Yuuki tells the world trees are cool

FASTEN YOUR SEATBELTS

By Kevin Rafferty

FINANCE MINISTERS, central bank governors and senior officials have begun arriving in Washington for what promises to be one of the more tense annual meetings of the World Bank and International Monetary Fund because of continuing economic turmoil and nervousness in global financial markets. Vice president Shahid Javed Burki, who has co-authored one of the Bank's flagship publications for the meeting, had the advice "fasten seatbelts".

Several thousand leading bankers and journalists will also be attending, many helping to raise questions not just about the present uncertainties but also about the so-called international economic architecture.

Global economic growth this year is forecast to fall to 2 percent from 3.1 percent last year, according to the IMF's World Economic Outlook. In developing countries, the growth rate will plunge from 5.8 percent to 2.3 percent, Asia, which has been the star performer in the last few decades, will show growth of about 1.8 percent, and the troubled Asian industrialized countries will shrink by 3 percent.

A year ago, the problems sparked in Thailand, Indonesia and Korea were seen as temporary local difficulties, a hope that proved optimistic on both counts. The Bank's just published East Asia: The Road to Recovery describes East Asia's downturn as "unique. It has fused a currency crisis, banking crisis and a regional financial panic into a particularly virulent strand of economic malady..."

The Bank is concerned that after 25 years of spectacular economic progress in Asia, up to 20 million vulnerable people may fall back into poverty unless proper safety nets are constructed. This determination to help the poor has been one focus of the Bank's rapid response to the crises; another has been to assist in reform of financial systems.

But economic difficulties have also been intensified in Japan and Russia and Latin America, particularly Brazil, has faced problems. As chief economist Joseph Stiglitz explains on pages 6-7, the crises are not directly linked, but they have made markets more insecure.

Persistent problems and the flight of capital from East Asia have raised questions whether the faith in markets, privatization, competition and free flows of capital internationally is misplaced. Malaysia's prime minister Mahathir Mohamad expressed his skepticism in typically vigorous way and temporally closed his country's door to capital inflows.

The turmoil has also raised questions about the global economic architecture. Calls by academic economists for a new look at the international themes, supplemented by publication Sunday of the World Development Report, which looks at knowledge for development.

But the decision by the US Federal Reserve to lower interest rates this week — for the first time in three years — when the American economy is doing so well, has raised questions about the state of the rest of the world. Goldman Sachs, the leading New York investment bank, this week canceled its plans for an initial public offering of its stock to raise $3 billion. The big hedge fund Long-Term Capital Management also had to be rescued.

In all the annual meeting is likely to produce more questions than solutions. The Bank is doing its best to help stimulate debate and solutions with its public seminar programs from October 3-6. These will focus on two themes, Managing Financial Crises and the Knowledge Economy. The latter theme will be supplemented by publication Sunday of the World Development Report, which looks at knowledge for development.

Wolfensohn (l) and IMF head Michel Camdessus ponder grim economic news.

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Kirmani: engineer of a better world

Syed Salar Kirmani, who had a distinguished career in his native Pakistan before joining the World Bank in January 1969, died earlier this year, aged 76. Bank's World has received a number of tributes from former colleagues who remember his work for the Bank with affection. Here are a few of them.

As a senior official of the Pakistan Government, he knew the Bank from "the other side". He came to the Bank with a strong commitment to the ideals of development which the Bank embodies — as well as a realistic sense of the Bank's limits. His values were those of integrity, collegiality and partnership. Disdainful of showy work, he could spot hubris and nonsense from very far indeed. As a manager, he dealt with it with humor and ease. Patient and courteous to a fault, he knew when to praise and when to chide, always gently. He knew the importance of standards and of rules. He also knew that they had to be adapted and in some cases disregarded to achieve results. Coolness under pressure was his trademark. As South Asia projects director, he relied on his expert advice when the Tarbela Project ran into difficulties and required emergency lending support. We met or talked on the phone almost daily. Having helped to build Tarbela, he was there to help save it.

Kirmani understood that the Bank's effectiveness ultimately rests on the quality of staff commitment and on the extent to which borrowers can be persuaded to adopt new ways of doing things. He was a subtle diplomat in water disputes; an indefatigable proponent of good civil construction practice; a brilliant judge of procurement quality. He wrote lucidly and had the courage to speak the truth to power.

IRAN

DURING THE PERIOD THAT HE WAS MY BOSS WE WERE IN DAILY CONTACT AND HAD TO ADDRESS MANY ISSUES AND PROBLEMS TOGETHER. NOT ONCE DURING THIS PERIOD DID I SEE HIM LOSE HIS TEMPER OR SAY AN UNKIND WORD TO ANYBODY. DESPITE THIS INCREDIBLE CIVILITY TOWARDS OTHERS, KIRMANI WAS A DEMANDING SUPERVISOR. HOWEVER, HE KNEW HOW TO EXTRACT THE BEST OUT OF US WITHOUT THREATS OR INTIMIDATION BUT BY SETTING A PERSONAL EXAMPLE OF NEVER SETTLING FOR LESS THAN THE BEST AND WORKING LONG AND HARD HOURS. ONE OF HIS UNIQUE HABITS WAS TO INVITE YOU TO HIS OFFICE, ASK YOU TO SIT ACROSS THE DESK FROM HIM AND THEN PROCEED TO DISCUSS A PROBLEM WITH YOU. QUITE OFTEN THE TOPIC THAT HE BROUGHT UP HAD LITTLE TO DO WITH YOUR IMMEDIATE WORK. IT TOOK ME A WHILE TO REALIZE THAT THIS WAS HIS WAY OF THINKING OUT PROBLEMS AND USING US AS HIS SOUNDING BOARD. IT WAS CERTAINLY A UNIQUE STYLE AND WAS AN INNOCUOUSLY VALUABLE LEARNING EXPERIENCE TO SO MANY OF US.

— AMNON GOLAN

In 1980 when the People's Republic assumed China's membership in the Bank Group, Chinese officials were quite ignorant of Bank procedures. More important, they also had very limited understanding of the project cycle as practiced in the Western world and in the Bank. It was fortunate, both for China and the Bank, that Mr Kirmani was then the project director for the East Asia region. Over the next decade, the patience and persistence of Mr Kirmani, his empathy for China and his vast experience and understanding of projects were instrumental in the rapid build up of the Bank in China. Kirmani was then the project director for the East Asia region. Over the next decade, the patience and persistence of Mr Kirmani, his empathy for China and his vast experience and understanding of projects were instrumental in the rapid build up of the Bank in China. Kirmani was then the project director for the East Asia region. Over the next decade, the patience and persistence of Mr Kirmani, his empathy for China and his vast experience and understanding of projects were instrumental in the rapid build up of the Bank in China. Kirmani was then the project director for the East Asia region. Over the next decade, the patience and persistence of Mr Kirmani, his empathy for China and his vast experience and understanding of projects were instrumental in the rapid build up of the Bank in China.
$40m computer challenge to Bank's systems

By Al Drattell

SYSTEMS RENEWAL IS going full speed ahead, a huge challenge to the Bank's information services. It is a $40 million computer project, which will affect every area of the Bank, and SAP, a single system that will provide accurate data to everyone in the Bank, whether in headquarters or in the field, that will rid us of mountains of paper and substitute electronic data. The aim is to get the new system up and running by the middle of next year.

Optimists say it will change the way everyone does his or her work, doubts worry about pressures, glitches and delays will spill over.

It has three important sponsors for operational services, resource management and the financial sector. The sponsors represent the end users. "People (in the Bank) have been operating off different databases with different numbers, although theoretically the numbers should all be the same," said Fayezul Choudhury, accounting department director.

With SAP (the program is named for the German company that produces it), there will be consistency. "You will get one number and one number only," said Achim von Heynitz, director of planning and budgeting. "Another advantage is that we can have the same system for headquarters and the field — and you will read the same numbers everywhere." He added that in his view, "SAP is the best system available in the world," but he sounded a note of concern. The information solutions group (ISG) "is running this thing, but they try to bring in the business community (of users). It's always difficult for any institution to get managers interested until they see something at their doorstep. But I bet is that we have great risks in front of us because systems renewal is very ambitious, far-reaching and the time line is very tight."

"We are trying to implement SAP in record time," said Choudhury, "and that brings a lot of risk; for example, the risk of trying to implement simultaneously in 100 different fields. ''We are running by the middle of next year. That's a challenge. This brings a lot of risk, and there will be a lot of pressures, glitches and delays will spill over."

Mohamed Muhsein, the Bank's chief information officer and the man responsible for bringing the systems renewal project to fruition, said keeping project cost to $40 million "is a challenge. We have to control the management of this project. You cannot cater to everybody's needs." He noted that other organizations have used SAP with good results, and "our intention is to leverage their experience." The Bank's philosophy is that "the people who are using the system want it to work as planned, Muhsin said: "I get it immediately, and vice versa. They were home-grown, fragmented and one number only," said Achim von Heynitz, director of planning and budgeting. "Another advantage is that we can have the same system for headquarters and the field — and you will read the same numbers everywhere."

"SAP is the best, but risks don't overlap between results, and "our intention is to use SAP to bring projects in on time."

SAP is not just another piece of software. "It determines how the business processes flow. It changes, the way business processes flow. SAP is an instrument (to manage) the screen, although you can still get hard copy. After a short while, most people love the system because they get this real-time information. They don't have to wait for a printout. Someone can input information in a field office and a manager in the headquarters can get it immediately, and vice versa. It's accurate (data in real-time)."

Muhsein noted that SAP helps the Bank move more easily into the millennium, facilitating change to a knowledge institution.

WEB ALLOWS WORLDWIDE OUTREACH

THE WORLD BANK Learning Network, which will bring distance learning, as opposed to face-to-face sessions, to many developing countries, was launched in the Bank September 17.

"Distance learning is an important complement to face-to-face classes," said Vessel Thomas, director of the Economic Development Institute, which is using the network to solve the problem that information solutions group is developing.

Using communications technologies such as tele-conferencing and the world wide web, the network is developing high quality learning products for Bank clients throughout the world. Most activities will originate from state-of-the-art facilities in Washington, DC, and clients will interact from Bank field offices or from facilties in partner institutions worldwide.

"I do not expect distance learning to replace face-to-face learning," Thomas said. "Some courses are very suitable for (distance learning) and some not. The Bank, because of its unique position in the development world, is well positioned to facilitate countries sharing information with each other."

However, it is not doing this adequately. "I see this huge void that we can fill, and the learning network can be a great instrument (to help us) get there."

EDL has budgeted $3.5 million in FY99 for the distance learning project. The network, according to Anna Stahmer, who is leading the effort in EDL, will provide two types of service: (1) short seminars (teleconference) and (2) accessible.

The former is a regularly scheduled series of interactive classes on policy issues and development topics. They will feature leading practitioners of the Bank, headquarters, field offices, and other participating sites. The latter will feature EDL/Learning and Leadership Center courses that are being created or adapted.

"We have 20 EDL courses in the pipeline (for accessnet) this year," said Stahmer. Those include social security and pension reform, policies for economic growth, regulation of privatized transport services, urban policy, health sector reform and sustainable financing, institutional reform for sustainable rural development, water policy reform, and economic and business journalism.

President Wolfensohn is giving a new push to the Bank's efforts both to coordinate private sector initiatives and to boost these activities. One highlight will be the launching of the day-long private sector development exchange in the MC atrium in November featuring innovative proposals from individuals within the Bank Group to encourage the private sector in developing countries. Those ideas include $1 million in prize money to go to projects that can be translated into concrete projects that should spur lively ideas.

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Iskander summed up the progress that the private sector development group had made and the long way still to go. "We established the Group five years ago, none of the areas, such as urban policy and urban planning and private participation in social sectors, were on the map," said Iskander. "They were all developed in the past. It is absolutely added that private-sector systems worldwide are still raging reaching only 2 percent of the 500 million small and micro entrepreneurs — so there is a lot more to be done."
WOICKE RELISHES CRISIS CHALLENGE
Bank's World talks to new IFC chief
PETER WOICKE (pictured below) was appointed head of the World Bank's International Finance Corporation (IFC) on January 1, said he looks forward to some sympathy for that view. 

The school was located on the outskirts of a village by a river. Beyond the tiny green oasis of the village, the topography was vertical: the gigantic snow capped peaks of the Northern Areas, where four of the world's highest mountain ranges converge.

Then there was the school itself. In much of Pakistan, boys and girls study in separate schools. Here they were studying together, despite the region's reputation of being one of the most conservative areas of the country. Female literacy in the Northern Areas is a mere 3 percent, and girls' primary enrollment in some districts is as low as 14 percent of the female school-age population.

The teacher was a young woman, herself unusual where only 15 per cent of government teachers are female. Equally unusual, we had been welcomed by a small group of parents — members of the village education committee, responsible for the management of the school.

The school is a product of an innovative program to expand access to elementary education in the Northern Areas of Pakistan, particularly for girls. Long frustrated by its inability to meet the growing demand for education through traditional means, the government has developed a program to establish a network of schools in partnership with communities.

The community schools program is a hybrid of public and private initiative. The community schools program has also benefited from unusual institutional collaboration. IDA initial funding was channeled through the social action program project. The staff of the Aga Khan development network of NGOs operating in the northern provinces helped the government design the program, as well as preparing the advantages of girls' education and raising awareness regarding the importance of education quality. The northern education project, financed by IDA with technical assistance provided by the UK department for international development, will continue to support communities in their efforts to establish the school.

The government is responsible for academic supervision of the school. Despite the constraints of wide geographical spread, poverty, geography, and slowly changing social mores, community response has been overwhelmingly positive. From 1995 to the present, the number of primary schools under government supervision has doubled and female enrollment in elementary schools has increased by 63 percent. The chief secretary of the Northern Areas said: "This could not have been achieved in decades under the Pakistans' traditional school system.

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"To be perfectly honest, all along I felt I wanted for five, six or seven years to give something back to society. After almost 30 years [with Morgan], the opportunity that came up with IFC was so ideal. I think I can leverage and use what I have learned at Morgan, but be able to concentrate on a broader objective," Woike added that doubts are being uttered "increasingly" about capitalism. He said: "I have supported and believe in free markets and I continue to do so. But there is no doubt that globalization of finance has enabled certain people to amass very quickly huge amounts of capital. There is no doubt today that the gathering of capital has become very easy if you have the right purpose of that capital.

"For small countries to be punished harshly by these big funds," Woike added that he saw his new job both as a complement to what he had already done and as a complement to J. P. Morgan. "I will miss an environment which was an extremely informal one with outstanding, very bright people and increasingly a sense of good humor. It was fun to solve problems with the best specialists around. I hope to find similar people here [at IFC] and have so far been impressed by the people I have met.

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I f anything, Jeffrey Sachs looks younger than his 43 years and exudes a cheerful self-confidence that puts a sugar coating on the gloomy messages he feels he has to deliver. His buzzword is "crisis," which he uses five times in a quick 45 seconds of the gloomy outlook of the global economic scene. "The situation in the developing world is terrible. You have major economic crises in many areas and the situation is not easing but seems to be getting worse. You have much of East Asia engulfed in deep crisis, deepening instability in Latin America, Russia in sharp crisis and parts of Africa in acute crisis and much of Africa in chronic crisis."

Pressed for any bright spots shining through the storm clouds, he concedes that China and India are continuing to grow and that the US economy is strong. But his summary — "Quite tough all the way around" — is why he wants an overhaul of the institutions overseeing the international economical system.

Sachs wants a meeting of leaders of a G16 — the G8 industrialized nations plus eight developing countries, with democracies like Brazil, India, South Africa and South Korea taking the lead roles. He cites a G16 blueprint for reform, saying that the leaders would set their own agenda and work out the details, but he makes plain his distrust both of "noble 25 year old summits" and of the "bankers" who are pulling the strings of already panicky financial markets and of whom he considers flawed advice from the IMF:

"I am continually struck," says Sachs, "by the basic fact that the developing world constitutes 85 percent of human beings and that 85 percent needs a voice, deserves a voice and demands a voice in the organization of the world economy especially in a global inter-linked system. So the failure of recent years in creating a stable system leading to broad-based prosperity comes in part from the fact that it has been too Washington-centric in organization."

According to his critics, the Harvard guru is "either naive or "just goes too far". explode others, such as an atomic bomb in his views." But in the eyes of Pravin Gordhan Singh, then India's finance minister, seven years ago in Bangkok criticized the role of the G7 "diminishing the role of the world" but was a voice crying in a wilderness.

Sachs is not deterred: "We have seen in many points of history that it is not easy to achieve effective leadership in the world scene. The US has provided a great deal of international leadership, but the US is not enough to set the agenda. I would like to see Manmohan Singh revisited. The need for a new economic government of the world. "We have an old wagon on the road. Everybody knows that it needs to be overhauled, but in the name of pragmatism and reality, we just content ourselves with tinkering on the surface and leave the ancient model."

"Wolfensohn would be well-placed to take up the challenge. He is better placed than others. He has traveled all over the world, meeting the leaders of the world, talking with NGOs, championing the cause of the common people. He should take it in the whole way. He has the best credentials to do it."

"The sad thing though, if you look around the world, it is leaderless. The G7 is leaderless. I would like to see consultation, networking, mutual learning that involves a very wide reach of public, private, civil society and academic institutions."
Markets and world's poor need more markets

More than a year ago Thailand sought international help to resolve problems in its financial system, which had been exacerbated by the regional economic crisis. But there was a growing consensus that a key reason was the failure of forecasters to take into account the adverse effect of falling currency values on the overall economic situation. "The financial crisis and the economic crisis in East Asia meant that the crisis in the economies in the region required a richer set of institutions, legal structures that make it harder for Japan to fulfill its commitments," Stiglitz declared.

Nevertheless, there have been some significant improvements in East Asia since it did not appear to be a major contributor to the crisis. "You have got to have good financial institutions, policy frameworks, legal structures that make it harder for Japan to fulfill its commitments," Stiglitz said.

There is a growing consensus that the lack of availability of credit, which meant that although prices had come down enor­ mously as a result of the exchange rate, the boom in exports did not materialize. In dollar terms, things are cheap and they should be enjoying a boom, but they are not. This goes back to the point that the failure to understand the importance of finance underlies several of the failures of forecast­ing.

The Bank itself was in a difficult position in making forecasts for East Asia since it did not want to exaggerate the crisis by being a harbing­ er of gloom and doom. The Bank was concerned about the potential for contagion that have adversely affected Russia. But the funda­ mental problems there are the fiscal ones that have been there for a long time. One may not have been able to pinpoint exactly when they would occur, but the government been able to address them, the debt crisis would have been averted.

"So there is no direct connection with East Asia. But there is a common element from both. This is a greater appreciation of the nature of market economies and a recognition that market economies require a richer set of institutions and are more complex and cannot simply be summarized by concepts like 'Getting your macro house in order'—though that is important — or privatization." The Bank's economist noted that most East Asian countries were running fiscal surpluses, so had tidy macro houses.

What Russia points up, added Stiglitz, was that: "You have got to have good financial institutions, legal structures that make sure that there are incentives for wealth cre­

more than ideology

sector: Initially, the international economic pundits nught hold and spread. Bank's World talks to the

ation and not simply asset stripping and tak- ing your wealth out of the country. We knew the importance before, but the crises have brought home the lessons with a force that was not recognized before.”

Problems now occurring in a Latin America pose quite a different challenge to world leaders. "It is challenging some people's basic notions about the world econo- my. Here are a group of countries, many of which have had very deep seated reforms, very deep commitments to putting in place good policies, very bright and committed economic leadership — and yet they too have been battered. That raises the ques- tions: if countries do all or most of the right things and they cannot survive or are put to the test and have to pursue policies that lead to severe recession or high levels of unem- ployment, it raises fundamental questions about the international economic architec- ture. It does not provide the answers, but it says that all is not well.”

It is not yet clear what the answer is. If Latin America pulls through without further damage, then continuing progress. If there is still the going to say that it was only a storm and the countries weathered it, even though they were tortured a little bit and some people had to pay a price...”

He is clearly unhappy with some of the baggage that is tagging along with that word "price", and he then eloquently took a look behind the statistics to consider real human lives and what happens to real people who are forced to pay the price.

"We sometimes look at unemployment in numbers as mere statistics and say that the unemploy- ment rate has increased from, say, 4 to 8 per- cent. It may still look like a small number, but if you happen to be one of those people, you don't view yourself as a small number. What unemployment does to peo- ple's lives has all sorts of effects, and leads to education, life opportunities that are lost forever to them. Even young entrepreneurs need access to credit; being destroyed, families become broken apart.

There is a provocity among econo- mists to say that that is the price to be paid. But the point is - who is paying the price for whom and for what? The people who are being thrown out of work did not do anything wrong. Why are THEY (his emphasis) being asked to pay the price for someone else's speculation?"*

"Unless we build social safety nets that protect these people, they will be asking 'Do we have a financial system that is consist­ ent with social justice?' As long as we think we can simply transfer the blame to others, then we are not going to get anywhere. As someone who served in government as chairman of the council of economic advis­ ers of president Bill Clinton, Stiglitz is keenly aware of the importance of swings of pub­ lic opinion and their importance in provid­ ing the backing for policies.

He returned to the importance of finan­ cial markets and noted some important inade­ quacies of unregulated markets, and partic­ ularly in still developing countries. "In the United States' financial markets in the 1980s, there was excessive deregulation of the S and Ls (saving and loan institutions) com­ bined with excessively lax supervision and we had an S+L crisis which cost the United States 2 to 4 percent of GDP and was a major contributing factor to the economic downturn. It was a small part of our finan­ cial system and we have a highly sophisti­ cated regulatory structure with a highly trained group of regulators.

"One has to recognize that many devel­ oping countries are beginning from a situa­ tion of greater risk, with weaker institutions, less regulatory capacity and less experi­ enced regulators. In addition, some of them were persuaded to adopt policies full of the rhetoric of the 1980s when we were just beginning deregulation. So they adopted policies with a time-lag, just when some of these policies were proving disastrous in the United States.

"So, in Thailand in the 1980s they had policies that restricted excessive bank lend­ ing to speculative real estate both because they recognized — and the economic histo­ ry is very strong — that that kind of lending activity is systematically associated with financial crashes and because they believed — quite correctly — that it is better to invest in resources, scarce savings, in plant and equipment than in empty office buildings. But some people said it was better to follow the dictates of the market, and if the market said it was better to invest in empty offices, then so be it. As a result they had a real estate boom, which was at least a critical variable in leading to the crisis.

"At least we have recognized that that kind of liberalization in the context of inade­ quate supervision leads to real problems. The irony is that liberalization itself leads to two problems: it makes it more difficult to regulate because you provide more risky opportunities for investment; secondly, the boom in private financial markets which it engendered led to some of the best people being bid away from the public sector, so their capacity went down just as the demands on them were going up."*

Stiglitz however ended on an optimistic note, putting faith in the capacity to learn from past mistakes: "We are beginning to realize that there is more to some of these items of ideology and rhetoric than was pre­ viously thought. Hopefully we will get a more balanced perspective, with a market economy, but recognition that to make a market economy work requires a lot of institu­ tional infrastructure."

From Russia with love for Africa

K wei Betchwey stood for 30 minutes in an immigration line waiting to leave Moscow and decided that Africa must have good prospects of attracting foreign investors. It had been a harrowing journey for Ghana's former finance minister, especially since his taxi driver used words like "Criminal" to describe the airport organiza­ tion. "I came away feeling there is hope for Africa!"

In Moscow, he discovered: "An eerie feel­ ing in the streets. All the signs of capitalism were there: the posters from the fashion houses, Coca-Cola, McDonalds, Martini all over the place; the shop windows were colorful. But beneath all that were the signs of the old philistinism, trying hard to be Americans, not understanding what was happening.

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Cautious optimism from Japan

T he normally efflent Yoh Kurokawa (below), chairman of Industrial Bank of Japan is only "cautiously opti­ mistic about the world economy. Asia will suffer for the next few years," he pre­dicts, "but funda­ mentalism is in sound. The Asian turmoil will not have any major effect on the US or Europe. As to Russia, I cannot see any bright future for the next decade, but the impact on the EU will be limited." He is hopeful that: "Ministers are not so stupid as their predecessors in the 1930s, I hope. They should put their own house in order, before criticizing others."

His caution on Japan is even more obvi­ ous. He says: "It is moving in the right direction, but very slowly. Politicians in Japan do not have a sense of urgency, yet Stiglitz often laments that: "In 1996 we had economic growth of 3.6 percent, the high­ est among all the G7 countries, and all of a sudden in 1997 we fell to minus 0.7 percent and this year it will be minus 0.8. What do they conclude? Nothing less than the mistake by the govern­ ment in raising taxes, by raising taxes, and deciding to reduce budget deficit. "Our per­ sonal income tax is 46 percent at the highest level and corporate tax is 46 percent; they should be down to 50 percent and 40 per­ cent. The solution is to increase revenue by a better economic climate."

He also jokes that cutting the number of government bureaucrats would also help: a 10 percent cut might be difficult to achieve; but 50 percent would be easier.

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A year ago, when the Bank and the Fund held their annual meetings in Hong Kong, events in East Asia were being characterized as a financial crisis limited to a comparatively small number of countries. Since then, the East Asian crisis has deepened and severely affected the real economies of these countries, and, through contagion, has spread to other regions and countries from South Africa to Russia. The dramatic increase in private capital flows to developing countries has been reversed so that by mid-1998 there was a decline of 25 percent and within the past month there has been a much more dramatic drop. In human terms the cost has been brutal, with possibly as many as 20 million people falling into poverty in 1998 in Indonesia and Thailand alone.

In a year of dramatic and wrenching change, the World Bank has had to be agile and flexible to respond to its clients' needs. The annual report demonstrates how the Bank has accelerated the pace of internal change, with the raison d'être continuing to be to reduce poverty and improve people's living standards.

In fiscal year 1998 the World Bank made the largest new loan commitments in its history, reflecting a rapid response to the East Asia crisis, support for stronger economic performance by many countries in Africa, and a strong rebound in lending for the social sector.

IBRD commitments were $21.1 billion with disbursements of $19.2 billion. Of that, $7.5 billion went to Korea, without which, IBRD lending would have been about the same as in recent years. IDA commitments of $7.5 billion, were up 62 percent over last year's lower than normal figure, and substantially larger than the previous high. The Bank is being selective, targeting its assistance where the funds will be used most effectively.

**Bank Copes With a Brutal Year**

President James Wolfensohn stresses the importance of putting people at the center of the development process: "This means a much greater focus on country ownership and participation, a better appreciation of local conditions, and more attention to the role of culture."

All World Bank Group activities have the objective of reducing poverty, but this year some 40.1 percent of total Bank investment lending was directly targeted to the poor. These projects support activities to increase productivity and economic opportunities of the poor, develop their human resources, and provide social safety nets. Critically important, lending specifically for education, health, nutrition, and population, and the social sector totaled $6.4 billion, or $8.5 billion when the social protection components of other loans is included. This is a 30 percent increase over last year. Social protection has become an important component of lending programs to help the poor cope with economic hardship and change.

Among the highlights of the past year:

- The Bank has established a special financial operations unit to work with countries severely affected by the East Asian crisis and to support countries in other regions facing financial sector vulnerabilities.
- The East Asian crisis also drew attention to the linkages between corporate and public sector governance. In FY98, the Bank's Board approved a new anti-corruption strategy. This aims to prevent fraud and corruption in Bank-financed projects; help countries that request Bank assistance in efforts to reduce corruption; take corruption more explicitly into account in country assistance strategies; and add support for international efforts to reduce corruption. Anti-corruption strategies are now underway in 19 countries.
- Helping countries improve environmental management remains at the core of the Bank's work and a set of social and environmental "Safeguard Policies" was designed to protect people and material resources from any adverse impacts of development projects. A sector strategy paper on energy and the environment used a consultative process with external stakeholders via an open forum on the World Wide Web.

- Work with NGOs continues to be brought into the mainstream of Bank activities. Some 50 percent of all operations approved in FY98 involved some NGO participation.
- The consultative group for assistance to the poorest (CGAP) now involves 25 donor countries and is helping microfinance institutions to expand their reach. To date, CGAP has funded 58 innovative programs and will reach an estimated 500,000 by 1999.
- In FY98 the Bank published a new rural strategy paper. Three quarters of the world's poor live in rural areas. Some 72 percent of completed rural projects were satisfactory in FY95-97, compared with just 52 percent in 1989-91.
- The Bank is working to ensure that women and children benefit from development. Gender components of all projects totaled $2.5 billion in FY98, and gender issues receive much greater focus on country ownership and participation, a better appreciation of local conditions, and more attention to the role of culture."
Timing critical in changing field offices

Headquarters and regional staff are both benefiting from the new space efficiency plan, says Titus Hicks, chief of the global real estate section. He explained that "the space requirements that apply here at headquarters are being used as a guideline in our field offices. We want to apply these requirements where it makes sense to do so. In some countries, physical constraints block us. For example, if they used bricks and mortar are used in construction, many times it does not make sense to use them.

Timing is critical in changing field offices. We cannot just go in and force anything; you have to sit and observe and listen. From my point of view, it's a totally participatory process. We try to use local architects when we can, local artwork, and local furniture except in cases where such lines are unavailable, then we ship or provide the service here," he said.

The general services department of the Bank is a partner in these efforts, says Hicks. "What GSD does is that the regions have identified their needs, we estimate the space that is required, and then we have been able to fund those needs. Our plan provides for 10x10 units. We have been receiving feedback on a case-to-case basis," he said.

"I am happy to say that the new construction at the Manul, Venezuela, Mexico and Paris offices combined will eventually yield an estimated savings of approximately $2,825,000," Hicks explained.

Hicks explained that timing is a critical factor in making changes in field offices. "When we see that a unit is expanding or contracting, or a lease needs to be renewed or the Bank office will be co-locating with IFC's office, we step in and offer cost-effective solutions at that time. One thing I can say is we still need a backroom space where we can go to do searches and concentrate. Just like a library where you have a reference desk and another room to actually do the searches. We all had to learn a new etiquette as well as not making eye contact unless essential," said Pattillo-Siv.

Manuel Penalver, senior operations advisor, said that the South Asia should not be seen as a definitive solution for the region or worldwide. "Before we moved, we conducted a survey to assess what people needed. We also engaged an external specialist, an anthropologist, who discussed needs with individual staff members and later this fall we will be conducting the follow-up to find out what works and what doesn't. Early next year we will be able to decide what needs to change or be retained."

"Our plan provides for 10x10 offices and the units should decide whether they want enclosed or open spaces offices. Basically, visual openness and acoustic privacy are the two main issues. So we are using glass which allows light to pass giving a more open look yet giving some measure of acoustic privacy," said Oka. He added that the pilots are still evolving with none of the spaces really being permanent at this time. "I have found that the acceptance rate changes over a period of time and units should use new spaces for a sufficient period of time before making any judgement," he added.

The volume of work in the regions has been steadily increasing. In FY 1996, GSD had about $12 million in capital improvement overseas; in 1997 GSD received requests worth about $47 million with slightly over $30 million being actually approved and the current requests are over $40 million. "I am expecting that with decentralization and location of work, with more focus on the field, there will be an increasing demand for such work," concluded Hicks.

The implementation of open space in regions is possible when management in the mission enables it, according to Hicks. "The new design of the resident mission in Venezuela was able to create some truly beautiful spaces by using some of the alternative space concepts currently being piloted at headquarters. This was possible because the buildings itself permitted such a redesign and the management in Venezuela facilitated such change. You can't just go in and force anything; you have to sit and observe and listen. Instead of telling staff what you think is right, you have to sit and observe and listen. From my point of view, it's a totally participatory process. We try to use local architects when we can, local artwork, and local furniture except in cases where such lines are unavailable, then we ship or provide the service here," he said.

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VOX POPULI ... VOX POPULI ... VOX POPULI ... VOX POPULI ... VOX POPULI
LETTER FROM HEAVEN

Study Keynes to avoid 1929 rerun

I

sometimes wonder whether I ever exist-
ed, not surprising, I suppose, when you consider that it is over 50 years since I did exist. My mother reminded me the other day — that's the thing about this place: all or most of one's relations are here — my mother reminded me that she often used to ask, "Am I talking to the wall?" as she admonished me about some juvenile mistake committed while my mind was already in the foothills of The General Theory. At all events, as I survey the increasingly gloomy news on the Stellar Net about economic developments on Planet Earth, I wonder whether my principal intellectual contribution was all in vain. Did I dream it: Worse, did I make it all up? What amazes me is the speed with which euphoria evaporates and turns into despair. I was always well aware of the importance of expectations and confidence indeed, it was to improve confidence in the capitalist sys-
tem that I devoted my life's work. But so much of what I read these days is a re-run of the 1920s and 1930s: the same pre-Keynesian (if I may be so bold) doubts; the abject refusal to associate with business travel. But we've decided to change that. We Bank staff tend to be very possessive about our work programs. This arises in part because we manage complex tasks with very little support. At the same time, many of us enjoy thinking of ourselves as hardly individu-
als. We create high impact activities by ourselves, we convince reticent government agencies by ourselves, and we take on the onerous Bank bureaucracy by ourselves. If we do all this by ourselves, we are indispens-
able, and the beneficiaries of our work will suffer if we let go. There is a subtle but substantive difference between thinking of ourselves as (i) doing our work, or (ii) doing the Bank's work. The issue here is who owns the activity. The current Bank paradigm is for the staff member to own it. After all, ownership builds effort and com-
mmitment toward the activity. But, this thinking overlooks a spate of valid human emotions that swirl around ownership, the most significant of which is possessiveness. When one owns an activity in the current climate, one develops it with much more attention, implying a real investment of personal time. When the activity is a person's child, sometimes formulated at the expense of the family or through lack of sleep, the person regards resistance to the brainchild as personal hostility. Thus, government officials who resist making assignments and assuring the technical content of our products. That is why managers must make some delicate trade-offs when assuring the continuity in assign-
ments that our borrowers want. They must ensure that teams bring adequate commitment to their tasks, and that sense of commitment must go beyond the government and include empathy for the grass roots beneficiaries of our activities. But, managers must also ensure that we maintain emotional balance, so that our work serves our borrowers well. We have trammeled because our joint product draws in all the relevant perspectives.

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In early September, we saw many staff around the Bank sporting fresh suntans and mas-
ing the normal lines of worry creating their faces. They had returned from vacation, in some cases for the first time in years, and were willing to talk about it. They returned to two heavy loads. First, there was the work that piled up when they were away, because of tight budgets, few staff had anybody backing them up. Second, they faced the load related to starting new work programs, which tend to take effect in Septem-
ber. Despite the all the work they found on their return, some wanted to talk about what they did while away. They talked about keeping their computers turned on, checking clear e-mail, and avoiding any contact with the office. They succeeded in letting go and enjoying it.

If letting go can have such a salutary effect at vacation time, maybe there are some lessons we can draw from this human work. We Bank staff tend to be very possessive about our work programs. This arises in part because we manage complex tasks with very little support. At the same time, many of us enjoy thinking of ourselves as hardly individu-
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Almost everyone joined in the preparations and then the long colorful procession. The tiniest tots eagerly wrapped decorations while the most guarded grandmother offered the advice of ages since intricacies of the work. When the ornate paper maché animals were finished and decorated, the people of the village dressed in all their finery and processed to the temple, women carrying baskets of fruit on their heads, men beating drums and bearing the image of the idols, children tagging along happily, the big ones imitating their parents.

There is no place on earth like Bali. This is not just because it is a tiny island of Hindus among 13,000 islands in a vast, sprawling archipelago mainly populated by Muslims. Nor is it because it has long smooth sunny beaches, lush forests and volcanic mountains that are all magnets attracting tourists. Bali is also special because it has a rich culture with roots going back centuries that continues to flourish today and embraces the whole island and almost all of its inhabitants.

To quote one expert: “The Balinese have made the island a replica of the cosmos. Elements of Bali’s topography have been given a function within the cosmological order. Mountains are highly auspicious places as abodes of the gods. The sea represents the other world. Between the mountains, kaja, and the sea, kelod, lies the middle world of man. Man’s habitat is dominated by the ritual cycle of sunrise, kanga, giving life to man, and sunset, kauh, where death rules. The combined religious and ritual orientations are used as the basic principles for the spatial order of villages and family compounds.”

The island, which is only 5,633 square kilometres in area, has more than 5,000 temples, evidence of this rich living tradition that survives in spite of the depredations of tourism. The sanctity clad foreigners turn pomegranate red on the beaches, throng the streets of Denpasar seeking ice-cold beer and cheap eats, yet traditional life in Bali goes on uninterrupted. The two cultures, foreign and Balinese, interact when the visitors queue to see traditional music on the gamelan and the delicate Balinese dancing or when they are held up by a long procession wending its way to a temple, something that happens frequently.

Along the twisting streets of Ubud in the center of Bali, for example, there are tens of factory-shops where wood carvers chip away that happens frequently. That happens frequently. The island and the traffic and pollution that accompanies it.

Bali urban structure project supported by a World Bank loan, points out the links between the local economy and culture — and is alive to the dangers. “The future of Bali depends on its culture,” he asserts. He believes that sun and sand and ice-cold beer do not alone give Bali its distinctive edge, and it must keep its unique features alive. Even though they seem so strong, he adds, there is much that has to be done and he is happy that the Bank under James Wolfensohn is alive to the importance role of culture in overall development.

In Bali’s case, in spite of the vibrance, the daily devotions and the flourishing arts and crafts, there are obvious problems which the island, now helped by the Bank, is trying to address. Iskander mentioned the urgent need to preserve the ancient Bali script, soon there may be no one able to decipher the old decaying manuscripts. Another aim is to catalogue the sacred sites and protect the important mother temples. Although the traditions are strong, so are the forces of nature and the annual rains are fierce and destructive of the soft stones that make up most Bali temples. There’s also a problem in that Balinese temples are not generally practised in Bali, with the result that structures are left to deteriorate and then are rebuilt anew, with uneven results and considerable expense. — Kevin Rafferty

Photos by Chiaki Morita
Radical pay plan unveiled

By Anna Shen

The Bank last week unveiled radical proposals to change the current pay system to ensure the Bank can recruit the right people and compete in the world. HR vice president Richard Stern said the current system is diluted as it is out of line with the market and inflexible in rewarding performance. He added, "We need to make the Bank less hierarchical; more merit pay; more resources for international recruitment, including offering signing bonuses; which HR hopes will bring a more diverse pool into the Bank; and a streamlining of field and expatriate benefits. There are also plans for a merit award for superior performance, up to 10 percent of salary."

Stern said that staff have responded positively. "They understand that the changes were made, but they are concerned about the transition and the impact of the transition, especially in light of other things, such as the financial crisis." The Bank is trying to find a way to deal with the changes the Bank has started in order to make sure that they will be smooth sailing. One support staff said she was worried about the changes; now that level 18 would be abolished: "No longer do you have a glass ceiling. It's a very different world." But Stephanie Girard praised the plans, saying: "It is encouraging that someone seems to be doing the changes." Staff association chair Jamil Sopher takes issue with new proposals, saying that after reorganization, unfunded mandates, shrinking budgets and office space, as well as the "Dumocanuclear system of redundancy or termination of contracts," this is just one more problem. "Now, staff are being told going into the year that they can expect at best only a minimal pay increase next July," he said.

Sopher added, "With all of the changes and uncertainty, staff feel unloved and the need to recognize and give positive feedback has never been higher. The whole concept of stability has never been higher and the need to cushion bad news has never been higher, either." Darinus Mann, manager for compensation management, said that the changes were not designed to harm people that this does not mean a salary freeze. "Nobody's pay will be cut. If people are performing well we will want to reassure them that they will get a higher merit increase. People who are not performing well will get a lower raise than in the past."

Call to abolish parking subsidies

THE BANK should offer the Metropol computer incentive program to headquarters staff and abolish all parking subsidies if it wants to help reduce the Bank's greenhouse gas emissions, the top priority tasks recommended in an independent green audit of the Bank's internal operations.

The Bank is technically more advanced and environmentally friendly than many major corporate entities, but still needs to display bet­ ter leadership to help create a greener commitment at individual level, says a detailed report card by the Colorado-based Rocky Moun­tain Institute.

The main question, says the institute, "is not so much 'How can the Bank improve its environmental and energy use with technology?' as "How does WR transform the organizational and cultural nature of the institution to become more environmentally responsible?'"

The mandate for the report came from President James Wolfensohn's September 1996 let­ ter to staff calling for an accelerated green program. The presi­ dent himself instructed the institu­tion: "Find problems. Beat up on us; if we're meeting a given envi­ ronmental standard, we should be doing better." Wolfensohn also high­ lighted Metropl and parking as his areas for action.

The $30,000 report, paid for equally by Staff Association, the environment department and general services department, gives the Bank good marks for management of its physical plant. Programs such as office equipment upgrades, lighting retrofits, biking incentives, cleaning practices and

JAMMHEE boosting Africa’s march

IN AN EFFORT to show the potential of new emerg­ing African entrepreneurs, the IMF and Bank’s Africa region is inviting proposals to set up business between the continent and the US.

From October 22-23, about 200 executives and entrepreneurs from the Bank and IMFs in the region and from various African nations during "Africa Day," which for the first time will address business issues. We want to "show the potential of the emerging new African entrepreneurs," said Sidi Jammeh, club chair.

He added that the larger goal of the forum is to help African entrepreneurs in the US, reinforce trade relations, showcase African products and establish a platform for technology transfer.

But more importantly, Jammeh said he hopes the forum will also help contribute to the changing realities of Africa, where it is profitable to do business. "The assumption behind the conference is that out there, we see a new Africa, in terms of economic reform and growth...There is a new Africa out there, on the move, on the march," he said.

"If you really want long-term sustainable development and growth rates in Africa, (foreign) aid is not the only answer. Our goal is increasing the emphasis on productivity. But it is not at the expense of aid; you need a mix of both."