ZIEGLER: Today is May 5, 2010. My name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me today in the Archives of the World Bank Group Mark Baird. Mark joined the World Bank as a Young Professional in 1974. In 1975, he became a country economist dealing with India, and the following year he undertook a similar position at the Bank’s resident mission in New Delhi. In 1979, he became a country economist dealing with Tanzania and Uganda. In 1984, Mark was appointed senior economist for Indonesia, and in 1986 he became the lead economist of the resident staff in Indonesia. Mark took a break from the World Bank in 1990, becoming an economic adviser to the New Zealand Treasury, but was back in the Bank in 1992, when he was appointed division chief for Country Policy, Industry and Finance in the Operations Evaluation Department. In 1993, Mark became director of development policy in the Office of the Senior Vice President and Chief Economist. In 1997, Mark was appointed Vice President – Strategy and Resource Management. He closed out his distinguished bank career as country director for Indonesia from 1999 to 2002.

Well, Mark, as you will recall, we’ve had this interview in planning for a long time, so I’m really glad you’re able to join me for this interview session. Given your long, distinguished career in the Bank, I think this is going to be a very valuable addition to the Bank’s Oral History Program.

To start out, let’s keep it simple. When and where were you born?

BAIRD: I was born in 1951, 14th of February, in Christchurch, New Zealand. In fact, I grew up in Christchurch for about the first 21 years of my life, went to the University of Canterbury there, where I did all of my formal education, and graduated with a master of arts with honors in economics.

ZIEGLER: What were some of your work experiences before you joined the World Bank?

BAIRD: When I graduated, I went to Wellington, the capital of New Zealand, seat of government. I worked for what was called the Monetary and Economic Council, MEC. It was an independent adviser to government. The chair of the Council was my former professor at Canterbury, Professor [Bert] Brownlie. He felt that I was rather too technical and not sufficiently policy-oriented, and felt a stint in Wellington would do me good before I went on to do my doctorate. As it turned out, I became completely engrossed in policy work and never returned to do my doctorate. While at the MEC, I was formally on secondment from the New Zealand Treasury, and briefly worked there for about six months before joining the World Bank.

ZIEGLER: You worked at the World Bank as a Young Professional. What led you to apply to the Young Professionals Program?
BAIRD: I had become interested in development economics through one of my professors at university, Frank Tay, who was from Singapore. He taught a very interesting and challenging development economics course.

My own background, though, had been very sheltered. I had been at home all of my childhood and adolescent life, yet when I moved to Wellington and then saw what was possible with policy work, I was very keen to travel overseas and to work overseas, and indeed I applied to the IMF [International Monetary Fund], to the OECD [Organization for Economic Co-operation and Development], and to the Bank. I think the IMF offered to interview me in Wellington, the OECD in Canberra, and the Bank in Bangkok; so the Bank struck me as the most exciting opportunity!

ZIEGLER: Were there any circumstances or incidents during the application and interview process for the Young Professionals Program that are worth relating?

BAIRD: Well, it’s very vivid in my mind because it was my first trip outside New Zealand. It almost didn’t happen. I went to get my smallpox injection and it wouldn’t take. As it turned out, I had had an injection when I did military training, and therefore the new one wouldn’t take. I was very fortunate that within a day I was able to get a record of that shot and get on the plane. But I still missed my connection in Sydney, and arrived in Bangkok very tired and exhausted on the morning of the interviews. But I also remember being met by Tom [T.] Tsui who was then head of the YP [Young Professionals] Program, and interviewed by Manfred [G.] Blobel. I’m not sure at that stage whether he was the director in Bangkok, or if he was the South Asia programs director. He had some high level position.

ZIEGLER: And he died tragically young, as I recall.

BAIRD: Yes, he did, while I was in India, in fact. That will be something we can talk about later. But what was very striking to me was how relaxed and informal the interviews were, and how comfortable one felt, particularly, I think, because of Tom and Manfred.

However, when it came time to leave, I had presumed that the hotel would be paid for by the Bank. I went down to check out at 2:00 in the morning, and they asked me to pay this bill, which was larger than anything I’d ever seen in my life, and I simply had no money, or no credit card. So I had to wake up Tom Tsui at 2:00 a.m. to come down and pay the bill, and I thought, “That’s certainly the end of my World Bank career,” but they overlooked it, and I was grateful for that.

ZIEGLER: Upon your arrival in the Bank, you were assigned to the Country Programs Department at the South Asia Region, and you shortly thereafter became a country economist for India. Around this time, the president of India, on the advice of Prime Minister Indira Gandhi, declared a state of emergency that was to last for 21 months. This state of emergency effectively enabled Mrs. Gandhi to rule by decree and suspended elections and civil liberties. During the emergency, the Indian government implemented a 20-point economic program designed to increase agricultural and industrial production, improve public services, and fight poverty and
illiteracy. This obviously touched on many things that the Bank was trying to do in India. How did this economic program affect your work on India?

BAIRD: Well, I have to say, first of all, that I was very fortunate to get my first YP assignment and, indeed, my first country assignment, on India. It was the center of the Bank in those days. [Robert S.] McNamara and [Hollis B.] Chenery were very much focused on it on a day-to-day basis, and it was the one country that I knew something about from my studies at university, because it was also the center of development economics in those days.

But I was also very young. I mean, I was 23 when I joined the Bank, and I felt like a schoolboy, and I was given very routine tasks to do. Primarily, my job was to prepare export tables that McNamara reviewed on a regular basis. He required a very fixed format, landscaped, footnotes on the side, I recall, and to get those accurate and precise was the sort of task I was entrusted with. And, in fact, the balance of payments and the aid case, which we can talk about later, became the center of my work on India. So I saw very little of this high-level relationship between the Bank and the government of India.

However, I do recall that famous quote by U.S. secretary of state Kissinger when the emergency was declared, who congratulated President [Richard M.] Nixon on becoming the president of the largest democracy in the world, because India no longer was, and I did sense that sense of disappointment.

But, on the other hand, the Bank worked closely with the technocrats in the government of India, I suspect then even more so than today. The politics of it was all somewhat ignored; the Bank kept its head down and continued to work closely with people like Manmohan Singh, for example, who was then economic adviser in Ministry of Finance and, of course, is now prime minister. So I’m sure on a day-to-day basis the state of emergency had very little impact.

ZIEGLER: Who was the res rep [resident representative] at that time when you came?

BAIRD: The res rep at that time was [William M.] Gilmartin. We called him Gil. He, unfortunately, passed away. The deputy res rep was Bilsel Alisbah, who became, of course, vice president subsequently, and the division chief in Washington was Jochen Kraske. It’s probably very good indication of the warmth of that group and the way they nurtured me in the Bank that, in fact, I’m having lunch with them at 12:30 today. The group of Jochen and [Ann O.] Hamilton and Gil and Bilsel in Delhi was for me just a wonderful, wonderful environment, and Martin [H.] Wolf, who I think you are going to allude to later, was the lead economist and my first boss in the Bank.

ZIEGLER: I take it you follow his columns in the FT [Financial Times].

BAIRD: I do indeed. Martin stays in touch. Martin recently visited New Zealand and kindly invited me to join him at a big speech he was giving, and sat me at the top table, having to move aside some ministers to do so. I was delighted to discover he is the same person that I knew in the Bank, yet he now has this illustrious career as probably the preeminent financial economist working in journalism in the world.
ZIEGLER: Yes.

In a report entitled “India: The Challenges of Development,” a country assistance evaluation by the Operations Evaluation Department, the report speaks of the late 1960s and 1970s, noting, “Indian authorities who feared Bank interference in politically sensitive national programs resisted the Bank’s ambitions to support the government’s anti-poverty programs. Policy in advice and economic analyses mostly produced by resident mission staff in close consultation with government officials had a modest impact. Conditionality was used sparingly, and common ground between the Bank’s objectives and the government’s was continually stressed.”

And on page 15 the same study notes that, “Bank reports have been cautious in presenting conclusions and policy options because of the government’s sensitivity to criticism, its resistance to policy advice from external sources, and its view that Indian experts and officials should be left to draw their own conclusions on policy issues. As a result, the dissemination of controversial analyses and recommendations has often been restricted, and many Bank reports have not been processed for final distribution to the Board.”

Given your involvement with India from 1975 to 1979, it would be interesting to hear your own experiences with and observations of the undoubtedly complex interrelationship between Indian authorities and the Bank and how it evolved, as you saw it. You did touch on that in your previous answer, but ...

BAIRD: Well, I think it raises an important issue, but again, at my junior level I would see none of this. I may sit in a few meetings at the policy level, but I was probably too young, also, to fully understand what was happening. But I think this is a question you can apply to any country program, and we will apply, I’m sure, later when we come to Indonesia, this fine balance between private influence and public criticism.

I think in the case of India, because of the dominance of India in IDA [International Development Association], the balance of power clearly lay in the hands of the government of India, and, therefore, there would be very little value in the Bank being a public critic. I think the more interesting question is, what influence did it have privately? Was it able to influence? And I suspect it had some, but I think simply because many of the counterparts on the Indian side had come through the Bank, or were very familiar with the Bank, or had gone to the same universities as Bank staff and knew them on a collegial and personal level. I think that was what I noted when I first worked on the program, and particularly when I moved to Delhi: how collegial the whole relationship was.

Now, that can become too cozy and therefore un-influential, or it can be actively used to influence policy. I can’t judge for that period which was the case, but I’m sure OED’s basic point on the lack of conditionality or public confrontation is correct. The only issue is what were the options that the Bank had in such a large program at that time.

ZIEGLER: Martin Wolf, the current associate editor and chief economics commentator for the Financial Times, was employed as an economist for about ten years with the World Bank. In a
2004 commentary in the website *The Globalist* entitled “Martin Wolf vs. The World Bank,” dated June 25, 2004, he writes, “I worked on India as a senior division economist for three years in the 1970s. During that time, my chief function so far as the Bank was concerned was to justify the provision of significant quantities of aid, even though this money was helping the government of India avoid desperately needed policy changes. As it turned out, those changes were made in the midst of a deep foreign exchange crisis in 1991, almost two decades later.”

In light of your own experiences with India, how would you respond to Mr. Wolf’s view, as expressed here?

**BAIRD:** I have to say, first of all, Martin was the most intimidating boss I have ever had.

**ZIEGLER:** He was actually your supervisor?

**BAIRD:** He was my initial supervisor. He had as sharp a mind and tongue then as he does today, and he was not someone who tolerated fools easily. In fact, how we ever got on at times amazes me, but I think also he probably saw our comparative advantages and let me do the tables while he did the serious work, and developed me a lot as a country economist in the process.

What he stated here has a lot of truth in it. I can only recount one particular example that may shed some light on it. As part of my work on the balance of payments, and I guess this came later when I moved to Delhi, I did a paper on remittances. It occurred to us that if you looked at various sources of migration data of the Bank, the Reserve Bank of India records, there was a large and growing amount of remittances coming into India from foreign sources—Indians living overseas. I wrote a paper that documented this and predicted it would become a major source of balance of payments financing in the future. I remember Ernie [Ernest] Stern writing in the margin, “This is very unhelpful and not part of the ESW [economic and sector work] program.” That’s all he commented because it opened the possibility that India would not need IDA, and, again, it showed that very symbiotic relationship between the Bank and India, where the Bank clearly needed India as much, if not more, than vice versa. Every year the aid case was a very dominant part of going to the consultative group.

I never went to a consultative group meeting. I don’t know how they worked, but I prepared a lot of the background information, and, yes, there was a very strong bias in terms of making the case that more aid would be better. And I think the counterfactual that Martin quotes is that when there was eventually a foreign exchange crisis in ’91, there was significant reform.

**ZIEGLER:** And Manmohan Singh was the finance minister at that time, too.

**BAIRD:** That’s right, and, indeed, you know, we used to talk a lot in the seventies about the “Hindu rate of growth,” which was . . .

**ZIEGLER:** Three percent?

**BAIRD:** Yes, three to four percent. It would never get higher. Well, look at what India has done since ‘91, I mean, about a seven to eight percent average, and the role that I played, or
didn’t play, in that I can’t really judge, but what Martin says here is what he said at the time, and I’m sure it was a factor in him leaving the Bank at such a young age. He could never reconcile himself to the influence of aid on the economic analysis of the Bank.

ZIEGLER: Palaniappan Chidambaram, who was a lawyer, trade union leader, and a politician who eventually became finance minister of India from 1996 to 1998, noted, “I was looking at the way government worked as a lawyer, challenging government actions in courts. I was also looking at the working of Indian companies from the trade union point of view. I found that enterprise was stifled. There was rampant corruption. Efficiency was penalized. Growth was crippled, and because of this protective market, the Indian people were being given shoddy goods and services at very high prices. Only rent-seekers flourished.

“The system simply was not creating enough jobs. There was not a sharp rise in incomes, as we thought it would have, and the most disillusioning aspect was the rampant corruption in government. Every license, every permit, every amendment to that was procured by corrupt means.”

He went on to say, “You see, 1970 to 1977 was the period when we went about socialism with a vengeance, anti-poverty programs and government nationalizing virtually everything, banks, insurance, coal mines. At the end of that period I knew that the whole approach had failed, and I had also seen how state governments simply exploited the system, and how political leaders built huge private fortunes on this license permit system. I think the total experience—lawyer, trade union leader, political activist—left me completely disillusioned by 1977.”

Based on your work experience with India, do these observations ring true to you on the Indian side of the relationship?

BAIRD: Well, I think it has to be said that the economic policies of the government of India at that time were greatly flawed. I think it probably also has to be said that the World Bank, you know, in its own way was critical of those policies. I mean, nothing could be further from the model that the World Bank, in a sense, represents. It was a highly interventionist, restrictive policy, so the interesting question is the one that was raised earlier, is what, if anything could the Bank have done to change it? I think eventually it did require a foreign exchange crisis to bring about change. Now, maybe, as Martin says, aid postponed that, but in terms of the economic analysis and advice of the Bank, I’m sure it was as critical of that, although perhaps with not such strong language as Mr. Chidambaram was in those later statements.

ZIEGLER: In 1976, you were assigned to the New Delhi office. Please compare and contrast your perceptions of India and the Bank—and of the Bank as an institution—that you had working from headquarters, and those you had working from the New Delhi office.

BAIRD: Well, I think that was another very lucky break for me, part of that nurturing that I got from Gil, and from Bilsel, and from Jochen, was this opportunity to move to Delhi. I think Jochen actually moved to Delhi as the res rep, and I probably moved in a sense with him when he went from the country division to Delhi. And the office was at that stage in the Ford Foundation building by Lodi Gardens, very close to where it is now, and such a calm, peaceful

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
construct compared to the sort of whirlwind that McNamara had created in Washington, especially on India. And I think Oktay Yenal had recently moved there as what we now call lead economist, so I worked for Oktay, one of a long line of Turkish Bank staff that I have worked with and for over the years, and it was an extremely satisfying work environment.

Plus, I must say the Indian staff were just wonderful. I’m sure Bim [Bimla] Bissel’s name must have come up many times. She was the lady who ran the office, and we were these young kids who knew nothing about life in general, let alone life in Delhi and having servants, and we just couldn’t handle any of it. She just took us under her arm and bought furniture and set up the household. It was just extraordinary. My assistant there was Mina Lepps, and she and her husband became very good friends of ours—they still are—and she just, again, made life such a joy.

We lived in Jorbagh, very near the Bank. I could walk to the office through Lodi Gardens. The Bank car would take you home for lunch every day. Where does that happen? You got driven everywhere that you wanted to go. It was very comfortable, but also the work was very satisfying. You really got to do in-depth analysis.

I probably became the world’s expert on India’s balance of payments, and I think it did teach me the basic lesson that no matter how high-faluting your policy dialogue can be, you do have to have this very good grasp of the numbers, and that’s something I’ve always kept, and it was drilled into me when I did that stint in Delhi. So I can only speak highly of life in a resident mission compared to life in headquarters.

ZIEGLER: You found life in the resident mission highly preferable, then?

BAIRD: Absolutely.

ZIEGLER: In 1976 you had been working in the New Delhi office, and in 1979 you were reassigned to headquarters. Historically, reentry to the Bank from external assignments has been a problem. Did you encounter any difficulties of reentry?

BAIRD: Let me just say, perhaps, before I answer that, the period I was there, from ‘76 to ‘79, actually coincided with the period of the Janata government. I literally arrived, and the emergency ended. I guess there were elections, and a new prime minister came in, and that was a period of great austerity, at least for expatriates. There was no drinking in public and so forth, and you’d have to get your beer in a teapot and things like that. I actually felt when I arrived that it may be a very short assignment. That with the ending of the emergency there may be a sort of backlash against the Bank; we may not have a role to play. I guess the prime minister was Morarji Desai, and so there was that initial uncertainty about the assignment, and then it settled down, and life returned to normal.

Yes, leaving Delhi. One thing I did notice when I was about to leave was that I hadn’t been promoted at all, and I noticed all my colleagues in Washington had been getting these steady promotions. So I remember mentioning to Jochen Kraske, “How does that happen?” and he said, “Oh, haven’t you been promoted?” and I said, “No.”
“Oh,” he says, “let me fix that for you.”

That was the informality of the Bank. So finally now I had some recognition; I must have gotten some one or two grades out of my assignment. Then Jochen said, “Well, I’m going to East Africa as director. Why don’t you come to East Africa?” So I followed Jochen from the India country division in Washington, to the Delhi office, to working on East Africa from Washington. So I didn’t have a particular reentry problem. I had a job, at least. We didn’t have a house in Washington, so we now bought a house in Washington. All of those assignment benefits had, you know, given us . . .

ZIEGLER: You were married by that time?

BAIRD: We were married; I should have mentioned that earlier. Kathy and I were married as we left New Zealand to come to the Bank, so all of our married life together has been with the Bank.

ZIEGLER: So she’s a New Zealander also?

BAIRD: She’s a New Zealander also, and I think she’s had to adjust to life with the Bank as much as I did. And so, yes, we had no money when we came to the Bank, and now after our resident assignment we had a little bit of money. We could afford to buy a house, and so we moved into Arlington. Oh, our first daughter was also born in Delhi while we were there, so we now brought her back to Washington. So there were major changes for us as a family, but work-wise, I just moved from India on to working on Tanzania and Uganda.

ZIEGLER: In 1979, you became a country economist for Tanzania and Uganda in the Eastern Africa Region, as we’ve just been talking about. The new assignment must have been quite a contrast to India. What were the major contrasts that you perceived?

BAIRD: Well, I’d have to say the first was that Jochen was completely uncomfortable in Africa. He was as uncomfortable there as he was comfortable in India.

ZIEGLER: He was an old India hand.

BAIRD: Yes.

ZIEGLER: He actually went back for a second round in New Delhi.

BAIRD: Yes, that’s right. And, I mean, he was very honest about it. He said, “I just don’t understand Africa. I don’t know what we can do here,” and so forth. So I was not anymore in that sort of comfortable world where everybody seemed to know everybody, but again I had a very good group.

I think David [A.] Dunn was division chief. There were people working on these countries that helped me learn, and because I had done the sort of in-depth country economic work in India,
and perhaps in those days Africa didn't attract a lot of good economists—it was hard to get them to work there—I actually found I was now quite in demand and I was writing country economic reports on Tanzania, subsequently on Uganda. I also did an energy sector report on Uganda, which I really enjoyed.

So I was now starting to get to do the breadth of work that I could never have done in India, and I must say, personally, I had an affinity with Africa. Personally, I enjoyed being in Africa, and I enjoyed the open space and the less sense of pressure of people, so I found the work opportunities and the countries in a way perhaps better suited to me than India was.

ZIEGLER: Your new assignment closely coincided with the fall of President Idi Amin in Uganda. What were the particular challenges that you encountered in dealing with Uganda at that time?

BAIRD: Well, I think, strictly in terms of my own chronology, I worked on Tanzania for a year or two and then worked on Uganda. The loan officer was Ellen [E.] Johnson-Sirleaf, who is now president of Liberia, and she really wanted to get an economist to go to Uganda, and, of course, no one would go. It was highly insecure and very unpleasant. This was under Milton Obote. I mean, it was unpleasant under Amin, but it was equally unpleasant under Obote. But I wanted to go, and she took me on my first trip there. We stayed, I remember, on that first visit in the house of the former governor of the central bank. There were no hotels. There was no food. I mean, they literally would go out and find something for us to eat. All night long, there was gunfire in Kampala. We would be rushed with armed troops at our side from meeting to meeting, going down bunkers and so forth. It was not a conducive working environment, and probably violated all of the rules of the Bank. But there were individuals there who were amazing, and the one that stays in my mind, and I continue to meet from time to time, was Emmanuel Tumusiime-Mutebile, who has subsequently been minister of finance, central bank governor, and minister of planning in Uganda. A remarkable man who was then a very young colleague in the Ministry of Planning, I think, but I could tell he was going to become a key player. And you worked with these people. I mean, their lives were much more difficult than ours. We were just putting up with it for two weeks; they were putting up with it for their lives, and we really felt driven to help them. The complete opposite of India, where they knew it all, or they were ahead of us. So, I found this very motivating. I returned to Kampala many times and did what we could to put some sensible economic policies in place.

But there were individuals there who were amazing, and the one that stays in my mind, and I continue to meet from time to time, was Emmanuel Tumusiime-Mutebile, who has subsequently been minister of finance, central bank governor, and minister of planning in Uganda. A remarkable man who was then a very young colleague in the Ministry of Planning, I think, but I could tell he was going to become a key player. And you worked with these people. I mean, their lives were much more difficult than ours. We were just putting up with it for two weeks; they were putting up with it for their lives, and we really felt driven to help them. The complete opposite of India, where they knew it all, or they were ahead of us. So, I found this very motivating. I returned to Kampala many times and did what we could to put some sensible economic policies in place.

Jim [James W.] Adams kindly says from time to time that that actually was the start of the recovery of Uganda. I have been back towards the latter part of my career in the Bank with Jim Adams, and it's just night and day the way the country has come on and developed, really fantastic. So that was a very seminal moment for me, being able to work hands-on in a very difficult country environment, something that I enjoyed, and more recently enjoyed again in Afghanistan since I left the Bank. So, it was exciting. It was motivating but also very, very depressing.

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
ZIEGLER: Even before you assumed your post in the Eastern Africa Region in 1979, relations between the Bank and Tanzania had begun to deteriorate. Yet lending rose from $315 million during the 1975-77 period to $485 million during 1978 to ‘81. Can you shed some light on this apparently counterintuitive situation?

BAIRD: I cannot. I mean, this was a period when I think adjustment lending was becoming increasingly popular. I’m sure that was a factor in this outcome, but I think we will talk soon about the relationship with Julius Nyerere, and that’s the context in which I can maybe also add a few comments.

ZIEGLER: In January 1980, President Robert McNamara visited Tanzania. Can you describe some of the major events?

BAIRD: I have no memory of that visit.

ZIEGLER: The Bank’s relationship with Tanzania is of particular interest because of the great rapport that existed between McNamara and Tanzanian president Julius Nyerere. What in your opinion was the source of this rapport?

BAIRD: Well, I have to say I also had the privilege of meeting Nyerere. I was sent with another Bank colleague, [E.] Bevan Waide, I think to convince Nyerere that he was on the wrong track. I’m not quite sure what we were supposed to do, but obviously relations at that stage were very difficult between the Bank and Nyerere.

Fortunately, I lost my voice. I think this was an act of God or something, because I never got to speak in that meeting, but I participated in it, and it was surreal, and I can see why Nyerere would charm someone like McNamara. First of all, he’s a very genuine person, very humble. Just sitting around. I remember there were orange sodas on the table. We were sitting out under a tree, just talking, very charming, very humble. But I have to say, in fairness to him, he also did a very good job of holding Tanzania together, because he managed to get around all of the tribal divisions that had plagued Kenya ever since independence. And so, in a sense, as a sort of humanitarian and as someone building a country, I would think you would have to be impressed with him. He cared about his country. He had a clear course.

Now, similarly, as you described on India, this was a very socialist-oriented course, and the damage to the economy was extreme, and, you know, he just was not willing at that stage to contemplate a more private sector, open economy, and that was, of course, a cause of friction with the Bank, and it did subsequently also change.

So, at that stage, I felt probably less comfortable with Tanzania than I did with Uganda, which was clearly struggling to do something different and wanted help. Tanzania had its own view of the world. It didn’t really fit the view of the Bank, and the Bank was doing its best to work in that difficult environment.

ZIEGLER: In the article by Martin Wolf that I quoted previously, he writes, “The most important source of the World Bank’s failures was its commitment to lending, almost regardless
of what was happening in the country it was lending to. This was an inevitable flaw, since the institution could hardly admit that what it had to offer, money, would often make little difference.

“This role was magnified by the personality of Robert McNamara, former U.S. defense secretary, who was the World Bank’s dominating president from 1967 to 1981. McNamara was a man of ferocious will, personal commitment to alleviating poverty, and frighteningly little common sense. By instinct he was a planner and a quantifier. Supported by his chief economic adviser, the late Hollis Chenery, he put into effect a Stalinist vision of development. Faster growth would follow a rise in investment and an increase in availability of foreign exchange. Both would require additional resources from the outside, and much of these needed resources would come from the Bank. Under his management, the World Bank and its lending grew enormously. Every division of the Bank found itself under great pressure to lend money, virtually regardless of the quality of the projects on offer or of the development programs of the countries.

“During my own time in the World Bank in the 1970s, every developing country, however limited its intellectual resources, were expected to produce a five-year economic plan in pale imitation of the Stalinist model. Sophisticated developing countries such as India produced sophisticated plans. Less sophisticated countries produced less sophisticated plans. All these plans had one thing in common, however. They were fictions, but they were not harmless fictions. They inflicted grave damage on the economies and people of these supposedly planned societies. This undermined the professional integrity of the staff and encouraged borrowers to pile up debt, no matter what the likely return.”

These observations seem to apply to both East Africa, with its failed socialist planning model, and to India during your time there. How would you respond to them?

BAIRD: I never had the clarity of thought of Martin, and I would always bow to his better judgment. However, while I think there is a lot of truth in what he says, I also find the world a lot grayer than Martin, in the sense that it’s not as black and white, and you can find examples of very good projects that have made major contributions, and less good projects. I think, though, what is fundamentally true about what Martin says is that providing aid without reference to the broader policy environment in a country is fraught with dangers, and I think in the McNamara period we were very project-focused, whether for rural development, or for poverty, or for whatever.

ZIEGLER: Project-focused, as opposed to country-wide development?

BAIRD: Yes, exactly. And that’s why I think we did have the move to structural adjustment with all of its problems now. Whatever approach you take, you realize the problems, but Martin is saying that if you have a lousy economic policy and you have a lousy plan, no amount of lending is going to be constructive. It is not going to be productive. It is going to lead to a pileup of debt that can’t be repaid, and there’s your problem for the future.
There was a lot of truth in that as it applies to Africa. I think less truth in India, because aid was always such a small part of the overall economy. It's less distortionary. In Africa, it could be very distortionary, and I think one indication of that, to me, always was the access we had as Bank staff to presidents, finance ministers. We expected to see them when we visited these countries, and it showed the power balance of this very large financier versus this very small country. In India I never got to see the prime minister or the minister of finance because they had better things to do.

So I think, to me, the bigger distortion was the dominant role of the Bank and the aid community in financing the budget, and without adequate concern for the broader economic policy of the country, and, yes, it did lead, I think, to perhaps more problems than it solved.

[End Tape 1, Side A]
[Begin Tape 1, Side B]

ZIEGLER: In 1984 you became senior economist for Indonesia. What occasioned that change in assignment?

BAIRD: Well, as evident in my career—and I suspect you’ll find it repeated for many people—it was personalities again. Ann [O.] Hamilton now was division chief for country programs for Indonesia, and a number of the colleagues I had worked with in East Africa, including Jim Adams, Robert [A.] Calderisi, they had moved to the Indonesia Division, and it just seemed natural, to ask, “Why don’t you come over one day?” They used to also hold out these stories of life in Jakarta compared to life in Dar es Salaam and the lovely hotels they stayed at, and it did sound rather attractive after a few years in Africa. But equally, Indonesia now was becoming the development story. It was this fast-growing East Asian economy run by a very strong president, again, very high association with the Bank, and, yeah, it was the place to be, and I was delighted to get that opportunity to work on it, not knowing that it was going to become a major part of my future life.

ZIEGLER: What were the major issues facing Indonesia in 1984, when you began your assignment?

BAIRD: First of all, I have to say that you talked earlier about this difference between headquarters and resident missions, and in Indonesia, it was very marked. All of the Indonesia program was run out of Jakarta; that was a legacy from the Bernie [Bernard R.] Bell days, when he did report directly to McNamara. It was the center of power, and no matter what formal changes were made in Bank structures, Indonesians looked to the Jakarta office as the center of power, and there was a very deliberate distance with headquarters, to the extent that policy notes that were prepared in Jakarta were not shared with staff in Washington. So, being an economist in that environment was actually quite difficult in Washington.

On the big policy issues, there had been a Bank report done by Armeane [M.] Choksi on trade policy. The big issue there was deregulation, the same as it was in India. Macro policy was very good, run by the technocrats very effectively for many years, from the mid-'60s on, but micro policy and regulation was very controlled. The Choksi report was done that was very influential.
but was buried by the Indonesians. They always quoted it as the example of how effective you can be if you don’t speak out; don’t criticize us in public, but influence us in private. That report has never been published, but it did lead to a big change in policy in the mid-’80s, and the trigger for that change, as it was in India, was the financial crisis brought on by the collapse of oil prices. So, in 1986, when I actually moved to Jakarta, oil prices fell sharply. The technocrats were able to convince [President] Suharto to move on trade deregulation, and that set in process a period of liberalization that was unprecedented in Indonesia, so I would say those were the big issues of the day.

ZIEGLER: In 1986 you became the lead economist for the resident staff in Indonesia. How did this assignment come about?

BAIRD: Again, I don’t fully understand this one. D.C. Rao was the country director. And I think they didn’t want to pick me for this job. I sort of remember there were many rounds of short lists and things, and each time D.C. or Ann [Hamilton] would come to me and would say, “If you were asked, would you go to Jakarta?” I always just said simply, “Yes.” I never answered a personnel question in the Bank with a qualification, but I was never offered the job, so obviously they had in mind other people. Then, at some point, out of desperation, they said, “Okay, if we offer it to you, would you say yes?” I said, “Yes.”

They said, “You have the job.” For me it was fantastic because of that dominant role of the field office. I really wanted to get into the middle of that. I don’t think, formally, I was lead economist yet, because that position hadn’t been created in the Bank, but soon after my arrival there must have been a reorganization in the Bank in ‘87.

ZIEGLER: Oh, there was; what I have always called “disorganization.”

BAIRD: Okay. And this lead economist position was created, and I think this was one of the few that was put into the field, just acknowledging the Indonesian situation. So, yes, that’s how it came about.

ZIEGLER: You began working on Indonesia during a challenging time for that country. According to a Bank report entitled *Indonesia: Strategy for Growth and Structural Change* [Report No. 7758-IND, May 3, 1989], “Indonesia experienced a rapid growth of income, consumption, and investment during the 1970s. Unlike many other oil exporting countries, Indonesia managed its oil resources well and largely succeeded in protecting the commodity producing sectors, that is, agriculture and manufacturing, from lagging behind the rest of the economy. Furthermore, important social gains were achieved as reflected in a substantial reduction in the incidence of poverty. However, since 1981, Indonesia has experienced a severe deterioration in its external terms of trade, primarily due to the collapse of oil prices. The losses from foreign oil prices were intensified by the adverse effects of international currency fluctuations on debt service payments since mid-1985. On average, Indonesia suffered an income loss equivalent to nine percent of its annual GNP due to external shocks over 1983-88
period. Without a forceful policy response, this large loss of income could have easily destabilized the economy and jeopardized Indonesia's long-term growth prospects."

How did the Bank move to assist the Indonesian government in meeting the challenges that it faced?

BAIRD: Well, I think I wrote that, so it must be very good. Let me just put it in context. I moved, I think, to the Jakarta office in August 1986, just as the oil price had collapsed. Prior to that, I had met for Professor Widjojo Nitisastro, who became one of those people that stands out as my counterparts. He had, of course, held all of the senior economic positions in Indonesia since Suharto, since the mid-'60s. He was the doyen of the economic team, and probably at that time—I forget what formal position he held, but probably head of the planning agency, or something equivalent.

And I had done a report on Indonesia, I think the first public expenditure review in the Bank [Report No. 5849-IND—Indonesia—Public Investment in REPELITA IV, December 27, 1985]. It was something that I was given to do when I was in Washington to keep me out of everyone's hair. But there was one table in that report which provided a summary of resources on every project that was being implemented by the government, which combined budget resources and aid resources, and private sector resources, and Widjojo had seen that table and had asked to see me. He said, "This is a table I've been trying to put together since the mid-'60s. Would you come and sit in BAPPENAS and prepare this table for me?" I did that. I actually got an office in BAPPENAS and worked with him, and so before I came to Jakarta I was one of the few economists who actually had an entree into the policy debate, and Widjojo remained my sort of guru throughout that stay.

He would call the Bank when he had a policy question. He didn't need the question answered. He knew the answer, but he needed it argued, and he would ask the Bank to prepare the argument, and in this case the big issue was, should we devalue, and if we devalue, should we also liberalize the trade regime? And we wrote policy notes on that. But equally, if we liberalize the trade regime, we will need additional budget support from the donors? So we need to make a case to the big donors, the World Bank, ADB [Asian Development Bank] and Japan, so we worked on that.

So I had this six-month period, very busy but probably one of the more productive periods of my career where we put together a whole response. I remember Widjojo made D.C. Rao and me sit in his office when the devaluation was announced, very much signaling that we were jointly responsible and...

ZIEGLER: But not like that unfortunate picture with [Michel] Camdessus and Suharto.

BAIRD: No, there were no cameras.

I also remember the story that he presented to Suharto three options, something like 15 percent, 30 percent, 45 percent, as he always did. He always gave Suharto three options, and the rules of the game were that Suharto would always pick the middle one. But in this case he picked 45
percent, the big devaluation, on the argument that if you’re going to do it, do it properly. So it was a much bigger devaluation than any of us had expected, and we were quite concerned about the consequences in the street. But I remember driving home, and it was dead quiet; everybody had gone to their rooms.

And it was reasonably successful. He then gradually pushed through trade reform, arguing that now we’ve devalued, that inherently gives more protection to domestic industry, so we should reduce the non-tariff and tariff barriers. We did a lot of support work for that, as did the Harvard group that was there at the same time. And then we made the case to Japan, in particular, about the prevailing budget support. So it was a very intense period but, for me, a very satisfying period.

ZIEGLER: For the second time in your Bank career, you first worked in a country from headquarters, and then from the country office. Please compare and contrast your perceptions of Indonesia from headquarters with those from the Bank’s office in Jakarta.

BAIRD: Well, as I mentioned earlier, I think it’s even more marked in Indonesia because of the historical role of the Jakarta office, and I think the reason for that is that the technocrats, the Widjojos and Ali Wardhanas of the world, had always used the Bank as a way of buttressing their technocratic positions with Suharto. So they could go to Suharto and say, “Well, the World Bank thinks this. The World Bank thinks that,” or maybe not even mentioning the World Bank, but using the analysis, as they did with the trade report. Of course, the quid pro quo of that was always that the Bank would not be so critical in public. It’s the same dilemma as was faced on India, and I think later on, when we talk about the unraveling of the Suharto regime, that became a problem for the Bank, but at that stage it was a deal.

All of that work was done in the Jakarta office. All of the policy dialogue was managed from the Jakarta office. What I did do, I think, in my tenure was open that up. I made a point, because I had come from Washington, of ensuring that all policy notes were sent to Washington, and the Washington-based economists—Amar [Amarendra] Bhattacharya comes to mind in particular—were fully integrated into our economic team in Jakarta, and when they visited, they would go to
meet the policy makers as much as us. Just because you’re not there day-to-day, you do not have the same access.

I think the other thing that’s different about the field office is you don’t have meetings. I mean, you do have meetings there with your government counterparts to discuss substance, but you do not have internal meetings focused on the Bank, and I think that is just such an enormous benefit of being in a field office.

ZIEGLER: The East Asia crisis of 1997 and ‘98 exposed some of the weaknesses of the Indonesia economy stemming from corruption. Prior to this crisis, Indonesia had generally been considered a developmental success story, and, in any case, corruption was an issue carefully worded by the World Bank until President James D. Wolfensohn denounced the “cancer of corruption” in his 1996 annual meeting speech.

A recent World Bank report, *Combating Corruption in Indonesia*, [Report No. 27246, November 12, 2003] framed the issue of corruption in Indonesia thus: “Why did Suharto’s new order succeed in delivering high levels of economic growth and substantial poverty reduction despite high levels of corruption? The answer is in two parts. The first is that the regime was careful to ensure that the scale of corruption did not deter investment in economic activity and kill the goose that lay the golden egg, requiring extraordinarily good management and restraint, neither of which lasted into the 1990s, when greed began to assert itself. The second is that this success is overstated, since it came at a high cost in terms of weak and corrupt institutions, severe public indebtedness through mismanagement of the financial sector, the rapid depletion of Indonesia’s natural resources, and a culture of favors and corruption in the business elite.”

Is this pretty much in accord with your own perceptions of and experiences in Indonesia in the mid to late 1980s?

BAIRD: Well, I believe this quote is by [Khateeb] Sarwar Lateef. When I enticed him to Jakarta, he was the first governance adviser appointed in a field office at the Bank. He had, of course, written a lot of the earlier Bank work on corruption and governance. I couldn’t write that better, knowing what I know now. He couldn’t have written it in the ‘80s, because we didn’t talk about it so directly. We used euphemisms like rent-seeking economy, high-cost economy.

ZIEGLER: So corruption really was a taboo issue.

BAIRD: It was taboo, right.

ZIEGLER: You could not be explicit about it.

BAIRD: Yeah, or you might be able to in private, but not in public.

There was a country director, Marianne Haug. This was, I guess, after the ‘87 reorganization. I don’t know quite how this came about, but the country director position was formally placed in Washington for a period, and Marianne Haug was the . . .

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
ZIEGLER: For Indonesia?

BAIRD: For Indonesia, and she was the country director, and she insisted on raising this issue—that must have been in the early ‘90s—and it caused enormous frictions with the resident mission and, I guess, to some extent with the government of Indonesia. So I don’t know if she has done an oral history, but it would be interesting to get her perspective on it.

Of course, I was also involved with Jim Wolfensohn when he started to raise this issue, and I could see now this from all sides. I think this was a case where Jim Wolfensohn had a very good nose for what mattered in development, or at least what mattered in terms of the outside perceptions of the Bank. You know, he was talking a lot to civil society groups and NGOs, and they were telling him, “Look, you have this very close association with Indonesia, and this is a corrupt regime.” And Jim’s reaction is well documented in Dennis [N.] de Tray’s oral history, but also the book by Sebastian Mallaby [Mallaby, Sebastian. The World’s Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations. New York: The Penguin Press, 2001]. Jim immediately felt, “There’s something wrong here. I mean, we can’t keep quiet about corruption. It is going to damage our reputation and eventually damage our relationship with the country.” I think, like many things Jim did, this was the right thing for him to do at that time, and again he was way ahead of thinking of many people on the staff and, of course, particularly people on Indonesia.

In the case of Indonesia, however, I would stress that the storyline that Sarwar lays out is of a very distinct deterioration in the situation during the ‘90s. I mean, it’s clear that up through the ‘90s the Suharto model did deliver strong growth, and people appreciated that. There was a growing elite set of civil society groups that were starting to make noises, but I don’t think you could say there was popular discontent.

But in the ‘90s his children really took this model to excess, and some claim—and I don’t know if this is true—that Mrs. Suharto—her name was Ibu Tien, and she was called “Mrs. Tien Percent” because she would only take ten percent—actually kept a cap, a very strong cap, on this level of corruption. When she died, Suharto did not have the same control over the family. It became excessive, and it really undermined his credibility, so there was a strange coincidence between Jim Wolfensohn raising it in the Bank at the same time that it really was becoming a big problem.

ZIEGLER: They did ultimately kill the goose that laid the golden egg?

BAIRD: They killed the goose that laid the golden, yeah, absolutely. I mean, absolutely. You could imagine a scenario where Suharto—not himself but his close associates—would still be in power in Indonesia if they had not. Now, you could also argue whether that would have been good or bad for Indonesia. In fact, I remember a very influential Islamic scholar in Indonesia, Nurholich Majid, who also recently died, a very wise man. I asked him once, “Why didn’t Suharto hand over power earlier?” and he said something to the effect it was God’s will. It was only by revealing the excesses of Suharto that we eventually get a true change in government, and he’s making the point that if there had not been this unraveling, Suharto would have passed
power to another crony, and we would have had more of the same. There is really some truth in that.

ZIEGLER: One of the more controversial aspects of the Bank’s involvement in Indonesia is its support of the transmigration program. The objectives of the transmigration program were to improve the living standards and employment opportunities of poor, landless families from the inner islands, alleviate population pressures, promote balanced population distribution and regional development, and increase agricultural production. Operations Evaluation Department Précis Number 72—Transmigration in Indonesia, dated September 1, 1994 notes, “Indonesia’s transmigration program, one of the largest resettling programs in the world, has been much criticized. Supporters point to the safe and orderly resettlement of millions of people, alleviating pressure on land in inner islands and contributing significantly to the development of the outer islands. The detractors argue that considerable resources have been wasted in settling people who have not been able to move beyond subsistence level, with extensive damage to the environment and the deracination of tribal people.”

How would you assess Indonesia’s transmigration program and the Bank’s involvement therein?

BAIRD: I didn’t know it closely, and I had a lot of respect for some of the Bank staff who worked on it. Gloria [Jean] Davis comes to mind, yet that is a very good summary of a program that I think was fatally flawed.

There are other examples. I remember there were a lot of hydro dam projects on Java that the Bank was involved with which had major resettlement components. I remember one engineer, Dennis [L.] Purcell, who was asked to look at this and do an independent review for the Bank when NGOs started to raise questions. When he came back, he was just shocked. He said, “It just isn’t working. We just aren’t giving these people what we promised, which was an equivalent or better standard of living,” and he said, you know, “You can argue the reasons. It may be poor implementation. It may be failure to meet Bank standards, but the reality is, it isn’t working.” And I think the Bank learned very slowly that it was not very good at these sorts of issues and caused, I think, quite a bit of damage to the Bank’s reputation, and didn’t do a lot for Indonesia’s development. So there were these sorts of programs that the Bank supported that, when you come to the bottom line, you can see some benefits, but I think the overall picture is one of considerable social upheaval, and probably economic cost which wasn’t justified.

ZIEGLER: After your assignment in Indonesia ended, you left the Bank for two years to work as economic adviser to the New Zealand Treasury. Please briefly recount the circumstances leading to this break in your career at the Bank, and say something about the type of work in which you engaged.

BAIRD: Well this occurred, again, later in my career. When you’ve been in a resident mission it’s quite hard to contemplate the return to Washington, and for us, if we were going to go home—and we wanted to go home so that our children could know a bit about the culture and meet their grandparents—the time to do it was from Jakarta, rather than doing two moves. And so, I simply sent letters to some people I knew in New Zealand. “Is it possible?” I got a positive
response from New Zealand Treasury, where I had worked briefly in the mid-'70s, and the Bank, I must say, handled it very well.

I think Russ [Russell J.] Cheetham was then the country director back in Washington, and Attila Karaosmanoglu was the Regional vice president. They found a way to make it possible. I think I took leave without pay, but I was able to continue my pension contributions. They managed to simplify the transfer of my goods, rather than having to come back to Washington and go to New Zealand. I believe I was paid by the New Zealand Treasury when I was there, not by the Bank. Yes, it was leave without pay, and I took a fixed two-year assignment with the intention of returning to the Bank.

Of course, New Zealand was going through a major reform program of its own. It started in the mid-'80s, probably the most significant reform program any country in the world has gone through; from a highly-regulated, government-controlled system to a very unregulated private sector economy. By this time, which was probably two to three years in, it was starting to become controversial—it had its benefits, but it has also had its detractors. The government was going from reform of the public sector into reform of education and health, which were much more difficult and problematic.

And so I spent that two years providing an independent view to the secretary of the treasury, who was Graham Scott, and to one of his deputies, Murray Horn, who later became secretary. Just an independent view on how the reform program was working. And for me it was a marvelous opportunity not only to spend two years in New Zealand, which we thoroughly enjoyed, but to actually do some work that was very interesting to me and probably allowed me to advance my career in the Bank, because a lot of that work was subsequently used when I was cleared for a chief economist position. So, in a sense, it added to my portfolio of economic work.

[End Tape 1, Side B]
[End of session]
SESSION 2

Washington, D.C.

May 6, 2010

[Begin Tape 1, Side A]

ZIEGLER: Today is May 6, 2010. My name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me today in the Archives of the World Bank Group Mark Baird, and we will be continuing with his interview for the World Bank Group Oral History Program.

Well, thank you for coming by again today, Mark, and we’re going to take up with your career in Operations Evaluation.

After two years at the New Zealand Treasury, you returned to the Bank as division chief for Country Policy, Industry, and Finance in the Operations Evaluation Department. Please recount the circumstances leading to your return to the Bank, and in particular your landing at OED [Operations Evaluation Department]. I know you mentioned something about returning to the Bank in the last session, but especially about landing in OED, how you wound up there.

BAIRD: Well, as I reflect back, all of my personnel decisions have been relatively simple. I think in this case we made the decision that we were going to return to the Bank and return to Washington, and I remember telling whoever it was in the Bank that come June 30, whenever, I’d look at the offers on the table, and I would select one, and there were two offers on the table. One was to be lead economist for Mexico, but I didn’t speak Spanish, and I had been lead economist in Indonesia. And the other was to be this division chief in OED. I did want to take a management position, although I also was aware of the reputation of OED, and I was strongly advised by everybody against this, but I said, “It’s simple. I want a management position. There is only one offer on the table, with OED. I accept.”

ZIEGLER: And for the sake of context here, the reputation of OED was at that time . . .

BAIRD: Well . . .

ZIEGLER: You’re speaking what time period?

BAIRD: Well, I guess this was ‘91. OED was a backwater of the Bank. A lot of people went there before they retired. It was not known for high energy levels. There were some difficult characters there who often held strong views, or had chips on their shoulders, from their times in the Bank, and management was trying to herd them into an effective team. It was a very major management challenge. So, yes, the reputation was clear, and the message was you cannot create any good by going to OED, but as Jochen Kraske had always told me, “Don’t ever think of your career. Just think of what you want to do,” and I took that advice again and took the position.

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
ZIEGLER: Given your previous career in the Bank, which had been in mostly operational roles, was there any sense of cultural shock when you actually got there?

BAIRD: Absolutely. I mean, first of all, it was in some isolated building out on, I don’t know, I Street, I guess, so completely separate from the Bank.

ZIEGLER: And if I could add something there, I can remember when I first came to the Bank—I’m talking 1973—nothing had changed, because they were up in the old G Building, at 1800 G Street, N.W.

BAIRD: That’s right.

ZIEGLER: This was across the street, behind the Bank, up on the tenth floor, because we—Central Files—shared that floor with OED. I remember OED being up there, and this is 20 years before.

BAIRD: Right, and there were some cantankerous old characters there who had very set ways of when they would come to the office, when they would take lunch, but there were also some younger consultants who were seeing this as their way into the Bank, and I think that was my glimmer of hope. And there were a couple of quite talented economists. Two come to mind: Carl [A.B.] Jayarajah, who I don’t know what his career in the Bank was, but he was doing evaluations on adjustment lending with a professor, either from Columbia or Princeton, Bill [William] Branson. They had developed a little macro model that they applied, and it was very good, very solid analysis. They also brought in a lot of young consultants who knew Professor Branson and would work with him. So there were, I would say, almost this two tracks within OED: the old and this glimmer of a new, and part of my job was to try to strengthen the new.

ZIEGLER: I was going to ask what were your primary duties as the division chief in OED? Now, you mentioned some, but . . .

BAIRD: Well, I think just managing the group, as my first management assignment, took enough time. But the responsibilities were very interesting. They included review of all adjustment operations and of all country assistance strategies, and we initiated these so-called country assistance evaluations where we looked at country programs as a whole. And it also, if I remember correctly, included finance, industry, all of these sorts of sectors, so there was a lot of work to be done, including all of the regular evaluations on individual projects and programs, in addition to some large studies.

ZIEGLER: Were there any studies that your division produced that you feel were particularly noteworthy?

BAIRD: Well, the one that stands out most was for, I think, negative reasons. We did a study. Actually, it had been done before I arrived. I inherited it. It was on industrialization, and I think it was a series of case studies which included Indonesia, which I knew. The primary author of this study was, I believe, Deepak Lal, who had a very strong view in favor of industrial policy,
which was very counter to the view of the Bank [Report No. 10651 – *World Bank Support for Industrialization in Korea, India and Indonesia*, January 1, 1992]. I remember looking at this report, and I just sank, because, one, I didn’t personally agree with it. I also knew it had very little evaluation in it. I always had this view that if you work in OED, you have to evaluate. You can’t come with your own ideas and put them out through an OED report; it has to come from an empirical review of work that the Bank has done. This was someone who came with his ideas, wanted to express them.

**ZIEGLER:** He’s still very active, not in the Bank ...

**BAIRD:** No, no.

**ZIEGLER:** .. but outside, in academia. I think he’s at UCLA or something.

**BAIRD:** Possibly.

**ZIEGLER:** If you keep your eye out, you can still see work by him on the internet, for instance.

**BAIRD:** And, of course, as always with people like that, there is a germ of truth in what he was saying, which was East Asia developed through industrial policies, so why does the Bank ignore that? So this was clear enough.

Now I had this huge dilemma. Here was my professional reputation at risk. I am putting out a report that I don’t personally agree with, is not solidly based on empirical work, yet it is at the point of publication. So, after a lot of editing and so forth, it went, and at that stage it must have gone to Ernie Stern and to the president. I guess the DG [director-general] of OED still reported through the president to the Board. There was something in the reporting relationship that the president had to somehow sign off, and I remember a lot of debate.

Who was the president at that stage?

**ZIEGLER:** In ‘91, that would have been [Barber B.] Conable.

**BAIRD:** Conable, and so ...

**ZIEGLER:** It was just at the transition point. He left in ‘91.

**BAIRD:** No, so this would have been ‘92, then. Who would that be?

**ZIEGLER:** That would have been [Lewis T.] Preston then.

**BAIRD:** It was Preston, okay, and so I remember going to a meeting with Ernie Stern, and Preston and them looking at this report and basically saying, you know, “This is your report. This is on your head. We have no objections,” and clearly making the point that this would do more damage to OED than it would do to the Bank. And, actually, I had a high respect for that

*Mark Baird
May 5 and 6, 2010 – FINAL EDITED*
decision because I think it was, first of all, granting OED its independence. Secondly, it was our responsibility, and it did go to the Board, and it was released, and it was published, with very mixed feelings on my part.

ZIEGLER: What was the fallout, if any, from that?

BAIRD: Well, I think it probably led to quite an interesting debate at the Board, because you had Part II members saying, “Yes, we need to talk a lot more about what actually underlies East Asia’s development,” so I think probably a positive outcome.

ZIEGLER: This was during the “East Asian Miracle?”

BAIRD: Well, I’m trying to think whether it came before or—

ZIEGLER: I think it was in ’93 that that report came out [The East Asian Miracle – Economic Growth and Public Policy. Published for the World Bank by Oxford University Press, 1993].

BAIRD: Okay, so there was a groundswell—this may have been the start, actually. That may have been the response to this report. I suspect that that’s the case.

The other piece of work that I have to acknowledge, because I again was very uncomfortable with it, was some work by a gentleman, Bob [Robert B.] Myers, who I don’t know if he’s come up in your interviews.

ZIEGLER: No, but I—the name rings a bell. I think he was active in the Staff Association, also.

BAIRD: Quite right.

ZIEGLER: And he was on Executive Committee with me.

BAIRD: Another sort of Martin Wolf, not in the same league, but very clear ideas, and . . .

ZIEGLER: Very forthright in expressing them.

BAIRD: Very forthright, and his view, particularly on Africa, was the problem is debt, and that problem has been created, not solved, by the Bank. So every time he did a review of an adjustment operation, he would conclude, “This is going to be damaging to this economy because it has created debt and no productive result.” Now, this was a message that the Bank was not ready for, but I did decide it was a message that was worth putting out.

ZIEGLER: There was some truth to that.

BAIRD: There was some truth to it. He may be, again, stating it too black and white, but it’s not my job to censor someone who is genuinely doing evaluation and genuinely reaching a
conclusion. All of those reports were highly controversial with the country teams. You know, I had to spend hours and hours with them, but they did go out, and, of course, they were the first, I think, recognition by the Bank that there was a problem which Wolfensohn, of course, identified early on and led to HIPC [Heavily Indebted Poor Countries]. So I have to credit Bob, for all of his cantankerousness, whatever that word is . . .

ZIEGLER: I remember him.

BAIRD: . . . that he was on the right track.

ZIEGLER: I understand that the report of the Portfolio Management Task Force, the famous Wapenhans Report, was largely prompted by OED’s findings that reported a deteriorating portfolio performance in a series of annual reviews and studies. Preparation of the Wapenhans Report was underway while you—when you joined OED, and considerable attention was devoted by OED to supporting the Portfolio Management Task Force. Were you involved in any way with the work of this task force?

BAIRD: I was very aware of it because, I guess, it gave OED some standing. That report, of course, was very influential.

ZIEGLER: Oh yeah!

BAIRD: And I just happened to read recently a very recent OED report, or IEG [Independent Evaluation Group] report, which questioned some of that analysis, I believe because they have found, depending on how you measure the findings, that the turnaround actually occurred before the Wapenhans Report, not after. But it shows its influence that now—how many years later? Twenty years later we are still talking about the Wapenhans Report. It was probably one of the very few solid pieces of analysis on the Bank’s portfolio that showed negative results and was used to generate positive outcomes. So I was aware of it. It was very much a reference point, but I had no involvement as I can recall, or contribution to it.

ZIEGLER: During your time at OED, Yves Rovani was succeeded as director-general of Operations Evaluation by Robert Picciotto. Could you compare and contrast their tenure in that position, as you saw it?

BAIRD: Yes. Yves was the most wonderful gentleman. I remember our management meetings were always held at the best French restaurants with lovely wine, and we would discuss the issues of the day over very long hours. Of course, he had as his director, Hans-Eberhard Köpp, who was the opposite, and very organized in management, so the team, I think, was actually very effective in that way.

Bob is much more of a hands-on, impatient, very evaluation-oriented person. In fact, Bob came and visited us in New Zealand a couple of months ago, and we were reminiscing about this period, and I was actually expressing a somewhat different view of the world to what Bob has. Bob believes strongly, I think, in the methodology of evaluation, and . . .
ZIEGLER: He’s written quite extensively about it.

BAIRD: Yes, and the profession of evaluators. I have never been that impressed with the value added of evaluation compared to the sort of regular tools we use as economists, or whatever our profession is. Just apply them ex post rather than ex ante. So my view in OED was always, if I’m going to review, say, a trade policy loan, I want the very best trade policy economist, and just say you go and review it the same way you would have appraised it, rather than having an evaluator look at it who did not have trade policy background. I realize it’s a balance, and Bob would strongly argue that there is a value added to the evaluator, but I have put primary emphasis on the professional skills of that person, whether or not they have a background in evaluation.

ZIEGLER: OED was undergoing something of a renewal during your time there. Hans-Eberhard Köpp, director of the Operations Evaluation Department during your time there noted, “Mark Baird, who came from operations, filled the division chief vacancy. The fact that Mark was relatively soon promoted to director elsewhere in the Bank, and later to vice president, underlined that the image of OED had been changing. The department was clearly seen now as a place where you could use your experience and critical sense and develop new skills to help build your career in the Bank.” [P. G. Grasso, S. S. Wasty, and R. Weaving, eds. World Bank Operations Evaluation Department – The First 30 Years. Washington, D.C.: The World Bank, 2003, p. 56] Do you agree with this assessment of the perception of OED by the Bank outside the department? You mentioned when you went there it was considered something of a backwater. Was this changing at this point?

BAIRD: It was changing. It was changing, but how far I don’t know. I think everybody realized it had to change, and so I don’t think my contribution was particularly strong. I think it was the fact that there was this new group of younger people who would come to OED for relatively short assignments and go back to Operations. That’s the pattern we had to develop and get started. In fact, one of these authors here—I think it’s Sulaiman [S.] Wasty—was one of those young economists that worked a lot with Carl Jayarajah, and I think subsequently went back into the Bank. So I think that was a change, but the quality of the work remained quite mixed during my tenure, and I think it was probably only later that it really picked up on a consistent basis.

ZIEGLER: One of the problems that organizational entities such as OED have is trying to ensure that their findings become incorporated into the policies and procedures of their parent organization. Mr. Köpp, quoted earlier, said that the output of OED, referring to the time in 1990 when he was appointed director of the Operations Evaluation Department, “Up to then, I must confess, I could not say that in the Operations complex I had been very strongly influenced by OED’s output, either directly or even indirectly through the so-called lessons learned that the central departments in Operations Policy Staff supplied to the Loan Committee. These were the so-called “good old times” of central quality control in the Bank, which was unable to prevent a very obvious decline in portfolio performance. As a country director from 1987 onwards, I had become more aware of OED’s findings and criticisms, but at the time the typical reaction of Operational staff to these findings was still to dispute the factual details and to question the usefulness of the findings, and to attack OED’s methodology, an alleged black box of unknown
evaluation criteria. Most of the learning from past failures and successes still took place mostly through experienced, motivated individuals in Regional project or sector divisions.” Do you have the sense that this situation changed, or was changing, during your time in OED?

BAIRD: Well, I think that’s a very insightful observation. You have to judge OED by its impact on Operations, and by that standard I think we were still a long way away from where we had to be, because the natural reaction of Operations was to question and to reject, and it didn’t matter how good your work was. If it wasn’t influencing Operations, I don’t think you can consider it a success.

Let me just add a couple of points, which I missed earlier on OED. When I joined OED, one of the conditions I put was that I was going to learn a language. I mean, the personal growth in OED for me was going to be a language, and it was going to be French. Now, I had studied French at school and I had worked in French as a YP, and I was hopeless at any language, particularly this one, so I had a tutor. I don’t know if it was every day, but pretty much every day I spent one or two hours being tutored in French, and I got a fluent rating from the Bank, and it was, for me, the greatest personal achievement of my time in OED.

The other thing that happened that I think was quite unusual is I was cleared for chief economist when I was in OED, and this was very controversial, I understand, because I don’t have a doctorate. I don’t have very much formal education at all. I only spent four years at university.

ZIEGLER: So not even a master’s.

BAIRD: I did a master’s, but I did it within four years.

ZIEGLER: Oh, okay.

BAIRD: And, of course, different people who were on that committee always come and tell me how strongly they defended my case, but I know they can’t all have, because otherwise it wouldn’t have been controversial. In the end, I was asked to submit additional materials, and I submitted my work from New Zealand Treasury, which I think I might have mentioned it earlier. And it did allow them to make the case that I had met the benchmark, and it was something, I think, that OED also fought very hard for me.

So it was these two things, I think: getting a fluent rating in French and getting cleared for chief economist, which were personally quite important contributions that OED made for me.

ZIEGLER: This business about the findings becoming incorporated into the policies and procedures of the Bank, did you notice any improvement in that over time? Not just during your time at the OED, but perhaps later in your Bank career, to the extent you would have been aware of it? Because I have the same question about research. I’ve been—I’ve interviewed people like Dennis de Tray and . .

BAIRD: Right.
ZIEGLER: ... Greg [Gregory K.] Ingram and all, and just—my question to them is how—you know, it’s all very well to do the research, but how well does that inform, for instance . . .

BAIRD: Well, I mean, let’s take that example of debt. I would have to credit Bob Myers. This is more of a personal credit than an OED credit, but the issue is now being raised. It was becoming more awkward for the Bank to ignore. I think in Ernie Stern’s period this wouldn’t really matter a lot, and I think that’s what Hans is also saying. There was a high degree of central control, and things were done the way they were done, but then when Wolfensohn came and there was more space, there was more opportunity for these outlying views to be heard, although the relationship between OED and Jim Wolfensohn I don’t believe, either, was that productive. So it’s the nature of an independent evaluation agency that it’s going to be almost always in conflict, rather than . . .

ZIEGLER: True.

BAIRD: And that’s probably its job.

ZIEGLER: In 1993 you became director of development policy in the Office of the Senior Vice President and Chief Economist. What were the circumstances of the change in assignment?

BAIRD: This was rather peculiar. I had been on home leave in New Zealand, and I was flying home via Tonga. Lying on a beach, I was literally thinking, “You can’t get farther from the Bank than this. It is fantastic.” And this man comes running along the beach with what were in those days very large portable phones, saying, “Are you Mark Baird?”

“Yes.”

“Michael Bruno would like to talk to you.”

Now, I, of course, knew the name Michael [P.] Bruno, but I don’t believe I was aware that he was going to become chief economist of the Bank, because I was on home leave, and so forth. So here was Michael Bruno, speaking in his strong accent. “I’m calling from” wherever he was—I believe Tel Aviv or Jerusalem—“and I would like you to be my director of development policy.”

ZIEGLER: Did you know him?

BAIRD: No. Not at all. Not at all. As I mentioned before, I always find the personnel decisions relatively straightforward. So I said, “Yes, of course, but we’ll have to talk about what you want me to do,” but I have no idea why my name had come up in the first place. I had just been cleared for chief economist, so that gave me the opportunity, but why he had chosen me was never that clear.

When I get back to Washington, I find that Caio [K.] Koch-Weser also wants me to be chief economist in MENA [Middle East and North Africa]. I don’t understand where this all suddenly came from, perhaps to get me out of OED. I was probably creating too many problems. And
that started a bidding war, and in the end I got, I think, a double promotion to full director of development policy, whereas chief economist was one grade lower, and Michael just insisted.

First, I have to first say, Michael Bruno, along with Professor Widjojo, is one of the people that I have the highest regard for. My one regret with the Sebastian Mallaby book is that there isn’t a chapter on Michael Bruno, because I believe he was highly influential in the Bank during the early Wolfensohn years, and we can come back and discuss that. But he had a view that if he was going to be chief economist, he was not going to do research. He was going to have a director of research, which was Lyn Squire. He would be fully responsible for the research agenda. Michael Bruno wanted to change the Bank. That was his view, and for that he needed . . .

ZIEGLER: Wanted to change the Bank?

BAIRD: Well, he wanted to influence the Bank. He saw his role was to influence the Bank’s approach to economic policy and economic programs, and he saw me as sort of this interface between Research and Operations. I had an operational background, and so forth. So, okay, I really liked that opportunity.

He was a remarkable man. He had a view of the world that I have never been able to share, but which influenced me a lot. He had this view that you have to fight every fight. You can’t pick your fights, and so very early on in his career they wanted to move his office from the Main Complex to what I think was the N Building [801 19th Street, N.W.]. He said, “No, I’m not moving. I’m resigning.”

So every day he was resigning over something, and I said, “Michael, I mean, resigning over an office, this is not the right thing. You resign over issues of principle, never over administrative issues.

He said, “You don’t understand.”

ZIEGLER: Well, the N Building was a bit of a backwater. I remember it well.

BAIRD: Yeah, and he said, “You just don’t understand the world, Mark. You know, it’s not that way,” and I learned a lot from him. I mean, to him, every issue was principle. I think that was the difference, and he had resigned from, I think, the EBRD [European Bank for Reconstruction and Development] under similar circumstances after a very short tenure as chief economist, and I think the same could easily have happened in the Bank.

He was very well connected in the developing world, highly respected in Russia, highly respected in Mexico, so there was this rather awkward situation where the ministers of finance were contacting him and circumventing the Regional offices, and he would go there willingly and give advice contrary to the IMF and the Bank, and so, you know, it was all part of the awkwardness of an independent chief economist.

BAIRD: Well, yes, although Michael is always going to give well-considered advice. After full consideration, it’s going to be a thoughtful view, and I just learned so much from him.

He was remarkable, and he died, of course, I believe in December ’96. He was ill when he came to the Bank, and his health eventually required him to leave, but only very soon before his death.

ZIEGLER: You were saying he was always on the verge of resigning. What actually kept him on the Bank? I mean, obviously, he left because of ill health, but . . .

BAIRD: Well, I think that if there hadn’t been a change in president, it could have well happened, although I must say in his . . .

ZIEGLER: So he came aboard under Preston?

BAIRD: Yes, he came under Preston, and we both went to the Madrid Annual Meetings, which must have been ’94.

ZIEGLER: In ’94, yes.

BAIRD: It was the most depressing situation. It was the only time, I think, I have been embarrassed to be a staff member of the World Bank, and Michael and I were sort of side-by-side. I was basically his note-taker, I guess, and I remember seeing Preston and Ernie just walking around. It looked to me like they were lost. I recall that infamous quote from Ernie. He was asked—it was the 50th anniversary, so what comes next? He said, “Probably the 51st.” It was intended as a joke, I’m sure, but it was indicative of that incremental style of management, whereas the Bank now just had to radically reform. That was sort of the growing sense at that time.

Now, of course, we didn’t know Preston was ill, and we didn’t know what was coming, and indeed, if I recall correctly, Michael wasn’t sure about a change in presidency. Because he had got to know the existing people, I think he would have rather stayed with them. I don’t know, but as it turned out, Wolfensohn was advised—and I have been told this by an aide of his, although you should check it with him directly—that there was one person in the Bank you can trust, and it’s Michael Bruno, and from day one he made Michael very much part of his inner group, and that’s, in fact, the only way I got to know Wolfensohn.

Jim and I are sort of opposites in every way. I don’t think we would have got to know each other well at all if it wasn’t for that intermediation of Michael Bruno. Michael used to have what were called monthly or weekly jam sessions, where we would go to Jim, and Jim would say, “This is my basic education in economics. Teach me,” and he would only do that with Michael, and Michael would bring in the experts. We would have a session on financial sector, whatever sector, on poverty, and they were fantastic. They were just the most delightful sessions. Jim was on his . . .

ZIEGLER: Too bad they weren’t recorded.
BAIRD: Yeah. Jim was on his best behavior. He was now the student. He wasn't the one who had to know everything. You know, he could sit back, be the student. Everybody wanted to get in on those sessions, but they were closed, and I think I managed them for Michael, and so to get in and get your opportunity was a very special thing. Jim also invited Michael to go on every trip that he took, and, of course, his first trip was going to be to Africa.

ZIEGLER: Yes. Short—what, two weeks after he came aboard, something like that.

BAIRD: And Michael fell and broke both his wrists. I think that's the first time I knew he was ill, because you don't normally break both your wrists when you fall, and at the last minute I was asked to go on the trip in Michael's seat. That gave me an opportunity to see Jim up close, and see his style. I was very much an observer, but it allowed me to see what was on his mind, what issues were on his mind, how he saw the Bank, and, yeah, it shaped a lot of our future relationship.

ZIEGLER: With regard to your observations for the 1994 Annual Meetings and, you know, that time period in the Bank, I remember having a very similar feeling. I was way down the totem pole compared with you, but even in my level, I mean, literally down in the basement, you just had the sense that something needed to be done.

BAIRD: Yes, and it wasn't just the big symbolic gesture of demonstrators climbing along the rafters in the Annual Meeting. It was the mood. I had a real sense of dread, you know, that the Bank was no longer a relevant, respected institution.

Now, I'm sure that it was artificially created by a very active civil society group. It wasn't necessarily reality, but I could not see how we could continue to do what we had been doing unless that could be somehow addressed, and that's why I think the arrival of Wolfensohn, for all of his strengths and weaknesses . . .

ZIEGLER: Both of which are rather extreme.

BAIRD: Yes, extreme, and I think inseparable, was absolutely the savior for the Bank. I mean, the Bank just had to have someone who could do that at that time, and . . .

ZIEGLER: I was going to say something very similar to that. Wolfensohn was controversial. He wasn't always popular, but the Bank needed a good kick in the behind to . .

BAIRD: Yeah, and that he certainly did.

ZIEGLER: . . get things going, yes.

Going back to OED, do you think that your time in OED was good preparation for your new assignment as director of development policy?
BAIRD: Well, I think the preparation came because I was reviewing country strategies and adjustment operations, and that was my same mandate as director of development policy. My job was Operations, not Research, and so I think for Michael that may have been the relevant link. I mean, first of all, I had done these things. I had done adjustment operations and I had done country strategies probably more than anybody in the Bank. So I had done them first-hand, but I had also reviewed them, and for me it was great now being in DEC [Development Economics], where you had people thinking about these issues from a Research point of view about aid effectiveness, *et cetera*. So I just loved it. I mean, for me this was just an ideal position to be in at that time.

ZIEGLER: A significant portion of your mandate in this assignment was to ensure that research work was linked to Bank policies and operational work, something I mentioned earlier on. How did you proceed to do that, and how would you characterize the results of your efforts?

BAIRD: Well, I mean, the management team that Michael put together was very interesting. He had Lyn Squire as director of Research, and he had Masood Ahmed as what was called the International Economics Department, and it was sort of doing all the data work, all the trade work, *et cetera*.

Now, Masood and Lyn are extreme opposites. I mean, Lyn is pure research. While he’s done a lot of work in Operations and is very good at it, he is a bit like a Dennis de Tray. He is very clear and precise in his thinking. Masood is more at the operational—some might say “operator”—end. He could see opportunities. He could see this is going to become politically important, or for some reason we should be positioning ourselves around that agenda. So this was quite good for me, because it often gave me the deciding vote. I remember we would go to meetings with Michael, and Michael would turn to Lyn and then turn to Masood, and these would often be opposite views, and he would say, “Mark, what do you think?” and I could pick and choose which way we would come out, because Michael wanted to be politically relevant, but he also wanted to be well grounded in research.

I think we were influential, because Michael was on all these committees, such as the Operations Committee. He very quickly delegated most of those to me, so I was now sitting at the table with Ernie Stern and others and able to, maybe, have some influence. I mean, I don’t think with Ernie you ever changed his mind, but you got good at knowing when to intervene.

ZIEGLER: Is he a bit oversold?

BAIRD: I don’t think so.

ZIEGLER: I never met him, and I’ve heard a lot about him, of course, but, you know, with the malaise of the Bank by ‘94, I mean, he was pretty much in charge in an operational . . .

BAIRD: Well, that’s why I draw that distinction, though. You see, to me, what Ernie did very well was manage a tight ship, but he was not a strategic person. He was a pragmatist and adaptive person, and it just so happened that post-’94, that is not what was needed anymore. But for a long time this was very good for the Bank, because I don’t think the presidents were

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
particularly strong during this period. It needed a strong manager. Like many Bank staff, I feared Ernie in the early days. It didn’t matter how prepared I was for meetings. He would just decide at some point, and you felt like you had had no influence on that decision. Later, I had a much better sense of how to influence and how to have some contribution with Ernie. I mean, Ernie was around when I was in India. I think I referenced that earlier. He was around when we had this debate about industrial policy in OED. He was around when I was with Michael Bruno, and I don’t think he’s overdrawn. He was a very big influence on the Bank, and . . .

ZIEGLER: And largely for the good, you would say.

BAIRD: Oh, I would say largely for the good. It’s a little bit, I guess, like the Suharto story in Indonesia. There’s a 30-year period. For 25 years, this was good, and then you have this five-year period where I think it probably wasn’t so constructive.

ZIEGLER: Somewhat overlapping the previous question, in the October 1996, No. 24 issue of DECnotes Policy Directions you wrote, based on remarks you made at the World Bank’s Economist Week conference in 1996: “During my time from the Development Economics Vice Presidency, I have come to realize that research is undervalued in the Bank. I do not think, for example, that the policy work we did on Indonesia in the mid-1980s made good use of the available research.” Could you elaborate on that a bit?

BAIRD: Well, first of all, Michael had this very clear view that the chief economist is an independent chief economist. That’s not a view shared by everybody in the institution. I think it’s a key cornerstone of Bank research that there is an independent chief economist. Just look at the list—Larry [Lawrence H.] Summers, Joe Stiglitz, et cetera—it’s a very distinguished group, and all very independent at that time. I think that gave the Bank enormous credibility, even though it caused problems on a day-to-day basis. So I think my primary message here was the value of research, and I think, because of where I was sitting at that time, I was trying to say, “You people in Operations need to take Research more seriously,” and I was trying to make it personal by referring to my time in Indonesia.

Of course, the reality is when you sit in an office in Jakarta and you’ve got all of these day-to-day questions coming from Professor Widjojo, you aren’t spending a lot of time looking at what’s coming out of Washington, let alone what is coming out of Research. This is the classic problem of decentralization. I don’t think we were particularly good at learning from our research or operational work. Wolfensohn wanted global knowledge, but we weren’t particularly good at getting it on time and accessing it on time.

I was just back in Jakarta last month. The minister is still asking the Bank for quick briefs, and I was delighted to see the lead economist sitting at his desk, way after he should have gone home, with all of the Research publications there, drawing on it and putting it in a brief, and I thought, “Okay, there has been real progress.” But, of course, Research still doesn’t get the attention it deserves. I think the Research budget in the Bank is constantly being cut and in that sense it’s definitely undervalued.

[End Tape 1, Side A]
ZIEGLER: In another portion of that issue of *DECnotes* you wrote, in the context of policy and projects, “We have more evidence that policy matters for projects. If the policies are not right, the projects do not work. Moreover, policies and their effects are changing, and so is our emphasis. Thus, issues like shadow pricing have become less important, and areas like public spending programs have become more important.” What is the nature of the driving forces of the change in policies and their effects?

BAIRD: Yeah, I still quite like that quote. That’s still my view. I think we talked about it in our previous session.

I think the Bank traditionally had this very strong focus on projects, and we would allow for distortions in the economy through shadow pricing, but we didn’t try to address those distortions directly. That’s where we started to shift our focus, and it was happening during that period when I was in OED and director of development policy, looking much more at public spending programs, and much more at country strategies as a whole, and I think that’s good.

I think the caveat, of course, is that the Bank is such a small player in most countries, and there is a tendency to overemphasize what the Bank can achieve, and I think that was the fundamental flaw in the conditionality of structural adjustment lending. It implied that the Bank would somehow force countries to change policies where, even in small African countries where we thought we had some degree of leverage, domestic politics is always going to prevail, and there’s always going to be pressure on the Bank to disburse the money without fully realizing the conditions. And it was a striking feature to us when we reviewed adjustment operations how often the same conditions appeared in a sequence of operations, so they never really got done. So while I think this was the correct shift, the downside was it led us into a lot of conditionality, and overestimating the capacity of the Bank to leverage change.

ZIEGLER: In the same context, you wrote of the changes noted above, “One implication of these changes is that in the past the Bank may have overemphasized the role of adjustment lending,” as you just said, “in achieving good policy and getting good public spending programs and under-emphasized the country strategy in achieving this. If the Bank were able to make the right basic decisions up-front, such as how much external borrowing should our country be doing, how much of it should come from the Bank, what policies and institutions are needed, it would have more flexibility in choosing from a continuum of lending and financing instruments. In the past, the Bank tried to build into these instruments a series of checks and balances to offset bad policy and bad public expenditure decisions. If we refocused our efforts onto getting these decisions right in the first place, we could be more flexible in the way we use these instruments. We could provide more policy advice, even without any lending. We could provide policy advice with projects. We could provide it with adjustment lending.

“One caveat: these constraints were not put in place by people who did not know what they were doing. They were developed by people who understood economics. What we need to argue is that such constraints are no longer appropriate, because policies have changed, or we have better ways of handling them. This is a big agenda and a controversial and complicated one.”

Mark Baird

*May 5 and 6, 2010 – FINAL EDITED*
What success did you have during your assignment in DEC in addressing this big agenda?

**BAIRD:** Well, again, I would stand by that quote. I have little to add to it. I think, of course, the big change during my time in DEC, or maybe even subsequent to it—I'm not sure—is that we re-thought a lot about adjustment lending and the role of conditionality.

When I had been in Indonesia, we had introduced the concept of one single tranche operations based on prior actions. So we would go to the Indonesians and say, “Look, is there an agenda we can agree on that's important?” We would actually go directly to Ernie and say, “Look, here's five things we can get done. What do you think?” He would say it's worth $200 million. We would work on that, particularly in the trade policy area. They would take the actions. There would be no sense that it was done at the request of the Bank. We would go back to Ernie, who would approve it in the Operations Committee, and we would give them $200 million. I liked that model. I mean, it really worked for me, and it sort of solved a lot of the problems of conditionality, and they got the money only because the actions had been taken. I think there was a big shift in that direction during the '90s, and I think there was a big shift towards the role of the country assistance strategy.

One of the things that has always impressed me in the Bank compared to other aid agencies I've worked for since I've left the Bank is the seriousness of the country assistance strategy and the amount of effort that goes into it, the amount of senior management attention it receives, and the way it influences the Bank program in the country. I think it’s a serious document now, which it wasn’t in the past, and it does give you that flexibility to manage the program without being tied to very specific programs and projects, but in a way that can be monitored and evaluated. So if there was any change that I may have contributed to which I would be proud of, it would be the way the country assistance strategy has developed and evolved.

**ZIEGLER:** The report on the World Bank research program for fiscal 1996 and 1997 notes that, “From a peak of $32.4 million in fiscal 1993, Bank research expenditures fell to $24.6 million in fiscal 1997. As a share of the budgets of the regional and central vice presidencies, research declined from over six percent to four percent. External financing for research has also declined from a high of $5.5 million in fiscal 1993 to $2.3 million in fiscal 1997. The reduction has circumscribed the breadth and depth of Bank research. Maintaining a critical mass of research capability in some areas has required compensating reductions in others, with the largest declines in research on poverty and private sector development.” To what factors can you attribute this steady decline in research funding from FY94 to FY97?

**BAIRD:** Well, I was very conscious of that when I was in DEC, and I always thought it was a mistake. If you’re going to cut something, you tend to go for the easiest item, and research, in a sense, is much easier to cut than cutting country programs or something like that. But I think it is a mistake for an institution that bases its comparative advantage on knowledge not to have a strong, independent research program.

I think that that problem was exacerbated when we set up the network anchors towards the end of '95 or in '96, because now there was this odd ambiguity, and I was at that stage still in DEC.
So, I mean, I was not at that stage leading the reform effort; I was defending DEC’s interests and even my job of director of development policy.

I felt it became very ambiguous with the establishment of the PREM [Poverty Reduction and Economic Management] Network, because now who would naturally review adjustment operations and country assistance strategies? It would be the PREM network, where Masood moved to become the first vice president and head of network.

Now, I thought this was a very clear splitting of the Research link to Operations, and I think when you do that, it’s natural that the Research budget is going to go down. So I would have preferred to keep a strong Research program with a strong link to Operations, and I think that would have been a healthier. A decade on, we’re still debating why knowledge is not so highly valued and shared in the Bank. I think this is one of the core reasons.

ZIEGLER: Part of your responsibility in DEC was reviewing the World Bank’s country strategies and adjustment operations. Did you observe any particular evolutionary trends in this area, particularly after Mr. Wolfensohn arrived in June 1995?

BAIRD: Well, I think I’ve discussed that in general, but perhaps I’ll use that as the entree into the discussion of the Africa trip.

ZIEGLER: That’s the first one that Wolfensohn took . .

BAIRD: Yes.

ZIEGLER: . . when he came aboard.

BAIRD: And it’s very well written up in Sebastian Mallaby’s book [Mallaby, Sebastian. The World's Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations. New York: The Penguin Press, 2001], but the contrast between Mali and Cote d’Ivoire, I think, is very telling. He went first to Mali, and it was a love affair. I mean, it was extremely well organized by the Bank. It was extremely well orchestrated by the Mali authorities. It was a constant procession of cultural events, a health clinic visit. It was tailored to someone like Jim Wolfensohn. He could sense he was getting his hands around development, but not development in a narrow sense; in this very broad cultural sense.

ZIEGLER: He had a strong cultural sense, too.

BAIRD: Yes.

ZIEGLER: A strong one.

BAIRD: And he was speaking in French, sitting under trees talking to villagers. He was in his element. He was excited, really excited by this, but as one learned with Jim, when he gets very excited, he gets very tired, and at some point there is a large, you know . . .
ZIEGLER: Almost like with a small child.

BAIRD: Yes, like coming from a sugar high, and it hit on the plane going to Cote d’Ivoire. I don’t think that was an ill-fated trip, no matter what, but the contrast between the two countries was just so stark.

Now, going from Mali to this very formal, closed environment, it felt almost disgusting that there was a country run like this. He was not allowed to see NGOs; he was kept in palaces. And, of course, for the country director and for the country manager, who were desperately trying to brief him on this trip, Jim was just unreceptive. You know, he just wasn’t able to respond, or be responsive.

ZIEGLER: Do you think he would have been more responsive had it been more of a Mali type...

BAIRD: Of course, and if it had been the first visit and he wasn’t tired, so I think you can’t easily separate the two things, but, yes, they’re both contributing factors. I was just there as an observer on both of these trips, so I didn’t have a role to play.

We got to Abidjan, and I wasn’t involved in his dinner with the president or anything, so I just went to my hotel room, and then I get a call from Elaine saying...

ZIEGLER: Elaine Wolfensohn, his wife?

BAIRD: Yes.

ZIEGLER: Yeah.

BAIRD: “What do you know about Cote D’Ivoire?” and I said, “I don’t know very much, but I know two things. One, it’s not doing as well as the Bank thinks.” I mean, I’m speaking for Michael [Bruno], because Michael has these strong views. “And, secondly, we’re giving it money to repay ourselves, because the adjustment lending is all going to cover debt payment.”

She said, “Well, that seems to be two more things than the country team knows! Jim is having a shower. He has thrown the country team out. Would you come and brief him for his meeting with the president?”

So I turn up, and the only document I have in my hand is an IMF report. I think this has to be the worst thing to be bringing to Jim—an IMF report—but it’s the only thing I could lay my hands on to pretend to know something about Cote d’Ivoire. And he comes out of his shower. He’s calmed down now and says, “Okay, Mark, what can you tell me about Cote d’Ivoire?” and I turn to the back of the report, which has a standard IMF table on economic data, growth rates and fiscal deficits, et cetera. He says, “Why doesn’t the Bank have a table like that? Why couldn’t we do that with poverty rates and education rates and so forth?” and I said, “That’s a very good idea.”
I immediately sent a note to Masood, who was in charge of data, “Could we do a country-at-a-glance table for the Bank?” He promptly sent something back to me—he was an incredibly responsive person—and it became a standard document for all of Jim’s briefs. The thing that people never understood about Jim, he wanted basic data, so you couldn’t give him a poverty rate without telling him how many poor and what is the population. I think people always saw Jim as this rather, you know, passionate person, but data was his anchor. He needed to know solid facts, so if you couldn’t give him a number, it didn’t matter how well you told the story; he wasn’t convinced.

So it was, I think, first of all, an opening for this work of Masood on country data, which gained a much higher prominence. But it was also the first opening on debt issues, where he said, “Well, if we’re paying them to repay us, how can we claim we’re reducing poverty?” He said, “That just doesn’t make sense to me,” and I was, of course, at that stage still very much defending the Bank view, and Ernie’s view was, “Well, we can’t give debt relief. It would undermine our AAA rating,” and I was being a good . . .

ZIEGLER: This was the day before HIPC [Heavily-Indebted Poor Countries]?

BAIRD: In effect, yeah, I was defending the Bank. I was being a good bureaucrat, and Jim said, “That is nonsense. I’ve worked in the private sector. If you recognize your bad debts, your rating goes up, it doesn’t go down. This is madness. This is total madness.”

I remember subsequent meetings with Kim [Edward V.K.] Jaycox on that trip. Jim was really angry that this issue was not on the table and constantly referred back to those IMF numbers and said, “Look, we’ve just got to address it.” So I think Jim had already in his head the HIPC concept, but it was definitely, as Sebastian says, the start of that debate, and probably the start of my relationship with him, because it was the first time we had sort of jointly worked on something. But it also exposed me to the highs and lows of working with Jim.

I think the worst mistake you could do would be to have a meeting with him where he was really excited about your idea and believe it, and then have to go back the next day when he couldn’t see any value in your idea at all. The reality usually lay somewhere in the middle. Too many people in the Bank, I think, were over-influenced by the extremes and weren’t able to see that that’s just the way that he was, and the way that he worked.

ZIEGLER: Even prior to your promotion to Vice President - Strategy and Resource Management, you worked part-time with the Moises Naim, a former executive director and now editor of the journal Foreign Policy, on the Bank’s corporate strategy. You were supported by a small strategy team, including staff seconded temporarily from across the Bank Group, and external consultants. You were later asked to work full-time on this effort for three months in order to complete the strategy work and link it to a number of resource management initiatives. How did this assignment come about?

BAIRD: Well, here I must reference Sven Sandstrom, whom we haven’t talked about. He was, in a sense, the new Ernie of the Bank, the one who sort of provided the bridge between Jim’s chaos and the need for some order to get things done, and in his Swedish way he was a very
calming influence. Our paths had never crossed at the Bank, surprisingly, because Sven had been a country director, I think, in Africa. But I had worked with Michael Bruno on a review of the Mexican response to whatever crisis there was in the mid-'90s, which had been quite controversial.

ZIEGLER: Yeah, there was a Mexican debt crisis in the mid-90s.

BAIRD: That’s right, and the review was very critical of the Bank and not at all well received in the Latin America Region. But Michael was away again, maybe because he was ill or something, and Sven summoned me, the first time we met face-to-face, and said, “What do you think of this report you’ve done on Mexico?” and I said, “I think it’s fine,” and so forth. So, you know, I wasn’t used to Sven yet. I didn’t realize it took a long time for him to get to the point. He was pointing to one sentence all the time, and it had something to do with the fact that the crisis had hit when the president was away, and the Bank had been slow to respond. And he says, “Do you know who was acting president at that time?”

I said, “No, I don’t recall.”

He said, “I was.”

I said, “I see,” and with a little bit of editing, his concern was mollified, and the rest of the report was acceptable. So it was my first experience of working with Sven, how you have to understand what his particular interest and concern is. It’s usually very focused, but not always well articulated. So Sven was the one who, I think from that moment, decided for better or worse that I would help manage the fallout from Jim’s ideas, and one of Jim’s ideas was to get Moises Nairn involved.

You know, a lot of work had already been done at the Bank on change. This had been led by Caio [K.] Koch-Weser, and Jean-Francois Rischard, and supported by McKinsey [McKinsey & Company]. I was a part of the team, but only as a member of the Bank staff. Everybody in the Bank was involved. It was one of those classic Bank reform efforts. But Moises had gone to Jim and said, “Look, all of that McKinsey work is really about internal organizational change, and what the Bank really lacks is a strategy. If you had the right strategy, the rest would fall into place,” and I think Jim agreed with that.

I always remember Jim’s reception to the McKinsey work was never as enthusiastic as we had expected. He was always very disappointed that when it was presented, for instance, the concept of networks—and he would turn to the senior management team and say, “What do you think?” Everyone was just dead quiet, because everyone was thinking, “Does that help me or hurt me in my current job?”

So all of that work was creating a lot of noise, and not a lot of productive output, and so he asked Moises, “Okay, let’s do a strategy.” But Sven, of course, saw the immediate danger in us having an outsider write a strategy for the Bank. So he said, “Why don’t we pair him with Mark, and they can do it together?” It probably happened at a time when Bruno was very ill, when the future of the director of development policy position may have been in question, because PREM

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
was being set up, and so maybe I was available— I don’t really know. It was not something I wanted to do at all, and I did not think I was particularly good at strategy work. Moises is just superb at this, so I always felt like I was an understudy to Moises. Perhaps I knew the Bank a little bit better, or the Operations side of the Bank, but Moises did all of the work.

And this was presented to Jim, and, of course, just like the McKinsey work, it also fell a bit flat. Actually, it was presented first to the senior management team at the Hay-Adams Hotel, and Jim was not invited. This was a big tactical mistake because then the whole senior management team went to Jim with this enthusiastic idea, and Jim says, “Well, aren’t these just my ideas?” It was not going well.

Now, at the same time, Sven had a very practical problem. The ‘96 budget discussion had gone really badly, because Jim had wanted more money from the Board, and the Board said, “Absolutely not.” Sven had to get a new budget to the Board in ‘97, so all of this big thinking was fine, but he had a very practical problem on his hands, and he said, “I want to get a budget, and the only way we can do that is to bring the budget work and the strategy work together. So Mark, you’re going to be vice president for both,” to which I reacted with pure horror. This is the one personnel decision when I said, “You’ve got to be joking. I mean, I am the wrong person at the wrong time, and I can think of other people that would do it better.” My personal interest was to become country director. I felt I had done OED. I had been director of development policy. I really wanted to apply that in a country, but after about the third time Sven said, “You have no choice. I’ve already submitted it to the Board, so here you go.” So, it sort of fell from the heights of strategy to a budget exercise.

In the meantime, I had gone to a briefing that Jim had given the EDs, I guess before the Annual Meetings in ‘96, where he had outlined his vision of the Strategic Compact. He just said, “Look, we had a bad budget discussion last year. I understand it, but, look, here is my proposal. I want to do big things with the Bank. We all want to do big things with the Bank, but I can’t do that without money. First of all, I’d have to get rid of people. That costs money. I’ve got to put money into new areas that are underfunded. I can make this a much more efficient organization. I’ve run private sector places. Within five years, I can cut this place down, but you’ve got to give me funding in the meantime.” That was his proposal; that was the Strategic Compact. I mean, that was it. It only took five minutes to explain, but it took us forever to put that in writing and sell it to the Board .

ZIEGLER: Those are fairly thick documents.

BAIRD: It’s not a thick document. I mean, it’s the one document I still carry, because I can never remember it, so it sits here.

ZIEGLER: How many pages do you have? Just for the record here, it’s .

BAIRD: It’s only 34 pages all up. But to write it was a nightmare because I was the scribe. I had no substantive input, but you had Jim’s ideas, you know, which were written with a “big pen,” and you had Sven’s ideas, which were written with a “small pen,” and I had to write something in between. The concept was set back in September ’96. I think I became vice
president in January ’97, and it was approved by the Board at the end of March, but I would have to say honestly that was the most difficult six months of my Bank career.

ZIEGLER: Were there any concrete results of this particular assignment you could point to?

BAIRD: Well, I think getting the Compact out was an extraordinary achievement.

ZIEGLER: So that was part of that assignment.

BAIRD: That was it. I think for Sven it was just getting a budget, so that Compact, which was approved at the end of March, and the budget document that was approved, I don’t know, soon thereafter, that was the achievement.

Now, of course, it facilitated and sort of acknowledged and reinforced a lot of the change that was going on in the Bank. Was it worth all of the effort that went into it? Probably not. I think Sebastian Mallaby called it an “abomination”, or something like that, but it was a necessary result of matching the sort of change Jim wanted with a budget that could get through the Board, and it just takes a long time with that many countries on a Board of that size to pull off. So it was just a very resource-intensive exercise.

ZIEGLER: Did Mallaby talk to you at all for the book?

BAIRD:Actually, very little. He talked to me towards the end on both Indonesia and on this period, just to clarify a few facts, and I think he actually references me in two footnotes, and that’s about the extent of my contribution.


BAIRD: Well, it was a hodge-podge of things that had been started by Jim that Sven wanted to pull together, so it included strategy. It included internal reform. It included a group called Partnerships, which we can talk about. That had already started, and it included the budget. I mean, the budget to me was—even today, I do not recall anything about the budget. This was for me, you know, a complete mismatch of responsibilities, but it was there. It was put in there, and it was ably managed by other people.

ZIEGLER: I had here a question about your interaction with Mr. Wolfensohn. Now, you mentioned it, but this might be a good point to .

BAIRD: Yeah, pull it together.

ZIEGLER: . . . put in your impressions of him and when . . .
BAIRD: Well, he is bigger than life. He is, as I said, personally an opposite to me. He is very outgoing. He’s energized by people. He loves debate. You can tell he’s used to small room give-and-take negotiation, which the Bank just doesn’t do.

I remember Rachel Lomax, who was his aide initially.

ZIEGLER: Assistant, yes.

BAIRD: She said the Bank is sort of the opposite of cabinet responsibility. In the Bank, you go into the meeting and say nothing, and then you go outside and criticize. I think that’s a very good summing up of the Bank, so for an outsider coming in, it is very frustrating. You know, you want to have this rough-and-tumble debate with the senior management team, and then outside you want complete unity. It’s the opposite; you can never have that sort of debate in the Bank.

ZIEGLER: She was brought in from the outside, and she left fairly soon.

BAIRD: Right, very frustrated.

ZIEGLER: She and Wolfensohn apparently didn’t get on.

BAIRD: Well, but also in the Bank, so it was just a complete nightmare. I had, I think, one advantage with Jim which saved me on numerous occasions, which was, he’s an Australian and I’m a New Zealander. So when times got really rough and really quiet, he would tell a joke, always tell a joke about kiwis, and it just simply broke the ice, or I would do the same. I remember once going onto his office after a very difficult exchange, and he had his Australian fencing jacket on, and he made some critical remark about New Zealand’s fencing talents, which I guess weren’t very strong. But immediately the problem was solved, and we could move on to other things. And I think that humor and my understanding of him as being fundamentally Australian and therefore naturally boisterous and gregarious as far as a Kiwi is concerned, helped me enormously. And I think it helped his understanding of me, also. He sort of accepted that I was quiet and introspective and so forth. It wasn’t unusual for a Kiwi to be like that. So that helped us on numerous occasions, and I think probably allowed me to be more open and frank with him than many people on the management team.

ZIEGLER: Did you have generally a high opinion of him?

BAIRD: Very much so, and for that moment in the Bank, I think it was an inspired choice. Of course, he caused lots of . . .

ZIEGLER: Ruffled feathers.

BAIRD: Yeah, ruffled feathers. I mean, a lot of people did leave. Of course, Ernie left, not surprisingly, but a lot of my good friends left, too. I was particularly taken aback when Gautam [S.] Kaji left. I mean, Gautam had been someone I had respected all my career in the Bank, and when we did the strategic compact he just said, “Mark, that’s a mistake. You can’t get anything
out of the Board with that sort of document. That is just setting the Bank up for greater Board intrusion into Bank management," and in a sense he was right.

So, for the old timers who knew the Bank as it was, Wolfensohn was not particularly appropriate. But, no, because of my experience in Madrid, because of my experience through Michael, I saw this need for change very clearly. And so I thought he was the right person, and I accepted all of his traits as an inevitable part of that sort of bigger than life character. I just could never separate them. I never got carried away by his praise, and I never got depressed by his criticism.

ZIEGLER: I remember interviewing one person. He was a former Chair of the Staff Association, a Cambridge graduate, also, and somebody who could be rather caustic and critical at times, but he said, if I recall the quote correctly, it was something to the effect that Wolfensohn was the greatest person he ever met.

BAIRD: Yeah, sometimes you had that feeling. Once when we were discussing some complex issue, probably about debt, he said, "This is simple." He said, "It’s like smelling perfume. If you’ve got a nose for it, you smell it, and you know it’s good perfume. It’s easy to taste a good wine and a bad one. It’s the same with ideas; this is either a good idea or a bad idea. I don’t need any more argument," and he had that instinctive feel.

I think in part because he was so well informed and connected to the outside world, that was his strength. I mean, he . . .

ZIEGLER: The "golden Rolodex."

BAIRD: Yeah, you didn’t have to ask, "How will the U.S. react?" He would say, "I had dinner with Clinton last night. This is not an issue. Why are you raising it?" Or he would go to Paris. He would have already talked to the president. You know, it just was his natural world, so these bigger governance issues he couldn’t understand. The Board, to him, was irrelevant, and that was his problem, I think. He didn’t treat them with a lot of respect, and I had to spend a lot of time at the Board just keeping that relationship going, because he had already covered his bases at a higher level.

ZIEGLER: Just touching one more aspect of the Strategic Compact, was it a hard sell, in terms of the Board, senior management, and staff?

BAIRD: It was a very hard sell on all three levels. I remember a time when it looked like the Board wasn’t going to approve it written. Then a meeting took place—I think it was at the Georgetown Inn, something like that—where the key members of the Board, and Jim and I met. This must have now been early March, very close to the time of the discussion, and there were some very powerful ladies on the Board: Jan Piercy for the U.S., I think Ruth [E.] Jacoby, Eveline Herfkens.

ZIEGLER: Jacoby was from Sweden, Herfkens from the Netherlands, yes.
BAIRD: And I think that core group was there, possibly others. I don’t know if this had always been Jim’s idea, or whether he was just acknowledging the reality, but he says, “I’ve got a revised proposal for you. I’m going to take less money. I’m going to make it more accountable to the Board. Take it or leave it, but that’s my best offer,” and they were just all so relieved that there was movement. It was done. It was just done over wine, and it was documented in a short note. The whole thing was sent to the Board. It was approved without major haggles, and I think, knowing Jim, this was probably always his plan. It’s his negotiating style, and he just held back to the end and said, “Okay, here we go,” but I was not aware of it, having spent all that time drafting it. But that’s how he worked, and it was a hard sell, a very hard sell for the Board.

Senior management was typical senior management. In front of Jim, I’m sure they said they accepted it, but privately I don’t know, and staff, of course, had been through so many changes, you know, all they could see was reorganization...

ZIEGLER: Yes.

BAIRD: ... which Moises had warned Jim of. “It’s ‘87 all over again. We’ll have musical chairs, but we’ll all end up no better or no worse off, and just a lot of turmoil.” So, it was a very low point, I think, in terms of the staff surveys and other things, so on all three levels, yes, a very hard sell.

ZIEGLER: I don’t think I asked you about the ‘87 reorganization. You...

BAIRD: No, because I was fortunately in Jakarta. I completely missed it, and all I got—well, I got a lead economist title. So I actually benefitted. I didn’t know why or what, but it just happened around me; one of the big advantages of being in the field.

ZIEGLER: A key component of the Strategic Compact was the Cost Effectiveness Review, which was an external review of the Bank’s cost structure and efficiency conducted by KPMG Associates. According to a discussion draft of the “Cost Efficiency Review,” as it was apparently called early on, prepared by the Programming and Budgeting Department dated October 28, 1996, the immediate purpose of the review was to identify and assess the impact of measures that could be taken during the FY97/99 period to perform necessary activities at the same or better quality but at lower cost. A longer term purpose was to instill greater cost-consciousness in both managers and staff on an ongoing basis. Could you explain something about the concept of the Cost Effectiveness Review and how it evolved?

BAIRD: Well, it was part of the deal with the Board, and I guess I was responsible for it.

ZIEGLER: You were the chairman of the steering committee.

BAIRD: Okay. There was always a tension about the independence of KPMG, and I always had the suspicion, but I can’t prove it, that KPMG was somehow also reporting informally to the U.S. ED’s office. I wasn’t sure whether they were they working for me or were they working for the Board, and I always had the view—and I think senior management had the view—that KPMG is working for us, and we will report to the Board. It’s management’s responsibility to
take this report and report what we’re going to do about it to the Board, which is what we did. That was extremely unpopular with the United States. They wanted to hear directly from the KPMG consultants, and like all consultants who come into the Bank, they see enormous waste. That’s the sense you have. It’s just looks over-funded, people traveling first class, et cetera, just that general sense people have when they see an institution with big budgets and weak accountability. Actually, it was quite eye-opening to me, too, to see how expensive we are as an institution, but . . .

ZIEGLER: Were those observations reasonably accurate?

BAIRD: Reasonably accurate if you come in with an outside perspective. They’re reasonably accurate. I mean, I think we were an expensive organization. It takes a lot of money to do what we do, and I have always believed that there’s too much money in the back line of the Bank, and too much money in Washington when there is this move to decentralization. You can see that the structure of the Bank has not kept pace with the reality of the work, and so it could be made a lot more efficient, but that would mean a lot of staff would have to go, or at least move to the field.

You know, I came to realize that the budget is largely staff. It’s 70 percent, I think, of the budget, so if you can’t move staff, you can’t change, and so a lot of our ideas there of improving efficiency, shifting money to the front line were always limited by staffing.

Now, we did have these big packages that were put in place for redundancies. There were very large redundancies at that time. There was a big shift towards shorter-term contracts and all of that effort to revitalize the institution, but still what could be done was limited compared to the size of the problem that KPMG found.

I also felt then, and I feel now, there are limits to the value of private sector assessments of public sector institutions, and so you always felt uncomfortable. This doesn’t really capture what we do, doesn’t really understand what we do, and these were classic KPMG consultants. They were basically American accountants, and it just didn’t fit well with the culture of the Bank, in my view, so I had a really tough job convincing everybody that this made sense.

We did, in the end, put a report to the Board that I was quite pleased with. It did go through, which I think was quite an achievement, but the U.S. was never convinced that we took this as seriously as we were expected to.

ZIEGLER: I think that pretty much—I have a number of KPMG points, but I think that pretty much covers it.

Investment in knowledge management was another important element in the strategic compact. In his annual meeting speech of October 1996, Mr. Wolfensohn proposed the concept of the Knowledge Bank: “The Bank Group’s relationships with governments and institutions all over the world, and our unique reservoir of development experience across sectors and countries create the potential for it to play a leading role in a new global knowledge partnership. To capture this potential, we need to invest in the necessary systems in Washington and worldwide
that will enhance our ability to gather development information and experience, and share it with our clients. We need to become, in effect, the Knowledge Bank.” Please recount the major challenges that were faced in the implementation of this vision of the Knowledge Bank, and the means by which these challenges were addressed.

BAIRD: Interestingly, talking to someone the other night, [Robert B.] Zoellick has made exactly the same observation and just sent a paper to the Board on how he’s going to address this issue, so clearly in a decade we haven’t done as well as we’d want, but, again, Jim was spot on with this observation. It’s the observation every outsider makes. I mean, this is supposed to be a knowledge-based institution. I can see all this knowledge but I can’t get my hands on it. You know, it’s like the country-at-a-glance table. Why does the Bank not have that table? The Fund has it. Why doesn’t the Bank? So there was this clear and correct observation.

Now, what Jim did, which is not what I would have done, he saw a technological solution, and he was again ahead of his time. I mean, GDLN [Global Development Learning Network] I think was started at that time, connecting offices by video links, things that at that time were quite advanced.

You know, now we take for granted video conferencing. There was nobody who had video conferencing until that sort of effort was put in place, so a lot of investment in technology, but, as we talked about earlier, very little investment in research. So, you know, maybe the solution was not adequate to the challenge, and maybe that’s why we still have the issue, but the observation is absolutely correct, and it’s very interesting when you go to countries like China and you ask, “Why do you borrow from the Bank?” Their answer is always, “Knowledge, and, in fact, we will stop borrowing when we see you are no longer on the cutting edge of certain development issues.” So keeping that knowledge current and accessible is the big challenge for the Bank.

[End Tape 1, Side B]
[Begin Tape 2, Side A]

ZIEGLER: In mid-1997, a Partnerships Group was established in the Strategy and Resource Management Vice Presidency. The Board paper on partnerships stated, “The strategy is to design with developing country governments and official development institutions a new approach to development assistance which convenes all major stakeholders around the country’s development strategy programs and projects.” Please relate some of the thinking that went into the establishment of the Partnerships group and how it fit into the overall conception of the Strategic Compact.

BAIRD: This was one of those groups that actually existed and was merged into the vice presidency, but its origin is interesting because it was headed by a lady called Nawal Kamel, who was a very striking figure. She was always dressed in black, I recall, and her claim to fame was when Jim announced at a meeting that he wanted to give debt relief, she was the only one who stood up and said, “I agree, and I can do it for you.” Indeed, she was the author of the HIPC initiative.
So, this is one of those examples where someone gets this connection, and she did it, and, of course, Jim’s next idea was partnerships. It was one of his ideas, and Nawal said, “I’ve done HIPC. I now will do partnerships for you,” and Sven had to create a group for her and all of that. So Sven said, “I’ve created this thing. I don’t know what to do with it. You figure it out. Take it under your vice presidency.” And I think it suffered somewhat because Jim thought, “This was my idea. Why is it now being run in a Board paper being presented by someone else?” This was always the tension we learned to live with.

The paper that Nawal put together, I thought, was excellent. I actually traveled to several countries with her, including Vietnam, where this was presented, and I think it really was a shift in the way the Bank was perceived, and the way the Bank worked. She was brilliant at taking ideas and putting them into practice. She had working on that paper with Ravi Kanbur, who is one of the very best thinkers on development but completely off the Bank wavelength, but . . .

**ZIEGLER:** He resigned over some controversy in one of the *World Development Reports.*

**BAIRD:** Probably. I remember he had this very simple concept, that if we’re serious about country ownership, we should change consultative group meetings. Why are they held in Paris? Why aren’t they held in the capital of the country? Why are they chaired by the Bank? Why aren’t they chaired by the country, and why doesn’t civil society participate? These were his three very simple principles, which were put into the partnership paper and which, in fact, has become the model now all over the world. I mean, Nawal is very clever at taking a concept, making it practical, saying, “If you want to test your progress, here’s three measures against which you can test progress.” I recall there was strong resistance from the Paris Office, who saw their loss of business, but it was clearly the right thing to do.

So, that’s classic Nawal, and, of course, Jim, you know, feels, “Well, that was my idea, wasn’t it? I said that two years ago. Why are you suddenly claiming it to be a new idea?” and so Nawal was suddenly feeling she was no longer the favored person. This is what happens. You go from the high to the low.

While this partnership approach involved NGOs and brought them into the dialogue, particularly through consultative groups and through country dialogue, the partnership group it was not where the relationships with NGOs was handled in the Bank. That was done in a separate group, I think under External Affairs. I think John [D.] Clark was around in those days, and, of course Mark Malloch Brown and others.

So this went to the operational side of that relationship. I think Nawal, for all of her strengths and weaknesses—again, an outsider struggling to get voice in the Bank—was remarkably influential on HIPC, and on partnerships.

**ZIEGLER:** Would you say HIPC was generally successful in that . . . ?

**BAIRD:** Yes, I would say so. Of course, like all these things in the Bank, it became highly bureaucratic, with all sorts of rules which countries had to meet. I think Jim always resented the way these things—the PRSP [Poverty Reduction Strategy Paper] is another example—very
quickly became very bureaucratic, and he always found that frustrating. But look, HIPC has to have been a breakthrough for the Bank. It has given countries large amounts of debt relief, and I would say has to be an unqualified success.

ZIEGLER: And that was something, you know, hitherto had been very much not to be done.

BAIRD: As I said, Ernie could not talk about it, and, interestingly to me, when I was at the Hong Kong meetings in '97, it was my Indonesian friends, Professor Widjojo and Professor Sadli, who unfortunately recently died, who were promoting this concept. I couldn’t understand. Why is Indonesia promoting debt relief? I was still on the side of the institution of the Bank, but they said, “This is the core of the development problem in Africa, and we as Indonesians are representing our African colleagues,” and they were bang on in their timing. So again I was impressed how far ahead their thinking was from mine, and how close it was to where Jim took it very quickly.

ZIEGLER: The Comprehensive Development Framework for which, as I recall, Mr. Wolfensohn claimed primary authorship, is an approach by which countries are enabled to achieve more effective poverty reduction. It emphasizes the interdependence of all elements of development: social, structural, human, governance, environmental, economic, and financial, based on the principles of, one, long-term holistic vision; two, country ownership; three, country-led partnership; and, four, results focus. Did you have a role in formulating and/or implementing the CDF?

BAIRD: Well, you say here he claimed primary authorship. He was the primary author. I mean, he went to Jackson Hole, I believe that was the summer of ’98 . .

ZIEGLER: Something like that, yeah.

BAIRD: . . and he wrote it. Now, I think most of us were skeptical, because these are ideas that have all been around for a long time, articulated much more thoroughly and comprehensively by other people, but Jim had this idea that he could write it better than anyone else because he is seeing it afresh. You know, he’s pulled all the pieces together, and he can write it, and I think he felt we were all far too skeptical. Indeed, I remember him calling me from Jackson Hole that summer, really angry. “You are not helping me on this Comprehensive Development Framework. This is important.”

I said, “Well, it’s important, Jim, but these are not new ideas.”

“No, no. You’re wrong. You’re wrong. It’s important that I pull it together in this way,” and I think he felt all of us were somewhat letting him down on this, so it was his document.

ZIEGLER: Did you all eventually come on board, or most of you?

BAIRD: Some of us went to Jakarta.
ZIEGLER: One of the major changes to come out of the Strategic Compact was the greatly increased decentralization of decision-making in the Bank, especially with regard to country offices, to which many country directors were shifted. This was contrary to previous practice in the Bank where, although there were numerous country offices, country directors were based at headquarters. Could you speak to some of the considerations that led to this change and, given your before experiences in India and Indonesia and your after experiences as country director for Indonesia based in Indonesia, say something about the pros and cons of this major change?

BAIRD: I think it was the major change of the Strategic Compact. Of course, I’m very biased on this, but it is modeled on the Indonesia office. The Indonesia office had had the country director in the field. It had always seemed to me a natural step in this concept of country ownership. Perhaps for Jim it had the added advantage of downplaying the role of the Board, because it shifted power somewhat out, but for me it was much more about getting country directors focused on their countries and spending less time on the internal bureaucracy of the Bank. That said, I believe there were legitimate criticisms of the model at that time. People like Jean-Francois Rischard clearly saw the future of the Bank much more in global public goods than in country programs.


BAIRD: Yeah, and I understand again this issue has been raised by the current president of the Bank [Robert B. Zoellick]. Indeed, if you look at the agenda that has evolved—whether it’s climate change or conflict, natural disasters—it does transcend, increasingly, national borders, and I think there was always this tension in the network structure. I’m sure Jean-François would say, “I was right, and we have missed an opportunity to become a truly global institution.” I would still argue the strength of the Bank lies in its country programs, and it’s that relationship that is vital to our knowledge and to our effectiveness, and it has worked. I mean, you talk to the countries, they would all agree. There’s no going back on this change.

The other interesting influence it had is we sort of leap-frogged the regional development banks. They were a growing influence in the regions. We suddenly became a much greater competitor in-country, and I think if you talk to them, ADB [Asian Development Bank] and so forth, the Bank sort of stole a march on them by doing that.

So you can think of it politically, in terms of a relationship with the Board and with the regional development banks. You can make a good case one way or the other, but to me it’s very simple. It’s just putting your money where your mouth is, and putting the focus on the country.

ZIEGLER: On August 26, 1999, a few months after you left your position as Vice President - Strategy and Resource Management, Mr. Wolfensohn said, “When we launched the Strategic Compact over two years ago, I said, ‘We are looking for a better Bank, a faster and flatter Bank, better-trained staff at lower cost, more efficient, more flexible, and fully committed to excellence.’ I believe that we are well on the road to achieving what we set out to do.” Would you agree with Mr. Wolfensohn’s assessment of the stated strategic compact at that time?
BAIRD: Well, I would certainly accept it. I would certainly take it. If that was the outcome, I would be delighted.

ZIEGLER: Yes.

BAIRD: I wasn’t here then, so I can’t really judge. Like all of these things, it’s half full, half empty. I mean, was it worth the amount of effort and turmoil it created? Probably not, but did it have embedded in it fundamental reform? Absolutely, yes, and embedded was the decentralization. There are a few core concepts in there: the Knowledge Bank, decentralization of country directors, the focus on corruption and the financial sector, which was very prescient given the upcoming Asian financial crisis. There was embedded in it sufficient fundamental reform that I believe it was worth the effort, and it definitely changed the Bank. I have no doubt.

ZIEGLER: Right in the middle of the work of implementing Strategic Compact, the East Asia financial crisis of late 1997 blew up. I believe that you were involved in helping to reallocate resources, and to find new resources in order for the Bank to play a role in addressing the crisis. Please reflect on your activities at the time relating to the East Asia financial crisis.

BAIRD: Well, you may recall that one of the changes we introduced in the management of Bank budget resources was a thing called the Strategic Forum. I believe we had the first one in, I don’t know, maybe January ‘97, but if not, January ‘98. It was the January ‘98 one where Jim proposed additional resources for the financial sector. By the way, these forums were the first time senior managers had openly discussed the allocation of resources. This was the opposite model to the Ernie Stern model.

ZIEGLER: And these were monthly meetings?

BAIRD: No, there was a monthly management meeting, which also was new, but there was an annual Strategic Forum, where we had this very creative group of people that put up posters and flip charts with all the numbers on them, and managers got to see, “Oh, you got that much money, and you got that much money?” and so on . . .

ZIEGLER: I remember I was on the Executive Committee of the Staff Association at that time, and the chairman of the Staff Association was invited.

BAIRD: Right. He was invited.

ZIEGLER: And I remember, a few days later he took us all down to the room where you had the meeting, and I saw all these charts, and posters, and whatever plastered all over the walls.

BAIRD: And you can imagine—I mean, what a chemistry. First of all, for Sven this was madness. His body language would say, “Okay, I trust you, Mark. You do what you have to do, but this is madness.” So Sven is still in his Swedish mode, but, to his credit, always letting us do these silly things, because he knew you had to . . .
Jim, of course, loved it. This was a huge change, because people were now questioning why is so much money going here, not there. Some managers were very protective of their budgets. Others were more open to change. Jim loved it, because it was the first time he really got to see his management team working as a management team, and it was Jim that proposed additional money for the financial sector.

Being responsible for the Strategic Compact and for the budget, I was not happy with this. I mean, here we are. We’ve just gone to the Board, agreed to an irrevocable budget envelope, and you’re going to go back next year and say, “Oh, I forgot. I need $28 million for the financial sector.”

Now, again, is that what Jim always intended? You know, did Jim always feel this is a game, and you renegotiate every year? I suspect yes. I suspect he never believed the Compact was cast in stone, but I felt an obligation to defend a commitment to the Board.

So this was definitely not my idea. I was very nervous about it, but it worked, because the Asian financial crisis was so topical, so important, he just went straight back to the Board and got his extra $28 million. The idea came out of that forum, and was successfully negotiated. So again, Jim gets all the credit. Jean-François, actually, was head of that network [Finance, Private Sector and Infrastructure Network] at that time, and he probably also played a major role.

ZIEGLER: Mr. Wolfensohn famously raised the issue of corruption, previously a forbidden topic, in his 1996 Annual Meeting speech. What role, if any, did you play in the formulation and implementation of the Bank’s approach to corruption?

BAIRD: Well, as we have discussed, this again was his idea, although with my experience in Indonesia and OED and development policy I also was increasingly concerned that this was a problem and, of course, in Indonesia increasingly a problem. So I was sympathetic, but I certainly wasn’t an instigator of this. I probably had some hand in drafting that speech, because Michael [Bruno] played a major role in drafting Jim’s speeches, but I don’t think I contributed very much, and certainly the phrase “cancer of corruption,” I’m sure, was Jim’s.

ZIEGLER: In November 1998, you made a proposal that the Bank revitalize its work on commodity price risk management. Please relate the reasons why you made that proposal.

BAIRD: Well, that’s sort of the conclusion of the Nawal Kamel story. This was her third initiative after partnerships and after HIPC, and this one fell flat. As far as I can remember, she was very frustrated because she thought that this was an initiative that Jim would latch onto. I mean, clearly it was an important issue, and again, events have proven this to be a major issue for developing countries, but the role of the Bank was never clear. For whatever reason, this never really took off, and Nawal, soon after I left this job, left the Bank, and I think became an assistant minister for the environment in Canada.

ZIEGLER: So she was a Canadian?

BAIRD: I believe she is a Canadian of Egyptian origin.
ZIEGLER: In 1999, you returned to Indonesia as country director based in Jakarta. What occasioned this apparent step down from the vice presidential level?

BAIRD: Jim had gone to Indonesia, I think, two times when Dennis de Tray was there, and clearly, rightly or wrongly, he had decided there needed to be a change in the country director, and there had been a search, I think, going on for about a year.

ZIEGLER: He was your immediate predecessor?

BAIRD: Yes, predecessor. And I believe at least on one occasion a name was proposed to the Indonesians and was turned down, and, again, in my understanding, but not necessarily accurate, the search committee on at least one or two occasions, when asked who was the preferred candidate, my name was mentioned. I also believe Sven quickly vetoed that, because he needed me as this intermediary in the change process. I think Jim would have by that stage been very happy to do it because, you know, it had been a really tough year. He had wanted to move on to the Comprehensive Development Framework. I also felt this was the ideal time for someone else to take on this work, but I never got involved in these discussions. That’s why I don’t know Jim’s view. I don’t know the view of the panels, but at some point, Shengman [Zhang] called me and said, “If you were offered this job, what would you say?” and, as always with these sorts of decisions, I said, “That would be easy. I would say yes.”

ZIEGLER: So the apparent step down didn’t worry you at all?

BAIRD: It wasn’t a consideration for me, but I hadn’t realized how difficult it was for the Bank. Jean-François Rischar had done something similar in going to Paris but had kept his title and grade, and remained a member of the senior management team. That was the precedent, and I understand behind the scenes there was some effort to try to create something similar for me in Jakarta, but just before it went to the Board, Shengman called me. I could tell he was agitated, and he said, “I’ve never asked you, what is your title going to be?”

I said, “Well, it’s country director.”

He said, “But then who would you report to?”

I said, “Country directors report to the Regional vice president.”

I could sense his relief, but in a very Shengman way. He said something like, “Thank you, Mark. That is very helpful.”

I must say, first of all, that Jim asked me personally about taking this job. He simply asked, “Would you take the job?” I said my only consideration would be a family one, because my younger daughter was in her last year of high school, so it was not ideal, but we had discussed that. “It’s manageable, so yes, I will do it,” and we never discussed at all issues of grade or title or anything, which I actually appreciated. Jim never implied that was going to be an issue, and I
think that was important also for the Indonesians. Even though I have never heard it directly, and I’ve never asked for confirmation, I think they were reasonably happy with that decision.

ZIEGLER: What were your initial impressions of Indonesia after an absence of ten years?

BAIRD: And I had not been back in the interim. My feeling was it was a country that had gone through a big inverted U, so it was almost back to where it was when I left, but with whole lots of big new buildings and now many uncompleted buildings. It was a mess.

ZIEGLER: Because this was right after the crisis.

BAIRD: Yes, the financial crisis. So, you know, everybody who had lived through the crisis only saw the plummet. For me, because there had been so much development for five years after I left, it wasn’t greatly different. And, of course, all my counterparts were the same. It was an enormous pleasure to go back and see Professor Widjojo, Boediono, and now Sri Mulyani [Indrawati] was just coming onto the scene. She has now just become managing director of the World Bank, but was then playing an active role as economic adviser, so I felt very comfortable going back.

The World Bank, unfortunately, had just moved into a big new building, the Jakarta Stock Exchange Building, again, I think, a tactical mistake on Dennis’s part. This is not the image that Jim wanted for the Bank, but I was stuck with it. So we were in this huge tower of financial people who were not on the ground with the NGOs, and the Bank was under enormous pressure from NGOs.

I went there in January ’99 on a private visit and made the decision because Jim had this Village Immersion Program, to spend two weeks in a village in central Java. It was arranged by NGOs, partly tactical on my part, to show a different side to the Bank, but there was a big contrast, because Dennis was always in suits in the office. I was in t-shirts in the village, and there was a deliberate sort of image shift. It a big impact on me because the villagers had no idea what the World Bank was. They had no idea I was the incoming director, couldn’t care less. They were very interested in my family and my kids, and my view of the world. They knew everything about the IMF. I mean, the IMF had brought down Suharto. They are good people, but who is the Bank? I thought that just puts you in your place immediately.

And, surprisingly—well, not surprisingly—when Professor Widjojo found out, he was very upset and called me and said, “How can you go and live in a village without security? It’s not proper. We will send down a contingent of crack police.”

I said, “If you do that, it will be very counterproductive. It’s just not the way we’re going to be in the future. It’s different,” and I think he understood, and I think he appreciated it, although he always would shake his head when referring to that episode.

So it was a very significant repositioning, but still we had very awkward times with the NGOs. I remember one particularly difficult incident where Dennis had chicken blood thrown on him, very unpleasant, and it took a long time to turn that around.

- The Bank needs to develop a comprehensive strategy for the medium-term to deal with Indonesia’s structural weaknesses. In the social sectors, the Bank needs to revisit poverty issues. In the area of governance, the Bank should support the government in reforming the civil service, improving fiscal transparency, and strengthening oversight mechanisms. The environment should continue to be included in the policy dialogue at the highest levels.
- A mechanism for monitoring social, governance, and environmental issues should be instituted to complement the IMF macroeconomic monitoring. In addition, the Bank should strengthen its risk analysis, including political developments, and carry out a more explicit assessment of the risks and rewards of Bank operations. This analysis should be undertaken for large borrowers, even when their economies are doing well. Monitoring should inform contingency plans. Mechanisms are needed to inform senior management of warning signals.
- This report suggests that the Bank address key questions that have arisen as a consequence of this crisis, not only in Indonesia, but in other countries as well. First, what is the role of the Bank in crisis situations? Second, what communication mechanisms and incentive structures are needed to allow a frank discussion of issues among staff at all levels? Third, how can the Bank maintain partnerships with major clients and convey tough messages? The Indonesia experience shows that true partnership goes beyond putting the client at the center. It also means the timely provision of quality and unambiguous advice to government authorities and other development partners.

How did these recommendations inform your time as country director in Indonesia?

BAIRD: Well, I think first we have to acknowledge that that report was highly controversial in the Bank and with the Indonesians. I think the vice president at that time was Jean-Michel Severino, and, of course, Dennis was country director. They strongly disagreed with this report. The Indonesians, also, thought it was a very unfair assessment of the situation.

For me, as incoming country director, it was very convenient because I could just acknowledge there was a different view. I didn’t know the rights and the wrongs. In detail, none of that sounds exceptionable. Indeed, it all sounds very OED-ish.

ZIEGLER: As you would know, having worked there.

BAIRD: But our basic approach would have to change. Okay, as country director I could accept that, and I could use it from time to time to reinforce certain changes that we wanted to make. But let me say this, because I think it’s important. The more I understood the situation, the more I appreciated the dilemma that Dennis faced. He was really between a rock and a hard
place. What Jim saw was the tensions in relationships with NGOs, and indeed they were strong, but I think in Dennis’s view it was because the NGOs saw the Bank as a sort of lightning rod. You know, the only way you could get to the government was through the Bank, and so the Bank wasn’t the real target. It was the government, and just because the Bank was more open, it allowed NGOs to use it as a target. At the same time, Dennis was becoming increasingly critical of the government, and that was causing him troubles with the technocrats because what I have learned, and I hadn’t perhaps fully appreciated, was that the Widjojos of the world depended on Suharto, and they were going to do nothing that would bring Suharto down. And that’s why the dialogue broke down, because now the Bank was proposing structural reforms in response to the financial crisis that attacked the heart of the Suharto family corruption. Dennis was doing that. I mean, that’s why he’s very unfairly criticized. He was working to tackle those monopolies and so forth, and it got to the point where the technocrats would not talk to him because he was pushing too hard, too publicly to threaten Suharto, and I know that directly from Professor Widjojo. So, that side of the story, I think, does not get properly reflected, but it will be, I’m sure, eventually in the history.

ZIEGLER: Well, when I interviewed Dennis, I had the distinct impression he was passionately committed to Indonesia . .

BAIRD: Absolutely.

ZIEGLER: . . to the good of the country, no question about that.

BAIRD: So I think he was between this rock and a hard place. It’s a little bit like Ernie Stern at Madrid. You know, you just need a change. You just can’t incrementally get from here to there.

I had the enormous advantage that I was coming in with a perceived mandate from Wolfensohn. I had a lot of degrees of freedom. Personally, I knew it was going to be my last assignment in the Bank. I was really going to try to apply what we had been trying to do corporately to this program, and I was passionate, also, about Indonesia. I really wanted this to work, and I was willing to do anything to change it. So I went into it, I think, with a much more risk-taking approach than I would have ever have done at any time previously in my career and, I think, more than Dennis could have under the circumstances. So it just needed change, and that was, in a sense, what I had three years to do.

ZIEGLER: A later IEG Fast Track Brief – Indonesia: Country Assistance Evaluation dated June 28, 2007 offers a brief retrospective of your time as country director:

"Starting in mid-1999, Bank management and staff set about the task of rebuilding the Bank’s credibility in Indonesia. In the following three years, the Bank repositioned itself. It adjusted to much lower levels of lending, focused on tackling corruption, and constructed an operational agenda around community development, and specifically targeted the poorest rural communities.

The Bank also made efforts to reach out to partners in Indonesian civil society, especially nongovernmental organizations, and donors. The Bank’s Department of Institutional Integrity was called in to review a sample of ongoing projects. They uncovered a pattern of collusion in procurement and padding of cost estimates to allow for bribes to government officials. In light
of this finding, the Bank management placed special emphasis on managing the fiduciary risks of the ongoing portfolio and designing new projects to minimize opportunities for corrupt practices.

“By 2003 the new CAS looked forward to an expansion of Bank activities in Indonesia.”

It sounds as though your time as country director in Indonesia was a success. Please elaborate on this brief retrospective, in terms of the challenges you faced, and the successes and failures of the Bank’s efforts in Indonesia during this rebuilding process. Now, you’ve touched on this sort of to some extent, but . . .

BAIRD: Well, I very much like this quote from the report. That’s a very good summary. I have to also acknowledge this report said we were partially successful during this period, so they weren’t raving enthusiastic about what we achieved, but that particular summary is excellent, and it has all the key elements of what we tried to do.

The first thing we had to acknowledge was that now the IMF had moved into the lead role on economic policy because of the crisis, and the IMF program—and for me that was an asset. The Bank profile could be lowered, and we could let the IMF take the lead and take the flak, which they did. I mean, from my days in the village when they were credited with bringing down Suharto, they really became the center of criticism after the crisis.

Secondly, we had a series of governments in Indonesia that actually weren’t particularly interested in borrowing from the Bank, so it’s not like I had a strategy of not lending. The government had a strategy of not borrowing, and that suited me fine, because that was my biggest liability. You know, a lot of adjustment lending was not the way we were going to change the image of the Bank, but we were committed to it under the IMF program. So I was able to pull back simply because the government of Indonesia wasn’t that aggressive.

And, thirdly, we had a major corruption scandal, the Bank Bali scandal, where $80 million from a bank restructuring was siphoned off to the ruling party, Golkar, for elections. Nothing to do with World Bank money. But I recall vividly being in a press conference with Jean-Michel, and a journalist asked, you know, “How can the Bank provide budget support when $80 million is being siphoned off to Golkar?” and I said, “We can’t. It’s just not justifiable,” and I turned to Jean-Michel, and I could see him turning red, but he had to accept that decision. And the headline in the paper the next day—I’ll always remember it—in The Jakarta Post, a big black banner headline, “World Bank Loses Faith in Golkar Party.” I mean, this was a real turning point in our relationship. It’s a blatantly political headline that is unacceptable under any other circumstances. It’s not what I actually said, but it hit the mark.

I came back to the Bank office and had a staff meeting. It was the first time I had a standing ovation from the Indonesian staff. I hadn’t realized how important it was to them that we disassociate ourselves with the past regime and acknowledge corruption. I mean, it was the Indonesians who were getting it from their families, from their friends. “You work for this evil institution.” They suddenly felt proud of the Bank, and I got enormous support from Wolfensohn, who, of course, exactly wanted that message to be there.
And I remember the coordinating minister, who was Ginandjar Kartasasmita in those days, calling me frantically that night, saying, “Whatever you do, don’t go to the press. We know we have a problem. We’ll sort it out.”

I said, “Ginandjar, it’s too late. I’ve gone to the press. It’ll be in the paper tomorrow,” and we had dinner that night. I remember it was the most stone cold dinner we ever had, but we survived it all. What I really admired about the technocrats was they understood that the world was changing, that they were becoming less able to deal with the more fractured Indonesia. The Bank had to change. The Bank was adapting, and they could still work with the Bank, but on very different terms than in the past. Their influence was declining, as well, so, I . . .

ZIEGLER: Has it continued to decline?

BAIRD: It has, yeah, because the Indonesia of today, first of all, it’s highly decentralized politically, so the power has shifted out of Jakarta. And in Jakarta, the parliament is now a much more an active body compared to the executive. Policy-making is no longer controlled by a few economic technocrats. As of yesterday, the last of them, Sri Mulyani, is leaving as minister of finance to become managing director of the Bank. That will become a political appointment. So, yes, times have changed. As a minister, as the World Bank, you have to spend a lot more time convincing parliament, convincing the public of what is good policy. That’s what democracy is about, and it’s messy, but it is reality.

I remember Jim’s only trip when I was there, and he was just beaming. For me, it was a disastrous trip. We had a meeting with NGOs, and outside there was this gathering crowd of activists we had to escape through . . . Ben [Howard Benjamin] Fisher must be a name that comes up from time to time. He was the deputy director there.

ZIEGLER: I met him briefly when I was in Indonesia.

BAIRD: He’s still working here. Well, we had come in this set of Mercedes, so Ben went to the Mercedes, while we went to the old Kijangs, and they thought that Wolfensohn was going that way, and we went this way. We had with us a minister, Erna Witoelar, who had been the most active NGO critic of the Bank, now escaping with Wolfensohn. And as we were leaving, I was thinking, “Oh, my God,” but when I turned to Jim, he was just beaming. He was saying, “We’re on the right side of this now. This is turning around.” He went to a school. He said, “This is night and day. They weren’t learning before,” and so on. It was great to see him understand that these things are messy and imperfect, and that’s the world, and we have to learn to work with it.

And then, I have to acknowledge this work at the community level which Scott Guggenheim initiated, which is written up in the Sebastian Mallaby book. It was a fantastic asset for us. I mean, here we were, even before Suharto’s fall, doing work that was basically subversive. It went around government. Scott is an anthropologist. He understands these things very well. This program has now become a national government program in Indonesia. It’s a superb program. I spent most of my time in Jakarta, whenever I could, getting out, visiting this program. It always made me feel good.

Mark Baird

May 5 and 6, 2010 – FINAL EDITED
ZIEGLER: What’s it called?

BAIRD: It’s called KDP, Kecamatan Development Program. It’s now being copied in many countries. I’ve seen it in Afghanistan. It’s fantastic; one of the few programs that work. So it was a great strategy. We could do less lending overall. And when we did lend, we could do it at the community level, exactly as OED said. Then, finally, we could directly tackle this issue of corruption.

We brought INT [Department of Institutional Integrity] in, rather than having them imposed on us. I know subsequently there was a lot of criticism of INT, but at this time they worked with us. They uncovered a lot of collusion, which we could never have found through regular supervision. They found bid documents that had been typed on the same typewriter. They found bank account numbers that were the same for different contractors. They went to contractors’ addresses. There were no houses there. You know, they did this sort of forensic work you could never do through supervision, and what did they find? Exactly what civil society had been telling us. There is rampant corruption in Bank projects, and collusion. The paperwork is perfect. The reality is very different.

So Dennis was right. On paper, everything is fine, but in practice the NGOs were right on this. Corruption was rampant. That helped us enormously, because now we published that report, and we also got the Board to agree to an exemption for Indonesia on disclosure policy. I just said, “I can’t live with the current policy. Everything in this office leaks. If I don’t release it, it will be released. It’s much better for me if I just release every document.” And we did with the INT report, and it just helped our credibility enormously. It just turned the whole thing around. So for me, INT was an enormous asset, as well, and I think we got on the right side of these issues.

Now, as I said, it was not my policy to have low lending, and, indeed, at some point we had to go back to lending. That’s the nature of the Bank program, and, again, it probably needed a change to bring that about. So I had always intended to leave after three years, and very keen to get Andrew Steer into that job. I knew Andrew from his time in Vietnam. He has a natural ability to build programs, and I think we gave him the base so that he could do it much more effectively than I.

[End Tape 2, Side A]
[Begin Tape 2, Side B]

ZIEGLER: Who were some of the Indonesians with whom you interacted who most impressed you? You certainly mentioned a number of them, but you might want to just sum up here.

BAIRD: Well, let me start at the top. I had how many presidents during this time? Three, I guess. [Bacharuddin Jusuf] Habibie was president when I went to Jakarta. I had known him in the ‘80s. We were always on the opposite side of issues. He wanted to build airplanes. He was not a technocrat; he was a technologist, in Indonesian terminology. But as president he did three, I think, remarkable things. First, he held elections, acknowledged the result, and stood down. I mean, this was very, very important to Indonesia.
Secondly, he held a referendum in East Timor that eventually, after a lot of unnecessary violence, led to independence for East Timor. In fact, I remember when I visited in January ‘99 having lunch with Ginandjar. He announced this was going to happen. He said it very early on. He said, “I want you to know there is going to be a referendum on East Timor.” We could not believe what he was saying. In fact, at that very moment, the Portuguese were sending an envoy to Jakarta to negotiate a limited autonomy agreement for East Timor. They did not see any prospects of independence, yet we said to Ginandjar, “If you hold a referendum, they’re going to vote for independence.”

ZIEGLER: It was still a Portuguese colony at that point?

BAIRD: No, it was Indonesian territory now.

ZIEGLER: Okay.

BAIRD: Yeah, but the Portuguese still felt there had to be some form of settlement. I think they accepted that Indonesia was never going to give it up, so they were prepared to agree to some limited autonomy. But, of course, the advice of the Indonesian military and foreign affairs was, “They love us. They’ll never leave us.”

Now, Habibie, you never know what he thought, but what he understood was, this is going to be an irritant until we solve it, and so a referendum is a way of solving it. I don’t know if he knew they would vote for independence or not, but he held the referendum. There was a lot of effort by his military and others to prevent it, but ultimately he had no choice but to accept independence, and, again, I give him credit for that.

And, thirdly, he decentralized. Just overnight on January 2001, he said power—fiscal power, political power, administrative power—will not go to the provinces; it will go to the districts. It’s the most extreme decentralization program one can imagine, and it’s done overnight. Of course, this caused absolute chaos, and we all said, “What a silly decision,” but, again, if you’re going to make change, if you’re going to de-power Jakarta, you have to empower these other things. He couldn’t empower the provinces because they might follow East Timor’s example and leave the country, so he said, “We’ll empower districts.” Again, it was a little bit like a Wolfensohnian idea. It’s a big concept. Forget about the details. It’s the big concept that matters. So, on all three grounds I think Habibie will go down in history as a very good president.

He was followed by Gus Dur [Abdurrahman Wahid]. Megawati [Sukarnoputri], the daughter of Sukarno, a very quiet, mild-mannered lady, was supposed to become president, but in a very unusual turn of events in parliament, Gus Dur, a blind Muslim cleric, became president.

Again, on my first visit in January, the first meeting I had, Dennis took me to see him—Dennis was very well connected, by the way, across the political spectrum—and Gus Dur told me, “I’m going to become president one day,” and we just said, “This man is crazy,” but, sure enough, he became president.
Now, what was his contribution? His contribution was openness and tolerance. Basically, by many standards he was a terrible president and, you know, eventually impeached. I forget the details, but he certainly stood down, for incompetence if not corruption. But he created an environment of openness and tolerance, which I think has served Indonesia very well, and he was followed by Megawati.

Again, Dennis had introduced me to Megawati in January of ’99. She came to our welcome party when we came to Indonesia. I always remember meeting her with Sven Sandstrom in a hotel when she turned up with her little bag, before she was in any position, and I always remember Sven, a man of few words, and here a lady of few words. He turned to us and said, “I know what you’re all thinking. There’s going to be a lot of listening going on in this meeting,” and, sure enough, it was not a particularly dynamic meeting. But a very strong personal relationship developed, and even though she, for many reasons, had a distrust of the Bank, she worked with the Bank. I have a better opinion of her than most people.

ZIEGLER: A mistrust of the Bank for good reasons?

BAIRD: Well . . .

ZIEGLER: At least from her point of view?

BAIRD: Yeah, I mean, I think coming from the Sukarno family, the Bank is closely associated with Suharto, and she had advisers, Kwik Kian Gie in particular, who have always disliked the Bank. So we had to deal with a set of ministers who saw the Bank as basically contributing to debt and corruption, and that’s why there was no pressure to borrow. In fact, I remember taking Jamil [-ud-din] Kassum to see her when he became vice president. I think at that stage she was vice president under Gus Dur, and Jamil, in his naturally smooth way, was explaining the importance of reform and how important it was to move on with the reform agenda. She listened very patiently. She was not known to speak English, but she listened in English. After some time, she thanked Jamil for his very useful contribution, and she said, “You know, Mr. Kassum, I think these problems developed over 30 years. I think the World Bank was here during that period. Maybe it’s going to take me more than six months to change. What do you think?”

And Jamil, he was just devastated, because it was such an on-the-point comment delivered so graciously and in English, which really surprised us. We thought she was going to speak through a translator. Ever since, I’ve had enormous respect for her, but not a woman of action and not a woman of reform.

She was eventually succeeded by Susilo Bambang Yudhoyono, who was, in my time there, coordinating minister for security, a military man whom I got to know because he was designated as the contact on corruption. He had to go through very difficult meetings with donors. He was very gracious, very polite, but it clearly became an extreme irritant, and, of course eventually, after my time, they abolished the consultative group. I think it just became politically too inconvenient and a remnant of an earlier period. But to his credit, I always found Yudhoyono a man of his word. He would promise very little. He would always say, “I’m a coordinating minister. I don’t have line responsibility, but I can do the following,” and he would
do it, and I always liked that about him. He was a man of integrity, and after I left, he succeeded Megawati as president.

So at the presidential level, a colorful cast of diverse characters, all of whom, I think, played some role in the transition of Indonesia. But the people I remember most are the technocrats that I’ve worked with over 30 years, and I’ve already mentioned Professor Widjojo. I saw him again in January. I try to see him once a year. He’s very old now, but still very lively in his mind. We are all encouraging him to write his memoirs, but he’s very reluctant to do so.

ZIEGLER: Conduct an oral history with him, Mark.

BAIRD: Well, that’s right, but he’s told me two things. I think you have made the same point about others. He says, “Oral histories are there to justify the unjustifiable actions we all take,” and he said, “I won’t do that.” And, second, he said, “I just won’t comment on Suharto. I am too loyal. I cannot.”

So I said, “That’s fair enough.”

So he is my mentor; has taught me so much and has been so influential on me that I have to acknowledge him.

And then the others that he’s worked with that I have worked with, particularly Boediono, who I have seen through all of his career stages to now being vice president, and more recently Sri Mulyani, who was just an outstanding and outspoken economist who led the discussions with the IMF at a very difficult time during the financial crisis, became finance minister, and now managing director of the World Bank.

ZIEGLER: Where were most of the educated?

BAIRD: Well, there is the so-called “Berkeley Mafia.”

ZIEGLER: Oh, okay.

BAIRD: Widjojo certainly was one who was educated at Berkeley, but many of them, in fact, went to other universities, but there was a core group. It’s an interesting story, and Bernie Bell alludes to it also in his oral history, I think. Sukarno sent them away to get them out of his hair. They grew up at the University of Indonesia and, of course, were thinking new ideas that worried Sukarno, so he said, “Why don’t you go and do doctorates overseas?” which they all did, and when they came back, they were all itching to contribute.

And then when Suharto replaced Sukarno, he had this prepared group of technocrats, and I think he did a deal. I honestly believe he did a deal, which is, “You give me high growth, and I will do what you tell me.” To his word, he did that, and the technocrats were very powerful on economic policy, but very unimportant politically. A significant number of them were Catholics, which is unusual, and that has always been a criticism of them, American-educated Catholics. Not Widjojo but people like Radius Prawiro. A number of that group were Christian, at least,
and that, of course, meant that they couldn’t challenge Suharto, so he deliberately chose a group that politically could not be powerful. He also empowered the Chinese business community because they also politically could not be a challenge.

So he was a very skillful political manager. But the “Berkeley Mafia” is a title that that group of technocrats is given, and, of course, 30 years in power is a significant achievement.

ZIEGLER: I think we’ve come to the point where we’ll sum up your career in the Bank. Who were some of the outstanding personalities, either staff, executive directors, consultants whom you encountered during your Bank career?

BAIRD: It’s interesting, but, as with Indonesia, the people who stand out to me are the technocrats, probably because of my own background. I am a sort of Treasury person by nature. I’m a bureaucrat by nature, and, of course, if I had to put someone at the top of that list, it would have to be Michael Bruno for me. He had been, I think, governor of the Central Bank in Israel.

ZIEGLER: I believe so.

BAIRD: He knew policy-making inside out.

It would have to be Professor Widjojo from Indonesia, Emmanuel Tumasiime from Uganda, and probably from the early days it would have to be Martin Wolf. I think that what was most important to me about Martin was his acceptance of me. I mean, for the first time I felt that I’m accepted by a serious economist, and I always found it hard to believe, but he gave me a lot of confidence, as did Michael’s acceptance of me, as did Professor Widjojo’s acceptance of me. So it’s that group inside and outside the Bank that sticks with me.

I have to also acknowledge that first India team that I worked with, because they also made me feel welcome in the Bank and have continued to make me feel welcome, whether it’s Gilmartin, Alisbah, Kraske, or Hamilton. That group influenced my career for many years, and I’ve always been grateful to the time they gave me.

ZIEGLER: What were the most important lessons learned, both from a personal and institutional point of view, during your career at the World Bank?

BAIRD: I guess, like all institutions, it’s the personalities that stick in your mind. The Bank does take you over as a person, so I do feel for 30 years that was my home. Even now, coming back for the first time in three years doing these interviews, I feel more at home here than I would ever feel in New Zealand or anywhere else. While from a family point of view, maybe it’s a negative. It takes you over. But from a personal view, you have a home, and I always enjoyed the Bank. I enjoyed the cultural diversity, and I enjoyed the culture. The culture of the Bank is unique, and it’s my culture. I feel I belong in this culture. I know how to interact with people. There is a strong technocratic ethos, very intelligent, hard-working people, and hardly one person I could think of whom I don’t respect and enjoy the company of, so I just like being here.

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
What did I learn? I learned a lot about policy-making, I think. I learned a lot about institutions, how they work, and I probably learned a lot about countries that I would have not otherwise gotten to see, particularly Indonesia. Indonesia is a second home to me and also, to some extent, India.

I went back to India to do a development policy review after I retired from the Bank. It was my first visit in over 25 years, and so to see a place that you have known very well and then return to it and see it again is quite a privilege, and to have those multiple homes and multiple points of reference when you see world events is a great thing to have.

ZIEGLER: What were the most notable internal trends in the World Bank as they evolved during the course of your career, as you perceived them?

BAIRD: I’ve thought about this question. I noted some things down. Of course, the first and the most obvious is the size. When I came in the mid-'70s, I suspect there were about 4,000 people. It had already grown enormously under McNamara, so I didn’t see it in the day—

ZIEGLER: You and I were—I came in '72.

BAIRD: I came in '74.

ZIEGLER: We were at the tail end of the explosive growth under McNamara.

BAIRD: Yeah, but compared to today it was still a small, personal Bank, because it was driven so much by McNamara and Chenery, and later Stern. I mean, these names just stand out to me. They were the institution. Everything else was boxes below it, but that was the culture of the institution, and it grew mightily after that in size and in lending volumes.

It, of course, is no longer a career for most people, whereas it was a career in my day, and it now has such a huge array of financial instruments. Then we were talking, you know, about IDA in India. Now there are all sorts of complex arrangements. In Indonesia recently they did a deferred draw-down, you know, where the government didn’t draw the money, but it was there as a backstop in event of a crisis. These are very big innovations in the way we provide funding and provide resources.

The Bank also became highly decentralized during my time, although with a huge core staff in Washington, which I still think has to be addressed at some point. There are just too many people here, when the work is out there.

And I think what is also clear is that the Bank has lost its monopoly on development ideas. Of course, it never had a monopoly, but it was a dominant player in development for many years. It just isn’t the case anymore. There are the Gates Foundation, and the Nike Foundation, and the HIV Fund, and the TB/Malaria, et cetera. There are many, many competing sources of funding and ideas, and I’m not sure the Bank has yet completely adjusted to that reality.
ZIEGLER: What did you like most about your career in the World Bank, and what did you like least? Now, you sort of—you mentioned you liked the culture of the Bank.

BAIRD: Yes, and there's nothing I like least. I mean, I'm even someone who enjoys bureaucracy. That was always something Jim could never understand. "You tolerate these meetings. You tolerate these Board meetings." I have no problem with it. I can sit through a Board meeting all day.

I learned a lot from Sven about that, I have to say. I remember in a consultative group meeting in Paris—it must have been on Indonesia—it was getting very late, and the U.S. was raising East Timor, and the Dutch were raising corruption, and I just said, "Oh, my God, this is impossible," and I turned to Sven. I said, "Why don't you wrap up?"

Sven said, "I have all the time in the world. When they figure out that they're missing dinner, this meeting will end," and, sure enough, he said, "Please continue," and they all said, "No, no, we have to go now."

He said, "Okay, I was looking forward to a much longer discussion," and I learned this is the art of bureaucratic management. So I can't even complain about the bureaucracy.

Perhaps it's because I've been away too long, but I can't remember anything about it that I didn't enjoy deep down, even if I might have complained about it superficially.

ZIEGLER: What do you consider to have been your greatest success?

BAIRD: I think for me personally it was taking the corporate ideas that we were developing with Jim and applying them in Indonesia. That to me was enormously satisfying. I sort of realize now, with hindsight, it was an extremely risky strategy. I don't think I would actually recommend it to anyone.

ZIEGLER: This was the last part of your career.

BAIRD: The last, yes. To me, that was my sense of satisfaction. It was a very difficult time. I don't think even that OED report fully captured how difficult that time was. The Bank building was bombed during that period. We lost—not Bank staff, but there were 15 people killed in the Bank building. We had to give staff open-ended air tickets, so that if they felt their families were unsafe, they could just go to the airport and leave without any question. You know, I think when you sort of distill events, you forget the context in which things are happening. It was a very difficult period.

The Bank Bali scandal, the $80 million, the Bank losing faith in the Golkar party, these are not the typical life of a country director. Yet, through it all I felt an extraordinary calm somehow, that this is something we can negotiate. I didn't feel like I had to make it a personal responsibility. We have a team here. We've got a lot of good Indonesian staff. We'll sort this out, and I had learned to value the team through a lot of the experience that I'd had in

Mark Baird
May 5 and 6, 2010 – FINAL EDITED
Washington. They’ll do it. You just sort of relax, and, yeah, I think it worked relatively well, and for me that was a relative success.

ZIEGLER: And what would you like to have done better, retrospectively?

BAIRD: I never have regrets, so there is nothing I would have changed. I’m sure I could have done better, but I wouldn’t change an iota of it.

ZIEGLER: Finally, is there anything that we have not discussed that you care to speak of?

BAIRD: Well, I think perhaps my decision to leave the Bank is something that I haven’t touched on. When we visited New Zealand in the late ‘80s, early ‘90s, we had decided that we wanted to go back to the Bank, but equally we wanted to make it a time-bound commitment, and that when I hit 50, we would seriously consider a very different lifestyle. And coincidentally, when I was doing the work on the Strategic Compact, the option of retiring at 50 became a . . .

ZIEGLER: April 1998, because it affected me, also.

BAIRD: Yeah, it became financially no longer a disadvantage, and so some people say, jokingly I hope, “The two changes you made were putting the country director in the field and allowing retirement at 50. This was purely for your own personal benefit.” I don’t think that was the case, but at least they were things that I benefitted from.

I don’t think I had told Jim that at the time, and I know I had a very difficult conversation with him, where he felt that I had not consulted him. I had tried. I did try several times to send him an e-mail and other things, but he was highly protected, and hadn’t gotten any of these messages. So he clearly was planning on my return, but for us, I think, as a family we had decided not to go back to Washington because Jim’s term would also end in a couple of years. I would probably end up senior management, and we would probably have to leave when he did. It was better to make that decision from Jakarta.

We didn’t, in fact, even come back to Washington before we left. We just went home, but we had a delightful farewell in Jakarta that I hadn’t anticipated—it was kept very well hidden from me—where Jim made his normal appearance with disparaging jokes about Kiwis from Washington. But equally, which was the most marvelous touch for me, the Bank office brought my village family from central Java to the Bank office, and I was completely caught by surprise and very emotional. They do batik, and they brought this gorgeous piece of batik they had made for me.

So I just felt this was now perfect, and Kathy and I went off to Bali for two weeks. We had sold our house in Washington. We had no commitments anywhere in the world, and it just felt like that was a move to a different phase. We didn’t have any idea what it would involve, except we were going home to New Zealand and decide what we wanted to do.

As it turns out, I have continued to do some work for the Bank. Some of the most interesting assignments I’ve ever had at the Bank have come after I left, including Afghanistan, which is a
unique experience, and equally I’ve worked for other aid agencies, particularly Australian Aid, which has given me new perspectives on the business.

And I’ve seen the Bank continue to change and evolve, but it is no longer central to my life, and I observe it with a lot more detachment, and I think with a lot less blinkering, because I think when you’re in the Bank you have a very narrow view of what matters, and the centrality of the Bank, which is clearly not the reality of the world. Even so, seeing it with more perspective and objectivity, I still have a lot of love for the institution, a lot of respect for it, and I’m sure it will continue to prosper.

ZIEGLER: Well, Mark, thank you very much for your generous expenditure of time in participating in the World Bank Group Oral History Program.

[End of Tape 2, Side B]
[End of interview]