailand without too much difference which seems to apply and so on. So these perceptions are there. I think, for a while, we are also tempted to say our staff should do that, but I think it's a mistake to assume that even a smart kid that appears to be from Princeton or Harvard can be parachuted somewhere and then have a sensibility to the issues. I happen to know this because I've had some people work for me who were very elegant, very persuasive, and proved to be absolutely dead wrong in reading the reality of the politics of the countries they were talking about! And they looked good on paper! [Laughter] They sounded good, but they're not really good. So I think you need that differentiation today, especially with all the budgetary constraints and people are trying to justify every week what they do.

We're missing the fact by simply saying, "Well, what is the exact output person produces?" Well, it's better judgment. It's experience and advice, it's expert advice above the institutional, cultural, political and social climate of the countries where we work. It does not translate immediately into operations, but it translates ultimately into better judgment and hopefully into more successful operations. But that would be seen as an overhead, and we've got to understand, as I was saying earlier, many of these things are not overhead: they're institutional investments. And I think it could be done much better if we do that.

BECKER: The next question has to do with the larger issue of organizational character or culture in the Bank. Is the Bank's corporate structure meeting the evolving demands of the Bank's expanding mission? What else needs to be done to prove the effectiveness of the way the Bank is organized?

SERAGELDIN: Well, I've expressed my views on that. I believe that we should have a much stronger thematic construct in the Bank with much greater emphasis on quality of the technical staff and giving them greater say by reducing the emphasis on internal contracting arrangements and increasing the commitment to excellence in terms of recognizing that excellence through peer reviews and systematic disentanglement. I believe that the geographic departments should have the funds to remain demand-driven.

When I was in charge of a geographic department, I was frustrated because the projects staff were insisting on spending all the funds, for example, on Cameroon or Chad, spending all their time doing a project I knew was never going anywhere! The Cameroon government didn't want it, it didn't fit with our strategy, but they were still doing it. At the same time, Chad had just come out of a civil war; we were restoring our relations with them and wanted to send a mission there. They said, "We can't spare the people to send them."

And I said, "Well, both of those countries are in my domain and in your division. Stop working on Cameroon and send these people to Chad, because I'm telling you this project is going to go nowhere!"

At the time, because the Projects Department controlled that budget, they really had a situation which was supply-driven. Now to remedy that--and I was one of the strong advocates of that--we went for the reorganization of '87 which basically created the country departments. And as a country director, I was very happy to have my own projects staff, and I could re-deploy them very quickly, and the cost situations worked very well. But the real issue was that we lost that central core, and by losing that central core we were at a very real risk. How?

Well, take Africa at the time--780 plus professionals. We had a small human resource division for each country department and only one human resource division in projects. If you have a small division for human resources--I had such a division handling population, health, nutrition, and education--you ended up basically having two people in education. One of them was going to be an educational economist and one was going to be an educational generalist, general educator, as we called them. And the general educator was comparable to a technical specialist. What you ended up with was that you didn't have an educational specialist, an agricultural educational specialist, a vegetation specialist and so on; you had only that general educator, and the net result was that you ended up by aggregating all the decisions. You had no specialist in agricultural education in the Africa region which is a place in the world where agricultural education was important. So how come we couldn't afford to do that?

Well, when I was arguing about that, Howard [phonetic] said, "Well, you're a manager. Why the hell are you making these decisions?"

I said, "Because they're the rational decisions, given the frame I'm given to do. But I have enough vision to recognize that it's the wrong decision for the institution! Now, if you tell me you have to operate this program and this is the number of slots you have to hire people and all I can afford are two people for the education sector as opposed to the health sector and so on, I'm going to have one economist and one general educator. I can't have one agriculture educator and then nobody to address general education issues or teacher training or vocational training, so I'm going to end up making that decision."

I mean, every other person would make the same decision. Your aggregation is sub-optimal, and I think we need to rectify that.

So, what we tried to rectify in the reorganization of the ‘90s was in fact to create these networks, but we didn't go far enough. My view was that we should have basically recreated project-specific departments, project departments with sectorial specialty, but not to go back to the pre '87. Keep the budget in the country departments, but forbid the country departments from having their own staff. Now, the difference would have been that I would have been able to go to the guy who was working on Cameroon and Chad and say, "Sorry, there's no more money. Not a single person is going to go to Cameroon, and I want people to go to Chad now, but you provide the people. You're responsible for the quality of the work! You have enough critical mass to have your technical educator and your vocational educator and your general educator and your ag economist, and you know how to deploy how many weeks of each on this particular project, that particular project and so on. But at the same time, you're not the one who decides which project you want to do in which country because the country people are the ones who are dialoguing with the countries that can decide that.” Now, if we were to do that, then I think we would have a more viable situation, but it would require going further in strengthening the thematic versus the geographic in the Bank. And that's one of the problems I see that we have.

BECKER: In large corporations, this whole idea of networking, using and assigning people for specific projects and then assigning them to something else, has become very common. And so you're saying that's still not the case at the Bank?

SERAGELDIN: Corporations are a bad model because the Bank is not really a corporation. We do not have a bottom line.

And I'll give you an example. We talk about American corporations being very short-term, driven by financial returns and equity to shareholders and so on. I visited many corporations. What was striking was that 15 percent of the time of their staff was unallocated. I asked, “What do they do? Is it different from training? Is it different from attending conferences? Is it different from vacations?”

I was told, “They can do whatever they like. They can watch television, they can read magazines, they can play basketball, they can work on the same project they're working on today, or they can do something else. But we know—I can’t tell you what the outcome will be, but I will tell you that the next generation of projects--80 percent of them--are going to come out of whatever is going to be done in this 15 percent of the time. I don’t know who’s going to do what, where and how—which will pan out—but I save that space for people to be able to think.”

And here's the catch. The reason they can do that is because they have a lot of money. The management can tell the shareholders, "Look, hold me accountable for the bottom line. How I manage on a day-to-day basis, leave that to me."

Now, the Bank is much closer to a government set-up, and in that sense, it's very difficult to say, "Here's the bottom line." So the tendency is for our owners--the shareholders--to try to control the inputs because they can't have a clear output to measure.

And it would be unthinkable for Jim Wolfensohn to go and say, "You know, I would like to have ten percent of staff time unallocated."

“Ten percent of the company's staff years multiplied by how much? You know how many millions that is for nothing? What do you mean, ‘Nothing’!" [Laughter]

That's the way public institutions work. So there's a limit to what parallels we can have with the private sector because the presence of that very clear bottom line allows degrees of freedom which are not allowed in a more public climate.

Secondly, we have political obligations that private sectors don't have. I mean, Jack Welch can say, “You're number one or you're number two or you're out of this business!” And in the Bank you can't say, "Well, I don't like Russia, so I'm not going to work in Russia. I'm going to work there" or "By the way, we should be out of transport and rural, and we should be involved only in telecoms." You can't do this! There are a lot of constituencies out there that are expecting it. It's much more like a government. I mean, a mayor can’t say, “I’m going to focus on street lights and fire safety, but not on police work, not on health, not on work and not on schools,” or “I’ll focus on schools and housing but not on . . .” [Laughter] You know, you can’t do this!

So we are much closer, in that sense, in terms of our relationships to our owners, and we're accountable to a government where people want a lot of different things and are trying to control the input and the budget than we are with the corporation which says, "Hold me accountable for a bottom line, and then give me lots of freedom on how to manage." And I think, therefore, the idea of what you can do on these issues—you have to take from different models, hopefully knowing what can be transferred and what can’t.

I talked to some former Bank senior managers who are now on Wall Street about the difference in management. It’s a totally different world. And one of the simplest things is secrecy and confidentiality. If you're an investment banker, you don't tell people what you're doing with your client. You can customize every solution to every client, and the clients expect confidentiality from you. [Laughter] The last thing they want is their banker to go blurting a lot of what they’re doing, what they’re thinking, what they’re not thinking! So, as a result you have totally different worlds. In the Bank, everything we do is not only public, its approved by everybody on the Board, but it creates precedence: "Ah, you know, you treated this country this way; therefore, you have to treat all countries in the same way."

So you have a whole mechanism by which not only you have a bottom line there, but you also have different kinds of relationships with your clients. The Bank’s work is very different. This whole management question has to be looked at in the light of something very special, which is the World Bank, which is the premier development institution in the world, which has enormous comparative advantage, which is not going to be an NGO or a commercial bank. They are very different animals.

BECKER: We've talked a little bit about self-assessment already, but I'd like to follow up with a broader question. In your opinion, how effective--we might say overall--are the Bank's current self-assessment instruments in terms of strategy and internal control? And, in your opinion, what still needs to be done?

SERAGELDIN: Well, we've already covered that. I think we need peer review; we need many mediations between the staff who do the transactions and those who evaluate the institutional reputational risk. I think we need more of a staff mix. I think we need less internal transactions and more focus on the overall quality. I've made my estimates in various memoranda. I've written to my colleagues as to how this should be done, and I've spoken about most of these comments.

BECKER: In terms of evaluation, you say it's so difficult because the Bank is a quas-governmental organization. In terms of its multi-dimensional approach to development, how does the Bank evaluate success in a country where it is following several different strategies simultaneously; i.e., trying to create a civil society, improving governance, while perhaps carrying on a program directed to urban areas?

SERAGELDIN: What do you mean several different strategies at the same time? They are not several strategies, they're the same strategy. It's just a matter of being clear of what is the government strategy and what is the Bank's strategy to assist the government strategy and to remember that we're not running the country, we're there to help, and we can only do a little bit. In a book I wrote called *Nurturing Development*, I wrote on the flyleaf my philosophy, and it says, "Development is like a tree. You make it grow by feeding its roots, not by pulling on its branches." Conditionality and all that doesn't work; we have to understand what our role is. It's very limited. And by helping groups in terms of engaging the private sector, civil societies, stronger institutions, better ownerships, et cetera, you actually ultimately promote development. And, yes, macroeconomic policies, sound investment, human resources, girls' education, all these are pretty well known things you have to pick up, and the Bank can help you do that. But in the end we have a strategy, and it should not be contradictory.

Measuring success is very difficult, but I think there have been good efforts done by Bob [Robert] Picciotto in OED in finding mechanisms. And there is, by and large, a judgment which is exercised by peers. It's true in almost any area, any discipline, where it is a knowledge discipline. If you look at the medical profession, let's say if the patient dies, did the doctor do a good job or a bad job? The assumption is that the only way the doctor does a good job is if the patient lives. It puts enormous assumed power in the hands of the doctor, which is not true. But there is a judgment that is exercised by peers who would say, "Were all the judgment calls that were made by the doctor in handling this very difficult case the best ones that could be done professionally, sound ones? If they were, then that's a judgment of quality. We would say that this doctor provided quality care for this patient and couldn't save him. But, you know, that's in God's hands!" [Laughter] That's very different from saying that this patient died because of medical negligence. And you can tell the difference, even though both patients died. And those who can tell the difference are other doctors. It's not some newspaper reporter who doesn't know anything about medicine. It's other doctors who know something about that who can say, "This was the right judgment call to make under the circumstances."

And I go back again to saying that the way you handle that is peer review inside and outside the institution. Peer review means people who really know the subject, not somebody who knows nothing about the subject, but somebody who really knows the subject, is quite familiar with it by experience, and who can evaluate judgment. So it's not as hard as a corporate bottom line, but in all the professional disciplines that is what is done. That's how people get Nobel Prizes; that's how people get tenure at universities. Other people evaluate the quality of their work. It's not hard and fast, but systematically historians are evaluated by other historians. And there are people who are recognized as leaders in their field at any one point in time, even if afterwards their views are discovered to be faulty.

BECKER: Or surpassed.

SERAGELDIN: Or surpassed by others, but, at any one point people will tell you, "Yes, these are, in our community of practice, these are the leaders." And we can get the judgment of those leaders to bear on particular things. It is not impossible to do.

BECKER: Although we've touched somewhat on some of the World Bank presidents, we'd like to ask you some further questions about that. Let me ask you about your perceptions of President Wolfensohn and his mission, in particular the point that some observers have maintained that he was taking on too much for the Bank and that a stronger focus on main issues would be wise.

SERAGELDIN: I disagree. Every word that Jim Wolfensohn has said since joining the Bank has been music to my ears. And I've told him so, and I've said so publicly on other occasions, and I say so again now. I think he's absolutely right in all the issues that he's been highlighting; i.e., corruption to civil society to participation to women to the environment to all of these issues!

I don't think that's the issue at all. And I told my colleagues that they are wrong. The biggest comparative advantage of the Bank is precisely that it is the only institution in the world that has global reach across all regions, that works in all sectors, because UN agencies, FAO and so on, have global mandates but they work in one sector. We work in all sectors, and we work globally. And it would be a mistake to let go of that comparative advantage because it's a niche that the Bank is positioned in to provide services to the world which nobody else can fill, and therefore, far from saying that we should become specialists in this area or that area, we would miss the key comparative advantage of the Bank. The difficulty is how do you integrate these things so that the whole is more than the sum of the parts, how to actually build synergies between these different parts.

So the issues are not what the president has been saying—which I think is absolutely right on target--it is how do you translate that into actual action. I'm not concerned that his words are ahead of the actions today. I just want to make sure that the gap doesn't translate into cynicism or becomes too big. I believe--and there's no question in my mind--that the president should be ahead of the institution and should be pulling the institution behind him.

Now, McNamara was like that. What he was saying didn't exist in the Bank! At the time of his Nairobi speech, we didn't have the *World Development Report* (*WDR*); we didn't have an Urban Development; we didn't have any of those things. But then they were invented, and they were created or added. And what was important, which again shows vision and leadership, is that we didn't say in those days, "Well, we don't have the staff to do this." We defined that here is something important, population is important, so we are going to hire some people who are in population. Environment is important. When we decided to create the Environmental Department, we had three people in environment in the Bank. When I left, we had over 300. We had more environmental specialists than units--more than any other agency. It was one of the largest concentrations of people. That's what we do, and if it's an important area you're going to go out and hire the expertise. And you build the expertise because you've decided it's an important area to be in. Otherwise you simply say, "Well, no."

It's like the old story of building the best horse whips for buggies or whatever it is or harnesses for buggies and you're not noticing that Henry Ford is building horseless carriages next door! You can be the best at what you're doing, but you might be becoming irrelevant in what you're doing because the world is moving in another direction. So you've got to be willing to transform what you do to meet constantly the demands of the world. So as far as I'm concerned, I think the message of President Wolfensohn is right on target. He's absolutely right moving in this direction. The question is the mechanisms inside the Bank, and we've talked about those already.

BECKER: Now, in talking about the presidents, you've mentioned McNamara and Preston. You have not mentioned either [Alden W.] Clausen or [Barber B.] Conable. Could you . . .

SERAGELDIN: I had the privilege of working with several Bank presidents, and they've all been wonderful people in different ways. I mentioned Bob McNamara, who I'm very proud to consider a friend today. At the time, as I said, he influenced me to stay in the Bank, which I wouldn't have done otherwise had it not been for his shift at a time when we didn't talk about poverty or rural development.

When Tom Clausen came, it was a time that I received a huge promotion to director. I've had very good relations with Tom Clausen over the years. Tom, in fact, had lunch with David Bock, Hani Findakly and myself, all three of whom had become directors, and he asked us, "What do you think we should do, that I should do?"

And I said, "Well, I believe that you need to send a strong signal to the staff that it's okay to take risks and that they should be less timid about what they do." And I had told him before the story about when I was promoted and the reaction of some of my staff, "Yeah, we know how the system really works!" I told him he should do that.

His reaction was very interesting. He said, "Well, I have just promoted the three of you to very high positions. None of you are exactly known as being shrinking violets, so why is it that this is not seen as a signal?"

I don't have an answer for that, and I don't know why. I even told my staff that they should read this as a signal, and there was a lot of skepticism about it. So I'm not clear about that.

Tom, I think, was willing to make the decisions at that time. The fact that he delegated an enormous amount of authority to Ernie Stern in the management of day-to-day operations I think was a thoughtful judgment on his part. The Bank at the time, like every financial institution, was in deep financial trouble. We were lending on fixed rates at a time when interest rates had jumped up to 22 percent. Prime rates were 19 percent. Inflation--you remember it was the end of the [Jimmy] Carter-[Paul A. Jr.] Volcker situation--and we were stuck; we were in a very bad situation. And Tom, coming from a commercial bank, Bank of America, that was his area of expertise. And he introduced variable rates, fees, et cetera, and expanded treasury operations at the time. And now there was somebody, Ernie Stern, who knew the development side of the business inside out, and so why not delegate the authority to him on that and have much more personal involvement in the financial side? That's one of the reasons why a lot of the operations staff didn't feel his presence or felt that he was very distant or that he had nothing to do with what they worked on. But I think they were misreading the situation because they weren't really looking at the financial position of the Bank, which he helped extend.

Barber Conable was a very different person. He was a wonderful man, wonderful human being.

BECKER: A poet, I think.

SERAGELDIN: Among other things. Actually, a specialist in Native American history--human history. Yes, fond of poetry as well. We traveled together a number of times and became friends. I handled his external relations for him, translating for him in French and Arabic. On one occasion he said, "I'm not sure which I like best, to have you as my interpreter or as a director." [Laughter]

We traveled in Cote D'Ivoire and Mauritania—funny story about that because I did all the interpretation for him. When I was in Mauritania, somebody said to me, "I'm very impressed with the president of the World Bank."

And I said, "Well, he's a great person."

And he said, "He speaks perfect Arabic."

"No, he doesn't," I said.

"No, no," he says, "he speaks perfect Arabic."

I said, "No, he doesn't! I know!"

So it turned out that on landing they had an interview with him at the airport and I had interpreted for him. Well, what they had done, they had edited and put my voice into his answers. So the questions had been posed in Arabic and he answered in English, but they had my Arabic voice coming across. [Laughter] So people: "My god, the World Bank president speaks perfect Arabic!"

ZENNI: Very good PR!

SERAGELDIN: PR, yeah, it was very good.

Barber had an enormous human touch. People loved him. In Cote d'Ivoire he was called "Conableh," which is a very--sort of adopted as a tribal chief. And he had this spontaneous human gesture which was marvelous. When they had all these tribal dances there, he got up and danced with them! [Laughter] It was spontaneous; it was natural. It was at ease. It wasn't something that caused problems for anybody. And so I think he did that.

I think he also took major decisions for the Bank, introducing environment, introducing the gender dimension--WID (Women in Development), as we called it at the time--within the development program.

ZENNI: Would you say that he introduced the environment in the Bank or that he spurred it on?

SERAGELDIN: No, he created it. He created the present Environment Department.

ZENNI: He created the department, yes, but the environment as an issue, was it not first discussed during McNamara's time?

SERAGELDIN: Yeah, well if you want to go back to that, yes, James Lee's office and so on. But I'm talking about really taking on the issue that we should do something much more systematic about the environment and have an Environment Department rather than three advisors, and creating an environmental department and they hired Ken [Kenneth W.] Piddington as its first director in 1988 and so on. And it was on his watch that these things happened. And he was getting, of course, the beginnings of all the flak that was later on to come out into the open in terms of the Narmada case and the evaluation that was done by Bradford Morse, which led to the whole issue and campaign against the Bank. And all these kinds of things that were brewing at the time. Barber responded by creating the Environment Department, creating the first Women in Development initiative, which I thought were very important initiatives.

In terms of humanizing relationships, I think he was an absolutely marvelous person. He had the idea for the four senior vice presidents, which in a sense created or expanded the role of the policy side of the Bank very significantly. I think that he did extremely well in some of those areas, but of course there were a lot of other issues at the Bank. I had lots of dealings with him directly on the issues of the CFA franc, which were very controversial issues because of the multi-country issue of devaluation and so on. It always went up all the way to the president; we used to have these very difficult conclaves there.

Lew Preston, I think, interestingly enough, despite the fact that he was perhaps the person who was least comfortable with public speaking, is the person who presided over the biggest opening up of the Bank, from the Disclosure Policy to the Inspection Panel to the systemization of NGOs linkages, to all of these things. I recall that I suggested at the first session after his death of what should we sod, I said, “Well, our new auditorium should be named after him because, after all, we used to have a Eugene Black auditorium.” Lew ultimately was the one who opened up the Bank in many, many ways such as the scope of policy, the availability of information and the Inspection Panel and so on, and therefore the auditorium, which is most used for external functions, that is why it should be named after him.

And so I had the privilege of working with all these very unusual and very different people.

BECKER: Having said that they’re all different, what qualities do you think a World Bank president should have?

SERAGELDIN: He should have vision; he should have political flare--especially political flare--and should have the ability to choose and motivate a team of very, very good senior people.

You know, one of the qualities which we did not discuss about Wolfensohn, which I think we must--I give him very, very high marks for his ability to get IDA through the U.S. Congress. The atmosphere on IDA was being poisoned. The Europeans were trying to create a separate fund that would keep the U.S. from procurement. The Congress was about to go into a counter measure with a sanction against IDA which would have been at tremendous cost for IDA, not just a matter of paying up the arrears of the U.S., but with poisoning the atmosphere for the next negotiations. I think Wolfensohn's ability to disentangle that from the Congress and get the U.S. to agree to pay up IDA, despite the UN being in the way and despite the IMF having problems, not only was it an enormous political achievement, but it is something only the president can do. It is not something that somebody else can do.

ZENNI: Was this the IDA 13?

SERAGELDIN: Yes, yes. It was very, very important.

BECKER: Do you think Bank presidents need to have had careers in finance before they come to the Bank?

SERAGELDIN: No, no. Not necessarily. I mean, it certainly helps to know something about finance. It also helps to know something about development. It also helps to know something about management. But, in a way, whichever of these routes you take in your own career, at the end of the day it requires a leader who has to have an ability to look at all these different facets, not look at just one facet and not the other.

The Bank has also been very lucky in its superb senior managers. I've worked with some of the best, from Moeen Qureshi, Ernie Stern, Sven Sandstrom. All of them are very different people, again, but all of them are people of remarkable, remarkable qualities! I think that the ability to attract and manage people like that is what's required of a president of the Bank.

BECKER: If you were president, where would you take the World Bank?

SERAGELDIN: Well, I've said that I fully agree with the direction that Jim Wolfensohn is taking, but where I would want to spend more time is on the issues of the internal constructs of the Bank that would lead us to greater implementation of their vision. I have no disagreement with the direction of that. In the internal structure, I have already said all the things that I had to say about the thematic and geographic, on the changes on the budget and the ability to look at the institutional rather than the local themes and all these kinds of things, peer review for the overall quality, staff profiles. I mean, there are a lot of things that have to change, but they would be in consonance with the vision that Jim Wolfensohn has been projecting for the Bank.

BECKER: Turning to some of your own reflections about your career at the Bank, which also includes a question about perhaps what your next plans are. What do you think your contribution has been to the Bank?

SERAGELDIN: I think what I've done in the Bank, which was all my life, was to try to broaden the paradigm of thinking at the Bank, whether it was to add things that were not there or look at issues that were either not being looked at, or look differently, from involving local communities back in the 1970s in places like Yemen—before we called them NGOs--to dealing with introducing new analytical tools on the quality of retention of skills in education and literacy, social culture, newer studies that I did in the mid-‘70s in Saudi Arabia, or looking at, later on, the social dimensions of adjustment, cultural dimensions, governance issues, military spending.

Barber Conable deserves a lot of credit for having broached the military spending first, and I was very proud of him. He took it up in his Annual Meeting speech. It was just like Jim Wolfensohn took on the issue of corruption and expanding environment, gender, cultural and social capital. So I've been always trying to expand the thinking of the Bank away from the narrowly economic or technocratic towards the broader vision of developments for the well-being of people. You can't understand these if you don't understand how societies function; what motivates people.

And I'm very proud of the fact that in one of the last big things that I was doing, which was the social capital, one person looked at me and said, "You know, I wish you wouldn't talk about this issue of the cultural dimensions of identity and so on, because it's beginning to sound flaky."

And I said, "I'm going to make a T-shirt that says, 'Flaky and proud of it!'" Because of the number of times I've heard that about a number of issues that we've talked about over the years, and many of those ideas that a person said were “flaky” are now mainstream!

I'm also proud of the fact that in my farewell speech Jim Wolfensohn was kind enough to refer to that, as was Ian Johnson, that in many ways a lot of the things that I did, five, ten years later became mainstream. At the time, they were not seen as mainstream. So I look back at that, and I think, yes, I did make a certain contribution.

And I also think that I helped build bridges between the Bank and many other institutions, the UN, for example. I tried to defend our links with the UN when they were being attacked, tried to defend our links with civil society when they were being attacked, with the NGOs, building alliances with our critics because I believe these are our natural allies. They're the only people who genuinely care about development issues, poverty; they should be our natural allies. And we have to reach out to them and try to bring them on board on some of those things. So I think I've done a lot of that over the years, and I hope that when the assessments are being done, yes, I did hopefully make a difference.

But I would like to record again what I said earlier, that I've been very, very grateful for the bosses I’ve had, the leaders I've had. I found this to be a remarkable place where you can do almost anything, provided you have the capacity to present your case effectively and so on, that it’s a remarkably professional institution that recognizes quality, and this is one of the great virtues of this institution which I worked in.

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

SERAGELDIN: Oh, it's too difficult to disentangle from my own lifetime, as I spent 28 years in the Bank. I've worked a lot in it, with it, from it, against it, for it--against it in the sense of the broken paradigm and people wanting to shorten it. So it's been my life for a very long time, and it's very difficult to gauge. I don't know. I'd say 80 percent of what I've learned about development has come from the Bank and maybe 20 percent from outside of the Bank.

[Interruption]

BECKER: Would you care to talk a bit about your future goals or plans?

SERAGELDIN: Yes, I do. I can tell you exactly what my future goals and plans are. I am hoping to take on one of the most exciting projects in the world, and, in fact, I had a good discussion with Jim Wolfensohn about it. He is more excited about another project that he and I once talked about. But the one that I am most likely to finally end up taking is the new Library of Alexandria. That of course is absolutely unique for me.

The Library of Alexandria for over six centuries was the center of universal learning, the beacon of rationality and science in a world of superstition and bigotry. It was a magnet for the greatest minds in the world, from Archimedes to Euclid, who wrote his elements of geometry there. All of those people came from all over the world. The idea of trying to do something again in the developing countries today abounds with universal appeal, but at the same time it has grounding in the developing countries today. And to be worthy of the mantle of the name of the Library of Alexandria is quite a challenge. Right now is the process of drafting legislation to be presented to the Egyptian Parliament, which I hope would be approved and would give the Library certain special statutes that it needs to have in order to operate well, in which case I would hope to be named to that position as First Librarian of Alexandria in over 1700 years, following a very eminent set of names from Demetrius, Callimachus, Apollonius, Eratosthenes, Aristarchus, 1700 years later. [Laughter]

Also it's a very big challenge, but also a challenge to think in terms of what does it mean to design a library and research center in the age of the Internet. Who could have looked, 20 years back in 1980, and said, "You'll have a billion pages on the Internet in the year 2000 and eight billion pages in 2005." Who would have predicted that? Well, by the same token, as you sit here today and say, "What sort of a world will we have in 2020? And then, what sort of library should we be designing for that?" And it's not just a library. It's a library, a convention center, a school of information sciences, a science museum planetarium and a calligraphy institute, all of that complex together. So I think it is a very good project to work on.

The other project is also to help advise the Egyptian government on the New Egyptian Museum which I plan to set up. But the library is the one that appeals to me most, because I'm a man of many interests. I published some art and architecture. Of all my works, the one I'm most proud of is a monograph on Shakespeare. And so it's an opportunity to try, in fact, to think about how do you present Egypt to the world, how do you present the world to Egypt, how do you establish a library in the digital age, and how do you--in order to remain faithful to the tradition of the old Library of Alexandria--create a vibrant center of intellectual debate between North and South, East and West, and make it truly a place where the meeting of the minds in the best traditions of the world can happen. And when this came up, I spoke with Jim, and I said, "I would like to spend the next ten years of my life trying to make this dream happen!"

BECKER: How does that fit in with the UNESCO? How does the Library project fit into the UNESCO programs?

SERAGELDIN: It is a UNESCO-sponsored program.

Following the campaign for UNESCO I had a discussion with Dr. [Koichiro] Matsuura. I asked to see him privately. I said, “Look, I came to see you.” Actually, I met him several times. And I said, “Look, I have two professional reasons and one personal.” At the time I was heading the World Commission on Water, and UNESCO’s one of the co-sponsors of that, so I was presenting the report rather than sending the report by mail. And then I briefed him about the big summit meeting we had at The Hague—5770 people came from 158 countries. I am very proud of that, and I briefed him about it.

The personal thing I told him was: whatever happened in the elections, happened. Now we're confronting the situation where I waged this entire campaign for UNESCO because I believe in the old UNESCO. I waged a personal campaign; I was backed by the intellectuals of the world, not by governments, except the Swedish and the Dutch and the Burkina Faso governments, those were the ones who supported me. But I had lots of sympathy from all over the world. Fifteen of the laureates, 300 of the world's most eminent people from 59 countries signed the declaration of support. It was an unprecedented line of support. But I waged that campaign because of my belief in what UNESCO should do for humanity!

I told Dr. Matsuura that today UNESCO's success is your success and your failure would be UNESCO's failure. So you can count on my support of anything that will help this institution. You know, some people who were very involved in the campaign were surprised by that. It would be ludicrous—I waged this campaign because I believe in the role of the institution and then I say, "Well, if I'm not elected, then to hell with this institution!" What kind of thinking is that? It was total subjective and non-substantive thinking.

I'm the kind of person who believes in substance. This institution has a major role to play. I would've liked to be the head of UNESCO, but it wasn't to be! But I would certainly support anything that can help UNESCO today. And the Library is one of the projects sponsored by UNESCO, and I'm hoping it will be sponsored by others as well. I still maintain very good relations with many of the UNESCO staff who have been my friends for many years.

ZENNI: Well, thank you very much for your invaluable contribution to the Oral History Program.

SERAGELDIN: Well, thank you.

[End of Session 2]
[End of interview]