

THE WORLD BANK GROUP

ORAL HISTORY PROGRAM

Transcript of interview with

ALEXANDER SHAKOW

**March 19 and 20, 2002
Washington, D.C.**

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Session 1
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Q: Good morning, today is Tuesday, March 19, 2002, and this is Bill Becker with the George Washington University and the Business History Group and we're at the World Bank Main Complex interviewing Mr. Alex Shakow, outgoing Executive Secretary of the Development Committee as well as Deputy Secretary of the World Bank.

Q: I'm Marie Zenni, Task Manager of the Oral History Program.

SHAKOW: I'm Alex Shakow.

Q: Very good. It's a pleasure Mr. Shakow to finally get this started. We'd like to begin by asking a little bit about your educational background. What, in your background influenced your interest in foreign economic assistance?

SHAKOW: Well, I guess it all started when I was finishing up my undergraduate degree at Swarthmore College. At that point I became interested in a combination of U.S. foreign policy and economic development, and as I wanted to go overseas to study and my French was not good enough to do graduate work in France, I ended up going to the London School of Economics. That was delightful because I had a sister in London, married to a Britisher, and that gave me a good excuse to go there. At LSE I began looking fairly broadly at various subjects, but it soon became quite clear that my real interest was in the intersection of American foreign policy and economic development, and at this intersection was a study of foreign aid programs. At LSE I went to seminars on both international relations and economic development, and gradually worked my way towards a dissertation on this subject. Was it in my background? I guess so, in the sense that I grew up in a household that was interested in international affairs, and my home was in Washington, so both background and exposure to the issues played a role.

Q: So, when you returned to the States you went to work for the Peace Corps, what did you take away from that experience that influenced your later work at USAID [U.S. Agency for International Development] and then the Bank?

SHAKOW: Research for my dissertation at the London School of Economics took me to Indonesia. I spent a couple of years there doing research on foreign economic assistance in Indonesia. That really is what got me excited about work in Asia and in development. My Peace Corps staff experience was not particularly focused on economic development, as our Volunteers were, for the most part, teachers and physical education coaches. This was part of an effort to work together with an Indonesian Government not particularly enthusiastic about its relationships with the United States in the mid-1960s. The Peace Corps experience was a very exciting way to further deepen the very close relationships I had with Indonesia and many Indonesians. It was just this direct exposure to work in developing countries, and particularly the fondness I had for Indonesians and all that I was exposed to there, that convinced me that I really wanted to have a career in development.

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When I came back from my work in Indonesia with the Peace Corps, I then had a couple of years at Peace Corps headquarters. This work gave me a wide range of administrative and managerial responsibilities. When in early 1968 I came back to the USAID program to be in charge of the Indonesian office in Washington, it was a natural progression from my early experience. I spoke Indonesian, and I had been there for four years or so over the previous seven or eight. I felt very lucky to be in the right place at the right time when they were looking for somebody for the Indonesia aid program as it was expanding in the post-Sukarno period.

Q: What do you see as your achievements and/or frustrations at AID?

SHAKOW: I spent 14 years at AID, moving from being the Office Director for Indonesia, Malaysia and Singapore Affairs to broader responsibilities. After about five years I moved from that single regional responsibility to broader responsibilities for programming throughout Asia. In the mid-1970s, I was named the Deputy Assistant Administrator for Policy, and then in 1977 as the Assistant Administrator for Policy at AID, a Presidential appointment that had to be confirmed by the Senate. In the World Bank context it was a vice presidential position. In that period I was the person responsible in AID for overall policy guidance, working directly with the AID Administrator, the equivalent of the President here at the Bank.

I learned an enormous amount. It was a fascinating period of learning about development for me. This was not the sort of learning most AID or Bank staff gain from working on specific country issues. Rather, my experience was much more that of a bureaucrat in Washington learning to deal with interagency issues, the White House and the Congress. It was a very interesting period for me, to grow and to learn more about how to get things done in a bureaucracy. Anybody who works in the foreign aid business in this country experiences an endless amount of frustration with the misunderstanding that exists in the Congress and among the public about what AID does. While that was the biggest frustration, my responsibility for dealing with the entire array of AID initiatives and policy directions was very exhilarating. There were frustrations, of course, as we were not always able to accomplish as much as we would have liked. The size of the problem was immense then and remains so. We keep saying each year at the Bank that the world is ever-more complex, but it was complex then, too. I had a great sense of accomplishment that we were really doing something very important and very useful for the world; the discouragement and the frustration was that we were not able to break through so many of the barriers that would keep us from doing a much better job. But it was a very exciting period there, too.

Q: What led to your decision to join the Bank in April of 1981?

SHAKOW: I had become the Assistant Administrator for Policy at AID, a position not protected by the civil service; while I considered myself a career official, my last position in AID was, in effect, a political appointment as I was nominated by the President and confirmed by the Senate. And so, on January 20, 1981, when there was a change of Administration in the United States Government, I, along with every other senior [Jimmy] Carter Administration appointee, had to submit my resignation. I did stay on for another couple of months at the request of the new AID Administrator to help in the transition. In fact, he had asked me to continue as

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Assistant Administrator for Policy, but by that time I had already worked out an arrangement with Mahbub ul-Haq, who was then Director of the World Bank Policy Department, for a job here as senior policy advisor.

This was really a wonderful opportunity. I'm sure that if I had stayed at AID, it would have been enormously frustrating in the following years, particularly as AID certainly declined in those years. It had already been in decline since the 1960s, when it was its heyday, but after 1981 it became much more difficult for AID to get things done. I was very lucky to be in the right place at the right time, and that Mahbub wanted an American to work on policy issues in his department. I think that I was just lucky at that time that he didn't have any senior Americans in his office, and I was available and had reasonably good experience cutting across quite a large number of issues. So, that's what brought me here: Ronald Reagan and Mahbub were responsible!

Q: OK. In your first years at the Bank you worked in Policy Planning and Program Review. What were your initial responsibilities?

SHAKOW: Initially, what I was asked to work on was the World Bank's graduation policy. I think it's basically still the same policy today that we worked out in 1981. What was particularly nice for me about this job change was that at AID I had been dealing with 100 issues all at the same time, so I felt that I was just skimming along the surface of many important issues. Luckily, I had very good people working for me. They were very bright and I could rely on them to give me the information I needed to speak on almost any issue, but I felt as though I was skating on very thin ice all the time over a very wide area. At the Bank, I could actually dig in to a single subject for a while, as I didn't have administrative responsibilities for 150 people as I had had at AID. That was a great change and a great relief. After a while in these high pressure jobs it is very important to recharge one's batteries. So, graduation was the first topic I worked on. The next major subject was an examination of the Bank's focus on poverty.

Q: Having previously worked at AID in Policy Planning, what did you see as the strengths and weaknesses of this process at the Bank?

SHAKOW: Here there was much more rigorous system. Let's see if I can explain that. In AID, much of what we did was influenced by pressures from the U.S. Congress. It is true that many of the policies pressed by the U.S. Congress came from within AID or from the broader development community. We were subject to many influences, and so there were many pressures to do certain kinds of things. There was a system for preparing Issues Notes and Policy Papers that would go up through the hierarchy, and this was fairly orderly, but it wasn't nearly as well organized as it was at that time in the Bank. I think that is because McNamara had been here for a long time, and he had established a comprehensive policy formulation process. There were formal policy memos and notes and there were committees reviewing policies every step of the way. Much of the structure put in place by McNamara began to fall apart after he left, and policy formulation was not nearly as structured afterwards. But, of all aid agencies, except maybe the UK, the World Bank and USAID have the most developed policy formulation systems. In a sense, the role of the Board [of Executive Directors] here can be seen as parallel to that of the U.S. Congress for AID.

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Q: Right, that's my next question. What is role of the Board . . .

SHAKOW: These are complicated relationships. Bank management does need to respond to the Board, which reflects the views of shareholders. AID officials also need to respond to other U.S. Government agencies, but they have a very heavy responsibility to report to the Congress. Members of Congress have a wide range of views on steps that they wish to see taken. These Congressional actions place vastly more impediments on AID than the Board has ever imposed on the Bank. Members of Congress--and their staffs--impose onerous procedures and conditions that make it exceedingly difficult for AID to do its job. In that way policy has been formulated on certain kinds of issues, usually not terribly helpfully.

At the Bank, however, management almost always is able to get what it wants from the Board. Certainly the Board is much less intrusive in the day-to-day business of the Bank than the Congress has been in the AID Program. Thus, even though—or perhaps because--the Board is a permanent body engaged in daily work with the Bank, its role has been much, much more constructive than that of the politics-driven U.S. Congress.

Q: So the Board brings about consensus or more so than the U.S. Congress?

SHAKOW: Yes, I think that's certainly right. If the relationship works properly, then the Board's support for management's work does create an environment of consensus in which people can work. Development issues are found all over the lot, and there's not complete consensus, and never will be, about how to proceed with important steps in the development business. The Board has been able to work together. This is one of the most remarkable aspects of an institution that has 183 members. A major difference between AID and the Bank, of course, is working in an international institution with all these different nationalities and people and how remarkable it is as to how well the system works. The U.S. Congress was imposing its will on AID, and it seldom represented a consensus reached with AID management. At that time, there was almost constant confrontation between AID and the Congress, with AID trying to eke out in support whatever it could to get on with its business. It always meant, certainly in those days, major cuts in budgets and the imposition of onerous requirements and constraints.

Of course, it is a very different environment here. I must say, however, that when I first arrived at the Bank in April 1981, I thought perhaps I was jumping from the frying pan into the fire because it was just at that time that the Congress began to pay attention to international institutions in general and the World Bank in particular. Members of Congress and the new Administration made very negative comments about the World Bank in 1981, while prior to that there had been very little attention paid to the IFIs [international financial institutions]. During the Carter Administration the relationships with the Bank were very close. So just as I arrive from AID, this black cloud of Congressional negativism to the Bank seemed to come with me. But, as you say, the Board is much more consensus-driven than the U.S. Congress, and so we probably ought to drop that parallel from here on out.

Q: What do you think of the systematic learning of lessons in the Bank as an input in formal policy formulation?

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SHAKOW: Well, it's certainly much more a structured part of policy-making here than at AID. In AID we did have a highly developed evaluation system, and we tried to make sure that what we learned was incorporated into operations. We often would say to the Congress that what we were doing was to see "who benefits" from AID programs, and make sure that we learned from our mistakes. But within the Bank, the fact that we have had the independent operation evaluation for so long does mean that a lot of the OED [Operations Evaluation Department] findings are incorporated into policy.

When I first came here, there was some of the same kind of frustration expressed today that we don't learn enough from history. In Bill [William R.] Easterly's recent book he says we don't learn from history. But in fact we were exploring, even in the early 1980s, how to take advantage of the lessons learned. I remember memoranda prepared by the Bank's agriculture staff that would take the OED evaluations--which at that point tended to be quite project-related--synthesize the ideas from a number of evaluations and draw from them lessons that could be applied. These were placed in one- or two-page notes called "Lessons Learnt." Now, OED itself does that for almost all its evaluations. In the 1980s, these memoranda were used to get the message of experience out to busy practitioners in a way that they could easily access the information. As we know from the [Willi A.] Wapenhans Report and other findings, there is a plethora of information; the issue is how to get it used, get it absorbed, get people to act on it, especially when people don't have the time to read all that they should. But I would say that the Bank is a lot better than many other places; certainly there is a highly developed system to try to ensure that happens. But are there still gaps, of course.

Q: To what extent is policy formulation at the Bank influenced by outside parties and public opinions such as by the NGOs ?

SHAKOW: The Bank was for many years, and certainly when I came, quite inward-looking. AID had to be outward-looking because of Congressional pressure. In the mid-1970s, Congress itself initiated a whole new approach to the foreign assistance legislation. The "New Directions Legislation" was much more focused on poverty reduction in poor countries than the previous legislation. The focus was on getting the benefits of aid programs and economic growth to poor people, with much less support for massive infrastructure projects and other traditional AID activities. It was very similar to the kinds of approach that have become much more pronounced here at the Bank in the recent years. The AID program is smaller and not nearly as broad-ranging, but my main point is that this was a strategy imposed on AID from the outside, building on the ideas of a few creative people inside and outside AID.

Looking at the World Bank, it seems to me that while [Robert S.] McNamara in the 1980s may have been influenced by Barbara Ward or other people, as an institution the Bank tended to be very inward-looking. It had a lot of really intelligent people on the staff, it had a lot of very good experience, and the attitude seemed to be that we are not very interested in learning from the outside because we have all the good ideas we need.

During the mid-1980s, the Bank with Barber Conable as President became particularly interested in addressing some of the issues that outsiders were raising, particularly about the environment,

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but also concerns for the social sectors. While McNamara had been somewhat interested in these areas, he really hadn't pushed them very hard. I also think that internally the staff were mainly people who had been working in colonial systems. They were experienced engineers and economists and so on, and they believed they knew exactly what was needed, and that is what they were going to go ahead and do. Pressure has mounted over the last ten or fifteen years for Bank policy to be the subject of external debate.

I think since that time, and certainly since Jim [James D.] Wolfensohn's arrival, the pressure from outside to change has had much more influence on the Bank, and I think that's right. I think it should always be that way. That does not mean the Bank should dance to the tune of outsiders, but the interplay between people inside and outside is an important part of policy formulation. It is now a factor in the Bank. Some Board members, of course, worry that it's too much and that this influence has to be managed carefully. It is true that there are a lot of noisy people outside who don't necessarily represent a very significant body of opinion, but there are also important voices that need to be heard and the Bank now, I think, listens to them quite carefully. I believe the policy that the Bank now follows is the result of that kind of interaction, and certainly much more than it was twenty years ago.

Q: Turning back to the previous experience with AID, aside from the obvious contrast and setup between the Bank and AID, what particular differences stood out in terms of their operations, particularly the role of resident missions and aid coordination, and how would you characterize those differences?

SHAKOW: The most obvious difference is the one that you mentioned. AID operated with very substantial field representation, and there was a significant amount of responsibility delegated to the field. The very large missions in many countries were really the ones that prepared programs and projects. They had people on the staff that could do the work, and while they had some help from Washington, basically they were in charge, although overall policy directions were, of course, set from Washington.

That situation can be contrasted with that of the Bank in 1981. When I came here, the Bank had a total of about 150 people overseas, and most of them were in several key locations--New Delhi, Jakarta, and maybe a couple of African offices. Washington was the place from which nearly everything happened. I remember vividly a long discussion with Marie's former boss, Willi Wapenhans, on "how could the World Bank succeed in its development efforts if staff were just flying in for short visits and then flying out again, and if there were not people resident in the country?" Willi gave a passionate defense of why--stressing that if staff were resident in the field they would "go native" and they would become victims of all the pressures that exist locally. He had four or five other major reasons why it was simply not appropriate to establish field missions. And so, that was basically the way it was until at least ten or more years later when numbers assigned to the field began to increase a little bit.

Interestingly, in a lot of ways the Wapenhans Report probably had a great deal to do with beginning to change people's minds about this issue. Given the types of programs the Bank supports, we need to be closer to the action. Within the last three or four years, there has been a complete sea-change in attitudes, almost without thinking about it. This issue was raised by the

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Board, but the picture just radically shifted without much debate. It is partly Wolfensohn's influence, partly the result of wanting to be in more contact with the local people, greater stress on country ownership, and so forth. The average USAID mission in the 1960s and '70s may have had 100 or 200 people in it. They now have gone sharply down in size, and most of what they do is done by contractors, while the Bank, which had in the past had maybe one or two staff in the field, just a kind of post office box, now has vast numbers of country directors overseas and thousands of others working for them. This, I would say, is the most radical difference in the way in which AID and the Bank approached management issues in 1981. There were great similarities as to the substance of what was done, and a lot of the approaches to issues were the same. But the way of doing business and the resources available to do it were different, and increasingly the quality of the people really became quite different—to the advantage of the Bank.

Q: You anticipated some of the other points I wanted to ask but what do you think remains to be done in dealing with the field issue question in decentralization at the Bank?

SHAKOW: I haven't followed all of the debate that has taken place in the extensive Board discussions and elsewhere, but it is clear that there is no cookie cutter approach to the appropriate size or structure of a field mission, and I think that's the understanding they have. The Bank is letting each regional vice president, working with the country, decide what makes the most sense. I'm sure there are efficiencies that still need to be worked out on how much authority to delegate, and as long as there is a Board—which I think is likely to continue--you can't just move everything out to the field. But I have no particular insights about what the proper relationship ought to be. Clearly, it is not going to be efficient for every field mission to have all the capacity that it needs in-house.

It is also true that we have been trying recently to encourage greater selectivity, greater priority setting by the Bank itself and in its work with countries. If we have more of that, it does mean that we could probably get more accomplished at the field level because we would not have to have experts in so many fields. This whole question of selectivity and how it's done is very difficult. It's something that's only gradually beginning to work its way through people's minds here. But as far as field mission size, structure and so on, that's an art form that I don't pretend to know much about.

Q: Now when you first came to the Bank, what would you say in your previous experience at AID most influenced your work?

SHAKOW: At AID I had dealt with a lot of people in the Bank and [International Monetary] Fund, and so I did not find it a jarring experience to come to the Bank. There used to be a strong feeling that if you came to the Bank from the outside it was very difficult, that it was hard to adapt to work in the Bank. True, the Bank was never very hospitable to outsiders who came in at reasonably senior levels. I can certainly see that, especially for people who came into high administrative positions, which I did not. I think I came in the right way. I had no major administrative responsibilities, despite my senior management position in AID, and I had worked in the policy area so I was familiar with many subjects. I also knew many of my new Bank colleagues, and so this was not a strange environment to me. Of course, I also didn't have to

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adapt to a whole new place to live, as many new employees do. I was moving from working in one institution in Washington that dealt with these issues to another institution that dealt with the same issues. It was certainly a new experience for me to work in a multi-cultural setting, but I knew a lot of these people before I came to the Bank. What I brought from AID was a first-hand knowledge of the way in which the major shareholder of this institution worked, which was an important asset, and a reasonable sensitivity to the views of other people. I certainly did not bring enough high level economic expertise to challenge the Bank's very high-powered and bright economists. I think I did bring a greater sense of the importance of political economy and of the way in which people in developing countries might react to certain kinds of issues. It was important to me to look more broadly than at the narrow technical questions and to worry about how were we going to gain broad support for the kinds of programs that we believed in so strongly.

Relatively early in my stay, I worked with Javed Burki and Percy Mistry on *IDA in Retrospect*. This book was the first study by the Bank which was not a complete whitewash. *IDA in Retrospect* was designed to help build support for an IDA [International Development Association] replenishment, and so we thought it made very good sense to be quite honest about successes and failures. This is something I had learned in AID as well, that if you're going to have evaluations, don't just think that you're going to put out only the good news, you've got to show you're learning from your mistakes as well. I think that the first time that OED findings were ever used in an official Bank publication was in *IDA in Retrospect*, which was in 1981. That was because we believed that only by going honestly to the shareholders and saying, "Look, in this business there are going to be some very important successes, but there are also going to be failures; we know about them, and we are learning from them, and OED is a very good example of how we go about doing that." We used a critical evaluation of a Sierra Leone project to illustrate this point in the book. Working on this book was a very exciting activity which helped me, soon after I arrived at the Bank, to understand the Bank.

During my years at the Bank, I've worked on a myriad set of issues, and that overview has been fascinating. As a result, it has been possible for me to help people on the outside understand the Bank a little bit better. Coming from AID gave me a sensitivity and experience which was very helpful, and when I came here I was also helped by working with a very nice mix of people in the policy area.

Q: I want to move to another large area that you worked in. Please describe the Bank's poverty agenda in the 1980s and the circumstances leading to your assignment as Study Director of the task force that produced the *Focus on Poverty* report, also known as the Shakow Report.

SHAKOW: Tom [Alden W.] Clausen became President of the Bank, having come from the Bank of America at a time when the Reagan Administration came into power in the United States and Margaret Thatcher soon thereafter in the U.K. For many people this represented a sharp contrast with the policies of the McNamara era in the Bank. McNamara was identified with having led the charge against poverty throughout the world. The reality of that is not quite as the image portrays it. But certainly his speeches, on rural development, urban development, population and so on, speeches which were an annual event and the most significant words to come out of the Bank every year, focused very much on poverty reduction. A lot of the Bank's

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work was directed towards trying to reduce poverty. Much attention was paid to numerical indicators--how many small farmers were we reaching and so on. And then, in comes Clausen. Even during McNamara's last year or two, because of the oil crisis the Bank had to shift its focus a little bit. There was, for example, an attempt to set up an Oil Facility, which suggested to some people a strong shift away from concern for poverty reduction and more towards trickle down, the role of the private sector, traditional capitalism, and so forth. So you had these extreme views: (A) that McNamara has been on one side as the champion of poverty reduction, and (B) Clausen on the other as the champion of the private sector, and never the twain shall meet.

Mahbub ul-Haq, who was the head of the Bank's Policy Department, was a very outspoken person and often seen as McNamara's outlet to the developing country community. He spoke much more as a voice of developing countries rather than in lock step with the strict policy of the Bank. He hired me just before Clausen arrived at the Bank, and soon thereafter Mahbub concluded that it would be important to have a task force that looked at whether the Bank really was backing away from its poverty reduction commitment. At that point also, Michael Lipton was a consultant in the Policy Department. He is a very important scholar on agricultural development and poverty reduction issues. Mahbub asked the two of us to take charge of the study that would look at this question. A set of advisors were organized into a task force from around the Bank, including senior people who had been around for quite a while.

We then proceeded to explore the subject. During the 1970s and 1980s the Bank's programs paid a lot of attention to rural and urban development. These programs were quite broad and far-reaching, and every one of them had to answer the question of how many poor people were being reached. McNamara used these numbers in his speeches. Another Policy Department consultant at the time took a hard look at those numbers and concluded that they were totally spurious, that there was really no factual basis for these numbers whatsoever. It is a long story, but one of the things that we decided in this Poverty Task Force was that we should get away from the extensive use of such data and be much more honest about the rationale for our poverty reduction-oriented projects. Also, we stressed that poverty reduction was not just limited to two or three sectors in the Bank such as agriculture, rural development, education, and so forth. We tried to demonstrate that poverty reduction was a broader concept, and that investing in infrastructure, such as roads, could very well be a crucial way to support poverty reduction. It seems obvious now, but the term had become identified in people's minds with a limited number of sectors. We needed to get away from a narrow definition of poverty reduction as, for example, only a project which provides food directly to poor people. We had faced this problem in the Congress with AID's "New Directions" legislation half a dozen years before: is it real poverty reduction only when it involves an aid worker--or a Bank person--doing something that directly benefits a poor person. So we had to deal with that whole set of issues.

The conclusion of our report was that while the Bank had not forsaken the poverty focus, support for it in the McNamara period had not been as broad, widespread and universal as people implied it was--50 percent of the people in the Bank probably didn't support the McNamara approach and were doing their own thing, anyway. It was a big enough place that that could happen. At the same time, when Clausen came in, he didn't jettison everything. Certain steps were needed to strengthen the focus: one, we needed to get away from this use of spurious numbers; two, we

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needed to change some of the policies and procedures. We thought there were a lot of procedures impeding the ability of Bank staff that wanted to do something useful.

In the end, Ernie [Ernest] Stern didn't think these changes were needed. He was the prime operational power at that point, and in his view any staffer with any ingenuity and drive could get around these procedural impediments. We told him that if they were all like Ernie Stern, that was true, but that most staff came from different cultures and would not be able to take this kind of initiative to go against their division chiefs or other authority figures. Anyway, this study came to these conclusions. I don't know that it changed the world at that time at all, especially as there were three or four subsequent studies of the Bank's poverty strategy throughout the rest of the '80s.

Q: In your opinion, what significance did the report have on the Bank's poverty agenda in the '80s?

SHAKOW: I wouldn't claim too much for it.

Q: And a longer term significance as well.

SHAKOW: I think it was good that we did it. Some people thought that it was inevitable in this place that it would be a whitewash, that it did not really state dramatically enough that the Bank was not continuing to pursue poverty reduction with as much vigor as it should. We believed that the Focus on Poverty report was quite pragmatic and reasonable and valid. It did have a political aspect to it, too. We were not about to come out and say--not that we felt that it was the case--that Clausen was totally hopeless on poverty reduction. We didn't believe that, and the people who were making policy in the Bank were still concerned with these issues, but they were learning from what had been done in earlier years and we wanted to convey that learning. Of course, as we made certain recommendations--for example, that the Bank shouldn't use these poverty numbers in the same way or that there are more than just these two or three sectors involved--the zealots on the poverty reduction side thought that we were backing away from strong support for poverty reduction. In fact, we thought we were refining and improving an approach that would have better results, even though it might look to some as though we were backing away from traditional approaches to poverty reduction programs. We had that kind of problem to deal with.

In the end this required, if this was going to have tremendous influence, that the President and others had to pick up the ball and run with it. This did not occur. I think what happened is that there were just a lot of other issues around, a lot of other pressures. We had the whole Reagan Administration and especially Donald Regan at the Treasury. There were a lot of pressures on the management here. While our report was referred to from time to time, I don't see it as having had a tremendous impact at that stage. Partly because of that there had to be these second and third and fourth studies led by Shahid Husain, by Attila Karaosmonoglu, and so on. So while I think we did good work, I will not claim that we really had a lasting influence on the Bank.

I think that the importance of poverty reduction has always been there. The ups and downs of the balances inside the Bank are there. It often depends on personalities and the environment. Jim

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Wolfensohn did not discover poverty reduction in the Bank, but he certainly has personally given much more attention to this, not just in speeches, but in a lot of the other things that he's done he has really pushed it. And that world has changed.

Q: You've already answered our next question which was about poverty alleviation and how much you see it as a matter of maturing of previous efforts and how much can be attributed to Wolfensohn's leadership. Do you see unanimity of view on poverty in the Bank today?

SHAKOW: No, and I doubt that there would ever be, and there was not, in those days. There may be unanimity at a very general level that is important to reduce poverty, although even that is not certain. Treasury Secretary Paul O'Neill talks as though that's not an objective. I don't know exactly what he means, but his stress is on the importance of increasing productivity. But presumably he would agree that this was required to move towards the goal of reducing poverty and increasing wealth and welfare, so at some level of generality there is probably agreement. But when you get below that surface there's an awful lot of disagreement as to what to do and how to do it.

As this is what development is all about, it's not surprising that there are differences of view on questions of timing or on the priority of one issue over another on an investment choice. I don't think it's fair to simply say, "Well, all issues need to be solved through increased participation of the poor in decision-making." That was an important element introduced in the Bank in a much more serious way in the late 1980s, but it took quite a long time to get people to come to the point where they believed that this issue was important. There is constant refinement of that approach, as we've learned a lot about how to make a greater impact. But is there a consensus? In the international community there's more consensus about a lot of issues now than there was, but I'm glad there isn't a total consensus, especially as more and more countries now have capacity to think through these issues for themselves. As long as the strategy came out of USAID or McNamara's World Bank and was laid on the world, there was not much competition, or if there was, it was highly ideological. That really wasn't the healthiest situation. It's much healthier if we can have a debate going on in Country X or Country Y, in which what we have to offer is just one piece of the argument. And I think we're in that situation now.

Q: What do you still think needs to be done in dealing in waging war on poverty? What's your emphasis in this debate, then?

SHAKOW: Again, there's no way to generalize about this on a global basis. If we look at Africa, where the biggest poverty problems are now geographically, we're talking about the usual set of issues. We have to worry about capacity-building so that people can make decisions for themselves more effectively. There are major health problems, whether it's AIDS or something else. Better governance is required. All these issues are there, and so the question is, country-by-country, which are the ones that make the most impact now? How much can be done at any one time? By stressing Africa, I do not mean to suggest that there aren't also vast poverty problems in Latin America, for of course there are. The gap between the rich and the poor is growing; what kind of education system is needed to get over that? So, I wouldn't want to say, "Well, the Bank has now addressed these nine subjects and it's now time to address these other three." I hope

we've learned to be more modest about thinking that we have all the solutions in hand. We have a lot of experience and we need to benefit from that, but there's no panacea out there.

Q: Should aid agencies substitute for government efforts in combating poverty?

SHAKOW: Well, not substitute for them. We have always thought that the government is really responsible and that is where the decisions have to be made. Now, some governments are better able to do it, and some are going to rely more heavily on outsiders. When we had very large USAID missions in the past, they were often engaged in making decisions for governments. In that sense, it is much better that AID no longer has them, and hopefully in the countries where the Bank has large offices they are working in very close partnership with governments. Outside aid is not meant to substitute for a government, but it can complement local people's efforts. The Bank is in a very good position to do that as it has a lot of talented people and experience. Does it have the sensitivity and the type of people who make it possible to do that well? That's a good question, and I don't know the answer. Hopefully we do, and hopefully we aren't losing experience and knowledge in such large amounts that we are unable to be as helpful to countries as in the past, especially as they are now much better equipped to use this help. Countries that ten or fifteen years ago had very little capacity now have a lot of capacity. That requires adaptation, and so the role of aid agencies or international banks or whatever just changes. We need to be sensitive to that.

Q: I'd like to turn to another task force you were involved in. I want to ask you to talk a little bit about your contribution to the Task Force on Concessional Flows which was established in May '82 by the Development Committee to evaluate the effectiveness of all aspects of development assistance. Could you talk a little bit about that?

SHAKOW: Actually, my contribution was not very large to that task force. It was designed to explore the myriad issues in aid and, as a result, build support for concessional assistance. The goal was to strengthen an environment in which people could feel more comfortable saying, "Yes, aid works." And the result of one of the studies—Robert Cassen's book on "Does Aid Work?"--was that under certain circumstances, it does. And that's the same result which even today David Dollar and Paul Collier and others write about. So that subject is still with us, and will be with us as long as there is a need for some kind of international assistance program. But, my role was just as a contributor from time to time in the task force debates and the discussions.

The Task Force itself was made up of members of the Development Committee, or people nominated by the Development Committee, as they represented governments. It was chaired by John Lewis, who had been Chairman of the Development Assistance Committee (DAC) at the OECD [Organization for Economic Co-operation and Development] and the head of the USAID mission to India in the mid-'60s. He was a professor at Princeton, and later one of the authors of the recent Bank history. The Task Force provided a good opportunity to explore various aid effectiveness and aid volume issues. When I was working at AID and we were criticized by other donors for not providing our full share of aid, we always stressed how important it was to have high quality aid. So then you had the offsets between aid quality and aid volume, but we were always trying to get as much money as possible from the U.S. Congress. Hopefully, we were doing a good job with the limited amounts we were providing, but indeed we were not providing

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nearly enough. That is still true in the United States today, even more so. But that Task Force study produced the predictable conclusions. After all the debate and discussion, we concluded that there was not a panacea to solve the problem of how to increase aid volume. There was no secret pool of money or special fund to turn to that would generate increased aid flows.

The same issues are still being looked at today. For example, there is once again more attention paid to Professor [James] Tobin's proposals, particularly since he died this last week. In the task force, there were people talking about a tax on airline tickets, the "Tobin Tax" and other devices to supplement official development assistance appropriations which were so hard to get from parliaments, including the U.S. Congress.

Anyway, my contribution to this was just to be a kibitzer and to be in constant touch with the people who were doing all the hard work. Bob [Robert L.] Ayres was the person who did most of the labor. He was working in the Policy Department with us. I just brought to the table my years of having worked on aid issues and having dealt with the Congress, but I can't pretend to have made major contributions.

Q: What long term impact do you think this task force had in addressing the issues of quality and volume of aid?

SHAKOW: I think it was a useful thing to do. People had something to refer to. There was Cassen's book. But if you judge it by what happened to aid volume, I don't think it had an appreciable impact one way or the other. Of course, you never know the counterfactual; it was useful to do, it was important at the time. It may have helped the IDA discussions at that time. But, as with all these kinds of studies and reviews, the problem is that the people you want to get to, who are the skeptics, aren't very interested. It is fine to reinforce the views of people who support aid programs, but such studies don't really have a massive influence on the people who oppose aid programs.

Just take the example of the United States Government. If the President of the United States decides that a substantial aid program is important for US foreign policy reasons and he wishes to push this through the Congress, he can usually get what he wants. This is especially true if it happens to be a Republican President with a Democratic Congress, because that is the mix that is most likely to be effective. But we've seen over and over again that the critics in the Congress of USAID appropriations base their judgments on anecdotal evidence or some basic ideological objection or something of that sort, and not very often on objective evidence. So, the USAID levels are now--if you measure by the percentage of GNP--at less than one tenth of one per cent. So, if you were looking back to that study 20 years ago, you would hardly conclude that it had had a terrific positive impact. The numbers have gone up and down but no study is going to be able to solve the problem. The real problems are political and they will take the kind of leadership that heads of government and others will apply.

For example, in the U.K. now you've got a Government that seems to be very interested in increasing its aid program, from what have become quite low levels. You don't need a study to do that. You need some political will and a few good examples and some other things. But,

nevertheless, these studies are important to do. I don't mean to diminish their value, but let's not attribute more weight to their impact than is realistic.

Q: Is it possible that the preoccupation with flows may have distracted from concerns over the efficient use of resources?

SHAKOW: No. While some people are going to talk about flows all the time, particularly looking at it from the standpoint of developing countries, the U.S. certainly always talks about how these flows are to be used. The report of that task force was very balanced, probably because its membership was balanced. That was part of the design. Politically, certain parties would always push the 0.7 percent (of GNP) button all the time and not want to talk about aid effectiveness. Other people want to talk only about aid effectiveness and not the 0.7 goal. So, it was part of the political jockeying which you still see today. But developing countries are now much more willing to go along with expressions of support for improved policy performance, including aid effectiveness, so the Declaration that's being debated in Monterrey this very week is a very balanced document. It begins with stating the responsibilities of the developing countries, placing a lot of weight on what they must do, before addressing what the rest of the world needs to do as part of a compact with them.

So, I think the Task Force Report is very balanced: some people talked about money, some people talked about effectiveness. Most of us tried to talk about the two together.

Q: Turning back to your role in the Bank and your positions in the Bank, what prompted your move in April 1983 from working on policy to serving first as Senior Advisor and then as Chief of the International Economic Affairs Division in the International Relations Department?

SHAKOW: Well, as I mentioned earlier, I'd come to the policy area to work with Mahbub ul-Haq, a very exciting Pakistani gentleman. He left in 1982 to return to Pakistan as Finance Minister. This prompted other changes in the Department's leadership, and Javed Burki also moved out of the department to become the head of the International Relations Department. He asked me to join him there, and while initially I thought I'd stay and work in the revamped Policy Unit for which I was responsible, it soon became clear that it was going to be a more interesting and personally more satisfying job to go work with Javed, so I did that. I moved over to International Relations Department at that time.

Q: And what were your responsibilities?

SHAKOW: They were quite broad-ranging. I was essentially acting as Javed's deputy while I was also head of the one unit in that group. I was dealing with Development Committee issues, with UN issues, with all the things that the department itself dealt with, so it cut across the entire work of the department. That was when I first really began to get involved with the Development Committee. Javed had a very special relationship with the Chairman at that time, who was the Finance Minister of Pakistan. This meant we had a very good opportunity to develop the use of that Committee in a much more positive way than it ever had been. Responsibility for the Bank's work on the Committee had been in Mahbub ul-Haq's department, but it moved to the International Relations Department where Javed really took the major leadership role. I worked

closely with him on that. This was my first exposure to the Development Committee, an experience that proved very useful later in my career at the Bank.

Q: But in international economic affairs, was this focusing on macro economic analysis and research or . . .

SHAKOW: No, because, remember, this was the International Relations Department. The Bank was loaded with people doing economic analysis. We were really addressing political economy issues. My unit's title, International Economic Policy, was a bit of hyperbole, because we were working with the Development Committee, with the UN, with NGOs, and with the rest of the Bank on IDA issues, resource flow questions, and so forth. So it wasn't up to us to repeat what was being done by the Development Economics Department or by the regional staff, but we were taking this kind of information and trying to use it in a way that would boost the impact of the Bank and its role in international economic policy.

Q: It was a much larger conception rather than a more . . .

SHAKOW: It was less the analytical work of economists and more the effort to utilize the great strength of the Bank to promote more support for development cooperation, greater aid flows, and more positive impact on developing countries. It was a broad writ and mandate within the External Affairs Vice Presidency of the Bank. Munir Benjenk was the Vice President for External Relations. Within the Vice Presidency were three departments, one of which was International Relations with its broad sweep of responsibilities, we delved into virtually everything.

Q: In June 1987 you became Director of the Strategic Planning and Review Department, what did you hope to accomplish in taking this position?

SHAKOW: Change the world. [Laughter] This came about as a result of the big reorganization of 1987. This new department was created, and I fully believed Javed Burki was going to head it. He had been part of the team dealing with the reorganization, and it was very clear to him and to the others on this reorganization task force that one of the great gaps in the Bank's work was its inability to address upcoming policy issues in a coherent way. It may have existed during the McNamara period, given its big policy formulation structure that we talked about earlier, but certainly, during most of the 1980s, that structure had fallen apart. There was no real effort to look ahead and to anticipate issues. I'm not sure whether this was done in the 1970s, as I wasn't here, but in any case, the debt issues and other critical issues had not been anticipated. As a result, this new department was created to anticipate important policy issues. So that's why it became a Strategic Planning and Policy Review Department, a natural fit for Burki.

But then Burki was approached by Moeen Qureshi to become the new Country Director for China. And he decided to do that. At that point, the decision was made that I should take over that new department--I guess Javed had a great deal of influence on that decision. So I became Director with a certain amount of trepidation but certainly a great deal of enthusiasm for trying to take on the kinds of challenges that had led to its creation, and that is putting more order in the Bank's policy work, looking ahead and establishing a better strategic approach to issues.

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Q: We refer to the Bank's history, *The World Bank: Its First Half Century*, and they make the following observation, “that despite its advocacy of planning to its clients, the Bank lacked a single comprehensive multi-year corporate plan of its own, emphasizing that the Bank's problem in the '80s continued to be an emphasis on lending at the expense of focusing on implementation.” Do you agree?

SHAKOW: I have a couple of thoughts. That we lacked a coherent comprehensive plan, I think that's probably right. We did not look as much over the whole horizon as we might, and as I said we didn't anticipate as much as we should. One of the steps we took in the strategic planning area was to try to identify ten or so of the issues that might be coming up that were not on others' radar screens--thinking outside the box--and thinking about what we ought to do about these issues. We also began preparing scenarios that would permit us to project what we would do if certain things happened that we might—or might not--be able to anticipate.

As to the second part of that statement about focusing on lending but not on implementation, that's a totally different subject. I guess there is some truth in that, and that's why we needed the Wapenhans study. There certainly was a lot of learning going on, and I don't think we were simply pushing out the money. There has been, I believe, a tendency to over-simplify that. But it is true that we did not do enough thinking ahead and there wasn't enough discussion and debate with the Board about where the Bank was headed and what we wanted to accomplish. There were other pressures, and Conable reacted to them, first on the budget and then on environment and other things. In the strategic planning function, we tried to open up some of these serious questions, but the Department only lasted about two and a half years. The Board became quite interested in what we were doing, and I guess Senior Management concluded that they didn't want to have this kind of function around because it was not tied down to something that they could control. So that is why Strategic Planning was eliminated.

Q: Now in the 1980s, aside from the question of strategic management, concern for the quality of Bank management was stepped up and marked by a series of special studies (led by [W. Bowman] Cutter in 1983, and [Steven A.] Denning in 1985) which were critical of the Bank planning process, and some believe, this culminated in the reorganization of '87. Was your appointment in Strategic Planning related to the reorganization, if so, how was it related?

SHAKOW: Well, as they say, it was related to the reorganization but not in such profound fashion as that question implies. I think it was really just because Burki got pulled off to something else. I'm sure that Burki had some influence on my getting this job. It did not have anything to do with the Cutter report. I think they were interested in breaking away from some of what had developed in the 1980s. I had experience working on policy issues at AID. I'd been working with Burki very closely, and Burki was very close to Moeen Qureshi. It was not illogical for them to think I might be able to do it. My pre-Bank experience was relevant, and I'd worked on policy issues in the Bank, so there was some reason for the choice.

Q: In retrospect, what is your assessment of the 1987 reorganization?

SHAKOW: The common view--and I guess mine, too--is that the reorganization itself was probably a good idea. The problem that created such havoc was the way in which the personnel issues were dealt with, where everybody was put out on a limb and then only some people were brought back. I have never worked in Operations in the Bank, and big debates always seem to follow any reorganization here. I think the big debates tend to be about whether the balance between projects and programs, economists and non-economists and so on, has worked out well between the center and the regions. On that, I just don't have views, and yet that's again what was controversial about this reorganization.

But the basic problem that bothered everybody was the way in which the personnel decisions were handled. That left a lot of bruised egos and bad experiences and a lasting negative impact on the Bank. I don't think it was the design of the organization itself that was at fault, but somehow this implementation problem occurred. I think the formation of the department that I was asked to head was actually a very good idea. I was also very disappointed when the strategic planning part of it was eliminated because I think that is still something the Bank needs today. A lot of good could have come of having continued to have a relatively independent office looking more broadly at trends and directions and being able to challenge various other offices in the Bank. That is a very important function in a Bank like this.

I think one reason we got into some trouble in the 1990s and one of the reasons why we have only recently begun to talk about the rigorous setting of priorities is because there wasn't pressure to do that after our department was eliminated. During our time, senior management held retreats where the major theme of the discussion was, "How are we going to concentrate and focus the work of the Bank in a way that will permit us to do our job better and not get spread too thin?" One of our major suggestions to address this problem was to establish closer partnerships with the regional development banks to ensure that there was a better distribution of labor and not a lot more competition. At that time, this idea was greeted with hostility by the regional offices. They either said that "We are already doing it" or "That's so stupid, why would we want to do anything with the Asian Development Bank, they're not competent." Now look at the close partnerships that have developed with the regional banks and others! These are now very common, but we're ten years, fifteen years later. It's just ridiculous. But anyway, that was more than what you asked in your questions.

Q: That's OK. There have been other reorganizations in the Bank. In your opinion, are there lessons to be learned from periodic reorganizations?

SHAKOW: The answer is yes. What the lessons are . . .

Q: That was my next question.

SHAKOW: Yes, that's the more difficult question. The unsettling part of these reorganizations has been the impact on people. What I've never quite understood in the Bank is how you can have an extraordinary amount of effort undertaken by very talented people, in which they put together perfect structures in boxes here and boxes there and so on, and the minute that these plans are issued (after a long consultation period and much discussion), many people think it is a stupid proposal. So there's clearly some problem with trying to arrive at boxes and new

structures in an institution this big. Certainly calling in McKenzie [Consulting] is not the solution. Moving boxes around in this place is not the solution. Yes, sometimes you do need to do that as organizations become atrophied after a number of years. I think the 1987 reorganization produced a good structure, but its success depended more on overall leadership and how the hierarchy works rather than simply looking to see where some of the boxes fall.

We were very frustrated in the early 1980s when we thought that Bank leadership at the top was weak, and the best we could do at the lower levels was to try to work around these weaknesses. I'm also not a great supporter of the matrix system, and, indeed, there are some aspects of it I don't fully understand. Until two or three years ago, I thought I knew how the Bank worked, and I could help people from the outside to understand it. Now it has become much too complicated for me to try to explain to anybody else. I don't even know what some of these words mean such as "anchor," "family", this, that. It's become quite complex, and I'm glad I'm not somewhere down in the bowels of the place trying to understand it, because I still don't understand it and I have a much better overview than 98 per cent of the people who work in the Bank. But it seems to make sense to some people, so far be it for me to try to challenge that. So Jim Wolfensohn and others who are talking about reorganization as some kind of a continuous adaptation probably have it right, rather than a massive "stop everything" reorganization.

Q: Please discuss the circumstances surrounding your move to Director of External Affairs in July 1990?

SHAKOW: The then-Director of External Affairs left to take on another responsibility, and I was asked to take his place and to take as well the policy functions that had been with me ever since the reorganization of 1987. The Department of International Relations had become a division in the Department of Strategic Planning and Policy Review, and in 1990, when I became head of External Affairs, I brought with me the residual international economic affairs group. So, in effect, the International Relations Department moved back into External Affairs, but it was a Department and not a Vice Presidency then.

Q: What were the major issues and challenges you had to deal with in handling the Bank's image in terms of public perceptions and expectations?

SHAKOW: Well, that was a very tough period for the Bank because it was the high point of the harsh attacks on the Bank by the environmental community and increasingly by the non-environmental NGO community as well, building up to the "50 Years is Enough" crowd focus on 1994. 1994 marked the 50th anniversary of the Bank, and so these groups began mobilizing to oppose the Bank's continuation, to oppose IDA, to oppose the Bank's environmental policies, and the Bank's support of the Narmada Dam in India. There was an endless array of issues that had to be confronted. My main interest really was in the international affairs area, on the substance of the relationships with the Development Committee, with the UN, and with the Development Assistance Committee. But obviously, a major responsibility of the Director of External Affairs is to deal with the press and the media and speeches and all of that. I really don't think I was ideally suited for this broader External Affairs responsibility because I didn't really love the idea of spending enormous numbers of hours talking with the press and spinning the Bank's message. But that was really an important part of what was needed.

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And the other difficulty in that period was that Barber Conable left and Lew [Lewis T.] Preston became the president, and he was not really oriented towards the outside. He was a wonderful man of great principle, but as a child he was dyslexic, and was never comfortable with public speaking. While he was terrific in small groups, he never made speeches, didn't like to make speeches, didn't like to go to meetings where he was put on a public stage. He would do what he absolutely had to do, such as make the speech at the annual meetings. I was told when he first came to the Bank that he had given only one speech a year at J.P. Morgan, where he'd been for forty years, and that was a three-minute talk at a Christmas party. So it was not an ideal situation.

In an institution of this kind, if the president is not interested in reaching out, this becomes a real problem because you've got to use all sorts of surrogates. The message that we tried to get out was to describe what we were actually doing as opposed to what people were criticizing us for, and that included trying hard to build further relationships with the NGOs, which, of course, I had already been working on. While I thought this was important to continue, the trouble was that there were certain NGOs that were very interested in weakening or eliminating the Bank, which they saw as a tool of the U.S. imperialists and so on. My job in External Affairs was to try to organize the process a little bit better, to get the message out to the media, governments, NGOs, the UN and elsewhere. And that was hard, partly because we didn't have the strongest team of people working on it in the department. Many of them had been there for many years, had no options to move elsewhere in the Bank, and were simply tired out. We had a President who wasn't really interested in going out and leading the public relations charge. We had disparate people around the Bank doing other things. So, it was not an easy time, and I was much relieved when management finally arranged to get Mark Malloch Brown to come in as the Vice President for External Affairs. Mark had the perfect kind of background. He knew about development and about work overseas. He had political contacts overseas and here and was a public affairs specialist. He was uniquely qualified to do this job, whereas I was not. But I spent almost four years doing that job, and it was a great relief to get out of it.

Q: So you would say the Bank during that time wasn't allocating needed resources for optimal performance and this, in the sense . . .

SHAKOW: I guess we always feel that way, but I wouldn't say it was mainly money. After I had been in the job for a couple of years I realized that there were other ways of getting news out. We had a system that had been in place for many, many years, and simply had a staff of people whose job it was to get material into the press. And we did it all in-house. I was finally made aware of the fact that other people were doing this job in different ways. I finally managed to break through and hire a consultant to manage the process in a limited set of areas. He had had phenomenal success in getting front page stories for his clients. But using a consultant was also very much against the grain of the staff in the department. So it wasn't simply money; it required we to try to get the place organized to think about the external world.

I said at an earlier point that the Bank was quite in-grown and inward looking, and one of my tasks was to try to get the Bank to look more to the outside. It is too bad that the Bank, during the early McNamara days, had not paid more attention to its relationships with outside organizations and pressures. If the Bank had begun to explore critical issues with them then much more than

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they did, including how we might work together and how we might gain better understanding of each other's views rather than taking a fairly hard attitude that we knew what was right and just get out of our way, then in the late 1980s and early 1990s, life would have been much, much better. We wouldn't have had to try to build relationships based on a history of having been quite disdainful of those relationships. In the 1990s, we were in a position, while we were under intense fire, of trying to explain ourselves and to build support and find friends at the same time, and that is never easy. It is a lot harder to do if you haven't established those relationships in better times. And so it was very much an uphill battle.

One of my great satisfactions was that the Bank/NGO Committee, for which I took over responsibility in 1987, had begun working on issues of participation, access to information, and other subjects that were important to outsiders. For example, in the 1991 or 1992 IDA replenishment discussions, the U.S.-based advocacy NGOs took the position that IDA should not be replenished. They argued before the U.S. Congress that IDA should not be replenished because the Bank was introducing structural adjustment lending and thereby making the poor poorer.

Developing country NGOs, who were now an important part of our Bank/NGO Committee, of their own volition (once we pointed out to them what some of their NGO friends were doing) took the initiative as NGOs representing the developing countries to go against their northern colleagues. They said, "No, this is not right. We may have our differences with the Bank on X, Y and Z subjects, but we can talk with them about these issues, and it would be a real mistake to cut off a major source of aid resources for the poorest countries." So they organized themselves and testified before the U.S. Congress and they worked with the IDA Deputies to present a developing country NGO viewpoint. This countered the approach of northern NGOs who portrayed themselves as representing all the NGO community of people all around the world. And this was the first time that that had happened, and I think it was a very important liberating force for the southern NGOs. It was a kind of colonialism being exercised by northern NGOs, thinking they could speak for all of the southern NGOs. And the southern NGOs stopped and said, "No, wait a minute. We agree with you on a lot of things, but we don't agree with you on this."

It was very important to get the rest of the world and the Bank to understand, and to get into the public domain that these various viewpoints existed and that there was not a monolithic NGO position. All that we did was tell some of the leaders of the NGO group with whom we worked regularly that the northern NGOs were going to the U.S. Congress and telling them not to support IDA, and they then organized themselves. It was not our doing. We helped ensure that they had an opportunity to talk to whoever they wanted to. But I use that only as an illustration of how difficult it was in the early 1990s, in that environment, to scramble to get support when we hadn't really cared about doing so during the entire previous 45 years we were in business.

Q: Now, you had been the co-chair of the Bank NGO Committee from 1987.

SHAKOW: Yes, from 1987 when I became head of Strategic Planning and Policy Review. Javed Burki had been co-chair of this Committee during his time as Director of the International Relations Department, so when I became head of the Strategic Planning and Policy Review

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Department, I became co-chair. We expanded the number of developing country NGOs on the Committee, and we also had a developing country NGO leader as co-chair.

Q: For how long were you co-chair of the NGO committee?

SHAKOW: From 1987 until the time I left the External Affairs Department in 1994. I spent seven or eight years doing that. Again, as with External Affairs, it was a constant uphill battle to try to get the message out about the Bank to the NGOs. I was delighted, however, that I was finally able to go to the consultants on media issues and find that we could get front page stories about important Bank work which we never were able to get using our own staff.

Another important step we took was to hire an outside consultant to advise us on our public affairs strategy. Nobody wanted to pay much attention to External Affairs in the Bank in the early 1990s. The President wasn't particularly interested for reasons I mentioned earlier, and some of the other senior managers weren't particularly interested, either. They were part of the old school that felt that, "Well, we'll just go ahead and do our thing and then it will be recognized that what we're doing is right." And so a few of my colleagues, including Gerry [Gerard T.] Rice and Judith Maguire and I, concluded that the only way we were going to get the attention of Senior Management was to suggest that there should be a major review done by an external advisor, especially as we had all this "50 Years is Enough" stuff and all these big problems to confront. We needed an outside expert to come in and take a look at what we were doing and how we were doing it.

So we hired the most unlikely consultant, a fellow by the name of Herb Schmertz, who had been responsible for Mobile Oil sponsoring *Masterpiece Theatre*, as well as helping Philip Morris to improve its image. We reviewed four or five different possibilities from the more traditional PR firms, and then we went after this guy Schmertz. He was a fish out of water in this place, but we thought he was also just perfect because he knew Wall Street, he knew New York, and we thought he would also have a chance of being able to convince Lew Preston that it made sense to pay more attention to the Bank's external affairs. He did a study, and it did really get everybody's attention, with the result that there was much more willingness to focus on what needed to be done, and how important it was that it be done soon. I think that also helped ensure that we got somebody like Mark Malloch Brown come in.

Q: What was the outcome of the Schmertz study?

SHAKOW: Just to do the study was important, to get an outside professional view. In fact, his report did not include anything that we had not at one stage or another proposed. The difference was that when we proposed it, no one paid any attention! He proposed a number of very specific steps to increase the exposure of the Bank and improve its image, including having a new logo, to having a mission statement. The Bank had never had a mission statement that captured in a few words what the Bank was all about. He recommended a number of things that are considered standard operating procedure here now, just as they have been in corporations and elsewhere for some time. The Bank was back in the 18th century as far as this sort of stuff goes. The difference was that he was an outsider with recognized expertise and a track record of having made a difference in corporate America, and that had an influence over the management of the Bank. It

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didn't solve all our problems. We didn't turn everything over, over night. But that was a big change.

Q: In taking the longer view about the Bank/NGO relationship, how has that relationship evolved and how do you see it evolving?

SHAKOW: The Bank, as an institution, had not really cared very much about outside views. Those of us who were interested in working with NGOs were a small and a not particularly influential group during the 1980s. The first Bank/NGO Committee had been set up in 1981. Javed Burki chaired it just before I did, and he had taken it over when it was mostly composed of individuals from northern NGOs. The NGO movement itself was not very well developed, particularly in developing countries, during the 1980s. But there had been important initial steps towards working with a broader group of NGOs when I became co-chairman.

One of the big problems was that the Committee did not really represent a broad spectrum of NGOs. In particular, we tried to find a way to expand it so that it would include more developing country people and be less dominated by northern advocacy NGOs. In Santo Domingo, in 1987, we had a meeting in which the Committee was expanded to include 26 NGO representatives, and this was the beginning of a real opportunity for serious dialogue. Environmental NGOs, however, did not really participate in this Committee very much. We had one or two, but the environmental community didn't see this as a vehicle that was important to them, perhaps because they had their own ways to influence the Bank more directly. The developmental NGOs, from both north and south, did think of this as a vehicle to gain exposure to the Bank and as a place where issues could be debated. But it was still not really representative. The number was small, and there had been a lot of NGO growth.

In particular, the northern advocacy NGOs were very noisy, and some of those in India were very active on environmental issues. The most active weren't necessarily part of this Committee. So while we looked to the Committee for important discussions of issues, we knew that there was increasingly more and more going on outside the Committee. The outsiders tended to be much more critical than the Committee members, so this group's own objectivity and credibility was also in question. But the Committee was an important beginning, and a lot of good work was done there. There was a great burgeoning in growth of NGOs and NGO influence in the 1990s, often of the environmental movement, but also a lot of the non-environmental NGOs began to learn from the environmental NGOs how to exercise political influence and pressure--not just in the U.S. Congress but throughout the world. So the NGO world has been growing rapidly, not only in size but in influence, over the years. And in the Bank there was a willingness to meet and talk with them, but it wasn't taken all that seriously except by people who were particularly inclined in that direction. The Bank actually had many staff who at one time or another worked for an NGO or the Peace Corps, and so there was an inclination in that direction by these people. But at the management level there really wasn't much daily thought of them.

The arrival of Jim Wolfensohn certainly did make a big difference in this respect. He took very seriously a lot of the things that were being said about the importance of local participation in decision making, and he wanted to make sure that in every one of the Bank's field missions there

was somebody who had responsibility for establishing links with NGOs. The leadership that he showed in this area certainly was very significant.

So if you say, "Where is it all going?," I think we have a very good working relationship with a very large number of responsible NGOs. There is a more difficult relationship with many of the less responsible advocacy NGOs. There are NGOs of all different types, both here and in developing countries, and it's the advocacy NGOs that are the most irritating. They are also the ones that the Board is most troubled by, as Board members think that Management is selling out to the NGOs. There will no doubt continue to be tension; it would be very surprising if they thought the Bank was doing everything perfectly because then there would be no reason for them to be in existence. We need to be able to distinguish those NGOs with whom we work very closely in the field and on other issues elsewhere, because they bring a lot expertise. These NGOs are basically trying via legitimate means to influence the direction of the Bank's work or our relationship with governments. This relationship will continue and, I hope, mature. I think that overall it is and it has been.

There are some interesting situations where the Bank does what NGOs want it to do, and then they come back and realize that this was not the right thing. For example, there was a lot of pressure on the Bank not to participate in the Three Gorges dam project in China. Once we decided not to help fund this giant project and the Chinese decided to go ahead on their own, some NGOs then began to realize that this pressure on us had been a mistake as they had zero influence with the Chinese government and considerable influence with us.

Another issue is that NGOs are not representative in a democratic way. We have to be careful about their relationship to elected governments. NGOs form an important part of the relationship of any quasi-public institution and we need to pay attention to them. But we also need to be careful not to be overwhelmed by them and to be careful about the relationship with developing countries. NGOs there are becoming just as important--or more so--than those in industrialized countries. There are people who think that someday there will be NGOs or civil society representatives sitting on our Board. I don't see that happening very soon, but in any case, they are an important part of the tapestry.

Q: How did serving the Bank from these different vantage points, especially in External Affairs influence your later thinking on development? Or did it?

SHAKOW: My entire life I have been dealing with a wide array of characters interested in the issues on which I work. So if I had been a traditional Bank staff member who had spent most of my time working on a country and was then thrown into the External Affairs function, then it would have been a major wrenching change. As it was, dealing with the outside world is what I really was doing most of the time. When I was at AID, I had a lot of contact with people outside. So being in External Affairs was not such a great novelty for me, except the amount of time that I needed to spend dealing with the press and the media. I was not the Bank's spokesman; I gave that to somebody in the department to handle. But that was the part that would have been--other than the management of this whole process--the most onerous.

So, what did I learn from all that? You learn how to deal with the press and to be cautious while also trying to be open. In fact, the whole experience was a difficult one, and I don't look to it as being one that gave me great lessons for what the rest of my life should be like. I'm sure that I was influenced by it. I'm sure that what I do and decide and have done in the Development Committee or the Corporate Secretariat was influenced by that experience, but I don't think of having had an epiphany as a result of that external affairs work.

Q: I think you've touched on both your accomplishments and frustrations but are there any accomplishments or frustrations that you haven't touched on that you would want to leave us with?

SHAKOW: In the External Affairs area?

Q: Yes.

SHAKOW: Despite the frustrations, I do believe that we were able to build much closer relationships on a substantive level with NGOs. We were able to get the participation issue front and center in the relationship with our borrowers and in the Bank, and we gave it a prominence that it was not accorded before. While that began in my period as head of Strategic Planning and Review, we carried it over into the External Affairs work. I think we were also able to push, against all kinds of odds, for much greater access to information for people outside. This was in part a result of outside pressure that was applied on the Bank, but we had initiated efforts even before this to increase the information flow. This was not just for the sake of getting information out, but primarily to improve the effectiveness of the Bank's project and program work. The participation and information issues were related because when we started talking about information, the question was, "For what purpose?" And the answer was, "To make it possible for people at the local level to participate more actively in the design of projects that would affect them." So the two were tied together in our minds, not separate issues. While we really pursued that in the External Affairs area with a great deal of effectiveness in the early 1990s, when Wolfensohn came along, he pushed it much, much further than we could ever have done.

There were very few people really interested in the Bank's external affairs or international relations in those days. We had a central point of coordination for international contacts, particularly with the UN, with the Development Assistance Committee at the OECD and with NGOs, and I think in these areas we played a very useful role. It has now become a much more dominant part of the Bank's work, and especially so with a president who is very actively interested in this. The function is now spread around much more, and that is a problem. I think EXT VP, Mats Karlsson, is now trying to reestablish a group that will do the same sort of thing we did in the late 1980s. I'm not sure it can be done now, but it was certainly an important accomplishment as far as I was concerned, even if others didn't recognize it. I also think breaking open some of the dealings with the media and the press by hiring two consultants was an important step; I'm pleased we did it. This job certainly had its satisfactions, even if it had its frustrations as well.

Q: In the context of the criticism of the Bank and so many of the voices out there about development, how does the Bank maintain its relevance, and this now as a person who is an

expert in external affairs, as the premier development institution in a rapidly changing environment?

SHAKOW: By continuing to hire really good people and to permit those people to debate and discuss and pursue the issues and to interact with people on the outside in a way that demonstrates that we are thoughtful and concerned and interested, that we have something to offer, and that we're not simply following necessarily the transient patterns of the past. I don't think there is magic bullet here. The Bank will continue to be recognized as being a premier development institution if what we do on the ground and our behavior demonstrate that we are entitled to such recognition. We don't get it by simply claiming over and over again that we are the biggest or the best or whatever. We have to be very conscious of the fact that we do not have a corner on all knowledge, but we do have a great deal of information and a lot of very good and bright people: we are sitting on a gold mine of talent; we ought to use it more effectively.

A lot of people criticize us for our bureaucracy and that we don't use our skills and our talent as well as we might. That is certainly my impression, that the whole is sometimes less than the sum of its parts. How one encourages a change in that, or an improvement, is a constant struggle. This is a very big place, and we cannot pretend that it's an easy place to understand or organize. We are also subject to enormous pressures and tugs and pulls from all our various constituencies. The perception that we are excellent will come from day-in, day-out consistently getting across to people that we have something to offer, that we listen well, that we are good partners, and that we are not arrogant.

Q: Clearly from what you say, the Bank has won over some of its critics and obviously not others. For those critics not won over, or if their minds haven't been opened, what would you want to tell those people?

SHAKOW: I don't think that in institutions of this kind you can ever give up trying to make sure that it is better understood. We have to keep doing our job, and doing it as best we can. One of the points we tried to get across in the early 1990s was that our ability to do our job well is affected by the degree to which people perceive us correctly. You can't constantly go against widespread opposition or disaffection, even though you think you're doing the right thing. Inevitably, we won't get the resources to do the job, as we depend upon others for resources and support. We need to be able to go to countries for help, and if we face nothing but opposition, then no matter how good we are, it doesn't make any difference, we are not going to be able to succeed. So our success is not entirely a matter of having the right economic ideas or the correct technical skills. That's crucial; it's a bedrock; everything has to be built on that. If we don't have that, then it doesn't matter what we spin out. If we protect the strength and the bedrock of our institution's objectives, skills and abilities, then we have to work with everybody that we can, as efficiently as possible, to help them to understand that.

A lot has been accomplished by Jim Wolfensohn himself, by his just being so much more outward-oriented and outgoing. We may never be able to convert those anarchists that are trying to burn the place down. I'm not saying we ought to spend much time with that group. But there are a lot of groups out there with whom we need to continue to try to work.

We don't have resources to put somebody in every school in every country. Obviously we can't do that. So we need to look at where the priorities are going to be. We shouldn't give up on people just because they may oppose us or may have a difference of view with us. We have always found that going out and engaging people and talking about the issues is constructive and valuable. We need to continue to do that, and do it as much as we can, without undermining the basic work that we do.

This isn't a job that the Bank can do alone. Our shareholders have to carry that responsibility as well. It makes a big difference if the President of the United States says that poverty reduction is an important goal and we need to work towards that goal, as contrasted with a Secretary of the Treasury who says that nothing has ever worked in the last 50 years. So there's a limit to what we can do. We're not totally on our own here, but we have an awful lot that we can do.

I would say that in this area President Wolfensohn has most excelled in trying to get across the message about what kind of an institution the Bank is. I think it's very important for him to continue to do that.

And one more thing I meant to say earlier: one of the things that we also did in Strategic Planning and in External Affairs was to draft the president's annual meeting speeches--at least as long as the speech writers were with us. We were able to help set a tone in those speeches. Some of the early mentions of concern about military spending and other issues came up in those speeches, and we used them as a vehicle for getting across some messages inside the Bank as well as outside. I think we were constructive in that role.

Q: I want to end today's session with just one further question. In October of '94, again, dealing with policy, you held for one year the position of Senior Advisor, Operations Policy Department. What prompted this move?

SHAKOW: I was certainly pleased to be leaving External Affairs and delighted that Mark Malloch Brown was coming in. Since there was such a lot of criticism of External Affairs on the outside, senior management's view was probably that there was no basis for my taking over major responsibilities for another department at that point. So I came to this position in the Operations Policy Department as a kind of cooling off period, to work with Armeane Choksi, Jim [James W.] Adams, and others. It was not a managerial responsibility, and I came to get away from the External Affairs department. But it gave me an opportunity to work on issues I was very interested in, including the Development Committee, the Bank's 50th anniversary, and other matters. It was a bit like coming to the Bank in 1981 again because I was able--without a lot of responsibilities--to deal with interesting subjects. I had something relevant to say on them and to work very closely with a couple of people who were really just terrific to me. It was a very good place to be for a year or so before this Development Committee work evolved as a natural kind of progression, which was also very lucky as far as I was concerned. So the move got me out of External Affairs, which both Management and I wanted, and I had a year or so to work on interesting subjects.

Q: OK, well thank you very much.

SHAKOW: Thank you very much.

Q: We'll take up tomorrow.

Session 1
March 20, 2002
Washington, D.C.

Q: Good Morning. Today is Wednesday, March 20th, 2002, and we are continuing our interview with Alex Shakow. I'm Bill Becker.

Q: And I'm Marie Zenni.

SHAKOW: And I'm Alex Shakow.

Q: We'd like to start by saying that from October 1995 to the present you have served as the Executive Secretary of the Development Committee. Simultaneously, and shortly thereafter in January of '97, you served as Deputy Secretary of the Bank in addition to Acting Vice-President and Corporate Secretary since January 2001. Please discuss how what appears to have ended up as the most demanding assignment came about?

SHAKOW: Just for the record, it ought to be clear that on October 7th or 8th we actually had in place my successor Mr. Tom [Thomas A.] Bernes, both as Executive Secretary of the Development Committee and as Deputy Secretary of the Bank Group. Thus, my formal responsibility as Executive Secretary and Deputy Secretary ended in October, but since then I have given myself this wonderful title of Outgoing Executive Secretary and Deputy Secretary. This has provided us a very useful overlap period. Because the Development Committee meeting took place in November rather than in September due to the September 11 tragedy, then Tom and I worked on this meeting together. So I am the Outgoing Executive Secretary until March 29th, 2002, which is just a week or so away from now. I was Acting Vice President and Corporate Secretary for most of last year because of the illness of the incumbent, Mr. Chaikh Fall. He is now back in business and so I no longer have that responsibility, but for most this last year I carried these three different jobs. So what was the question?

Q: How did that come about?

SHAKOW: How did it come about? How did it come about that I held all three jobs, or how did it come about that I became Executive Secretary of the Development Committee initially?

Q: All three.

SHAKOW: Ah, OK. The explanation I think I've given you as to why I was made Acting Secretary was really just because of the illness of the Secretary. Mr. Wolfensohn asked in December of 2000, given the medical problems that Mr. Fall was having, whether I would be willing to postpone my retirement, which had been scheduled for January 16, 2001. And this I did, at the request of the Bank's senior management.

Back to 1995 though, what happened was that I had, of course, been working on the Development Committee off and on for many years from the World Bank side. The

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Development Committee is a joint committee of the Bank and the Fund and it has always had an Executive Secretary selected by the committee from within member governments. The previous Executive Secretaries were senior officials who came directly from their governments and were chosen by the Committee in an election process. For many years the most exciting thing that happened at the Development Committee was the election of the Executive Secretary because it was hotly contested--for reasons that escape me. There were sometimes three or four candidates.

The Executive Secretary in the early 1990s was Peter Mountfield from the United Kingdom, who had been a senior official of the U.K. Treasury. He came to the conclusion himself that it was very hard for an outsider to do this job well. This was partly because the job itself does not require full-time attention, and yet the Committee always brought on an outsider whose only responsibility was this job. So there was a certain frustration—I think all previous Executive Secretaries have had that frustration. Secondly, Mountfield thought, it's just hard for someone who is not part of the two institutions to be very effective in dealing with the issues. No matter what their expertise is, there is just something about working within the system here that makes it hard for an outsider.

When the Bank/Fund Development Committee was set up in 1974 as a joint committee of ministers representing the same constituencies represented on the Boards of the two institutions, the position of an independent Executive Secretary was created because it was considered important to have someone independent of the two managements. In practice that has never worked very well. The original secretariat had 15 or 20 people in it. It did all the writing of papers for the Committee, and it was an independent force. By 1979 it was clear that neither the President of the Bank nor the Managing Director of the Fund thought that was very sensible and the Boards didn't think so either, and so they rapidly reduced the size and began to rely upon the two institutions and their staff to do most of the preparatory work for the Committee. So it was kind of an anomaly and an anachronism to have the so-called independent Executive Secretary chosen from the outside and to work with one or two assistants.

Thus, as part of a series of reforms, some of which were recommended by Peter Mountfield in 1995, the Committee undertook a whole series of recommended changes. One change was that the Executive Secretary would no longer be selected from outside, but instead that the nomination of a candidate would be made by the President of the Bank and the Managing Director of the Fund, after consultation with the Boards. That person would then be presented to the Committee as the candidate for Executive Secretary. It was kind of a Soviet-style election, because the selection process was done at the recommendation of the two institutions and the Boards.

That is what happened in 1995. I had been working on the Development Committee for years and knew it very well. When Peter Mountfield left, I came over and worked as an Acting Secretary for awhile before becoming the Executive Secretary chosen by the Committee in this process--one of the reforms approved in September or October 1995. That's a long-winded story, but that's the way it happened. I think that it was pretty clear to Board Members and to the two institutions that I was the logical person for this job as I had spent so much time working on the Committee and people in both the Bank and the Fund knew me well. I also had had other jobs that touched on the kinds of issues that come before the Committee. So it was not a controversial

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appointment, but it was important that both the Fund and Bank managements and the two Boards were agreeable. And they were.

It wasn't expected necessarily to be determinative of future arrangements, but it was a radical change from what had been done in the past. I had a three-year appointment initially, and it just kept being extended, until just this past October. Bernes was chosen as my successor in the same fashion, but his background was quite different. He had been the Canadian Executive Director at the International Monetary Fund for five years or so and was particularly well known to the Fund management and Board, but he was also well known here at the Bank because he had spent some years as the G7 sherpa of the Canadian Finance Ministry and had been a member of the Development Committee Multilateral Development Bank Task Force in 1995/96.

So, again just to complete that story, this is a person who was not a Bank staff member or a Fund staff member in the traditional sense, but who had good experience. He was nominated by the President of the Bank and the Managing Director of the Fund after consultation with their Boards. The Committee agreed that Tom Bernes is also the Deputy Secretary of the Bank. That is, we've kept these two jobs together. That came about originally because, as I said, the Executive Secretary position is not really a fulltime position. There are only two meetings a year, and while there are a lot of other things that go on, you can't keep yourself busy all year long. But there are cycles to this, and so when Shengman Zhang was the Vice President and Corporate Secretary, he thought it would make sense to have me be his Deputy when the then Deputy Secretary left. It was also an economy move as they did not need to pay two salaries. In fact, I don't know if the Fund ever knew this, but because all the expenses of the Development Committee are divided 50/50 with the Fund, half my salary has been paid for the last seven years by the Fund, even though much of my time I was doing Bank Deputy Secretary work! This is a part of the history that is not a secret, but it has been saving money for the World Bank. So you see, in every possible way we try to be economical.

So that's more than you need to know on this, but that's the history. So since then I have been in both these positions, and now Tom Bernes is also in both.

Q: You are often regarded as one the Bank's foremost consensus builders. Do you think that had something to do with your being selected as well?

SHAKOW: Well, I don't know where you got that. I think, as I said earlier, it's more that I just had been around a long time. I had worked both in the U.S. Government and in the Bank and in my Bank dealings I'd had a lot of exposure to work with the Development Committee. I'd worked a lot with the Fund. The Fund people who deal with these things knew me; they trusted me. So I don't know whether it's consensus building, but it's all part of the same thing. As I said earlier, I probably was a natural selection at that stage just because nobody else fit that same kind of profile, so for me it was a happy circumstance, too.

Q: What did you hope to accomplish when you took on the assignment of Executive Secretary?

SHAKOW: The Development Committee has been in existence since 1974, and it has always had more potential than it produced, partly because any ministerial committee meeting only

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twice a year is a hard thing to make work. What does it mean to make it work? In my view, what you really want is an occasion when the Ministers of Development and Finance can get together and actually have a fair exchange of views and use it as an opportunity to promote the objectives of development. As these ministers are governors of the Bank and the Fund, it needs to be sensitive to the issues of these two institutions. But over the years it has broadened out its coverage, and while it doesn't have authority as it's not a decision-making body, it does have influence. These are the political leaders of countries representing our entire membership of 183 countries. But during most of its existence, the Committee has not really contributed as much as one might have hoped, partly because it was not a decision-making body, partly because neither of the institutions really want to give over too much authority to it. The Boards also see it, to some extent, as a threat to their role. There are all sorts of reasons for this, none of which I think are new or dramatic or necessarily totally inhibiting.

Probably the most difficult problem is that the members are mostly Ministers of Finance, and few of them spend very much time thinking about the kinds of issues that are on the agenda of the World Bank. They are more comfortable dealing with some of the IMF issues, and yet it has been important to have the Ministers of Finance participate in this Committee because they are traditionally far more powerful in their governments than, for example, development ministers, and, therefore, able to influence the work of the Bank and the Fund even if it's only occasionally throughout the year. They are much more influential than development ministers or the heads of the aid agencies of the donor countries. So my goal has always been to try to make this a forum that would be interesting for the ministers, that would produce tangible results of current value, and would also be an action-forcing event to advance debate on important issues.

In a sense, the most important part of the work of the Committee is not the discussion, much as we want to make that attractive and useful, but the mere fact that Committee meetings are held on a certain date. This forces the institution and shareholders to concentrate on the subjects on the agenda. While in the Bank Board there are many policy papers and discussions, they are often postponed, for whatever reason, because people aren't getting the work done on time or there are a lot of other issues. And yet we know that on a certain date there will be a meeting of the Development Committee and those papers have to be out before then. If these are important policy questions on which political level views are sought, then the Development Committee is the place to get that. So when I took it over, what I was looking for was a way of making these kinds of things happen more effectively.

What the Executive Secretary is best able to do is to try to work on improving the procedures and the operations of the Committee so that it is able to do a better job on some of these things. When in 1995 we looked at the process by which the Committee did its work, it was really very boring; a whole morning was taken up by long speeches given by the 24 ministers and a few other people, all of which produced nothing. Ministers would come in, give their speech, and leave to do other business, and so there was no interaction. A whole series of other problems tended to make the Committee much less interesting.

The arrival of Jim Wolfensohn at the Bank made a very big difference in the Development Committee. While we had already begun to work on some improvements, Board members thought their ministers could not give up these speeches. But Jim Wolfensohn came in and said,

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“If we're going to get all these ministers here, I want a chance to talk with them and we want them to have a chance to talk with us.” So it was through his efforts and that of Michel Camdessus, through their joint efforts, that we simply sent out a message to the ministers saying that we really would like to eliminate this three or four hour plenary. Knock it down to less than an hour, have speeches from just the President, the Managing Director, and the head of the G24 developing countries group, and then let the Committee's chairman, whoever that was, summarize the previously circulated ministerial statements. The rest of the time--two or three hours--would then be used for real discussion of one or two agenda items. This proposal was accepted because it came from Wolfensohn and Camdessus and went straight to the ministers for their reactions, by-passing the EDs. I'm sorry for being so long-winded.

Q: No, we need that.

SHAKOW: What this did was to provide a base on which we've been able to build ever since. We had a series of eleven reforms in 1995, of which the selection of the Executive Secretary was one, the elimination of this long plenary another, along with the introduction of restricted sessions with a smaller number of people in the room which meant we could actually promote good discussion. In addition, the communiqué was to be more succinct and more focused, the papers were to be issues-oriented, and a series of other details were implemented designed to make the discussions and the Committee's work more effective.

And if I look back over these seven years, there have been ups and downs, but I think that the Committee has certainly worked a lot better in these last few years. It is now a Committee that ministers are more anxious to attend, and they discuss issues that are more current and topical. There had been a tendency for the Committee to be more of a seminar, more of a talk shop. It still has some of that quality, of course, but there have been significant improvements.

Q: Does this facilitate North-South dialogue?

SHAKOW: North-South is now something that has become much more complicated because the member countries don't split along those lines nearly as much as before. But as the Committee represents the entire membership of the Bank and the Fund, when it is working at its best, articulate spokesmen from developing countries have an opportunity to make their case very forcefully in the presence of ministers from the industrialized countries. Not only is there the restricted session where ministers can do this, but there are also now private lunches and dinners and other occasions which provide further opportunities for this kind of exchange just among the ministers. So if it works well, it does exactly that. I mean, it provides an opportunity for ministers who have views to put them on the table and have them listened to by 23 of their colleagues who represent a range of major countries or groups of countries from around the world.

Q: Do you find that the structure of the Development Committee, in terms of the Chairman being from a developing country and the Executive Secretary from a developed country, enhances that exchange?

SHAKOW: Well, that is the way it is structured.

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Q: But why was it structured in that way?

SHAKOW: In 1974, when this committee was set up, it was really an afterthought to the Interim Committee. The then G20 set up the so-called Interim Committee--which has now become the International Monetary and Financial Committee—to look after the IMF issues, solely for the IMF. That is a key difference between the two committees, as the IMFC is an IMF committee. That is why, by the way, that the Secretary of the Fund is also the Secretary of the IMFC, a combination job made possible because it only deals with one institution. The Development Committee was set up formally as the Intergovernmental Committee on the Transfer of Real Resources to Developing Countries of the Bank and the Fund. Since the Interim Committee Chairman is always from an industrialized country, the founders thought “Well, we'll throw this particular bone to the developing countries and we'll have the Chairman of the Development Committee always be from a developing country.” And when they decided that, they also decided then that the Executive Secretary should be from an industrialized country.

Does that help with the discussion or process? I don't know. For my taste, it would be better not to have those kinds of restrictions. It would be better not to have the Chairman of the IMFC always be from a G7 or an industrialized country because the weight given to the work of that committee is greater because the Chairman comes from a G7 country—or has often come from a G7 country. To the extent that participation of the big and important, most powerful countries is the goal, more credence is given by some to the fact that the IMFC Chairman is someone from their own group. In the case of the Development Committee, the chairmanship rotates by region, and sometimes we have very good, very forceful, and very articulate chairpersons, and sometimes we don't. And that is what affects the discussion more, I think, than where we come from.

I think it was a mistake, for example, during the early part of the 1990s, before I took over as Executive Secretary, to have a series of four or five chairmen from Morocco. When the chairmanship rotated for the first time to North Africa and the Middle East (at the recommendation of some Executive Directors), the countries in the region chose Morocco. This was fine, but the King of Morocco decided three or four times during this period to change his Finance Minister. Instead of rotating the Chairmanship away from Morocco to another minister in the region, the next chairman chosen each time was the Moroccan Finance Minister, whoever that might be, even though he may not have ever had any experience as a Finance Minister, let alone having the stature to be in charge of this Committee. I think it was a mistake to permit that to happen, and subsequently whenever we've had a ministerial change in mid-term, we have gone to another country to find the most prestigious minister in the region. This is not quite the answer to your question, but I think that the answer is that it depends. The quality of the discussion depends far less on nationality and far more on how forceful and articulate and how good a leader the chairman is in the discussion.

Q: In talking about some of the strengths and weaknesses of the Development Committee, what about its task force device?

SHAKOW: The task force has been used very sparingly, partly because it's complicated to set up. In the case of the Task Force on Multilateral Development Banks, for example, which is the only one established since the early 1980s, it took about a year and a half to create it, simply because of the difficulties in trying to figure out who should be on it. That's one reason it doesn't get used very often. Secondly, it's expensive to do this, so you need to pick and choose carefully. It's useful, and I think the MDB Task Force (which, of course, Marie knows very well since she worked on it herself) came up with useful and sensible conclusions, and it represented a consensus of the diverse membership. There is a lot of attention paid these days to how the Multilateral Development Banks might work more closely together and coordinate their work. We are still giving away copies of the report to people who think that if only those recommendations--which were not very radical--were followed today we would be better off. So I think it still has relevance. Its influence and impact at the time was probably of marginal significance, but it was a useful experience for the people who were part of it, including Tom Bernes, the new Development Committee Executive Secretary. It was an important part of his education, but beyond that I think that it was useful. Its impact was probably not as great as it might be, and we could have done a better job of selling it.

The other task force I know well is the one on concessional flows in the early 1980s. The objective was to try to find a way to increase the flows of aid resources. As I said yesterday, I don't think that the report played a particularly large role. It was an attempt at consensus-building and establishing the relative balance between aid effectiveness and aid flows. It produced a useful discussion and a useful but not earth shaking report.

I don't know enough about the Task Force on Private Flows that took place in the late 1970s.

I don't see these task forces as great panaceas. I would not recommend setting them up at this stage because I don't know if there's anything that we couldn't accomplish without going down that expensive and complicated route. There's now enough interest in partnerships and in other areas that I don't see these task forces filling a niche that is so important that I would have the urge to use it again. I wouldn't preclude it, but it's not my first choice for the reasons I mentioned. There would have to be a pretty compelling argument as to why we would want to do it. For example, we've always worried about private sector strategies and private flows. I don't think a Development Committee Task Force can add anything particularly there, and so . . .

Q: You mentioned that the Development Committee was seen as much more important by President Wolfensohn when he came in, as its survival over the years has often been put in question. What do you think are its long term chances for survival?

SHAKOW: I think we're beyond that. Certainly during the 1990s we had long boring meetings, and ministers didn't want to come. They were voting with their feet. I think that question came up quite often, and I'm pleased to say that I don't think that comes up now. When people talk about the Development Committee they sometimes ask whether it should be a Bank-only Committee instead of a Joint Committee. And they sometimes say, "Well maybe you ought to have one meeting a year at the ministerial level and one at the official level" or various other ideas, but I think most people now seem to think that it is worthwhile to have this Committee. We can continue to improve it, but the discussions are worthwhile, and even as we talk about

ways to simplify the annual meetings and worry about the security issues, we continue to want to have meetings twice a year for both the IMEC and the Development Committee. The last meeting in Ottawa people thought was quite good, partly because of the constraints, circumstances and all the rest.

I don't mean to suggest that this is a model for the future, but for the first time, in Ottawa, we had the U.S. Secretary of the Treasury actually coming at the beginning and staying until the end of the meetings. We've never had that before. Now what impact that has, I don't know. To the extent that some ministers come to these meetings because they want to be where other important people are, then the fact that some of the key G7 Ministers come, whether O'Neill or Gordon Brown or others, is a plus. Gordon Brown, the U.K. Chancellor of the Exchequer, has been very forceful in wanting to have joint meetings of the two committees, which is a bit anomalous given that the Development Committee is already a joint committee; the fact that he at least sees political benefit--and these are all politicians, remember—is significant.

We are all bureaucrats, we officials of the Bank and the Fund. The Committee members are the ones who will decide whether these committees will continue or not. They are political people, and if they see this as politically advantageous, and if we can use it to help strengthen political support for important issues on our agenda, then that's great. So maybe I wouldn't be the first to hear if there are people around trying to eliminate the Development Committee, but at least I'm not hearing that view any more. The selection of the new Executive Secretary and the discussion of the Annual Meetings and what should be done about them would have provided a good opportunity for people to say, "Look, this is a waste of time." And they didn't.

And there are political aspects here, too. I mean, it would be very hard for countries that might be more supercilious or skeptical to propose the elimination of something that is, at least by many of the developing countries, viewed as . .

Q: Valuable.

SHAKOW: Yes. So, it's something that will always be reviewed and looked at, and if it's not, if it doesn't adapt, if it doesn't provide a response to the concerns that people have, maybe someday they'll want to do something else. And some ministers did create the Group of 20 recently, and that was done at the initiative of a few of the industrialized countries because they were concerned about representation on both the IMFC and the Development Committee. This action does reflect the concerns some people have about the Development Committee and the IMFC. I said earlier that one of our great strengths is that we are representative of the entire membership of the Bank and the Fund.

Q: So it has a very broad mandate in that sense.

SHAKOW: It has; it is legitimate from that standpoint. What weakens it is that the membership rotates in some cases. Some of the key players: the US, the UK, France, Germany, China, and a number of others, India, are always in the Committee chairs, but a lot of the others rotate, and so you don't get a consistent participation. That means that sometimes you don't get the key countries in the constituency.

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My favorite example of how this weakens the system is as follows: half the countries of Africa were represented until a year ago by Nigeria, which has about a quarter of Africa's total population. While at that point Nigeria was not a favorite in the international system, it was still clearly a very powerful African nation. Then that seat rotated to Namibia, which is the smallest country in Africa, and at that point I think they didn't even have a government! Well, if you're looking for a place to have serious global deliberation on critical issues, not having the most powerful ministers in the Committee seats weakens it.

Also, I was telling you earlier about the membership. The membership is mainly Finance Ministers, but there are Development Ministers from a few places, even from some G7 countries, including particularly the U.K. and Germany, whereas the IMFC is made up entirely of Finance Ministers or Central Bank Governors. Among the Finance Minister group there is a certain disdain for Development Ministers. This mix between Finance and Development Ministers makes for a very interesting debate and discussion. There might be better discussions if the Committee had all Development Ministers, along with developing countries Finance Ministers, because these people follow the subject much more closely than the Finance Ministers do, but then we would lose some of the influence that the Committee has, due to the stronger role played in most governments by Finance Ministers.

The establishment of the G20 was in part because some of the industrialized countries figured they would rather deal more directly in a committee with the emerging nations and not lots of other poorer countries. The G20 does not represent the entire membership of the Bank and Fund, but have 19 or 20 of the most important countries in the world, including developing countries. These include Brazil, Mexico, Indonesia, Argentina, China, India and a number of other countries, as well as the G7, excluding some of the smaller European countries and others that are very active members of the Bank and the Fund. So the G20 has 19 or 20 countries that are big players. They represent about 85 per cent of the global GNP, and so there is an opportunity for ministers to talk to each other on a regular basis. While they only meet a couple times of year, or perhaps only once a year, it's a group of decision makers in their own countries who are also quite important in the international financial system. So again, this is a long-winded way of saying that there are tradeoffs in all of this.

The G20 does not have real legitimacy, and the 160 or so countries that are not members of the G20 don't particularly like it. They like these other committees associated with this institution better. On the other hand, those countries in the G20 are very powerful. And there are other groups, too. People keep saying the G7 needs to be modified because it doesn't include the most important countries in the world either. So there's going to be an evolution of all this, but my hope is that the Development Committee will continue to be a place where the ministers that represent these countries feel comfortable about raising problems and issues.

There has been discussion of this in the context of the Monterrey Meeting on Financing for Development, a UN conference which is going on this very week. There were other discussions many years ago, dating back at least 20 years, on the need for a global Economic Security Council (ESC). Every once in awhile that idea comes back, and it's always opposed by the U.S. and other major industrialized countries because they don't want a global body seeming to be

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determining economic policy. I don't think the ESC idea will ever go anywhere, but it was the kind of proposal that the person who brought me in to the Bank, Mahbub ul-Haq, suggested as a way to help bring greater order to the international system. I've always thought that the membership he was proposing for the Economic Security Council looked very much like the membership of the Development Committee.

Now, if I would try to say that the Development Committee should be made into the global Economic Security Council, people would dismiss that immediately, but it has a potential over time for helping to sort out, not what the global interest rate should be, but global issues that do affect a lot of people and countries. It cannot impose its will, but it can through consensus help to establish a more reasonable international system in which poor countries have a voice just as well as rich countries.

Q: How would you describe the relationship of the Development Committee and the Board, especially when it comes to formulating the Bank's development policies?

SHAKOW: It's a very interesting symbiotic relationship. I don't know if that's the right word but let me illustrate through the way in which we develop communiqués. While ministers discuss issues, their only formal product is a communiqué issued after their meeting. That communiqué is developed in the following way, per the reforms introduced in 1995: Working with colleagues here who are most knowledgeable about an issue, I put together a draft communiqué and circulate it to the Executive Directors of the Bank and the Fund a few days in advance of the meeting. This gives them a chance to look at it. They then come back with suggestions a day or so later. I then give them a revised draft, and we sit around in the Executive Directors' Lounge one floor above my office here and spend anywhere from three to 12 hours (only once did it take that long!) discussing it. Normally it takes about three hours. We go through the communiqué draft line-by-line and try to gain agreement among these Bank Executive Directors who are representing the views of their capitals. Ultimately, we get a draft that is as clean as possible, and usually fully agreed, so that by the time we go to the Committee we don't have ministers sitting around debating details in the communiqué very much. The communiqué is then reviewed at lunch (or before) by the ministers and approved or modified as they see fit. There have been a number of small changes made in communiqués over the years by the ministers.

The reason I go through that description is that it's the Executive Directors that are instrumental in agreeing to the text that is put to the ministers. While we as staff put the initial draft to the EDs, it is drawn from what has been discussed in the Board and what the institutional view is. So the draft should not come as a great surprise to the Executive Directors when they look at it, but there's still always a lot of ground for disagreement. Most importantly, in the Board, EDs can get away with making fuzzy statements, but the communiqué debate actually brings out much more clearly the views of governments. In this situation, EDs have to figure out what the wording ought to be on subjects that are quite important to them, and whether they wish to be associated with that wording, and do they want their ministers associated with that same wording. So in the arguments over these issues, such as the eligibility conditions for the HIPC Debt Initiative, aid coordination, aid flows, the right approach to post-conflict countries, or whatever, EDs can't get away with being frizzy. Unless, of course, everyone agrees that frizzy language is what is needed!

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Once there is an agreed text issued by the ministers, throughout the year Board members refer back to that communiqué as a way to encourage Management to follow through on what the ministers have said. It is quite circular, of course, because the ministers are agreeing to something that the ED's themselves had a great role in writing, presumably bearing in mind what the ministers would want. But clearly, the EDs turn to a communiqué of the Development Committee as a source of greater authority.

Perhaps one of the easiest examples of this is trade. Many Executive Directors believed that the Bank was not doing enough to support the development of trade capacity in poor countries and to prepare them for the WTO [World Trade Organization] negotiations. EDs noted that the Bank had done a lot in this area some years ago but had reduced its activity because of budget constraints and other factors. These Executive Directors kept pushing the Bank management to do more, but they weren't seeing very much in the way of results. So as trade became a more active topic on the agenda for the Development Committee, the communiqué language that EDs insisted on stressed strengthening the Bank's own work in the trade area, in both technical assistance and analytical work. The ministers echoed that view in the Committee meetings and agreed to forceful language in the communiqué. The EDs then kept returning to this text, reminding Management so often and so effectively that now trade work in the Bank is much stronger, partly as a result of this process. It's not the only way these things happen, but it's illustrative.

So the Board is crucial to making sure the communiqué drafting system works, and they are also the ones who have to prepare their ministers. They have to ensure that their ministers are happy with what they are getting. So EDs' jobs are affected by these semi-annual communiqué debates as they are among the few occasions when most ministers really get deeply engaged, particularly the Finance Ministers, in World Bank issues. This arduous drafting process gives EDs a vehicle to demonstrate their own skills, knowledge, and influence. EDs are also crucial to making this system work in another way as they prepare the ministerial statements. In short, EDs are very deeply involved.

As far as I'm concerned, it's been wonderful to work with the Board on the Development Committee because it's been a really good opportunity to explore issues, to gain their help in getting certain issues addressed properly, and to help inform their capitals. Jim Wolfensohn likes to meet with the ministers, and so the fact that they are well-prepared by their Board Members is very important.

Q: There's often talk about the need to have a Board that's made up of more distinguished, well-known personalities. Then this whole relationship would probably be a little different. You might have some former Finance Ministers on the Board that would then have issues with the current Finance Ministers on the committee.

SHAKOW: What we've been hoping for are not necessarily Board members who are more distinguished in title but rather more senior in experience and responsibility.

Q: Presumably independent-minded.

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SHAKOW: Yes, that too, but basically we want people who are knowledgeable about the kinds of issues that come before the Board and who have a lot of experience themselves. They should be able to add value and not simply sit in the chair reading something from the capital. I certainly would not discourage countries from putting their very best people on the Board on the off-chance that they might generate competition with their Development Committee ministers. On the contrary, it would be helpful to have the very best people on the Board. I don't see the competition as being serious at all in that way.

Q: Having said all this, what advice would you give to your successor?

SHAKOW: I would love to see developments continuing to move in the same direction in which we've pushed them. There are clearly ways to further strengthen the work of the Committee, and he will have an opportunity to do that. In my view, it is important to protect the opportunity for restricted session discussions.

There's been a bit of a battle going on during these past several weeks with some Executive Directors wanting to increase the number of people allowed in the room during the discussions. I have had a very strong feeling over the years that we can have better discussions with 100 people in the room rather than 400 or 500 people. There are counter arguments, of course. The current restrictive policy places a burden on the ED, as they often have large delegations but are given only four badges for entry to the restricted session. It is a difficult job for Executive Directors, and I don't minimize that, especially in some large constituencies. It's partly a function of the Committee meetings being more interesting and attractive that has made the job harder for them, because it used to be hard for EDs to find anybody to come into the room--no minister really wanted to come, and no senior people wanted to come either. Now, more ministers and officials want to attend, so EDs are constantly clamoring for more seats and more badges. So there are these kinds of mundane matters to address.

The issues for the future include how to get the Chairman, in this case the new Chairman, to take an important leadership role, to use the Committee more forcefully, and to get good news out about the Committee more effectively. If the Chairman has an international agenda or a desire to be known more internationally, that would be very helpful, because that might get more attention and publicity, and that in time will get more people knowledgeable about what the Committee does. That would be helpful, given that our work is designed to increase understanding of development issues. And I think maybe we'll have a chance of that happening with the new Chairman, who is the Finance Minister of South Africa.

Having a new Chairman and a new Executive Secretary, both at the same time, provides a great opportunity to explore new areas. I don't know how many new things can be done, but I have full confidence that pushing further down the track we're on they will find that there are many opportunities.

Q: I'd like to turn back to the Corporate Secretariat. We've touched on this. Now, after the many positions you've held with such a broad overview of the World Bank activities, what did you hope to accomplish as the Bank's Deputy Secretary?

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SHAKOW: When I was made the Deputy Secretary it was really just to be helpful to the Secretary and do whatever he wanted me to do. I didn't have any grand ambitions but to be helpful, to make the place more efficient. From my standpoint, it was very useful in my Development Committee Executive Secretary role to have as much contact with the Executive Directors as possible on issues other than those of the Development Committee. Similarly, having the opportunity to meet with the Executive Directors on Development Committee issues made it easier for me to work with them on other Bank issues as well.

The joint appointment threw me together with EDs on a more regular basis, so my initial interest was really to be a complement to whatever else was going on. And when Shengman Zhang was the Vice President and Corporate Secretary, he had made quite a number of improvements in the way the Secretariat worked.

The Secretariat has been a difficult place. It's a bit like what I found when I took over the External Affairs Department. Most of the people had been there a long time, as it's not easy to leave from that department to go to other departments. The same thing was true in the Secretariat when Shengman took that over. There were many very good and dedicated people, but a lot of them had been here for many years and had been doing things the same way for a long time. So there had been a considerable amount of change made even in the year before I came here. As Executive Secretary, I had been involved with the Secretariat anyway, and so it was useful to be Deputy Secretary, too, to help push these reforms along and make policy work a little bit more relevant. But my ambitions in that area were not of major proportions.

Q: The Corporate Secretariat's mission is to provide support and advice to Executive Directors and senior management. In your opinion, how successful is it in pursuing that mission?

SHAKOW: I think increasingly it has been able to do that quite well. Senior management is now much more understanding of the benefits, particularly as a result of the reorganization that took place a few years ago. For example, there is now a policy group that looks at what the Board has been saying over the years on various subjects, whether on country strategies or a sectoral topic or whatever. The policy group is able to convey to the managers in the Bank, the people who are working on policy development and country strategies, a sense of what the Board has been saying in the past that should influence their thinking in the future.

The Board is the Bank's policy making forum. Based on recommendations made by Management, they make their own decisions. So it's important for the Management to know, at all levels, more about what the history is without having to go through the whole rigmarole of trying to dig it out themselves. That is one way in which Management gets a lot of benefit from the Secretariat. Beyond that, having the Secretariat and its Board Operations group also run the Board efficiently and effectively can make life for Management much easier. Management also has to know enough about what is going on in the minds of these Board Members to be able to gauge what they should do and how they should do it. And that's another important role for the Secretariat.

I was thrown into much more of this during the year that I was Acting Secretary. During that year, last year, we tried to improve the efficiency of the Board, to make it a much more effective place. Sometimes this was done through simple steps such as cutting back on the length of speeches by introducing a timer to tell EDs when their six minutes are up. I also used appropriate body language to try to encourage them to keep their messages shorter so that people might understand what they were really trying to say.

This was also designed to reduce the many hours EDs spend in the Board Room, which is a major problem. While the timer is a procedural device, it does have valuable impact on the substantive outcome. We also spent a lot of time trying to figure out ways of engaging Board Members and Management in informal settings where they could let their hair down and really expose their different viewpoints and out of that come up with agreement on a Bank-wide approach.

It's much more healthy in an institution of this kind to have the Bank and the Board moving together down a common path than it is to have them going off in different directions. The latter is very confusing for the staff. Particularly when you have a very active, energetic and visionary President, you need to be sure that the Board is understanding and is able to get their messages back to him in a way that will produce a coherent and hopefully harmonious approach. Two years ago, there were two or three very difficult major issues on which the Bank Management and the Board were going in quite divergent directions. One of my major objectives last year was to try to bring the two together in a way that would be much more satisfactory. And I think that is the role that the Secretariat can and should be playing. It should be avoiding crises that are unnecessary . . .

Q: Intermediating between the two?

SHAKOW: Yes, and anticipating and recognizing where things may be going astray, trying to bring them back on track and making sure that everybody has the same understanding. They may not have the same views to start with, but in the end we really don't want misunderstandings to be perpetuated and to have a festering sore, which is what we had in a number of instances. I'm very pleased that for the most part, those problems were overcome during the year. Again, there will always be differences, but they need to be addressed and not obscured.

The Secretariat, and particularly the Secretary, are very important from that standpoint. The Secretary must have the complete confidence of the Board and also of Management and be able to speak with both without being a pawn of either. It is not easy, but it is a very interesting role.

Q: It's been suggested, especially after September 11th, that shareholder governments should push for streamlined and restructured gatherings at the annual meetings, as well as take into account the huge expense involved, as it is generally felt that a change is overdue. What do you think?

SHAKOW: Well, I agree that a change is overdue. Part of what needs to be eliminated are not those things that the Bank or the Fund do but those that attract a lot of the attention. It is those big private social events that generate a lot of publicity and the lines of limousines. The security

issues have brought to the fore a lot of concerns. As long as it's very difficult to have a meeting of any kind, it does raise questions as to whether we want a vast number of people coming to town to attend many different meetings on many days.

A working group of Board members on both sides of 19th Street recently recommended a somewhat slimmed down set of meetings. I don't know what will happen to these recommendations, but in my view we could get away with even eliminating the speeches of governors. My Development Committee experience leads me to be in favor of eliminating such speeches. That has not yet caught on as an agreed approach, however, particularly because a lot of the smaller countries apparently feel that this is their one opportunity to make a mark, even if it's to a hall that's largely empty. I guess it may have political benefits back home to be able to say that you've gone to the annual meetings of the World Bank and the IMF and made a speech for ten minutes.

I would really like to eliminate the speeches and use the time for other purposes, but that probably will not happen, at least not initially. In my view, these jamborees are not all that valuable, as the meetings themselves do very little official business, and we don't need the meetings to carry out the statutory requirements. We met those in eight minutes last fall when we did not have the full Annual Meetings. We separately had the meetings of the NMFC and the Development Committee, but the actual formal business of the Bank Annual Meeting was transacted in the Preston Auditorium with a few Ambassadors and a group of EDs or their staff representing all 183 member governments. The formal business was over in seven or eight minutes. I would prefer to do this business by mail and avoid even the seven minutes, but nevertheless it can be done that way.

The real benefit of these Annual Meetings, I think, turns out to be the opportunity for representatives of governments to meet with the private sector, because you bring together in one place, once in the year, people who might otherwise have to spend a lot of time traveling. If it is possible to do that and not have massive security problems, it may be worthwhile. Since September 11th there are different kinds of security issues, but perhaps the demonstrations of 5,000, 10,000, 15,000, 100,000 people may be a thing of the past. I hope so. The Bank and the Fund staff can meet with government officials throughout the year, and so it seems to me that's less crucial. So somebody needs to do some real study as to whether these meetings with the private sector really are best done this way. There seems to be a feeling that it is. If so, then the meetings should be tailored to achieve the greatest impact.

We have had useful seminar programs in recent years that ought to be scaled back, too, but still carried on in some way for the same purpose. Last year, even before September 11th, we explored whether we might make these meetings a wholly different kind of opportunity, that is, turning it into a "Development Week" or a "Development several days" and make it much more of an opportunity for interaction between civil society and government people and the private sector. These are meetings of the Governors of the World Bank and the IMF, and they would have to be willing to do this. So far Governors haven't been so interested, I don't think.

So if we could eliminate the Annual Meetings, I would favor that, because I don't think that as far as the institutions are concerned we get very much out of it and it is a tremendous expense.

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But that is not the majority view, and particularly not among some of the membership, which is what counts here.

Q: We would like to turn to some questions about Bank coordination. In view of increasing emphasis on harmonization across international development organizations, how do you see the Bank's coordination with other international organizations as well as with multilateral and bilateral aid agencies?

SHAKOW: Because in USAID I had been in a position where coordination was an important issue, I also got involved in this in the World Bank, too. In the early 1980s, I wrote a paper for the [Edward V. K.] Jaycox task force on aid coordination, and since then certainly it has become much more of an industry.

The Bank used to focus most of its aid coordination activity around the Consultative Group (CG) process. Chairing these groups was a very important role for the Bank, but the Bank's aid coordination efforts needed to be expanded much beyond that, including working in consultation with the Development Assistance Committee (DAC) of the OECD. Part of what I was doing during my jobs in Policy Planning and in External Affairs was to help promote more attention to broader coordination responsibilities.

The Bank is now deeply enmeshed in all kinds of coordination activities. I'm sure that many of the staff feel they spend much too much time on coordination. That comes with having the Bank be so active in so many different areas and engaged in partnerships with many other institutions, and so the subject is now important to the Bank President and the senior staff. The Bank now recognizes much more overtly than it did before that it is important to coordinate its efforts with others. There's less arrogance in the Bank about how we are in charge of everything and others simply should follow along. I'm sure there is some of that attitude still, partly because the Bank has a lot of energetic and ambitious people who simply want to get on and do the job--sometimes without paying adequate attention to what is happening in other institutions.

We have always said that the primary responsibility for aid coordination belongs to the countries. We have not always believed that and not always acted on it, either. Some developing countries are better able to manage their external aid programs than others, and the very weakest countries are the ones that need the aid the most and are the least able to coordinate it. Many countries now have much more capacity in this area than they did ten or fifteen years ago. The Bank, along with bilateral donors, needs to strengthen the capacity of countries to coordinate aid for themselves. It fits with the notion that the "countries are in the driver's seat," which is easier to say than it is to do. But I've been amazed and encouraged recently at the degree to which more and more countries are indeed taking over these responsibilities.

Aid coordination has been a mantra for years, and staff often are frustrated when they try to get countries to coordinate and are unable to do so. But I think more and more we are taking a step back and are willing to let the leadership go to others. I hope that that will continue. I think it is especially important to have the governments in that position.

As far as UN agencies are concerned, that's a tricky area. I see that in today's paper that someone is accusing the Bank of taking over all the responsibilities of UN agencies. As I said earlier, the Bank is made up of a lot of energetic people who want to get the job done, and we have the necessary human and financial resources. UN agencies often are neither well-staffed nor well-funded, and so the donors have consistently asked the Bank to do work which otherwise they might have asked the UN to do. I have long believed that while the Bank must continue to do its most important jobs well, it also needs to strengthen the UN agencies so that the Bank doesn't need to, or is not forced to move into areas that others could take on if they were better equipped to do so. We ought to be doing much more--in our own interest, let alone the interest of our shareholders and others--to ensure that WHO [World Health Organization], WTO [World Trade Organization], UNESCO and others are strengthened. That would also make aid coordination a lot better.

There is a major effort underway now to ensure that this kind of coordination and simplification of procedures is undertaken. It is a hard slog because every institution feels its own work is unique and needs to be protected. One of the big issues in the Multilateral Development Bank Task Force Review was that individual regional development banks are very protective of their rights and do not want to be coordinated by the World Bank. It takes a sensitivity and a political adroitness on the part of our staff to be able to work well with what are often hypersensitive people in these institutions. But for the purpose of getting more effective and efficient delivery of the goods, then aid coordination is really important. It isn't aid coordination for aid coordination's sake, but rather aid coordination as a way of helping ensure that we are more efficient and effective and create the least problems and least burdens for already overburdened governments.

Q: In regard to Bank-Fund coordination and collaboration, how effective do you think that is, and what remains to be done there?

SHAKOW: Well, I am not the most expert person on this subject. I have watched this subject come and go over the years, and it has often been highly contentious. The most important collaborative or coordinated effort takes place on individual country cases. That is also where often the most tension is, because in specific programs and countries Bank analysis may differ from that of the Fund.

My impression is that this cooperation is a lot better than it was some years ago. In 1989 there was a major conflagration in this area, resulting in a concordat that was negotiated between the Bank Chief Economist and the Fund. At that time, the Chief Economist of the Bank was Stanley Fisher, who then became the Deputy Managing Director of the Fund, so it is kind of fun to see this approach as a way to help bridge the gap.

Inevitably there are going to be problems, but at the top level they have been bridged pretty well, usually by the two most senior deputies working things out when they get to that stage. At the staff level, relationships have become better by having more joint missions and more clarity in the division of responsibility. This is a time when the two institutions in many ways are growing closer together in terms of their functions, particularly in the poorest countries. But there have been major efforts made at establishing ground rules and criteria, and there's a pretty good system in place now. The fact that some staff have served in both the Bank and Fund has helped

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a lot in making things work or, where they don't work, to try to fix them. I don't hear much these days about too many major problems, but inevitably there are some where there are different views, whether it's on Turkey or Argentina in big cases or on little cases in Africa. This is a subject that needs constant attention, though, because we are so deeply enmeshed in the same countries and in similar areas that it's very important not to let a few people with personality differences or other kinds of problems get in the way. If there are substantive differences, they ought to be worked out and resolved at a higher level.

Q: Turning for a moment to Bank-U.S. government relations and drawing on your extensive experience at both USAID and the World Bank, how do you view Bank-U.S. government relations?

SHAKOW: It's complicated, of course, because the U.S. government is complicated and so is the Bank. Officially, the link between the Bank and the U.S. government runs through the U.S. Executive Director's office to the Treasury Department. But we are in Washington, and we are dealing with issues that are of interest to many other government departments: the State Department and USAID, the Trade Representative, the Commerce Department and many others. So, in fact, people here have relationships at many levels throughout the U.S. government, and I think many of them are very positive, helpful and constructive. A lot of people here have friends or spouses that work elsewhere in the U.S. Government, but moreover the Bank and the U.S. Government both have a lot of knowledge in various technical areas and want to share that information. There is, for example, very useful contact between professional people in the urban studies area. I think that we're very lucky to be in this city, and it's helpful to the U.S. and to the Bank.

The official relationship, however, is a tricky one because it is the Treasury Department that is the shareholder for the United States in the World Bank. It is the one that is supposed to represent the Bank and other multilateral institutions with the U.S. Congress. All official contacts are supposed to go through the Treasury Department. Over the years, Treasury has had varying degrees of interest in and support and enthusiasm for the work of the Bank. This relationship will always be complex because Treasury is both advocate and critic. As the largest shareholder, the U.S. is constantly trying to influence what the World Bank does. How effectively this is done depends in part upon the personality of the ED and the relationship he or she has with other members of the Board.

Very important as well is the ED's relationship with the President of the Bank, the Secretary of the Treasury, and the White House. Some of these relationships have been really terrible. The relationship between Tom Clausen and Donald Regan in the early 1980s, through no fault of Tom Clausen, was very, very difficult, and the Bank was under a lot of pressure in those days. The new [Ronald W.] Reagan Administration was determined to cut back on the work of the Bank, whereas in previous years the Bank had virtually had a seat at the National Security Council in the Carter Administration. Often it has little to do with what the Bank is actually doing but more to the preconceived views of the new officeholders. The current relationship is difficult because the Secretary of the Treasury has been publicly critical of some aspects of the Bank's work. On the other hand, Treasury often supports many of the Bank's programs, recognizing that the Bank is very important for achieving many of the objectives of U.S. foreign

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and international economic policy. So the U.S. will always be ambivalent. It was not, for example, a particularly close relationship between the Bank and the U.S. Treasury when the Secretary of the Treasury was the former Chief Economist of the World Bank. So it's not a political issue; it's just a very complicated relationship, and it, too, needs to be constantly worked at. And it has to be done carefully because you can't have people going up to Capitol Hill and trying to go around the Treasury. At the same time, the Treasury doesn't always put the best foot forward for the Bank. So it's a problem.

Q: So would you say that some of these staff-level professional kinds of relationships are probably equally important in keeping the relationship between the Bank and the U.S. government on an even keel?

SHAKOW: I think that professionally the contacts are very important to the substance of what the Bank and the U.S. government do. The degree to which the U.S. government provides tangible support, both financial and otherwise, for the Bank is dependent much more on the relationship at the top with the Secretary of the Treasury and the Secretary of State and the President. And this is a very big institution. We are not only big in Washington, DC, but we are very big in the global system, and the U.S. has a large stake in it. The U.S. was responsible for its creation. The rest of the world looks to the United States to provide leadership and is often disappointed when it doesn't see that. So the kinds of relationships I was mentioning are important, but they are not comparable to the importance of this official link and the way in which those top-level relationships go.

Thus far, the President of the Bank has been chosen by the membership at the recommendation of the President of the United States. If this changes in the future it will be interesting to see what the differences are. But as long as the U.S. remains the only superpower and the largest shareholder, much more important than its 16 per cent of total IBRD shares would suggest, then this relationship with the U.S. Administration is going to be a very important issue for any Bank President and its Senior Management. That does not mean that the Bank should just seek to please the United States at all times, as it clearly cannot and should not do that. We are an international organization and we must represent the views of our shareholders; we cannot simply fall in line with whatever may be the current views of the United States. But it's important to know what they are, to try to influence them and get them to understand the Bank's position.

Q: What do you think the U.S. wants from the Bank? Even though your answer seems to suggest that at times the U.S. isn't sure what it wants from the Bank?

SHAKOW: First of all, who is the United States? If the United States is the Congress, the Congress has many different voices. That was clear in reactions to the [Allan H.] Meltzer report that was recently presented to Congress. But, if you're talking about the Administration, I think even within the Administration there are different views. There are often different influences and pressures at work in the Treasury, State, the White House, and the National Security Council. The President's recent speech sounds quite different than the views of the Secretary of the Treasury.

But I should stress that I think the world is very lucky that the U.S. is the largest shareholder. While I have all sorts of problems with U.S. policy, as I did when I was in the U.S. Government and now that I'm here I often do as well, but in fact, overall the U.S. has traditionally been far more altruistic than any other government in the world. If a European country were in a similar position, based on track record, it would be much more interested in meeting a certain kind of narrow national interest. The U.S., I am proud as an American to say, has, despite all its faults, been much more interested in the common good, even when the U.S. takes very unpopular positions. Of course, it has also fallen far short of what it can do. Nevertheless, I think the Bank and the world are a lot better off than we would be if any other nation was in this dominant position. The Bank has been much helped by that, I think, despite the periodic problems we have had.

Q: In your opinion, how effective are the various mechanisms for mobilizing resources for aid, such as the trust funds, consortia, consultative and aid groups. In particular, what are your thoughts on how trust funds are set up and managed in the Bank?

SHAKOW: Well, speaking generally about consultative groups, aid groups, and so on, obviously, these have been quite useful. One of the things the Bank is best at is mobilizing and managing resources that come from others through aid groups or special funds set up for various purposes. We usually don't like to create more special funds because they tend to divert resources away from other important needs, but to the extent that aid groups and other funds help to channel and coordinate the use of funds--as a complement to what is being done by IDA, for example--I think that is very good, and they're very useful. Obviously, some are more successful than others, but basically that's a useful device.

Trust funds are complicated. We are given such funds by donors as long as the Bank is seen as a responsible and effective user of resources and provider of technical and other support. There have been some problems recently about how these funds have actually been allocated or used, and a detailed process is underway to ensure tighter control and management of these funds. A big question that has bothered Management is whether the provision of trust funds results in the Bank's budget priorities being distorted. The Bank's budget has been so big over the years and has covered so many things, it has been hard to tell whether trust funds were really distorting priorities or not. But there is now a serious effort to get the use of these funds under control, and to channel the resources more consistently along the lines of priorities established by the Board and by Management.

So if we could eliminate trust funds and have those same resources available to allocate within the Bank's budget, it would be easy to agree to get rid of the trust funds because they are a pain to administer and a potential distortion of agreed priorities. But, since we know these funds would not be available in other ways, this route would be very harmful. I understand that in many areas it is only the availability of these trust funds, which come in grant form, that has made possible much of the Bank's technical assistance work on the environment and many other priority areas. So if trust funds were eliminated this would eliminate a major source of the support we need for work that is crucial for the Bank's mission. Since we're not going to be substituting for them by higher administrative budgets, because the Board would never approve

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of that, I think the best thing to do is to manage these trust funds more effectively and get the most out of them. There are efforts being made now to do just that.

Q: Let me move back just one point on Bank-U.S. government relations, having to do with your thoughts on how the Bank should deal with issues related particularly to IDA replenishments, general capital increases, foreign aid spending, or the debate over grants, especially at a time when there seems to be some questioning in the U.S. government at the various levels. In your opinion, how effectively has the Bank managed dealing with these issues?

SHAKOW: There is no easy way to deal with this and I think what the Bank is trying to do is right, that is, by trying to make clear what works and how we have learned from experience. The most recent effort is a paper trying to demonstrate to Secretary O'Neill that there have been many successes in aid efforts over the last 50 years, although, of course, mistakes have been made and much remains to be done. *The Economist* magazine pointed out a few days ago that a lot of mistakes were made in the bilateral U.S. aid program, not just at the World Bank. And, of course, if you look back over history, then everybody's made a lot of mistakes. Have we learned from these mistakes? My answer is yes.

One of my favorite comparisons on this issue concerns baseball. If we want to find the best batters in major league baseball, we would discover that these were the players who managed to average three hits in every ten times they bat. These players would be considered tremendously successful. In the World Bank, we set as our goal to having everything perfect, and if we fall short of that we are deeply criticized by outsiders and by ourselves as well. Independent evaluations confirm that seven or eight out of every ten Bank-supported projects achieve most of their goals. That is an extraordinarily high rate of success in a business that is much, much more difficult than hitting a baseball. This analogy is not one I want to carry too far. But I also think that if our critics would look more at domestic development programs they would find a much lower success rate. Unfortunately, there are few if any real supporters of foreign aid programs in the U.S. Congress, and so these programs that are looked at so carefully by our own evaluation people are criticized by outsiders whenever a mistake is found, and it is inevitable that there will be such problems. We have domestic legislation for "pork barrel" projects all over the place, many of which don't work at all, but nobody complains because they are providing jobs for people in Mississippi or someplace else inside our borders.

I was reading this morning's *Post* and thinking that I'm glad I'm not back in External Affairs, because it's the same old story, again and again; it's just that personalities change (though sometimes the reporters are the same), and it's a question of does aid work or doesn't it work and what mistakes have been made. It is a constant battle to try to convince people about what's going on; we don't always do a good job in that. Jim Wolfensohn has done a far better job than any of us have done in the past because he is so oriented toward the outside world. I give him a great deal of credit for that. But still we have to keep fighting all the time. In the U.S. Congress there are 435 House Members and 100 Senators, and while 99 per cent of them don't know a damn thing about this subject, they're voting on key appropriations legislation every year. It's true of parliaments elsewhere in the world, though some of them are much better informed, and in those systems the government usually controls the votes—not so in the U.S. system. I'm encouraged that the President of the United States is now talking about needing to do more to

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eliminate poverty; that's good. And maybe gradually there will be some progress made, but it could slip away very easily, and all you need is one terrible story and that will be what sticks in people's minds.

Q: Would you say that the Bank's job is rendered more difficult whenever there is a rightward shift in the U.S. Congress, and has it been traditionally more difficult whenever there was one?

SHAKOW: I have trouble with the notion of "rightward shift." The foreign aid program of the United States is really a Presidential program. This is not something that comes from the grassroots in any significant way. So the question is how enthusiastic is the President, and how much political capital is he willing to expend in the Congress to get the aid legislation passed?

When we have had strong Republican Presidents that recognize that the foreign policy of the United States depends in part upon a significant aid program, including support for the multilateral institutions, it has been much easier to get support on Capitol Hill than when liberal Democrats have been in the White House. If there is a strong rightward shift or, let's say, a more conservative swing in the Treasury, they may raise the kind of questions that a Meltzer or others raise. But it's not as simple as saying right or left because Republican Presidents have often presided over much greater support for the international institutions. The last time I think there was really strong support for the Bank in any administration was during the Carter Administration. But during eight years of [William J.] Clinton, support--it wasn't easy; he didn't really put much emphasis on a strong and effective aid program.

Q: Well, you had eight years of Reagan.

SHAKOW: Yes, we did, and during parts of the Reagan Administration things were not so bad, actually. But in any case, aid is not high on the priority list of anybody, and the World Bank is not a subject that is very important to most people around town, except for those of us who work here and a few other people. Most of the effort has to be expended through the Treasury Department and a few Members of Congress; if you're lucky with those people, you can do very well. If you're unlucky, then it's an awful, bitter dispute.

Q: Especially for External Affairs.

SHAKOW: Not just for EXT but also for the President and many others, but yes, that's why I said I'm glad I'm not in External Affairs anymore. Because the media is crucial in all this, too. When Members of Congress pick up the newspaper and read a story, that is when they think they are very knowledgeable.

Q: You mentioned the measuring and accounting for results in one of your answers. How adequate in your opinion are the Bank's mechanisms in the measuring and accounting for results in light of the recent tighter focus on strengthening these activities?

SHAKOW: The Bank's evaluation work is of better quality than that of most other aid agencies, although the U.S. and the U.K. do excellent evaluation work, too. Certainly, a lot of attention is devoted to it in the Bank, and the Board is much involved and asks a lot of good questions. OED

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is very large and has a lot of influence. So I think we do better than most, and we keep on refining what we learn. There is always a danger that the evaluation work becomes so burdensome that it gets in the way of doing the actual job, and ways need to be found to do evaluations in a quicker fashion, but I think we're doing quite well.

Q: In talking about the Bank as an economic actor in a political environment, what is your opinion on how the Bank currently reconciles its development agenda with the constraints imposed by its Articles prohibiting it from engaging in any political activity?

SHAKOW: The Articles are quite specific in proscribing partisan political activity. For a long time the Bank stayed away from anything that could even possibly be considered political. We hid behind the fact that we're not political and therefore said we could not pay any attention to political situations. I think that was a big mistake, and we still are a little weak in that area.

As I remember, in 1982 or so, when we had begun work on structural adjustment programs, there was only one political scientist at the Bank. He was looking at what commercial enterprises were doing in the way of political risk analysis. We thought it would be good for some of the economists who were working on structural adjustment programs to hear from him about what the private sector was doing. The private sector's not engaged in politics, but businesses needed to know more about what is going on in the countries where they are working - or planned to work. As the Bank was engaged in supporting structural adjustment programs, in which we sought to affect the whole economy and not just an individual project as was our tradition, we thought it would be good for these economists to know what the political economy is all about. We heard a fascinating presentation and at the end I was really dismayed because these economists said, "Well, that's all very interesting, but what does that have to do with us? Our job is to provide economic analysis that is of top-notch quality. If the country decides to take it, great; if they don't, that's their problem."

I was amused a couple of years later when in a seminar on the experience of the first years of these structural adjustment programs, a couple of the same people who were in that previous seminar reported on what had happened; I think one was describing the Kenya SAL, and he said, "We had such a wonderful program, perfectly designed, very sound economics, developed with the finance ministry's technocrats, but when they took it to the Cabinet it was totally rejected!" And so they began to learn that paying attention to the political economy made sense.

What I'm getting at is that since 1991, when we first started talking about governance, there has been a remarkable opening up, and it happened very quickly. Our lawyers imposed constraints on what could be done, but in fact all sorts of imaginative projects were developed within these constraints. These efforts gradually expanded the definition of what could be done. In the structure of public administration we were helping newspapermen understand economic issues; we were working with the judiciary, and in all sorts of other areas.

Understanding that the political economy is the environment in which the Bank's work takes place is very important. In doing this, of course, we need to be careful not to get involved with individual political parties, but I think by and large we've managed to do that and do it quite well.

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The other aspect of the problem is whether we are subject to political pressure from our shareholders, and particularly our largest shareholders. We are often accused of doing things for political reasons rather than for good economic or technical reasons. It is true that occasionally some of our Board members take decisions for political reasons, but they always cloak their views in some technical or economic justification. Despite these charges, I don't think that the Bank is just dancing to the tune of the U.S.

Q: In terms of the Bank's crowded agenda, in your view, should the Bank be more selective, and how should it go about doing that, especially in light of its greater emphasis on partnerships with borrowers, development actors, other agencies and organizations?

SHAKOW: One of the major accomplishments of the last year has been the evolution of the Bank's Strategic Framework and Strategic Directions based on a collaborative effort between the Board and the management. The most important component of that, from my standpoint, has been the recognition by senior management that it really must be more selective in determining and implementing corporate priorities. The Board has been saying this for some time, but the Board itself is unable to come up with a small number of priorities because it represents such a diverse group of countries and interests. The Bank management now recognizes that there is an institutional interest in it setting these priorities. This has been very hard for the management to agree to because the Bank has always wanted to be all things to all people. We have been pushed by shareholders to do it.

The Bank tries to respond to requests from all its members, and it ends up taking on more and more activities because they all seem important. But there is a point beyond which we can't do all these things and do them well, and so we need to be more selective. In that way we can do the things we do very well and find a way to get others to pick up and do the other important work. There are a lot of other players who can do this, such as a regional Bank or a UN agency or a bilateral donor.

So, going back to the days when I was head of Strategic Planning, we were asserting that we should have a better balance of responsibilities between the regional banks and the World Bank, and that while this could not be achieved overnight, it was important to start the dialogue. We said then that we ought to sit down with the regional banks and say, "OK, over the next five years we are going in this direction and you're going that way; can we rationalize our strategies to get the best from both of our programs? I would prefer to work in these areas and stay out of certain sectors, and perhaps you would like to go into those sectors." I did not think it made sense for the World Bank to finance the 40th power project in some country, for example; what were we really contributing other than money at that point? But I did discover that from at least one standpoint it was important: the procurement opportunities from such projects are more interesting to our shareholders than those available in an education project with lots of local cost-financing. So it's not as simple as it might seem to decide on sectors of special interest, but I still think it's crazy that we are competing as much as we do with others and that there's a scramble for projects that leads to inefficiency.

I have to point out, though, that some borrowers like the idea that two multilateral banks may be fighting over a single project, as they think they can get a better deal that way. Whether that is in the interest of the institutions, however, I'm not so certain. Thus, I think we need to push much harder on this idea of greater selectivity.

In fact, the Bank is now, for the first time at least, saying more about selectivity. The President is quite clear about the importance of selectivity at the country level. He is less clear about selectivity at the corporate level, because he believes that we should have a capacity to provide advice and counsel to countries in all areas, just as a general practitioner does in the medical field. But it is interesting that in the last year he has not, unlike previous years, proposed any new initiatives. The Bank has had a series of high priority initiatives in the past few years, and it has become a tremendous burden for the staff down at the end of the line, the Country Directors and the Task Managers, to handle all these competing priorities. These staff tend to stress what they think the President or others would like them to emphasize, which does then undermine some of the other priorities.

So yes, I am in favor of greater selectivity. I think the Bank has to do that. The Bank cannot cope with everything that it is now trying to do. We are now trying to narrow down the number of partnerships we establish and to focus a bit more, but it's something that will only happen if top management keeps pushing, and the budget is an important device to achieve that.

Q: When you talk about selectivity, some have argued that the Bank should return to basics, the sort envisioned by its founders, and bring back what pertinent skills were lost in addressing the basics. What do you think?

SHAKOW: I don't know what the basics are. We no longer are doing railways, but we used to do railways as one of the very basic sectors we supported. It is very important that the Bank be in education and health, and yet they were not projects in the Bank's original portfolio. It is hard for me to say arbitrarily we should do X and not Y, as those choices have to be arrived at by sorting through alternatives, each of which are important. If we stop doing infrastructure projects, then the next thing that happens is a lot of the other regional banks will also stop doing them, and so what are you left with? There needs to be a more coherent effort at this, and there ought to be agreement on comparative advantage and better distribution of responsibilities.

I said earlier that I don't see why we should do the 40th power project in, say, Indonesia. What are we adding to it other than just another project? Why shouldn't the Asian Development Bank do that? I'm not saying we ought to get out of all projects entirely, but in certain countries maybe we should. We can start focusing down so that we can concentrate our efforts a little bit more. I don't know what the basics would be in the Bank, and that's my only concern about a back-to-basics program.

Q: Infrastructure projects.

SHAKOW: Some infrastructure, yes, some infrastructure.

Q: In view of recent, or certainly persistent criticism of the Bank, should it farm out to other institutions part of its, let's say, operational policy research?

SHAKOW: Farming out is not what I would have in mind. Going back to the basic point I was making earlier, it is important for the Bank to narrow down the scope of what it does. When we are the best, we ought to keep on doing that; in other cases, we ought to encourage others to pick up an area. I'm not clear as to quite what operations research is, but the Bank's research work on economic development questions is first rate. I don't think we ought to move away from that. But in other areas, we ought to do so. If UNDP [United Nations Development Program] were stronger at doing certain things, they could take on more, as could other UN agencies. A conscious effort ought to be made at transferring some of these functions to other institutions so we can divest ourselves of these excess responsibilities. This does not just mean farming out the work but actually divesting ourselves of responsibility and letting others do it and make sure it is being done well. The World Bank people could also move to that institution at some stage if they wished.

Q: What do you think of the Bank's stronger emphasis and rapidly expanding agenda in the social sectors since the early 1990s?

SHAKOW: I'm in favor of the Bank working extensively in these areas; what I'm also in favor of is making sure that the Bank has the best people and the best approaches and that it is not simply engaging in this work without that kind of capacity. There used to be a time when the Bank's education projects were almost entirely construction projects. A lot of schools were built. Now we no longer do that; construction is part of a broader effort to ensure that policies and class size and pupil retention and other areas of high priority get the attention they deserve. I am concerned that maybe the quality of what we do is not as strong as it should be, and so we need to make sure we have the right people who are sensitive to the kinds of concerns that countries have and the skills that are needed. More and more countries themselves have a lot of capacity in education now. It is right that we are working strenuously in the social sectors, as these factors are very important in terms of productivity and reducing poverty.

Q: I'd like to talk a little bit about the comprehensive development framework (CDF), if I may. Today the Bank's holistic approach to development is found in the comprehensive development framework, which places greater emphasis on adopting the CDF approach. This translates into an evolution of Bank lending and non-lending tools, better and closer alignment of human resource instruments, as well as ensuring that the learning agenda supports the CDF way of working. What is your opinion of the CDF approach?

SHAKOW: I was present at the time that Jim Wolfensohn first mentioned the CDF to the Board. As someone who has worked for as long as I have in the development business, I was a great skeptic, mostly because it seemed to me to be a fairly simplistic, all-encompassing and grandiose design. One could not argue that all its elements are not important, both in terms of the priorities and types of donors cited. My concern was the degree to which the CDF would be helpful to countries or operational staff in making choices or deciding on priorities. I still believe that, though I don't think it's terribly helpful from that standpoint.

What I have come around to understanding, however, is that it actually has served a very important purpose in another way. Jim Wolfensohn has taken this very seriously. He really did write this originally over a Christmas holiday and came back with it to Washington. He believes very strongly in it. The CDF has enhanced his ability to educate heads of state and government about development issues. Some of us long in this business have tried for years to find a way to reach these people, usually without success. But Jim has been very successful in reaching them. He uses the CDF as a tool to get the attention of people who seldom if ever think about development issues, and they seem to be very impressed by it. So, far be it from me to belittle it if it has that value, because it means that people who are very important to the support of development, development cooperation, and development assistance have their noses rubbed in some of these questions that they might not otherwise ever have become interested in. And he's managed to accomplish that.

I worry that the countries most in need of a coherent approach to development are the least able to deal with all this stuff and the CDF is biting off more than they can chew. I'm not impressed with the idea that a computer will spew forth 3,000 project descriptions for a country and that sort of thing. So, on one hand I think it's overblown, and on the other it's been a very useful device for certain important purposes. I do worry that people may be expending a lot of energy in some countries trying to get all these boxes filled in, and to what purpose.

Q: I think you've already answered my next question but I'll ask it, anyway. How adequately will the CDF serve in helping the international community meet the UN millennium development goals set to halving poverty by 2015?

SHAKOW: CDF principles is what we talk about these days more than the CDF itself. That is a way of stressing basic principles that are now quite widely accepted, e.g., country ownership of programs, working together in partnerships and so on. That is all very much a part of trying to achieve the Millennium Development Goals. The CDF per se is not, but I think its underlying objectives and its holistic approach are very helpful. It is important, however, to realize that implementation is going to be quite different and quite specific.

Q: OK. Before turning to reflections is there anything else you'd like to add to our discussion of Bank business?

SHAKOW: Well, there was one thing that I was engaged in that doesn't fall into any of these categories that you have mentioned thus far. About five years ago, when I was both Development Committee Executive Secretary and Deputy Corporate Secretary, I had a little bit of time on my hands. An issue arose in connection with an IDA negotiation in 1996. Many countries were concerned that their IBRD [International Bank for Reconstruction and Development] shareholding was not keeping pace with their place in the global GNP. IBRD shareholding is supposed to represent the relative share of a country in the global economy, but there had not been many recent adjustments and as a result many countries were underrepresented. The last capital increase of the Bank was in 1988, but since then Korea, Turkey, Italy and others whose GNP had grown significantly had not seen any increase in their shares in the Bank. Bank management agreed to take a look at the IBRD shareholding, but nobody really thought anything could be done about these inequities. The Articles of the Bank

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state that the share of individual countries cannot be reduced without their agreement. And so, the only way you can get agreement is to have all countries concur with any scheme.

Without going into all the details, Sven Sandstrom asked me to pursue this subject to fulfill a management commitment to the IDA Deputies. There had been an agreement to increase the Japanese IBRD share from 6 to 8 per cent because Japan was willing to put \$100 million more into their IDA contribution, or maybe even more than that. But that was the only change all Bank members could agree upon, thus the need for a further review. I was given the task of trying to figure out a way to make this work. It was wonderful to start off on this because everybody said it couldn't be done, that there would be no way to get agreement because I wouldn't be able to get everybody to agree.

Well, after about a year and a half or more of explorations and compromises, we actually did get an agreement which resulted in a selective capital increase (SCI) for five countries: Brazil, Turkey, Denmark, Spain and Korea. All members agreed, and in addition, as part of the deal we got a significant boost in the contributions of these countries to IDA. The deal required that to purchase more IBRD shares they also had to make a significant additional contribution to IDA. At the end of this process we had a major accomplishment on the shareholding side, increasing the shareholding of five countries that were egregiously underrepresented, and IDA also benefited.

I mention this because it was one of those special tasks I undertook that gave me great satisfaction. We got it done with a lot of help from some of the EDs and a lot of persistence and willingness on the part of Management to let me wheel and deal a little bit. And so we came up with something. So I was very pleased with that and why I wanted to mention it.

Q: OK. We'd like to turn now to a few questions about the Bank Presidents and first ask what are your thoughts of the various Bank Presidents under whom you've served?

SHAKOW: I came in just as McNamara was leaving so really the Presidents I dealt with were Clausen, Conable, Preston and now Wolfensohn, each of whom were quite different, of course. I worked closely with each of them because of my jobs in External Affairs and the Development Committee.

The person with the most vision and dynamism, the one who came in wanting to make the most changes, is clearly Jim Wolfensohn. As I said earlier, perhaps his greatest strength has been his ability to reach people on the outside. From the moment I entered the Bank I was anxious to see it become more open to the outside. He has done just that, maybe even too much. I mean, he has been pushing the rest of the world in a way that is really admirable. I have a sense that he would like to solve all the problems of the world. He would love to make sure that the Bank is central to the solution of the Middle East Crisis and to rescuing Africa. There isn't a big problem in the world that he wouldn't like to see the Bank take the lead on and solve. I really give him a lot of credit for that. I think the flip side of that is that he has added so many areas of priority that it's become very hard for the Bank to accomplish all that it would like to do, and the burdens on the staff down the line have been very great. Those two go together. And obviously he has a very big ego, and I guess that that goes with the territory, too; if you want to accomplish so much and not

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just sit back and have the Bank be a run-of-the-mill institution, you need to have an ego that will go with that. That doesn't bother me. But he sometimes has a difficult time hearing the views of people who are anxious to be helpful to him. He has had difficulties with the Board in this respect. I think he came here thinking that this would be more like IBM or some other big company. At Wolfensohn & Associates, the Board was there to serve the will of the Chief Executive. I do think he's gotten better and appreciates more than he did at the start of his term that these people represent governments and they can't just always be his best friends and do whatever he asks without raising issues. In fact, he has been able to get nearly everything he has wanted from the Board and has accomplished a lot of very positive and very good things.

Q: In the case of Clausen, Conable and Preston; weren't their experiences with the Board very much the same, and their responses very much the same to the responses that Wolfensohn had?

SHAKOW: Not in the same way. As I recall, each of them in their own way knew that they had to deal more with their Boards. Moreover, they weren't as ambitious as Jim Wolfensohn in striking out in new territory or putting forth new priorities, so while they may have been frustrated by the Board, they did not find themselves in big confrontations with Board members quite so much as Jim has. No, I think that Wolfensohn's difficulties with the Board are much greater and deeper.

Clausen came in at a very difficult time. He came in after McNamara, the strong leader of the Bank for 13 years. While U.S. Administrations were not always favorable, he did manage to get most of what he wanted done in a period of rapid growth of the Bank. Clausen came in with the Reagan Administration, which had a wholly different attitude toward the world and international institutions. I think Clausen was a fish out of water, but he tried very hard, and he made a lot of good speeches in favor of the kinds of things that I think people at the Bank warmly supported. But I don't think he ever really grabbed hold of the place as much as would have been desirable. But, as I say, he was working under really very adverse circumstances; a wonderful, nice guy with lots of external difficulties to confront.

Barber Conable had a very different background. He came from the Congress, never having run anything larger than his office. He was really thrown into a difficult situation running an institution of 10,000 people. A wonderful person, really a delightful personality, very bright, brought in presumably because the U.S. thought that he could deal with the Congress. He did that very well, but he also had to deal with a lot of other things, too; he gave much more attention to the environment and to some of the social sectors, which he really strongly believed in. He also presided, for better or for worse, over the 1987 reorganization, which created a terrific burden for him, but he felt he had to go through with it. He ought to be remembered in particular for his commitment to reaching out to poor people; he strongly believed in that, and he felt that the programs he pushed would be very helpful. He was also quite helpful and supportive on a more strategic approach to issues, and in his Annual Meetings speeches he addressed important issues, often ones we suggested to him. There was a great deal of affection for him in the Bank, and I think in many ways he got a raw deal because he was saddled with the problems of the '87 reorganization. He did put the social sectors on the map as far as the Bank was concerned.

As for Lew Preston, it was a terrible loss that he was only able to be here three years or so. He was an extraordinary gentleman, and someone who had great wisdom. In many ways he was the exact opposite of Jim Wolfensohn, in the sense that he was very much an inner-directed person. I think I was saying yesterday that he was much more concerned with getting things done inside the Bank rather than worrying much about the outside. (This is not to say Jim Wolfensohn is not concerned about what goes on inside the Bank; of course he is, too.) Lew really didn't have enough time to put his imprint on things in the Bank. I think his biggest problem was that he was focused on the inside at a time when the Bank needed somebody who was able to deal with the outside pressures as well. Since I was head of External Affairs, it was a bit awkward, because he really didn't want to deal much with such issues. For me, that was his major failing, but as to his nature and character, they were wonderful. He was a really marvelous person, but not the right man at the right place at the right time from the standpoint of the institution. He needed to find a way of making sure the Bank's message reached important audiences outside.

Q: What, in your opinion, are the criteria and attributes of a good World Bank president?

SHAKOW: We need a Renaissance person who is gracious and generous and thoughtful and considerate and kind and all those things! I think it was terrific having somebody with Jim Wolfensohn's knowledge coming into the Bank because he had been on many boards, he knew about education, and he knew about development. I remember at some of his first briefings asking very difficult questions that showed he really knew what he was talking about. And he has dug in much more deeply on some of these subjects than any previous president of the Bank that I'm aware of.

It's great having a President with knowledge of the development business, and it's rare that you get that, particularly given the way that these presidents are selected. Managing Directors of the IMF are traditionally selected because they have had years of experience in government working on the appropriate subject matter. Presidents of the World Bank are usually selected for totally different reasons. I would much prefer to have somebody selected for the kinds of reasons that the IMF MD is selected. In Jim Wolfensohn, at least, we had somebody who has a deep interest in the Bank's work. He was not thrown into this job at the last-minute by the President of the United States. Wolfensohn had wanted this job for a long time, he knew a lot about it, he had worked in many related areas, all important aspects of the correct appointment process.

The President should be a person with strong vision. If it's not a person with strong management capabilities then we should have a strong deputy. It is too big a job for one person to do everything, and I think it's been a weakness of Wolfensohn that he has not been willing to delegate clearly the operational responsibilities to a deputy, whoever that might be, and concentrate on providing the vision and the leadership in other ways.

So, I would divide the functions a little more clearly but find somebody knowledgeable about development and finance, somebody who really cares, somebody who can get that message across, somebody who is really a decent and honorable person. And somebody who has a good sense of management, whether that's directly or through somebody else.

Q: What in your opinion is so unique about the World Bank?

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SHAKOW: The fact that 10,000 people are gathered together in one place trying to improve the welfare of the world; there is no other place that is so large, representing such a wide variety of peoples and cultures. What is amazing is that with such enormous capacity that cuts across so many different barriers and boundaries and skills, by and large it still works! It can work better, but it is a unique institution from that standpoint and it needs to be nurtured and strengthened.

Q: What do you see as its unfinished agenda?

SHAKOW: It will always have an unfinished agenda as long as there still is poverty in the world and a way for people from outside individual countries to be of assistance to those in the countries that want to make those changes. So phasing out of existence is the ultimate goal, but it is an elusive one, and that's the unfinished agenda.

Internally, there are all sorts of things that are being done to help ensure a sensible way to determine our priorities, to become more efficient and effective, to get rid of some of the "barnacles" that tie up and make life harder for staff. It is an unfinished task to take the necessary steps to unleash this wonderful strength that all these talented people in the Bank have to offer, and finding ways, again and again, to make it possible for them to produce up to their highest levels of capability.

Q: So you see the Bank as still being able to maintain its global outreach? You don't see any other institutions developing or any other constellation of institutions developing that would supersede the Bank?

SHAKOW: Not supersede the Bank, but if what we talked about earlier were to come about, there would be a clarification of roles and a better distribution of labor throughout the international system. The Bank should not be the repository for everybody's request to do everything. And, from that standpoint, you want an international system that is stronger in its entirety rather than being so unbalanced, where the Bank and the Fund are strongest and then you have these other agencies that are much weaker.

Q: What do you think are the major challenges laying ahead for the Bank, especially in the aftermath of September 11th?

SHAKOW: As Jim Wolfensohn points out, September 11th didn't change the situation and the challenges to the Bank. We've been saying all along that poverty and the problems that poverty breeds are a terrible waste for society and for the world. If September 11th helps people to understand that indeed these problems are severe, and that while poverty may not be the source of the terrorists, that at least it is a breeding ground for terrorism and for global disaster, then September 11th can serve as a reminder about the high priority needed for the kinds of things we've been saying and arguing and working for. But I don't think that it really changes the situation on the ground and the problems are the same. But it may help get more support if people understand that, and I hope that they do.

Q: So you don't see that the Bank in and of itself needs to change in any way, particularly to respond to this . . .

SHAKOW: Not really, no. I mean, we have our role, and we shouldn't be turned into policemen trying to control money laundering. We have a certain number of tasks and we ought to be focused on those.

Q: What do you think your contribution has been to the Bank?

SHAKOW: Well, I've had fun here. I've been here nearly 21 years, and I think that over the years I have been able to help broaden the Bank's outlook a little, coming as I did from the U.S. government and from having worked on international issues.

Coming into an institution that was a bit more inward-oriented, I was certainly in the minority. But it's true that the Bank is still too inward-looking, and I've tried to encourage that kind of openness. That is why I was saying earlier I thought that Jim Wolfensohn really had taken that message and run with it. I do not mean taking my views, for these are his own inclinations, and he is running with them. But I think that's one area that I've contributed a little bit to.

In a place of this size there's only a little bit that one can do. I think I've helped bridge some gaps that existed, whether it's between Management and the Board or between Board Members and Ministers or Board Members and staff and the outside world and the inside world. I guess that a few of those things have been helpful and as a result some of this has met consensus in a few areas, and that's good, too.

Q: What would you say you've learned from your own experiences at the Bank?

SHAKOW: Oh, I've learned an enormous amount. I've learned a great deal about development and about economics that I didn't know before I came here. I've learned even more than I knew before about working in a multi-cultural environment. I've learned about the ways in which you can accomplish certain things in these strange and unusual environments. We are dealing with many government as well as international organization bureaucracies, and I've learned that there are a great number of wonderful people here and around the world. I've learned that this really is a very great and important institution, and that we all need to do everything we can to make it even better.

Q: What has it meant personally to you serving an institution such as the World Bank?

SHAKOW: It has just been a very rewarding experience. Even though I haven't been on the front line working with individual countries, I've felt that what I was doing was important to the overall work of the Bank and to the work of a lot of individuals accumulated together and producing a very positive result. So I've felt that sense of accomplishment, sometimes in a little way and sometimes in big ways, but that it was all designed to strengthen prospects for people in the world becoming better off and living a better life. That's a bit grandiose, but behind all that we do I think that's what we're here for. While my business may have been to deal with a lot of policy discussions, papers, and bureaucratic issues, in the end I think that they really were

designed to produce a positive result that will make everybody's lives better. I'm sure not everybody saw everything I was doing in that way all the time, but, from my standpoint, these were sensible steps that needed to be taken. Member governments have a lot of power and influence on what their institutions do, and we ought to use that power and influence effectively and successfully to make the world a better place in which to live. I think that's what we've been doing.

Q: Having worked in both the bilateral and multilateral agencies, have your views changed on either? Or do you have a preference for one over the other?

SHAKOW: I feel very lucky to have been able to have worked in each one. I think that there's a role for both. We argued often when I was at AID the importance of both bilateral and multilateral programs that complement one another. The institutions are quite different, but both have very good people; I've worked with very good people in the U.S. government; I've worked with very good people here in the international setting. It is a little different here, and I'm very glad to have done both. It would have been a much less interesting career to have worked only in the World Bank; to have worked in the Peace Corps, USAID and then here has just been a lovely combination, all in development in one way or another but in very different environments.

Q: Well, thank you very much.

Q: And thank you for an invaluable contribution to the Bank's Oral History Program.

SHAKOW: Thank you!

[End of interview]