

Working Together at the World Bank for Broadening the Development Paradigm



James Wolfensohn

I accepted with great pleasure the invitation to contribute to this volume intended to honor Michael Cernea, one of the most outstanding colleagues that I had the good fortune to work with during my years at the World Bank. Michael was the leader and spokesperson of the Bank's initially small but continually growing community of sociologists and anthropologists, a community that was on the front line of my efforts to broaden and strengthen the Bank's focus on effective poverty reduction.

After some personal recollections on how I encountered Michael Cernea and the social group, I will talk about some of the key ideas and principles regarding my work at the World Bank. For this part of this essay, I think that it would be best to not rephrase into the language of today what I said publicly then, because the original language conveys the political messaging I would use to convey strategy to staff.

My First Meeting with the Bank's Senior Sociologist

My first encounter with the Bank's senior sociologist was totally unplanned. It was as spontaneous as could be on both sides. Shortly after I started my work at the Bank, I was told that I had to attend an event which a card carrying anthropologist would describe as a modern tribal ritual. The "tribe," in this case, was the World Bank's staff, and that day's ceremony was a ritual meant to honor the "elders of the tribe," people who just passed the mark of having served 20 years on the Bank's staff. It sounded to me like a reward not only for performance but also... for endurance.

The ritual required the Bank's President to bestow on each of those survivors a huge and shiny SEIKO desk-clock, adorned with a small plaque engraved with two

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names: one of the survivor, and the other—mine! I objected to having my name there since I was still in my early weeks at the Bank and was still just a new face to all of those veterans. But I was told that it was a long tradition, a custom that must be respected even by a new president. In essence, I thought to myself, I'm being politely let know that however highly placed on the World Bank's totem pole I am, traditional ways of the Bank are not going to be easily changed . . . Well, this wasn't quite an auspicious beginning for my own plans to transform the World Bank. So, I didn't succeed in getting my name off that plaque. I submitted to the tribe's ritual, solemnly giving to each of these good, long-serving veterans a... Japanese desk clock.

Yet teasing apart, I must say that I was glad for the opportunity. I did want to know some of the Bank's veterans. In those days of my debut, I felt still like the Bank was the proverbial huge elephant, which one has to look at from all sides to get a grasp of its entirety.

Once the ceremony ended, there was a little treat and get-acquainted talk. Not much time passed, until a fellow button-holed me, and said, "Mr. President, I am glad to meet you for the first time personally. If you don't mind, I have a question to ask you." "Shoot," I replied, "what's your question?" "Well"—he said—"I have followed most of the speeches that you gave over the last few weeks while you were meeting with the Bank's departmental staff. In one of those speeches you used a concept that stood out for me, because it was quite new and unusual in our Bank vocabulary." "What was it?" I asked.

"Well, as a 'veteran,' he said, 'I've been working in the Bank now through five presidents before you. I've listened to a lot of speeches, but none of them used one surprising, entirely non-economic concept that you spoke about.'" "Well, what was that term that shocked you?" "The term was '*social justice*.' You spoke about social justice as you talked about the Bank's mission of reducing poverty, promoting sustainability, advancing equity, and so forth. All of these other terms are part of our routine jargon. Your new idea made us sit up and listen. 'Social justice' is something all of us believe in but nobody has the courage to say, at least not in this institution. Why did you say that? And what do you mean by it?"

Well, why are you surprised? Of course, we have to support and promote social justice. Frankly—I added—I wanted to use another word, one that comes from the Yiddish language. You probably don't know it. That word was *Mitzvah*—I couldn't find a perfect translation, but it means the obligation to do "good deeds". What I really wanted to convey was that part of the Bank's mission, in my view, is to work to make better for people, and to bring more good into our world that is so full of contrasts, poverty, inequality, squalor, famine, tragedy. So, this is what I meant. But now tell me, so who are you? What's your name? Why did you react to this particular term?

I am Michael Cernea, a sociologist, the Bank's Senior Sociologist and Adviser for Social Policies and Sociology. And the term Social Justice is very much on my mind too, because the Bank's social policies are meant to repair situations where people are not treated well.

Ah, you are a sociologist, Adviser for Social Policies? I am glad that you are here!

"You know", I told him, "before coming to the Bank I was given a stack of briefing books almost five feet high. I was very conscientious and went through all of them. But never ever did I find in them anything saying that the Bank has a Senior Sociology Advisor

who deals with social policies. If this is your job, you've got to help me. Tell me a bit about what you do and what are our policies."

The fellow was very happy and started to talk, saying that the Bank has many social specialists, he wasn't the only one, that they are working both on projects and to apply and improve on the Bank's several social policies, and so on. What he was saying was interesting, but there were other people waiting around us that wanted also to talk with me. So, I told him, "*Michael, what you are telling me is highly interesting. But this reunion is hardly the place to discuss these issues. Would you please put all that you have to say into a note? Tell me how the social parts of development are being addressed in the Bank. Send your note to my chief of staff, Rachel Lomax. I'll read it and find a way to continue this discussion.*"

A week later, my chief of staff handed me a long memo, "from Michael Cernea, the Social Policy Senior Advisor." The memo was indeed highly interesting and frank. It described what social specialists were doing in the Bank, but it was also very candid in describing difficulties, lack of sufficient resources, resistance, and a specific list of what he thought we had to do. It was more than what I had expected. I thought "I must follow this up."

Each Monday morning I had a routine meeting with all of the Bank's Vice Presidents in order to discuss our priorities for the week and to listen to what they had to bring up from each of their domains. I felt that this was a good place to bring up the social dimensions of our Bank Work. I took Cernea's memo, told the meeting how I got it, and then I read to them several paragraphs from that memo, with my comments. My message was that these were very important issues. I said that I was surprised that according to that memo, there were many things which needed to be done, but that there was not enough concern or resources. I asked the Vice Presidents to read Cernea's memo for themselves, and told them that I would personally address those issues.

As I learned subsequently, most VP's immediately called Cernea's office and requested copies of his memo to me.

I asked my Chief of Staff to invite Michael Cernea to a lunch with me, and to bring along three or four other social specialists working in each of the Bank's regional Vice Presidencies. The meeting took place the following week. It revealed a series of issues, which indeed were highly important for the Bank's work at large. Those issues and the lack of a sufficient commitment to address them resonated with me because many of them were along the lines which I myself thought the Bank should be following.

The meeting with Cernea took place two weeks later. I had invited Caio Koch-Weser, one of my two Managing Directors, and also the Bank's Vice President for personnel, because my thinking was that we needed to strengthen the group of the Bank's social specialists. Michael brought along five of his most prominent colleagues, sociologists and anthropologists, each working in a different operational region of the Bank. I think he brought along Gloria Davis, Maritta Koch-Weser, William Partridge, and Ayse Kudat. I asked Cernea and his colleagues to bring up the most important issues and to be specific in their proposals. I learned much about

what the Bank was doing—and also what it was *not doing*—about the social and cultural aspects of development.

What they said was factual, important, and frustrating, in that so much of what they described was reflecting an institution hemmed in by its own rigidity. I assured them that I would follow up. I said that I will appoint a Bank Task Force and ask it to produce, in 60 days, a report about the Bank's work on the social issues of development and how they were treated by the Bank. On my side, I promised them that if their report would be constructive and with good proposals, I would take it to the Bank's Board and get the Board to intensify support for doing what was needed on the social side of our development tasks.

At Caio Koch-Weser's suggestion, we decided to also ask one of the Bank's VP's, Javid Burki, to be co-chairman of the task force together with Michael Cernea. We thought it was useful to have a joint task force of social specialists and economists. The report was ready in about 3 months. It was titled *Social Development Work in the World Bank*. I brought it to the Board, being very candid about my own opinions regarding the need to strengthen the Bank's social work, and I asked the Board to also be constructive in their proposals.

We had a good debate. The Board meeting was indeed supportive, and we decided to allocate a special budget for a series of measures for strengthening and enlarging the Bank's community of social specialists so that we could put the best proposals into action. I successfully convinced the Board to create what we called a "strategic compact," namely, to allocate \$12 million from Bank resources to strengthen the Bank's group of staff professionally trained to deal with social development. This financial input had very positive effects. We hired a new cohort of social specialists who were distributed within the Bank's regional Vice Presidencies. Their role was to help the Bank's technical staff better identify, at the level of many individual projects, what could be done to increase the social impact of a good number of projects.

We also took steps to support and improve our professional expertise through the creation of sectoral "professional networks" among our staff. Further, I have given personal strong support to the creation of a "Social Development Network". Not everybody in the Bank's management supported the creation of this 'sectoral network.' One of the most senior Bank Vice-Presidents opposed its establishment. I had to overrule him and the Social Development Network was created. Creating this network was intended to give the social community a bigger organizational voice, making the community of socially aware staff stronger and larger, and able to give increased support to the other sectoral networks.

A few years later the Bank's Operation Evaluation Department evaluated the impact of that strong financial support. Their review validated the effort and went

even further, saying that the Bank still needed to improve its attention to the social dimensions of development projects.¹

Discovering “Social Assessments”

Another significant episode that I vividly recall from my early weeks as World Bank President is the first meeting that I chaired of the World Bank Board of Executive Directors. By coincidence, that meeting also had a significant “social moment.” That day’s agenda included the approval by the Board of an infrastructure project in a “transition economy”—the Azerbaijan Republic—for improving and rehabilitating the water supply system in the capital of the country, Baku.

I listened with great interest to the comments of the Board members intended to improve the quality and access of water necessary for the population of Baku. In preparing myself for this first meeting, I had carefully read two documents on this project that were distributed in advance to every Board member. The main document was the staff’s appraisal report containing the full description of the project’s content, implementation approach, and financial arrangements. The second document was titled “*Social Assessment of the Azerbaijan Baku Project*.”²

That social assessment was authored by a Bank Sociologist, Dr. Ayse Kudat, who wrote it together with a local Azerbaijani social researcher. The document gave me convincing information about Baku’s population and its difficulties in the period following the disintegration of the former Soviet Union. It described the water supply crisis that Baku was going through at that time, and it gave detailed information about the population of Baku, its characteristics and needs, and the ways in which the population would benefit from the improvements and rehabilitation of its water supply.

During the Board meeting, while I was listening to the questions and comments made by various executive directors, I noticed that all of the questions and comments referred to the Appraisal Report. None of them referred to the social assessment,

¹About the impact of that social development report of 1996 on the overall work of the Bank. See also the publication: Gloria Davis. *Social Development Network in the World Bank, 1973–2002*. Paper No. 56, March, 2004.

²The social assessment to which Mr. Jim Wolfensohn refers had been authored by a World Bank Sociologist, Ayse Kudat, and a local Azerbaijani social researcher, Ahmed Musayev. It was subsequently published in a special volume by the Bank as a part of a set of nine social assessment studies devoted to issues sustainable development. The book’s title is *Social Assessments for Better Development: Case Studies in Russia and Central Asia*. Edited by Ayse Kudat and Michael M. Cernea. (World Bank 1997). (Note by the present volume’s editors). (Regarding this set of Social Assessment, see further in this volume the paper by Jonathan Brown, who comments from the perspective of a World Bank Technical Division Chief about the usefulness of social assessment for the Bank’s work for in Russia and other central Asian countries formerly part of the Soviet Union).

which had also been distributed to every member as an independent annex to the Appraisal Report.

When the Board meeting ended and my turn came to sum up the conclusions in the Board's discussion and decision, I recognized that, in fact, I was still a novice in the ways in which Bank projects were being prepared, described, justified, and presented to the Board. In my conclusions, I supported Bank financing for the project. But I also felt that I needed to be frank and make one critical comment about the unfolding of the Board's discussions. That comment was to express my own reaction to the two documents. Of course, I had read the Appraisal Report, assured myself that it was correct in its economics, and paid tribute to the staff who prepared the project. However, I also said that during my preparing for this first Board meeting, the document which turned out to be of most interest to me personally, was not the Appraisal Report itself, but rather its annex: the "Social Assessment," because it gave me more of an understanding of what was going on for the people of Baku. It was that social assessment that convinced me fully that the project is not only necessary, but a clear priority for the population, and so the Bank was certainly taking the right step in offering financing for this project. I commented most appreciatively on the social assessment, congratulated its authors, and I also said that I would like to see more such social analysis in every future project addressing similar issues. I also took the opportunity to announce to the Executive Director and everyone else present that I was determined to give my strongest support to the Bank's concern with the social and environmental dimensions of each project.

Fighting Corruption

Within days of my arrival to the Bank I was told by the general counsel, in great secrecy, "Don't mention the 'C' word." So, I asked, "What exactly *IS* the 'C' word?" He replied, "Corruption."

That statement surprised me to no end. I was coming from the private sector. I knew well from that experience not only how rotten corruption was, but even more how its rottenness could kill many worthy and healthy activities. Nor could we ignore the resentment and anger that corruption produces. Wasn't the Bank listening to the people?

I did not listen to the Bank's general counsel. I had no intention of not raising publicly the issue of corruption. One of my earliest public statements as President of the World Bank became known as my "*cancer of corruption*" speech, given at the annual meetings of the World Bank and the IMF:

Let's not mince words: we need to deal with the cancer of corruption. In country after country, it is the people who are demanding action on this issue. They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. They also know that it erodes the constituency for aid programs and humanitarian relief. And we all know that it is a major barrier to

sound and equitable development. Corruption is a problem that all countries have to confront. Solutions, however, can only be home-grown. National leaders need to take a stand. Civil society plays a key role as well. Working with our partners, the Bank Group will help any of our member countries to implement national programs that discourage corrupt practices. And we will support international efforts to fight corruption and to establish voluntary standards of behavior for corporations and investors in the industrial world (JW original quote).

One of the Bank's accomplishments for which I am very proud is that during my tenure at the institution's helm, the Bank went on to support more than 600 anticorruption programs and governance initiatives developed by its member countries.

The Centrality of People

A high point during my work at the Bank was that I had so many opportunities to visit developing countries and meet poor people whom the Bank was aiming to assess and free out of poverty.

In my first 16 months on the job, I visited over 40 countries. Elaine, always a sensitive and wonderful advisor, joined me in most of these visits. We spent long evenings exchanging impressions and thoughts on what we had seen and heard during those days. We met with government leaders and with business and nongovernmental organizations. But it was our conversations with the ordinary people, the poor and the disadvantaged, that made the biggest impression on us. I have learned that they do not want charity; they want opportunity. They did not want to be lectured to; they wanted much more to be listened to. Like all of us, they want a better life for themselves and for their children. What I have seen in country after country is that, when they are given a reasonable chance, the results are truly remarkable.

My interest in the people explains another key idea that led to many strong statements I made inside the Bank and repeated again and again to others, which was (and I am going to use again citations from my prior statements):

It has been my strong belief that we will not make development sustainable and inclusive unless we put 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 (pp. 122–123, from JW Printed Papers).

Economic growth is essential, but not sufficient to ensure the reduction of poverty. We have learned that we must put poverty front and center. We have learned that we must take the social and structural hand in hand with the macroeconomic and the financial. We have learned that, for development to be real and effective, we need local ownership and local participation. Development cannot be done only by investment in infrastructure planned by big engineering companies or Western capital (pp. 158–159, from JW Printed Papers).

The Bank Needs a New Development Paradigm

What I learned from these encounters with many different people at the grassroots translated soon into an overall idea that the Bank should decisively broaden its development paradigm. The thinking which was prevailing when the World Bank was initially established, defined the central objective of the Bank to be “economic growth.” However, as was famously said, “*people do not eat GDP.*” The poorest people do not immediately or directly benefit from economic growth, and the simple and passive “trickle down” idea that had been advertised as the solution to poverty seemed less and less convincing.

My intensive meetings with people and activists in so many countries led me to the idea that the Bank needs to broaden its development paradigm from “economic growth” into a model which included much more the kind of things which people need and aspire to for their immediate livelihood needs. This is what made me decide to use my Second Annual Address to the Board of Governors as a forum for advocacy for enlarging the Bank’s framework.

In that 1996 Address, I began by outlining the progress achieved in the past year on our six main priorities: IDA replenishment, debt relief, partnerships, the private sector, post-conflict reconstruction, and building a results culture at the Bank itself. But in addition, and no less importantly, I explained my thinking on moving the World Bank to re-thinking its approach to poverty reduction, to move from “growth with redistribution” to a more complex model that incorporates governance, social and sustainability matters in its analysis and operations:

Essential for our strategy is the need for a broader, more integrated approach to development—a new paradigm, if you will. Poverty reduction remains at the heart of everything we do. But the magnitude and complexity of the task are daunting. Reducing poverty clearly involves the interplay of a number of issues: macroeconomic policy, private sector development, environmental sustainability, and investments in human capital, especially girls’ education and early childhood development. . . Without the social underpinnings, it is difficult for economic development to succeed—and virtually impossible for it to be sustained.

The lesson is clear: for economic advance, you need social advance—and without social development, economic development cannot take root. By designing more participatory country strategies and programs—reflecting discussions not only with governments but also with community groups, NGOS, and private businesses.

Reducing poverty cannot be done by economic growth alone; it requires broader-based social development. Quite apart from macroeconomic and financial policy, a functioning legal system and a functioning justice system that works are poverty projects, as are good governance and fighting corruption. We have just seen in Indonesia, the Republic of Korea, and Thailand that those hit hardest by an economic crisis are the poor. The poor benefit from proper financial supervision and control, an independent central bank, well-functioning capital markets, and social safety nets. Can one distinguish building roads, or a power grid, or a water supply system, or a judicial system, or good governance from poverty reduction? These are the questions which evaluators need to address. (JW).

Development is not just about technocratic fixes. Development is about getting the macro-economics right, yes, but it is also about building the roads, empowering the people, writing

the laws, recognizing the women, eliminating the corruption, educating the girls, building the banking systems, protecting the environment, and inoculating the children. Development is about putting all the component parts in place, together and in harmony (JW).

I think I am going to finish here. After all, this entire volume is dedicated to the effort of the Bank's community of social specialists to broaden the World Bank's paradigm. Probably the most adequate end to this essay could be to recall the brief speech that I gave at Michael's celebration when he retired from the Bank. Fortunately, I don't need to recall the speech word by word, because it was preserved in a small Bank publication, that three of Michael's closest collaborators—Gloria Davis, Andrew Steer, and Warren van Wicklin—compiled out of written tributes and congratulatory letters and messages, and the Bank printed as an elegant publication, titled: *Michael Makes His Mark: The Life and Work of a Change Agent at the World Bank*:

Well, Michael, if you are the first and oldest sociologist in the Bank, I am the newest. But one of the advantages of being a president is that from my office you can more easily deal with the sort of problems that you had. And so it is that since I've been here, without really knowing a thing about the theoretical background of a sociologist, or having a fraction of the knowledge that you or anybody in the room has, I started with an idea that I regard as being really quite obvious: that we are here because of people. And we are here because we care about social justice. And we are here because the success of the development projects that we do must be measured in terms of their social impact.

You have done a great job for this institution, trying to keep our staff focused on critical social issues. This is allowing me to now point to many of the achievements of the Bank in terms of our own history, in terms of our own perceptions of the importance of people and the importance of the social aspects of the work that we are doing for development.

I came from the middle of an argument about Bosnia to join you here, simply because I wanted to meet a few people who make sense, and who care about the sort of things that have kept me going. So I have come really to say to you and Ruth—thank you for what you have done. And to say, on behalf of the non-sociologists in the Bank, that the World Bank is a much better place because you have been here.

James Wolfensohn (Reproduced from the publication, "Michael Made His Mark: The Life and Work of a Change Agent at the World Bank" Edited by Gloria Davis, Andrew Steer, Warren van Wicklin. 1998. World Bank, Social Development, Washington D.C.

James D. Wolfensohn was President of the World Bank Group between June 1, 1995 and May 31, 2005. Universally considered one of the Bank's most influential and effective presidents, Mr. Wolfensohn is best known for defining the Bank's mission to be one of fighting global poverty and helping the world's poor forge better lives. Under his leadership, the World Bank broke new ground in the global development community, including landmark initiatives to combat corruption, advance debt relief, preserve the environment, and give attention to the role of women in development.

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