

THE WORLD BANK GROUP ARCHIVES

ORAL HISTORY PROJECT

Transcript of Interview with

PAUL CADARIO

April 4, 17, 22 and 30, 2013
Washington, D.C.

Interview by: Charles Ziegler

**Session 1
April 4, 2013
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[Begin Tape 1, Side A]

ZIEGLER: Today is April 4th, 2013. My name is Charles Ziegler, a consultant for the World Bank Group Oral History Program. I have with me today in the Archives of the World Bank Mr. Paul Cadario.

Paul started his career in the World Bank as a Young Professional in 1975. After graduating from the program in 1976, he was assigned to the Western Africa Projects Department as an economist, working first on highway projects and then on agriculture projects.

In 1982, Paul joined the West Africa Country Programs Department 2 as a loan officer, subsequently becoming a senior loan officer. The aftermath of the 1987 reorganization saw him join the Asia Country Department 2 as a senior country officer dealing with China.

By 1991, Paul was a principal country officer in the East Asian Pacific Country Department 2. In 1992, he became unit chief of the Institutional Development Unit in the Asia Technical Department. Paul was appointed chief administrative officer of the Europe and Central Asia Region in 1993.

By 1998, he was operations advisor, Operational Core Services. In 2001, Paul was appointed manager, Trust Fund Quality Assurance and Compliance, rising to senior manager in 2003 and retiring in 2012.

Well, Paul, it's great to see you again. We did know each other slightly during our Staff Association days.

CADARIO: Right.

ZIEGLER: So we'll get right into it. In terms of your early life and education, just briefly, when and where were you born?

CADARIO: I was born in Toronto in June 1951.

ZIEGLER: Please relate something of your early life and education, just to put your life in context.

CADARIO: Well, I grew up in a very professional middle class part of Toronto called Leaside where the fathers all either drove or took the subway to work and the mothers all stayed home as housewives. I went to Leaside High School, a public high school, which was 3 minutes from our house, which seemed like a long way when I was a student . . .

ZIEGLER: And Leaside is spelled L-E-E . . .

CADARIO: L-E-A-S-I-D-E. Very post war, solid, middle class, professional place. All the houses had the same inside, but they all looked different from the outside, which was interesting.

And I went to University of Toronto because, of course, it was there. I'd defied my science teacher, who felt, really, civil engineering would be like taking the cure. I said, "Well, I'm interesting in civil engineering, so that's what I'm going to do, rather than engineering science, which is high end and theoretical."

At U of T, I was involved a lot in student and university politics and, when I graduated, went to Oxford as a Rhodes Scholar where I studied philosophy, politics and economics.

ZIEGLER: Typical Rhodes Scholar . . .

CADARIO: Kind of thing. That's what you'd do in those days, and I remember a recruitment visit to Oxford where they came to sell the Bank where Basil Kavalsky, who was, I guess, actually not so much older than me at the time, but he said, "Well, really, you don't have to be the best. You just have to be the best Canadian," which I thought was remarkable and brazen from a recruiter

ZIEGLER: Well, maybe the Canadians were pretty good.

CADARIO: Well, maybe we were. And the YP [Young Professionals] Program was big then, I think; 50 or 55 people twice a year because it was a fairly new program in 1975. And I was interviewed in Paris. I had a very testy interview--where I thought afterward, "Oh, my God, I've messed this up"--and fairly candid. And the question I remember was--well, there were two questions. We had a big discussion of the Caracas metro, and I finally said to the YP administrator, who clearly knew nothing about urban transport, "Well, you can't rely on a metro to solve every problem a city has. That's just not the way it works," which pleased somebody else in the room, I noted, who was smiling and nodding.

And then the last question was, "Well, how long do you want to stay at the Bank?"

And I said, "As long as I'm happy and the Bank is happy." So I joined the Bank in October of '75.

ZIEGLER: So you joined the Bank pretty much right out of university?

CADARIO: I traveled that summer to Russia and Israel, and visited Oxford classmates in England, and then came to Washington.

ZIEGLER: Did anything in particular induce you to become a staff member or . . .

CADARIO: Well, during--I can't say I was particularly on the left, but I was pretty socially progressive when I was an undergraduate and spent two summers up in the Canadian Arctic working for one of my professors doing research on the infrastructure of Inuit communities (water, sewage, garbage, drainage fire protection) and came back shocked at certainly a very third world experience in Canada and said, "Well, there must be a better way to do this somewhere. Why aren't more engineers not working on these issues for poor people?"

And then between my two years at Oxford, one of my mentors at the University of Toronto knew somebody who was setting up the planning office in Papua, New Guinea, before it became independent. So he kindly organized that I would go off and spend the summer in Papua, New Guinea, working in the planning office on various things. And I got to go to rural areas and see poor people, where the house I was minding was burgled one night while I was out and I was glad--I think I arrived and the burglars left rather than be discovered. But by the end of my time in Port Moresby I had an appreciation for global issues related to poverty and development.

And then, of course, the job came with an around-the-world air ticket, so I just stopped everywhere in Asia on the way back and really got a taste for, rural India and rural Burma and Thailand and was very excited by what I saw. So I guess there were not a lot of people at the YPP interview who talked about having traveled in Asia *and* having worked in the Canadian Arctic.

ZIEGLER: After you joined the Young Professionals in 1975, what were your assignments as a Young Professional?

CADARIO: Well, I had a very interesting first assignment. I arrived about ten days before they expected me, and so I was taken over to the country unit. I think they were called--what were they called then? Country Program Divisions I think they were.

ZIEGLER: Hmm, sounds right.

CADARIO: I was working on Greece and Turkey, but it wasn't quite clear what I was going to do. This was a group that did Greece, Turkey, Cyprus, Oman, like a ragbag. Greece and Turkey were the big clients . . .

ZIEGLER: They were somewhat at loggerheads in 1975.

CADARIO: In 1975, they were. And in fact I was given the things YPs are given to do. You read stuff. But it wasn't clear what exactly I was going to do.

So I decided, "Well, I better sit down and read the operational manual." So I read the operational manual from cover to cover, which you could do then. You were given your own copy, and it was numbered, and you were told you weren't allowed to take it on mission and then you were told you couldn't take the country program paper on mission and there were all sorts of things you couldn't do.

But, of course, you took a briefcase that identified you as a World Bank staff member, and so people would come over to you in the hotel restaurant at breakfast and see if you worked for the World Bank. And those were the days where you didn't have to worry about saying, "Yes, I do."

My first mission was to Turkey because there were some issues about trade and we wanted to get them ready to join the European Economic Community, as it was at the time.

ZIEGLER: They're still not in.

CADARIO: No, they're still not in. And then I went off to Greece. Now, this trip to Greece was to accompany a preparation mission for an area, a rural development project right on the border of Turkey and the Evros River that divided the two countries.

ZIEGLER: That's in the European and that little bit of Turkey on the European side, yes.

CADARIO: On the European side, which I'll come back to in a minute. So I'd been--there were some problems here because the Country Program Division chief, Adi Davar, who was a very cunning and clever manager, and I sat right beside his office. And I don't think he realized how thin the walls were because the stuff that I would overhear on the phone with various ministers and things were quite amazing, but I learned an awful lot about the Bank secondhand eavesdropping on Adi. And Adi had said, "Well, there's this project. We absolutely have to do it, but the project people aren't cooperating, so, Paul, read this."

So I read the note that had been prepared, and I said, "Well, it's very interesting, but it's right on the border of Turkey so there are riparian issues."

And everybody looked around and said, "Well, riparian issues?"

And I said, "Yes. Well, there's water, and there's a river, and you're proposing ground water extraction, which will affect ground water on the other side of the river. Let me show you." So I used my engineering to show all these economists and loan officers how things worked when you developed and exploited groundwater.

"Oh!"

So I was sent along on this mission because the programs people really want to do this project, and the projects people, no, they weren't persuaded. And so there was a deft maneuver where they got somebody very senior who was thought to be not quite so opposed to the project. And my job was to babysit Alec [Alexis E.] Lachman to make sure that he saw the benefits of doing the project rather than what his people were telling him.

ZIEGLER: Lachman?

CADARIO: Lachman. L-A-C-H-M-A-N. So, anyway, off I went. This was a military area. There was one day where we were driving along and you could see the radar domes across the river in Turkey. So I would see the radar domes are over to the right, and I would say, "Alec, what's going on over there?" And I would point to what's going on on the left.

At one point, Alec got out of the car and said, "Oh, what a lovely spot. I must take a picture."

And I said, "Well, I wouldn't go too much further because that sign there says there are landmines and I really wouldn't want to get to close to the fence because that's where the land mines are."

So he got back in the car.

Anyway, we actually did the project, and the Turks, indeed, the day before it went to the Board objected on riparian grounds. Of course it was a little late then.

Fast forward. This is where today in 2013, the biggest source of smuggled immigrants into the European Union, including human trafficking. So I was just giving a talk at the university and wanted to go back in my early career at the World Bank, and when I Googled to see whether the project was in the archives and had been released and I could take a map and show this, my first map that came up with showing illegal migrants penetrating Europe and guess where they were coming in? The river is very narrow, and, of course, once you get across the, you're in the EU.

So, anyway, so that was one of the things that . . .

ZIEGLER: With the project, what happened with the ground water then? Did everything turn out all right in that . . .

CADARIO: Everything turned out all right. And, in fact, we did a country economic memorandum, and I was on that mission several months later where we actually, the theme of the memorandum was that Greece had to understand there were things it had to do to get ready to join Europe by the time it was going to be . . .

ZIEGLER: And aren't they happy they did that?

CADARIO: Well, exactly. I don't think we anticipated any of this. I should come back to that later in another part of my career. But nobody in the Bank knew anything about the EEC [European Economic

Community], so I said to the mission leader (because it was really easy to reach), "We must go to Brussels and you must hear about the Common Agricultural Policy." He didn't believe that Greece would be paid money and then the products would be burned if they didn't meet the EEC's standards.

So off I went to Brussels with the mission leader senior economist, Shakil Faruqi. He had to be helped out of the Commission office because he just couldn't believe what the Commission said. Well, here were the negotiating points for Greece's entry and the first one was what they would have to do and that there would be agricultural reforms and all this. And it was quite eye-opening: he was just shocked. And it was actually interesting that we had all these what we would today call clients in the periphery of Europe, not, of course, as many as we have today. And the Bank knew literally nothing about what was necessary to bring them, what would be necessary for them to become members of the European Community.

I did that for six months. And then I went off to do something that was closer to what I'd done as an economist, transport economist. So I ended up in Western Africa. This was after the South Asia group had tried desperately . . .

ZIEGLER: Is this still . . .

CADARIO: YP program was meant to be two 6-month assignments. So in the YP program, I've been sent off to look for my second assignment. I arrived, and the South Asia people were desperate to have me. And I said, "Well, tell me about what we're doing in transport and how it fits with what we do for Bangladesh as, how Bangladesh is."

And the division chief said, "Well, really, our goal in Bangladesh is just to make sure that the deterioration doesn't accelerate." And this didn't seem to me to be something I really was keen to be involved in.

So I ended up working in Western Africa because I spoke French. I was in that division for about a month. And we had a little problem in Guinea, and the colleague who was in charge of Guinea didn't really speak French. And his other problem was that he was a Czech refugee who had a Belgian passport, and he was afraid of going to what was, *de facto*, a satellite of the Soviet Union. So we had to send a senior highway engineer, Stan [Stanley B.] Hayden, who spoke not a word of French. And I can't say my French was terribly good at that point. But, anyway, if--we had to go off and persuade the government that having just signed this loan in Guinea for the first highway project, they couldn't get rid of all the operating costs and all the supplies. We weren't going to just let them buy equipment. This was touchy because the Minister of Public Works was an engineer *and* the nephew of the president, Sékou Touré, who was running the prison of Africa.

I knew a little bit about Guinea because one of my professors at Oxford had actually written books about Guinea and about Sékou Touré.

ZIEGLER: Now, was this person African or British?

CADARIO: No, no, he was South African . .

ZIEGLER: Oh, okay.

CADARIO: . . with a British passport. On the way to Guinea I stopped in London because the Bank didn't really care how you got places at that point, and I had to go to Brussels anyway, so it was fine. There's no way to get directly to Brussels, so I went up to Oxford for the weekend.

So Nick, Nick Johnson said, "Oh, well, I'm thrilled that one of my students is going to Guinea, and let me tell you about Guinea. And, in fact, I have a spare copy of the works of Sékou Touré, all six volumes, that I'd like to give to you." Okay.

So I got the six volumes of Sékou Touré, put them in my World Bank briefcase and flew across to Brussels and then down to Conakry and said, "Well, I guess I better have a look at this. Let's get out the six volumes," and thinking this must be fascinating because it would be the whole history of Guinea since 1958, here's the World Bank. This was only the second real project we've done in Guinea. We've financed the infrastructure, for the big bauxite mine, so the Guineans liked us, even though nobody else did and they didn't have diplomatic relations with France. And it was a bleak place. I got through the first three pages--because it was written in French, in a fairly turgid French--I thought, "Oh, my God."

So I arrive in Guinea, and Guinea was bleak, and it rained for the whole five days we're there. Like non-stop, 24/7 it rained, and I mean rained. It poured. And we were put in a government guest house, and various other high-ranking visitors, I think from the French partners in the bauxite mine, were evicted from their rooms so that we could be put in this guest house. It just didn't start well. Eventually, we all played bridge, and it was fine.

So off I go to meet the project director. The project director is a kid about my age.

ZIEGLER: This is the Guinean . . .

CADARIO: The Guinean project director was a kid about my age. The consultants were there, but the consultants, the French had told us, were not allowed to speak. So the kid my age welcomes me, but he welcomes me with a "The World Bank had better do this and that, and the World Bank needs to understand that," like he'd been told he had to be very aggressive; we're going to have it done this way.

So I said, "Well, Mr. [Bengali] Camará, this is my first trip to Guinea. Thank you very much for your kind welcome, and it's good to have the government's concerns and wishes laid out on the table. I am reminded, though, of the beginning of Sékou Touré's book *Thoughts of the Revolution*." So the room fell silent, and I said, "Because in the first, the very first page, 'des actes, rien que des actes'/'actions, nothing but actions,' and I really hope that's how the World Bank and the Ministry of Public Works will operate on this very important project for Guinea. And I'm pleased. I don't know your country very well, and I'm going to do my best to know all the rules of the Bank so we can help you do what needs to be done."

So this, of course, was the way that I was supposed to respond. And, of course, the poor American engineer didn't know what to do because this was all going on in French, and he was a little baffled. So I said to him everything will be fine.

So, we got the government to back down. The minister wasn't sent to the prison, and we did, actually, a very good project, so Mr. Camara and I became very good buddies, which we'll talk about in a little while.

ZIEGLER: How would you describe your overall experience with the Young Professionals Program as a whole?

CADARIO: Well, it was good because--I think because the Bank was busy growing and there was more than enough work to do. And . . .

ZIEGLER: This was at the end of the [Robert S.] McNamara period, which was a high-growth period .

CADARIO: Oh, the high-growth period was still on in the mid-'70s. It was slowing down a bit, and Mr. McNamara was around until 1980 . .

ZIEGLER: '81.

CADARIO: . . '81, and there were enough people around the Bank who were brought there by Mr. McNamara so everybody was quite keen to do things. That is still true, of course, and this was true the whole time I worked at the Bank: I joined in '75, but everybody was still talking about the 1972 reorganization and the creation of loan officers. And we on the project side all had very strong views about loan officers, but of course I had worked with loan officers so I saw that they were generalists of somewhat variable quality. And, well, I had experience of what do they do exactly, and some of them just wrung their hands and picked menus for official lunches. But others knew very well what was going on, and it struck me that the good ones actually were very good because they knew who was behind the third door in the hallway on the way to the minister's office and that that was the person you had to know both before and after you wanted to see the minister because that was the person that the minister turned to and that was the person that was going to get whatever the minister promised done. And those were good loan officers, and they were excellent.

The YP Program was very much a learning experience, but you were thrown right into the deep end, if you had a good manager. And I think that the general standard of managers at that time, by the standards of what it was to be a good manager at that time, the standard of management was much higher than it became in the course of my career . . .

ZIEGLER: I'd like to talk about in due course.

CADARIO: In due course, we'll talk about that. But that people, everyone I met in the aftermath of the '72 reorganization, with the exception of some of the weaker loan officers, people knew the country, the managers were very hands-on, they rolled their sleeves up, they read things, they gave you feedback (some which you didn't want), they edited things if they didn't have the right direction on them. They were also very good, and we'll talk about this.

When I graduated from the program, when I came back from Guinea and the division chief and his deputy called me in, and I thought, "Oh, my God, what did I do?"

And the division chief said, "Well, I don't really see the need to keep you around for six months. I'd be afraid that South Asia might attract you., I will confirm you right now." After two months with him: "I will confirm you, and I want you to stay."

Since I thought working on Guinea was really cool, I was really excited by some of the engineers that I was working with. It was a good place . . .

ZIEGLER: So this was your first assignment.

CADARIO: Well, yes, my--my second YP assignment turned into my first regular assignment, getting confirmed after being there for two months. But you had--in the way that the Bank was configured, both on the programs and the projects side, you had people on the programs side that understood the countries, were diplomats and strategic, and you had people on the projects side that had tremendous depth and practical experience with the problems that the Bank was helping solve. You had people that had run highway departments. You had people that had run rural extension programs. You had people that had been--not volunteers for the Peace Corps but that actually worked in governments. Now, that was partly

because there were colonies when these people were starting their careers and the Bank was able and very lucky to get some very smart people.

And Robert McNamara had very high standards. He expected his management to perform and had a very strong senior vice president [J. Burke Knapp]. Slackers and idiots were just not tolerated. And there were some extremely talented people from whom it was possible, if you got to know them, to learn a great deal, and if you went on mission with your manager--because they went on mission--and they came on mission to meet the minister and to get in the Jeep and go out to the countryside and to have dinner with you and regale you with stories about how the Bank had been.

ZIEGLER: I remember there was what the--in East Africa there was the Agricultural Development Service I think it was . . .

CADARIO: Oh, yes, yes.

ZIEGLER: . . . and that had a whole bunch of Brits who had been . . .

CADARIO: Oh, yes.

ZIEGLER: . . . in the colonial service, and they were recruited for that.

CADARIO: Right. And we'll come to that later. I have a little story about that. But the Bank even had a hub in West Africa, too, where all these people had been former colonial service officers. And in fact they knew some of the people who were what we would today call clients. And so when they arrived, well, the red carpet came out and these people spoke with authority that was received with a tinge of fear, and like you got this sense that some of our clients were quite impressed with Bank people, even if you didn't know them yourself

I took the assignment, and moving into that I wasn't just going to work on Guinea, I had to work on Sierra Leone. Well, Sierra Leone--and this is a very interesting story, which I think I was glad I had this experience my first trip. In Sierra Leone we were going to build something brand new. We were supposed to go and pre-appraise the Freetown coastal road.

The Freetown coastal road was an expressway that was going to come from the ferry, the place where the ferry from the airport arrived, and right into the heart of downtown Freetown, which was a small African capital. And we were sent off with a preparation report from detailed engineering that had been done by the Bank as executing agency for UNDP [United Nations Development Program]. My predecessor for Sierra Leone, who was a young Ghanaian engineer thought to be quite a hotshot, had been in charge of this. So of course you read the feasibility studies and all the documents with it.

Four of us were sent off, and the four of us, we had a highway engineer who had been in the Bank for a year and a half. This is a guy who couldn't go to Guinea because he was afraid of the Soviets. We had me who had been in the Bank for nine months. We had an urban specialist who had been in the Bank for six months, and we had another YP who had been in the Bank for three months. So the combined Bank experience of this group was somewhere under three years.

Off we went.

ZIEGLER: Would that be considered unusual? Because I remember I came to the Bank in '72, and it was nothing to some who had been back for 20 years at that time. And today, of course, you don't--we don't see that. So that seems like an unusual . . .

CADARIO: Well, in a way it was.

ZIEGLER: . . . mix.

CADARIO: But with George [Trnka], the highway engineer was in his--I would have said late 40s, so he was someone of experience but had just joined the Bank recently. And he was one of the people that were around and available to go and deal with this problem because we committed to do this project, but it languished a bit. And why it languished wasn't obvious until you got there.

Okay. So as was the case in those days, the Bank mission is staying at the best hotel, which was a 15-minute drive from the center of the city down this gorgeous beach and you get to the Cape Sierra. So what you did was to take the airline bus from the airport to the ferry. You go across the estuary. You get to the city. The airline bus takes you in the center of the city, and then you get a cab.

So I get on the airline bus and I'm taken to the center of the city and I'm looking around and thinking, "Well, this is exactly, this is downtown Freetown, this is all supposed to be terribly congested and the road is going to help." But I'm thinking, "It's 3:00 in the afternoon, where is all the traffic?" So this is very puzzling, so I'm thinking, well, this is funny. And I get my map out and take a look. Well, this is exactly where they're saying there's congestion. It's supposed gridlock, which we didn't use those terms. But this is all very Graham Greene. The whole place is like where are the cars? Where's the traffic? Where's the gridlock?

So we get to the hotel, and everybody else is arriving on different flights. The urban guy arrives and everybody arrives and we're sitting and having dinner. So the urban guy says, "Well, how did you come in from the airport?"

So we all told him, "Same way you did."

He says, "Well, there I was in Freetown this afternoon, and where was the traffic?" He had had exactly the same impression.

So I said, "Well, funny, I had that sense, too. Like, what do you think the issue is?"

And he said, "Well, where do you think the traffic would be?"

And I said, "Well, I don't know. It seems like--I would have said it was half what's in the report, and I guess maybe I don't know what's going on today, but no traffic."

Anyway, so we ferreted around. It was quite clear that the government was determined, all the civil service, "We have to do this project. We have to do this project."

We're saying, "Well, we have to look at the economic justification," because the economic justification was a little squishy anyway.

But, anyway, so one afternoon Peter [Midgely] (the urban specialist) and I are saying, "Look, this is just getting worse. We're not getting any data. The government is adamant. The Ministry of Public Works is adamant, but we're not getting any facts. We've got to find out what the story is because none of us think there's enough traffic here." So Peter and I stood in the pouring rain with a clipboard under umbrellas counting traffic for half an hour. It was, as we surmised, half what was in the feasibility study.

ZIEGLER: Who had done the feasibility study?

CADARIO: Well, it was an engineering firm, and I don't remember the name of the firm, but it had been supervised by the Bank. This was when we executed things [for UNDP], so we were actually appraising our own work because this was the day when we didn't see there was a conflict and hiring consultants to do a feasibility study that we then made the basis for the appraisal. We didn't distinguish that. Okay, fine.

So we're standing there, and the rain has let up a bit. And I said, "Well, why do you think they want to do this?" So we walked around a bit.

Peter says, "Look down there."

So we looked down. Freetown is on a hill and there's a cliff down to the sea. So we look down, and right where the road would have gone there was a slum settlement that wasn't marked on any of the maps. So Peter said, "Well, the road goes right through here."

And I said, "Yes, this is where the connector to downtown rises, and it would come right through and these shacks wouldn't be here."

We looked up and this slum was right under where the president's mansion was. The President, who was not known for having elections, really didn't like the idea that there were slum dwellers. So I said, "Well, I don't remember. We should go and look at what else is here, but this is the obvious thing."

And he says, "Well, but these people are all going to lose their homes and their livelihoods and everything. We can't be party to that."

Well, at that point in the Bank's history we didn't have any resettlement rules at all, like there were no resettlement rules at all. But Peter was determined that these people were not going to be evicted, have their houses torn down.

And I said, "Well, yes, but we don't have justification anyway because the traffic counts are wrong. We're going to have to have the government re-do the traffic count to prove to themselves." So I said, "But there's more than this going on because nobody wants to tell us about this slum, and everybody is insisting that, well, the traffic counts are fine but we're not going to re-do them." I said, "There's something else going on here."

So we chatted over breakfast, and so the next day, while my colleagues went off to have yet another unpleasant meeting with the government, I went off to the Ministry of Justice where the land records were, and I went through the land records. Now, the fact that I could just walk in, "Hi, I'm from the World Bank. I need to look at the land records because we need to get an idea of property acquisition costs," and this was fine and they showed everything to me. I made a list of who owned all the property and all the people who owned the property were relatives of the President. So the President was going to actually make out quite well on this unjustified road that involved resettlement but also a little whiff of corruption.

So we said to the government, "We're not going to do this and here are our problems with it," but we didn't tell them about the land issue because I had done this. And we didn't have photocopiers. I had to write everything down.

We were to leave for Washington on Friday night, and at 9:00 on Friday morning we were told that the President would receive us that afternoon. Of course, the mission leader, the guy from Czechoslovakia,

was just horrified because he was sure that we were going to be thrown in jail, and so we agreed to do this.

So we went off to see President Siaka Stevens. When you're received in Siaka Stevens's office, you walk into his office and there are two stuffed lions that sit there and they are positioned and have their eyes set so they're admiring the visitor chairs. So Siaka Stevens indicates that this is a very important project and he had been promised it by the Regional Vice President, da, da, da.

So the mission leader, who had rehearsed all this, said, "Thank you, Mr. President. We will take back to the Regional Vice President your request that he remember he promised you."

Anyway, the project was eventually killed because Wilfried Thalwitz, the project director, read the two versions of the back-to-office report, and then I was called in to show the notes that they--where there's a memo to files that just says, the notes I took of the owners of the property and put it in the official files. And that was cc'd to everybody.

And Wilfried went off to have lunch with the Regional Vice President and the programs director [REDACTED]. And after lunch, the mission chief was called to Wilfried's office, and he came back and he said, "Well, it appears that the programs director was not at his best during lunch with the regional vice president, and so the project is killed. You have to write the letter to cover that." But I think I dictated the letter because you dictated letters in those days.

Anyway, so that was my introduction of West Africa and doing a project.

ZIEGLER: In 1982, you transferred from the Highways Division of the Western Africa Projects Department to Agricultural Division 1 of that department. That seems to be quite a considerable change in the area of expertise required. How did you handle that transition?

CADARIO: Well, that was interesting, and it relates back to Wilfried Thalwitz, who was the project director for all this time. I had been, in that time, gone and done--what did they call them? They weren't called TTLs [task team leaders]. What did they call--project officer? What did they call us in those days if you were the . . .

ZIEGLER: Not loan officers?

CADARIO: No, no, no, I was the person on the project side who was in charge . . .

ZIEGLER: Um-hmm . . .

CADARIO: Well, I did the first project in Guinea Bissau because the highway maintenance project in Guinea was turning out pretty well, and Guinea Bissau was joining the Bank. And Guinea Bissau had now just joined the Bank, and so the Bank decided that we would do a highway maintenance project. So I had to go off to Guinea Bissau . . .

ZIEGLER: Former Portuguese . . .

CADARIO: Former Portuguese colony. Portugal collapsed, and the--I don't know if it was called the Frelimo, but I've forgotten what the name of the rebel unit--because we got Comrade Tito, camarade le commissaire (obras publicas), and they all spoke French because Guinea had helped them, but I didn't speak Portuguese. So anyway I spoke French to them; they answered back. There were a few that spoke English in the Central Bank and the Ministry of Finance for this project.

Anyway, but I was doing only highway projects. I had been to Cameroon, I had been to Ghana. The Guinea one was a raging success for the time. We were doing a second project in Guinea or we were appraising one. And then Guinea Bissau.

So the projects director called me to his office and said, "We're doing more infrastructure, roads and dams and everything. We're doing more infrastructure in our agricultural projects in Nigeria than we are in all of West Africa for roads. I look at the portfolio of infrastructure, it's only agriculture, integrated rural development projects, so I want you to move to the Agriculture Division because I need somebody over there who is not going to be bamboozled and steamrollered by excessive requirements for infrastructure."

I said, "Oh."

Well, the highways division chief was none too pleased that I was going to be leaving, but there was a nice farewell party, and one of my colleagues said, "Well, you realize when you go to Nigeria, Paul, you're going to be joining the theological definition of hell." Great.

So I joined the team. It was a big team run by Dick [Richard G.] Grimshaw to do integrated rural development projects in Nigeria and they needed an economist who'd say why do these roads cost so much. And, of course, the big issue on the projects in Nigeria was fertilizer subsidies, so the Bank, of course, would not pay for fertilizer subsidies, and I don't even think we paid for the fertilizer that was going to be that heavily subsidized. But the government said, "That's no problem."

The Nigerians just made their transition to elected, from military regime to an elected government. And I think the week before I left, for my first mission to Nigeria, to Kaduna, two things happened. The American Airlines DC-10 crashed, so they grounded a lot of flights while we were in northern Nigeria on mission . . .

ZIEGLER: Oh, I remember . . .

CADARIO: They grounded every DC-10 in the world, which--of course, everybody flew DC-10s. I think it . . .

ZIEGLER: One of the engines fell off.

CADARIO: Well, yes, because of maintenance, because they were using a forklift to move the engines and they cracked it. And, anyway, so they grounded all the DC-10s, which made the exit from Nigeria a little tricky. They hadn't grounded them all on the way in, but they certainly grounded them all. And this was when they flew to Kano, like everybody was flying from London to Nigeria, because it was the boom in oil. Well, that was the first thing.

The second thing was Mike Wallace had interviewed President [Shehu] Shagari on television and said to President Shagari, "I understand, Mr. President, you preside over the most corrupt government in Africa for sure, maybe in the world. What is your response?"

And the president said, "Mr. Wallace, my ministers wouldn't take bribes if your businessmen didn't offer them."

So that was my introduction to Nigeria.

And with Nigeria, the first time you left the country you got hassled, as they knew it was your first trip.

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

But after you survived that and got out, they didn't hassle you anymore. And . .

ZIEGLER: Hassle you in what sense?

CADARIO: Well, when you went through immigration: "Well, you haven't declared everything. Well, we want to look."

"No, you can't look."

And check-in was just ages.

And it was just--it was a place where, as a number of my colleagues said, if Nigerians spent 25 percent of the time, they spent half, developing, the place would develop at three times the speed it's going, because they're just spending all their time sneaking around.

And the Nigerians were--well, we were selling a product that I didn't think was very good, and my division chief and I eventually had words about that in the sense that we were setting up these rural development projects and staffing them with thirty expatriates who would work for the Bank. We'd give them UN laissez-passers and they'd be the project managers. And there would, of course, be eight good Nigerians.

So we were doing about the fifth of these things, and I said, "Dick, the cost of the technical assistance is scandalous."

And he said, "Well, it's the only way to do it. Otherwise, they'll steal everything."

I said, "Dick, I know your friends are all very honest, but I can't believe that there aren't eighty competent Nigerians to run this project and we have to get eighty of your old friends from London to run the project."

ZIEGLER: Was he an old colonial . . .

CADARIO: He was an old colonial and was rough and had a farm and knew the Nigerians. And I don't think I ever saw him in a tie, except when he had to go to a meeting with the minister. Dick was rough and Dick was blunt, and he was a great manager and got the best out of his people, knew what people were good at.

This was a time when Dick was a rare manager who realized that certain people responded to incentives differently. So some people wanted praise and some people wanted money and some people wanted new challenges and whatever. And in the course of those three years working with Dick--in the course of those three years Dick was building up his portfolio but then realizing that the north and the south were different. We had set up and he had put me in charge of this big rural technical agriculture technical assistance project where the first week the expatriates that Dick had hired spent a million dollars.

And the director of rural development was dismayed: "A million dollars."

And, "Well, it had to be done."

"Well, yes, but I didn't know you were going to spend a million dollars in a week."

Dick said, "Well, how did you think the project was going to get started?"

Nigeria was a place where we had our little networks, so we would arrive at 6:00 in the morning because you did not want to arrive after dark in Lagos. We would take the overnight flight, arrive at 6:00 in the morning, and go straight up country, not into Lagos. And when we left, we'd spend the night at IITA [International Institute of Tropical Agriculture] in Ibadan, we would drive in the morning and have our meetings, and then we'd go to the airport. We'd have lunch, and we'd go to the airport to be there when check-in started at 6:00 because you did not want to be driving to the airport for the midnight flight after it got dark. So, yes, you had all the coping mechanisms.

ZIEGLER: High crime rate, I gather?

CADARIO: Yes, and the later you went the more likely you were to be hassled by immigration on the way out.

The other thing was it was a very raw place where--like we went on a trip once, and the Nigerians were building expressways. So we drove down this expressway one morning, and there was a body beside the road. Four days later, we came back, the body was still there. It was a place where you just--you weren't quite sure how dangerous it was, except you didn't really feel safe.

And, eventually, Dick said--I was rising; I think I got promoted--he said, "Okay. Well, we're going to split up the portfolio, and I want you to be the first among equals in the south dealing with oil palm." Well, oil palm was interesting because--we would never do these projects today because they involve clearance of forests and the forests--well, actually, it was oil palm and something called gmelina forestry project. Gmelina was a quickly growing tree, and Nigerians, like everybody else, had decided to put in forests for public enterprise paper mills, and they didn't have any trees except tropical hardwoods. So they chopped down the hardwoods and threw them into the paper mills. I think, in fact, the Bank had financed a paper mill, like we had done in Brazil. And then we had to plant gmelina. Where you plant them is not only where you chop down the forest but you chop down more forest to build more gmelina because it was quick growing.

And I thought this is really not good. There were no environmental safeguards, such as they were in the mid '80s, but the foresters said, "We really need to have some diversity, so don't plant, don't chop down anything on a slope that's more than so much." And they just clear-cut the whole thing and planted the gmelina. And you would travel through these gmelina forests, some of which the government had built and that we were financing, and there were no birds. You just traveled through the forest, and it was absolutely silent because of the monoculture. Pretty awful.

But there were two things that were going on that I blew the whistle on. One of them was we had serious corruption on two of the oil palm projects. The other was that traveling outside Lagos you got a completely different view of what was going on in the Nigerian economy because it was all supported by oil. And the transfers were supposed to be made from the central government to the states. The transfers weren't being made, and you didn't know that until you actually went out and talked to people and saw, well, okay, but, "Oh, no, the money, it didn't come." And so the states weren't putting in the money for their projects because they weren't getting it from the center.

So I wrote a little note that said, "I think there's a fiscal problem." Well, of course for the projects people, agriculture, to write a note saying there's a fiscal problem and here are the four states I just visited and this is what I found out and here are the numbers (and I checked the numbers), well, the programs division was not amused, like, "What is the projects division doing saying that there's a fiscal problem?"

Well, the res rep [resident representative] actually agreed with me. Nobody wanted to hear this.

The other thing that I was saying was money is being stolen. I was supervising three oil palm projects, and only one of them is working properly. There were management issues, but the main issue was money being stolen. And the one that was working properly was basically contracted out to a foreign firm who ran this plantation, which was stunning, above international standards, near Port Harcourt. And the other two were run by the government, government departments, government project units, PMUs [project management units], expatriate help, but basically no money and sticky fingers. And money was missing. We didn't know quite where the money was going.

An Israeli financial analyst [Ari Chupak] and I spent a year, three supervision missions, documenting where the money was going. And so I went off to Nigeria and said, "Okay, books don't balance."

Well, the government was, "So what?"

And I said, "Well, the books don't balance, and I'm not going to say where I think the money is going"--looking at the Rolex watches that everybody was wearing--"but you're not in compliance with this and this and this. We gave all financial records an audit, and this has gone on and we've warned you twice, and you still haven't fixed it."

So I announce to the Ministry of Agriculture senior director in Lagos, "We are going to have an informal suspension of disbursements, and I am going back to recommend that we cancel these projects. And we can't cancel them because there's corruption. We can't prove where the money is going, except neither can you. And then you're not in compliance."

The Bank's res rep was not particularly happy, but he said, "Well, it's what you got to do."

So I got on a plane and went to London, went and had dinner with a friend, and the next morning I'm sitting in the British Airways first class lounge in Heathrow, sick as a dog for something that I ate I think in London but I don't think in Nigeria, and in walks the country director, Bilsel Alisbah, on his way to Nigeria. So Bilsel said, "Oh, Paul, lovely to see you. How are things?"

"Well, I'm sick as a dog, but I'm okay."

"How was your trip? How was your mission?"

So I explained: "And then, of course, we had to declare an informal suspension of disbursements." Well, this is not what country directors wanted to hear on their way to Nigeria, so he was just beside himself. And I explained why, and I explained, "Oh, yes, we've already sent the letters to government."

"You did what?"

[Begin Tape 1, Side B]

CADARIO: This is what he was going to have to deal with. And then the fact that the res rep arranged all this. But, anyway, we actually did cancel two of the three projects. We suspended them, and we canceled them.

ZIEGLER: What was the rationale you gave for the cancellation?

CADARIO: Well, the cancellation was that the government--since the Legal Department says you can't cancel for corruption--and I said, "Well, we're not going to continue with this because they're not going to

achieve their results. If the idea is that the grandchildren of the people that are there now are supposed to pay back this money, the money was all stolen, but they are not in compliance with financial management obligations, and we told them that. We've done it twice. We told them that the audits are not acceptable. We did at least have all the financial management stuff, and we documented all this." I said, "We're going to suspend it and cancel it because its objectives will not be met." Objectives not being met was actually okay as far as the Legal Department was concerned because we said, "Well, it says the government has committed itself to these objectives, and it's quite clear they're not doing anything to achieve them." It took quite a while to negotiate internally.

The federal government was of mixed views. There were some people who said, "Well, we don't like those two states anyway, so go ahead." There were others who were annoyed because the one project that was working that was doing quite well was run completely by expatriates, like there were Nigerian staff, but it effectively had been contracted out. They were more business-like in the east, in the former eastern Nigeria. So we survived that.

On my last trip to the forestry project--well, we would be very tough in the project area with the project management, what they weren't doing, what they needed to do better. Then when we went to Lagos, we'd say, "The problem is that the provincial capital doesn't have any money," and then we'd go to Lagos and say, "The real problem is you're not giving them the money in a timely fashion. They can't plan. If they can't plan, they can't buy the stuff they need to do the work. If they can't do the work, you're not going to get the trees. You can't do the trees. That paper plant you never should have built is going to be a white elephant." So it was, it was interesting.

The other thing, traveling around Nigeria, because we would do these long treks on the road and nobody would sit in the front seat the whole trip. And the roads were just treacherous. They were new and wide . . .

ZIEGLER: Excuse me. So nobody would sit in the front seat?

CADARIO: Well, yes, because you didn't want to be thrown through the windshield.

ZIEGLER: Oh, okay.

CADARIO: They had rules about Bank staff and roads and vehicles were--but working in Nigeria you really--it was the whole point about you are the Bank because we didn't have, we didn't have telephones, we didn't have email. If you wanted to get back to the Bank, you had to do a telex. So I had to learn how to run a telex.

The final trip Dick Grimshaw said--Dick was about to leave, too--Dick said, "I want you to do a little tour, and I want you to stop in some of the middle states because I'm interested in whether we're doing the right thing there because I think we've calmed down a bit on rural development and we've got a model. But go around and give your impression."

So I went around. And one of the things, we did a little detour to Abuja, which the government was spending money on. But . . .

ZIEGLER: This would be the new capital . . .

CADARIO: The new capital. It wasn't open yet. "Well, let's go and see if we can find it." Well, the driver and I looked all over, and we couldn't find it, and, well, what are they spending their money on? It's supposed to be here, but where's the new capital?

And I came back and wrote a lengthy piece about my experiences looking over the south and what did we need to do next. And I said, "The interesting thing about Nigeria is, I traveled through vast parts of Nigeria and there were no people. And this is a country that claims to have 125 million people. Where are they?" And that, of course, was the big issue. I think that Nigeria is only up over 100 million now, so this was in the , early 1980s, and the Nigerians were saying they had 125 million people. You looked at the food production and you looked at a whole lot of things, there was no way that number was right. But, again, the Bank was not prepared to say this, and the programs department was, again, very unhappy that the projects people had gone traveling all around. And, of course, they never got out of Lagos, the capital. They had no idea what was going on. I enjoyed that on-the-ground experience.

Dick Grimshaw and I had a reputation of being very firm with the government and to the point where, well, I never got into a shouting match with a client, but Dick would get into shouting matches, and then they'd go out drinking and it'd be fine because people need to understand that.

So when I was leaving to go back to do, go back to West Africa programs person, which I guess is the next thing we're going to talk about . .

ZIEGLER: Hmm.

CADARIO: . . there was a meeting. [REDACTED]

[REDACTED]

[REDACTED]

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You could be blunt because Nigerians loved it, but it was a matter of, "We're all in this together, and, my brother, you must understand that this will not work unless you" da, da, da. And, again, I think that that was a very fine line to walk in those days, but a lot of us tried to behave that way. And basically we all knew at some point or we had managers who knew what the line was that the Bank didn't cross. But when I think of the notes I wrote to people about what I'd seen and comments to government about what they were doing, I got away with a lot because I think that, if anything, we're dealing with clients in the Bank. There wasn't time to pussyfoot around. If your good intentions were clear, then the clients were actually quite interested in what the Bank thought.

ZIEGLER: You later worked in two country program departments in the Western Africa region. What

were your notable activities there?

CADARIO: Well, that was fun and a part of my career that I look back on with fondness. In 1982, when I was in the agriculture division, again I was summoned by Wilfried Thalwitz, who was the director, to say, "Well, you've done a great job, and my colleague, Xavier de la Renaudière wants to talk to you, and I'm not going to tell you what it's about, but talk to Xavier."

So, anyway, I run off to Xavier. Xavier was the country programs director. Xavier was very French and very cunning, like foxy and played four moves ahead and a diplomat, the consummate diplomat. But unlike the people, a lot of the people around the Bank who were just diplomats, he actually knew what he was doing and was very clever.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Xavier was really good.

So, anyway, Xavier said, "The guy who's in charge of Senegal is leaving. I think you are one of the few people who actually understood Guinea and the politics and the region, and I think we need a new look at Senegal. So I'd like you to come and work on Senegal."

"Okay."

ZIEGLER: Was [Leopold Sedar] Senghor still president during . . .

CADARIO: Yes, yes. Senghor, yes, well, Senghor was president forever.

So when I worked on agriculture---well, I had--the French countries were interesting, and I liked working in French and working on French countries.

Wilfried said, "I think it would be a good move for you. You've been in projects for a long time. It's probably better for you to move out of Africa, but Xavier is keen to have you and I think you'd do a good job there."

So off I go to Senegal where they had done a structural adjustment loan, I think the first structural adjustment loan that had ever been done in Africa because this was in the '80s. So '82 I arrive, and there was a little problem of the second tranche, so I had to go as the senior loan officer to work out what the problem is, we really want to release the money. And we had a res rep in Dakar who was diplomatic but not terribly strong. And my predecessor had also been diplomatic but not particularly strong.

So I went in and--and Chris [Christopher J.] Redfern . .

ZIEGLER: Oh, I knew Chris, yeah.

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CADARIO: . . . was the country economist for Senegal. So Chris had said, "Well, I'll let you make your own judgments, but, you know, the country is not adjusting."

So, anyway, I went and got the loan and loan agreement and said, "Okay, so where do we stand?"

Well, it turned out that there were eleven conditions for the release of the second tranche. The only people who knew what's in the loan agreement were in the Ministry of Finance, but all the conditions required some other ministry to do something. And it became fairly clear that there was not terribly good coordination within the ministry or with other ministries.

So I said, "Well, we should convene a meeting with the senior people from all the ministries, and we'll have them over to the Bank office and we'll give them coffee to have a discussion of this."

So they were all invited, and they all came, and they all looked at this, and they said--the loan agreement--and they said, "Well, what's this?" And it turned out that the Ministry of Finance hadn't bothered to tell any of the line ministries what they were supposed to do. And the line ministries were somewhat annoyed to be told this and that what they were doing was standing between Senegal getting the money and not getting the money. And they were really annoyed that the minister of finance had agreed to this without telling them.

So that was the ruckus in the meeting. And the Ministry of Finance was furious that we had gotten everybody together. And I said, "Well, who did you think I was going to get? We thought you had gotten them all together and did"--the whole issue of why did my predecessor, why did we agree to this if we didn't think, like who were we talking to when we were doing this SAL [structural adjustment loan]?

So I had to go off and brief the deputy minister. I briefed the deputy minister--or the director general something or other--and I briefed him. And the deputy minister was very kind, and he said, "Well, I knew you were in town, and I do want to say it is very good that we have a new voice speaking for the Bank, and the next time I see Mr. de la Renaudière I will say that I appreciate his bringing in someone who will look at our collaboration with new eyes," which I think was a signal that they weren't particularly happy with how things had worked before, which Xavier had probably sensed but never would have had the conversation. Xavier wanted to bring in somebody whose style was completely different and see whether he could get to the bottom of what's going on, which, of course, I had.

So we chatted, and I said, "Well,"--and when I left, I said, "Well, I think the last point I would make on the second tranche conditions, and I cannot say what the Bank will do in terms of waiving any because we're not at that point yet. Given that you haven't met any of the conditions, we're not going to waive them."

Of course, the French--I had to go and brief the French embassy, and they were beside themselves to raise the money because they were on the hook. They guaranteed the currency, they propped up the government. They were doing something in parallel but relied on us. They were beside themselves that we had found this, and they didn't seem terribly surprised, but nobody in the line ministries knew what they were supposed to do. But I said, "But, Mr. Director General, there is something else. This is my first time to Senegal. I think it's really important that you proceed with this program or you adjust it because you realize, of course--my impression of Senegal is that Senegal has two exports: groundnuts and charm. And the world price for both is falling."

So the director general was a bit taken back and then laughed, and then he said, "Yes, I think, actually, that's a point a lot of people don't realize."

Anyway, at this point, after I had done my first mission and upset the applecart and put the bright lights on what was not going on and Senegal was important, Xavier calls me in, and he says, "Well, the loan officer from Guinea has decided to leave the Bank. He's going back to England. And, Paul, the reason you're here is I really appreciated how well you understood Guinea when you worked on the project side of the house. So I'm wondering, Paul, if you would mind if I moved you over to work on Guinea rather than Senegal." This may, of course, also have resolved a problem, and that having a new eyes and ears on Senegal was important but, nonetheless, maybe he didn't need quite this much change.

And that was fine. And I said, "Oh, I rather enjoyed Guinea. I have many good friends in Guinea, and I rather like what's done in Guinea and I follow what's going on. So, yes, I'm very flattered that you'd ask me to go back again to Guinea."

So I arrived back in Guinea, which was great. By this time we had a whole lot of projects, and Guinea was at the point where we were blocked in Guinea because they had an inconvertible currency. There was a black market, and the currency was terrible, and they had a terrible human rights record, and Sékou Touré was still in charge. And it was an important country strategically because there was a war going on in Angola and guess where the Cubans and the Russians were landing airplanes on the way to Angola? It was geopolitically somewhat important.

ZIEGLER: They were somewhat sympathetic to the Soviet Union, as I recall.

CADARIO: Somewhat, somewhat--well, like the full extent of what had happened didn't really come out until later, but the thing was that after Guinea said, "No," and the French just took all the light bulbs and left in 1958, Sékou Touré really had nowhere else to turn. And it was only when the Bank intervened--and then the whole issue of France really did cut them off. General de Gaulle said, "Guinea made its choice, and we are not going to guarantee the Konkouré hydroelectric dam and aluminum plant to sit right next to the biggest deposit of bauxite on the planet. We're not going to guarantee it; they made their choice." And that was in '58.

By the time I started to work on Guinea, the Bank had figured out a way to do a guarantee for all the infrastructure for the bauxite mine. But the aluminum plant had been built in Ghana, and then there was another one built in Cameroon, I think, so that effectively Guinea's road to wealth, which would have been from taking their bauxite and turning it into aluminum using their hydroelectric power, had been basically foreclosed when Guinea chose to be immediately independent. And Guinea was still smarting from that. And the French were saying--well, the French were not real happy that they made the choice. De Gaulle was gone by this time, but relations between Paris and Conakry were still very chilly. The French had opened an office of the Caisse Centrale there, and I don't know whether they had an ambassador. I don't think they had full diplomatic relations, but they had Caisse Centrale there. So Guinea had changed a bit in three years.

So off I go to Guinea. And I'm the loan officer, but of course I traveled all around the country and I had a sense. So I'd deal with other government--other ministries, and when the projects people came in to do, like, James Bond did his first mission to Guinea, and I took him there. And, of course, "Monsieur Cadario would be accompanied by Monsieur Bond, James Bond." This was, "Well, of course, who else would Paul bring?" So James Bond was brought around to everybody.

ZIEGLER: I remembered there was an article about him in *Bank's World*.

CADARIO: There was. Exactly. And, Guinea was his first mission, and I was there to make sure he got properly introduced to Guinea. And Guinea was a terribly sad place because you had--it was a city where

you had the French colonial architecture, because Guinea was far more important than Dakar or Abidjan was because Guinea was a country with resources and Guinea had a huge reservoir of French expatriates who had worked there and they were all expelled. They all went back to France but had the fondness for Guinea and the Guineans, and at some level the Guineans had great fondness for them and for France.

And so we would have lunch every day at the black market hotel and the black market restaurants, and madame cooked just things that used local ingredients. She cooked like you were in a French bistro. Where she got the food, where she got the ingredients was never clear.

Anyway, we're proceeding right along, and all of a sudden--and I don't remember the year, it might have been early '85, late '84 or early '85--Sékou Touré died at the Cleveland Clinic, had an aneurysm, was flown to Cleveland in the King of Morocco's plane. Died. So what's going to happen? Sékou Touré has ruled the place with an iron fist. And one of his nephews took over the highway project and had gone to jail for it. My successor, Frida Johansen, on the highway project had denounced the corruption in the second and third highway project, third highway project where the guy had built a tennis court at his farm and done the road to the road and all this. And he was put in jail. He was tried for corruption and diversion of state resources and bad management of a World Bank project. And for bad management of a World Bank project he was given the death penalty, which was commuted because he was the president's nephew, after all, to life imprisonment at Camp Boiro. And as Xavier said at the time, "He'll probably, after a month or two at Camp Boiro, wish he'd just been executed," because Camp Boiro was really very unpleasant. One of the ministers, one of the president's other, his half-brother, Ismael Touré, used to go down, if he was bored on Saturday night, to torture people at Camp Boiro. This was not a nice place. And you had the sense that there was--that there were--that everything was bugged. It was not a nice place. But it was, nevertheless, opening up a bit.

And the Bank had quite good relations with Guinea. And I was a loan officer, and I had good, very good country economists, Eugene Scanteie, who was Romanian and Canadian. And so Eugene and I would go off and, as somebody once said to us afterwards, "The reason that we didn't like the IMF" [International Monetary Fund]--Guinea had no relations with the IMF--"was that the IMF expected to sit in an air-conditioned conference room and have data brought to them." And he says, "It's bad enough that we didn't have any data or statistics, but we didn't have any air-conditioned conference rooms either." The Bank didn't worry about that. The Bank teams came in and rolled up their sleeves. You went around; you met people all over.

And when I would go--we didn't have an office, either, so I would go to UNDP. If I needed anything or telex, I'd go to UNDP. But I would always let my friend, the head of the highway project, know I was there. He would lend me a little Deux Chevaux for the time of my trip, with my driver, Mr. Diallo [phonetic]. Mr. Diallo would come and pick me up and I would go around to Conakry in the front seat of this two-person Deux Chevaux, bright green. So of course everybody knew where I was because the car would be there and there weren't a lot of bright green Deux Chevaux, which was--it was funny. Bengali Camara, the manager of the highway project who had said, "You have to understand the revolution," had been the person who had helped finger the minister who had stolen the money from the highway project, and everybody thought he was going to go to prison, too. But, no, he had laid out all the evidence so that it was easy to find. He was now the head of the port authority, so I would call him and he would give me a port authority car, the little Deux Chevaux.

And so I had my connections with the Guinean government. So Sékou Touré dies. "Oh, what's going to happen?"

I was, of course, the senior loan officer for Guinea, so it came to me to write down what was going to happen. So I wrote the note, the only person in the world to write a note that said, "There could be grave

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

turbulence. They're his family, and there's Ismael Touré, the half-brother, and there is another relative who's the minister of health, and there is, of course, our friend, Mohammed Lamine Touré, who is the minister of public works, former minister of public works and nephew of the president. And then there are two or three other personalities. So," I said, "nobody ever expected Sékou Touré was going to die., This group is divided in terms of their openness, and Ismael Touré is a very powerful minister of mines with whom the Bank basically ruptured relations because we said we would not finance the 1100 kilometer railway." (And Marianne Haug did this bluntly in her own way. She said, "This is just fantasy. This is a dream, and the World Bank does not finance fantasies. And if you'll excuse me, I have another lunch," and went upstairs to her room at the Grand Hotel de l'Opera in Paris.)

Well, all right, that really was something, and Ismael Toure might well become president. I said, "The only question is what will happen in the barracks. We do not have relations with the military; we do not know anything about the armed forces. From the little I have seen, the French probably have had, in their thawing of relations, some relationship with military officers, and I cannot imagine that the military would let Sékou Touré 's family plunge the country into civil war based on tribal grounds. And we will just have to see whether there's something that's going to happen from the barracks." And seven days later Sékou Touré's relatives were overthrown by the military. I was the only person in the world to predict that.

So then, of course, they open up. The first thing they do is they send send a telex to the Bank to say, "We'd like to have a mission from the Bank to figure out how we can have a mission from the IMF." At this point, we're in business.

So we then did a big structural adjustment program and said--first goal was to join the CFA [Communauté Financière Africaine] Franc. And the structural adjustment program was negotiated. We had a new country economist, a very clever Frenchman, Jacques Daniel.

ZIEGLER: There were a lot of clever Frenchmen around the Bank.

CADARIO: Yes, there were. In those days, there were a lot of clever Frenchmen, former colonial people, probably all associated with the French security services, and they all knew Africa really well. So we had a really clever French guy who--and by this point we also could open a country office. We were given one of the villas that had been built for the OAU [Organization for African Unity] conference, which was been held the year before, right in downtown Conakry, walking distance to the Novotel. And we were given one for the office and one for the res rep's house.

So we are in business. So we're doing structural adjustment. And it's decided that the President of the Bank will go to Guinea because they've really made all the right . . .

ZIEGLER: And this is [Alden W.] Clausen . . .

CADARIO: Tom Clausen.

ZIEGLER: Yes.

CADARIO: And I'd have to check the date. Was that before or after we were doing the structural adjustment loans? But, anyway, we were moving right along. I think maybe, I don't know, that would have been '85 that he went. I think it was '85.

Anyway, so we prepared all this, and the Guineans moved along with the structural adjustment. And we had the Bank former country economist, who was now the IMF res rep [resident representative], and then

we had Louis Goreux, and Louis was the guy who had negotiated with Mobutu [Sese Seko] the IMF program in Zaire. And Louis kept saying, whenever he would say, he meant to say Guinea, he'd say Zaire. And whenever it was just awful because Louis kept saying Zaire. And the whole issue of, well, what the Fund had done in Zaire, whether that was what we wanted to model Guinea on. Same issue about dictators, but now we had a military regime that was trying to be friendly with the French, and the French had reopened an embassy.

And the other thing about when I dealt with Sékou Touré and even when I was dealing with . .

ZIEGLER: Did you ever meet him, by the way?

CADARIO: Oh, yes. He was scary. And it was just very brief. I never had to go and sit through a whole meeting with him. And before Sékou Touré died, Xavier de la Renaudiere had actually made some inroads in terms of, "M. le President, if you want to do what needs to be done in your country, you will have to come to agreement with the Fund. We have reached the point where the Bank cannot help you, other than project by project by project," because Sékou Touré and his team wanted the structural adjustment loan. And we said, "No, your currency is a mess. You've got to have an agreement with the Fund on the currency, and we're not allowed to talk about currency. But until you get that agreement, we're not allowed to help beyond projects."

And then Sékou Touré died, and then we had prepared the ground so the Fund could move in fairly quickly after he died with the Bank, under cover of the Bank. And Louis Goreux had dealt with these bizarre situations. And, of course, the Bank knew the economy because, to the extent that there were statistics, we had done things by this time in agriculture and we had done things in roads and we had done things in education. We had an idea of how the economy worked, and Eugene Scanteie and then Jacques Daniel, who were both very good at teasing data out of people or taking data and doing it in a way where it was plausible that it hung together. So a lot of the Fund's work that they needed done to do a program and then for us to do a structural adjustment loan where co-financing was in place.

So we got along with all that. And then we brought Tom Clausen, and that was the reward because they were well on their way. And Wilfried Thalwitz was there. And Wilfried was by this time the RVP [regional vice president], and so he was accompanying Clausen. And, well, they're going to stay at the state guesthouse, and I said, "Well, that's fine. You'll have to, but I'm staying at the Novotel because I need to be sure there's going to be electricity, and I'm going to try to figure out a way with the res rep that you don't have to stay at the state guesthouse because it's going to be awful, but please don't tell Mr. Clausen that."

So then, of course, we had to write up briefing books. So I wrote up the briefing books. And I don't remember why I threw them together very quickly. It was something to do with, I think maybe I'd been on vacation and then came back and had to write all these briefing books for all the meetings. So I--you get the model from the President's office, and I took the model rather literally. So I said, "Okay. First thing is why are you having this meeting? Second thing is what do you need to know about this person? Third thing is what we'd like you to say to him. Next thing is what he's likely to say back to you and how you need to respond." And we got that all on two pages.

So fine. The briefing books were prepared. And Wilfried signed off on them, and off we went.

So the only thing I remember about Mr. Clausen's trip was that we brought the most wonderful interpreter. (So actually this was maybe after the SAL was done. But, anyway, they were happy with us; we were happy with them.) We brought along the most wonderful woman interpreter who became a celebrity on Guinean television, a French woman. And she just took everything that Mr. Clausen said, Mr.

Clausen being very low key, and made it exciting. So we were followed around by television cameras, and you'd watch this thing in the three days he was there in the evening. He would be saying something, but the camera would be pointed at her because she was doing the talking.

So Mr. Clausen and--and it was a big mess because Mr. Clausen was going to fly commercial from Cameroon to Guinea. And then the President of Cameroon says, "Oh, Tom, I don't know why you're flying commercial. It will take you forever. Let me just lend you my jet." Well, of course, Clausen was going to arrive an hour and a half early because he wasn't stopping everywhere. So I got out in pouring rain, and I come out with the government to meet him at the plane and look after him. The government guesthouse was every bit as awful as we had thought. But it was a good trip. And Clausen was--he read his book and did what he had been asked to do.

So we get rid of Clausen, on a plane to wherever he's going, I think to Paris, I think to Paris. And so I'm back at the hotel and I turn on the television, and Wilfried is going out on another flight. And I said, "Well, do you want me to go to the airport?"

And he said, "No, no, no, you've done a lot of work. It's fine. You can go, and the driver will take me to the airport." And the res rep was junior enough to take him.

So, anyway, I'm at the--I'm watching television, Mr. Clausen and all, and there's Wilfried saying, "And, of course, economic freedom can only be enhanced with political liberty."

And I'm thinking, "That was not in his briefing book."

At this point, we weren't exactly sure what the government's intentions were about political liberty. Well, the government played this every 15 minutes for the next two days because they wanted to send the signal. Now, whether the signal was genuine or not, you know, was never really clear.

And a lot of what we did in the structural adjustment program was very edgy for the time, like we did the first civil service census that had ever been done in any African country doing structural adjustment program. The government said, "Well, we need to do a civil service census, but we still have too many people. What shall we do? Should we test them?"

And we said, "Test?"

And the minister said, "Yes, test."

The minister of finance said, "Paul, yes, he said test, testing."

I said, "Well, yes."

And so they appointed this young guy, and we helped the Ministry of Finance through the Ministry of Agriculture do a test. We started off on the livestock part, and, oh, you had to be tested if you were going to keep your job. That was how the government was going to decide, now that we knew who was there, that was how the government was going to decide who would be kept.

ZIEGLER: So they didn't even have a real grasp of who was in the government?

CADARIO: No, no, this was pretty typical, like ghost workers were the big issue in the '80s when you were looking at government finance. Well, actually, how many people are there here? How many people are fake? How many people are double dipping, etcetera?

And we got the census done. The French government and the Bank co-financed the census of the civil service. And then it was, "Well, how are we going to decide which ones to get rid of?"

And the government said, "We'd like to have a test."

And I said, "Oh, this is not going to end well." But they were just adamant: "We're going to test them," because otherwise there would have been tribal issues, et cetera.

ZIEGLER: So this was a objective type test?

CADARIO: That's right. And I think, literally, the people involved wanted it. So we did--this must have been like '86 or '87. The structural adjustment program was continuing. There were issues about the release of the second tranche, and there were great fights.

And at one point, I said to the minister of finance, "You need to tell your colleagues that, although I am not going to work on Guinea forever, you better meet the conditions because my successor might not be so liberal and so familiar with your country as I am, and the longer you wait, Minister, the more likely it is that that other condition or two other conditions, satisfactory economic performance and a relationship with the IMF, the first two before you get to the details, the first two, the longer you wait the less likely it is those conditions will be met. So I would advise you to tell your colleagues that they better get their act together on this. We were all in the room when this was negotiated. We're not doing it another Senegal"--because I told the new minister of finance the whole thing about Senegal—"We're not making any agreements. You're not making agreements for the rest of the government. They've all got to sit in the room here, and nothing goes to the president unless we've been in the room where the other ministers have made the agreement because we just can't, we just can't have this where some minister says, 'I never agreed to that.' No, we're all going to sit in the room."

This led to some very hot meetings, but we came up with a structural adjustment program that actually read pretty well. And, of course, we knew it was going to work well and it would be well described because after a full day of meetings--moving back a bit from the Clausen visit--after a full day of meetings my YP and I would go to the office to write the government's letter of development policy or to edit it. We're not supposed to write letters of development policy, but, hey, the government is giving us their stationery, we've been to meetings, the minister said, "You have you have power at night; we don't." And my YP was Tamar Manuelyan-Atinc, so Tamar and I worked in the evenings typing out the government's letter of development policy. We had a great time, and she was a YP. We had a wonderful time, and she was great to work with.

And then we would have the review of the public investment program, so Mr. Cadario would bring his red pen, the *crayon rouge* would be brought, and the *crayon rouge* would be applied liberally to the list of things. And the Ministry of Planning loved this because if we were doing it they didn't have to. And, of course, Tamar and I would explain why this had to, why we had to draw the red line through this because the government had not done this, the ministry needed to show the following, da, da, da. And eventually there was--the deputy director in charge of planning, "I think actually I'd like to make you a present," so I gave him my red pen, and I said, "You're ready to do it yourself."

Guinea was great theater, but it was, I think, an example of what I like to think goes on today, where Bank staff sat in government meeting rooms and worked with them together on things that were important. There was some conflict, there was firmness, but there was also collegiality and collaboration in coming to decisions together. And I would hope our younger staff are doing that. I get the feeling, talking to YPs today, that, yes, a lot of them are still doing that, which is great. But I think there was a

time when people looked at what we did in Guinea and say, "Well, that's really very unorthodox." And I think we actually made good progress.

So, no, I could go on about Guinea for hours and hours and hours, but I will--I will finish with one story.

[Begin Tape 2, Side A]

CADARIO: I'll talk about structural adjustment now. Structural adjustment has a bad name, and I think that there has been--the Bank has done ample research of its own about, well, they got too complicated or too many conditions. I think that's probably true, and some of them really were complicated and had too many conditions. I suspect, like the one in Senegal I was talking about, that we didn't--we cooked it up with the Ministry of Finance, and then they'd sign because they wanted the money, but there was neither the willingness nor the capacity to implement the undertakings that were there.

And it could well--I'm not sure that there was anything, there was underlying theory of what was being done that was wrong because structural adjustment loans didn't call for slashing health budgets or slashing education budgets. It might have been that the Bank and the Fund didn't look carefully at where the government was taking steps to bring its budget into something closer to its revenue. And, again, I couldn't comment on that, but certainly on any structural adjustment I worked on we didn't tell them they had to fire X teachers or close Y health clinics.

Going back to Africa, as I did for several years just before I retired, to Nairobi, to Addis, Bujumbura, to Kampala, on the trust fund beat, I think that the argument is probably pretty clear and pretty hard to argue with that there would not be prosperity in Africa today and growth, even in the countries that did not have resources, had it not been for what the African governments did with structural adjustment. That's not to say that they implemented them exactly the way it was supposed to be, but they deregulated and they privatized telecoms and they privatized energy and they did all sorts of things that created space for the private sector.

And then, also, I think the whole debate over structural adjustment and what it had done also professionalized a lot of governments. I'm not saying that the governments aren't too big and that they're capable of everything they do. But, nonetheless, it cleaned out a whole lot of what had been left by the colonial powers where there were a lot of parastatals and government this and government that and the regulations were just the ones that they'd cooked up themselves after independence. No, there was a legacy of state involvement in the economy that structural adjustment, however clumsily, helped address.

And when you go to the countries that did the structural adjustment, and many of them have had civil order problems and some of them have even become failed states, it's not because of structural adjustment. It's because of other things that, as one of my colleagues who worked on Kenya after the last election said, "Things about the country we chose to ignore." It had to do with tribalism. It had to do with corruption. It had to do with inequality. It had to do with who actually ran the economy. And whether those people bought the economy at low prices, as one would argue happened in Russia, or whether they were the people that were running the state enterprises and it's now their children that are running the private companies and the state enterprises, I wouldn't want to comment.

But I think SAPs [structural adjustment program] in the way it's being used now by the NGOs who actively still do it, this is not an accurate description of how structural adjustment was conceived, how it was implemented, or the impact it's had. And I would argue that if you go to large parts of the world, a lot of that adjustment--which some would argue some European countries need to make now--was actually a good investment in those countries' futures. And cleaning out your banking system, like they did in Indonesia and other places. I think that structural adjustment, if it was properly discussed with everybody

in the room, was actually, is actually being given a bad rap from what happened.

Now, a lot of other things went wrong. Countries fell off the path to democracy, the new elites from the military that overthrew the corrupt government before got corrupt, and certainly that happened in Guinea and it happened in a lot of places. And a lot of what we see today in Africa where there have been civil wars--Cote d'Ivoire, failed states, Guinea Bissau--resulted because countries didn't put in place governments that were going to work and that were responsive to the public and gave the public what they needed.

And so you get to a point where there's really little way, short of disorder, to get the government back on the straight and narrow. And a lot of the post-colonial elite forgot that this was *post*-colonial. Our goal in Abidjan and Dakar is not to recreate Paris. I always used to say when I went to Abidjan I'd rather go to the real Paris, thank you very much, because in Abidjan, I got to eat the croissants that were flown in. It was just vulgar. And the Bank played that--the Bank played into that whole mentality about the elites and the elites and all this because Felix Houphouet-Boigny was a big friend and a member of the French Academy, like Senghor. And Senghor--well, I never understood why Senegal was important, but it was right there on the coast and this very long runway . . .

ZIEGLER: Well, he and McNamara had a real rapport . . .

CADARIO: Oh, yes. I never saw that, but it was clear that Senghor, being a French intellectual, and McNamara had a very good deal of shared geopolitical view, which Senghor was happy to collude in and leverage. And I guess Senghor was important to France, and Mr. McNamara understood that our major shareholders need to be listened to, [REDACTED]

So what happened in Guinea with the second tranche? We then had the country director, Ismail Serageldin, and we had a briefing for Ismail because Clausen had been there and Wilfried had been there and now Ismail had to go.

So Ismail wanted a briefing book. Ismael was in East Africa for some reason. He was coming to West Africa. Ismail gets off the plane in Conakry, absolutely gray, clutching the briefing book and says to me, "Why did you write it this way? It's so blunt."

I said, "Because you said you wanted to have the same sort of briefing book that Mr. Clausen had."

"Mr. Clausen had a briefing book like this?"

"Ah, yes, didn't you read it before you sent it upstairs?"

Well, Wilfried had been there, so Wilfried had been the one that cleared it. So, of course, Ismail was just panic-stricken that this briefing book was going to escape in Guinea because the briefing book actually said where we thought this person was stealing money, and the briefing book commented on whether the ministry was well run or not, and the briefing book was fairly candid about what the sore points of our relationship were, where we thought they were, so that there was a whole. And by then we had a new country programs division chief, Bob [Robert F.] Skillings, and Bob was, I think, probably one of the only--Jim [James W.] Adams nearly made it to 40 years, but I think that Bob Skillings . .

ZIEGLER: I was going to say I think . .

CADARIO: . . was the only person--Bob Skillings retired on the last, in '87, June 30th, '87, when the

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

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reorganization happened, and he was the only person ever to work for the Bank for 40 years.

Anyway, Bob came to Guinea; he was the country programs division chief. Bob, lovely man, but Bob had a serious case of white man's guilt. So our division was reorganized, and my division got incorporated into Bob's division, and so I was working for Bob.

Well, Bob was--Bob was delightful to work with, but Bob was, basically, "We have to give governments what they want" and all this. Bob was finicky. And he had been in the Bank for 40 years; he could be a little quirky.

So Bob is going to do his farewell trip just before the 1987 reorganization, which we'll talk about. This is a run-up. Bob was going to do his farewell tour, and Ismail said, "It's not clear where any of us are going to end up, but I want you, Paul, to go with him. And although it's not clear where you're going to end up either, I need somebody to tell the government that we will make sure that our programs are not disrupted. And it's more likely, given that we know they know Bob is leaving, but they don't know about you, where you'll go, and you don't have to say because we don't know yet, but I need somebody to give that assurance, so I want you to go along. I also want to make sure that Bob doesn't promise anything that your successor, my successor, his successor will not be able to deliver because it's a bad idea."

So off we went. Bob was affectionately known (though he didn't know this) as "Papa Skillings." So off I go to Benin, where Shigeo Katsu was the res rep, and Togo, where I think it was Emmanuel Mbi, and then, of course, to Guinea, my old stomping ground, which is going to be Mr. Skillings' last trip for the Bank and Mr. Cadario's last trip to Guinea.

So we go to Benin, and that's fine. And then we go to Togo, and a dinner is held at the res rep's house. And the res rep hired Togo's number one rock band to play at the dinner, and they're going to play a new song they've written, which was "Bye-bye Papa Skillings." Well, all the Bank staff, we were going to burst: "Bring me another drink. This can't be going on." Well, Bob thought this was just wonderful and all was lovely and an original song and didn't know that everybody in the whole Bank, the whole West Africa gang, called him "Papa Skillings."

So off we go to Guinea. Well, Bob has never been to Guinea, and Bob, I think, has the impression that I'm being far too tough with the Guineans. And it's tricky because this is Mr. Skillings' first and last visit to Guinea, and Mr. Skillings is Mr. Cadario's boss, but Mr. Cadario is the one who has to come to say goodbye to everybody and encourage them.

And we were having problems with the second tranche at this point, not that things weren't agreed. It's just that there was a little slippage. And I think a minister had changed, and it was a minister who was quite unpleasant and didn't really think that this should have ever been agreed to and wasn't, shall we say, keen to do this.

And so I had to sneak off one morning and go see the minister of finance, and the minister said, "You have an open door. Come at 8:00. My secretary knows to let you in if I'm not with somebody." And the minister and I "tutoi-ed" (from French verb *tutoyer*) each other, and we could--"tutoi-ed" each other in this meeting. And I said, "Well, okay."

So last morning in Guinea, Paul is going to take the KLM flight to Amsterdam. And we're at the [Bank] office getting ready, and the phone rings and the res rep takes it. It's the minister of finance who says that the president of the republic will receive you at 10:15. Now the plane is supposed to leave at 12:30. 10:15? Well, okay, well, the president of the republic is going to receive you. And it was my plane. It wasn't Bob's plane. Bob was going, I think, somewhere else.

So off we go to the presidency. In we go--and I do recall I didn't have a suit or anything. Bob and I were all packed and ready to go, and we were already at the office. And the res rep said, "It's not an issue. Here's a tie. You've met the president, and the president has probably never seen you in a tie anyway." Anyway, off we went.

In we go. And it's difficult from a protocol point of view. We go in, and I'm ready to present Mr. Skillings. Well, the president says, "Oh, Mr. Cadario, come in, sit down," and puts me in the chair right beside him and said, "Well, I wanted to say goodbye to you on your last trip to Guinea. I want to thank you," and--everybody is looking--and then, "Ah, Mr. Skillings." So he had clearly been briefed he had to pay a little bit of attention to Mr. Skillings.

And I said, "Well, we're very pleased, Mr. President, that you were able to receive Mr. Skillings on his last visit to Africa and his first visit to Guinea."

Bob started to talk, and the president said, "Yes, I'm so glad you came along with Mr. Cadario," and then proceeded to thank me for my service to the republic and all the things I've done for Guinea. And the president is going on and on and on, and we figured out we had to give the president a couple of messages.

So the time was passing. The minister of finance looks at his watch and realizes that I'm supposed to leave. So the minister of finance says to the president, and it was something along the lines of, "Mr. President, Mr. Cadario is leaving and he has to go to the airport to catch his plane."

And the president says, "The plane will wait." And, literally, the plane held for an hour so I would not miss it: they didn't have permission to take off.

So I arrive, and KLM looks at me, "M. Cadario?"

"Oui."

And I'm whisked through passport control and security and onto the plane, and I take my seat in business class--and business class was big--take a seat in business class, and everybody is wondering who this rather harried-looking man, not in a suit or anything, just who it is that's gotten on.

But Africa was like that then. They were becoming business-like in their way. And that would not happen today, but it was the transition period between receiving large numbers of people and becoming linked in to the world and getting your airlines are full of business people. (Guinea doesn't have any tourists.) And the idea that the president is able to say, "The plane doesn't leave until Mr. Cadario is on it, it will wait"--*"Que l'avion attende,"* is what he said--I can't believe he just said that.

ZIEGLER: And they did.

CADARIO: So that was--that was Africa. And years later, when I went back to give a training session in Dakar, which would have been maybe three years ago, and it arrived from Lisbon, the plane lands at 11:00 at night, and the door opens in Dakar, and I smell the sea breezes, and I say, "I remember this. This is the sea breezes of Africa at night, that smell." It's a not unpleasant smell, and it is unique.

Anyway, so I spent many good years on Africa, far too long. Wilfried at one point sent a signal in front of the whole senior staff that it's time for Paul to go work somewhere else, in front of everybody in the region. In other words, don't think you're going to keep him. It's time for him to move on. And I think

probably I should have left Africa earlier--I had a great time working in Africa. I don't regret having stayed that long, but I probably should have left before I did

ZIEGLER: Well, the next step we both remember very well, I'm sure: the reorganization of 1987, the results of which found you in the Country Operations Division of Country Department 3 in the Asia region. How were you selected for that position? But instead of being that specific, we can cover your views of the '87 reorganization and then how it affected you personally because you were involved in the Staff Association . . .

CADARIO: I was involved in the Staff Association, but I think at that--well, this trip with Bob Skillings, people couldn't believe I was going on mission.

I said, "Well, why wouldn't I?"

"Well, you're not here to lobby for your own interests."

I don't know whether anyone has ever documented exactly how much, how bad that was. But my view was, "Well, I have to go say goodbye to the Guineans, and Mr. Skillings is going and he needs a babysitter, and why wouldn't I go on mission?" I guess I trusted the system more than I should have trusted it.

The '87 reorganization was thought up by some people who were all looking to get promoted and to come up with something new. They were bored with what they were doing, and they wanted a structure where they would all be in control. And I say that about the two ringleaders, Caio [Koch-Weser] and Gautam [Kaji]. It was all because they had appointed, they had presided over people who were weak (getting back to those weak loan officers). And in countries where you had a good loan officer, things worked pretty well. The matrix was working just fine, and it was a matrix. In countries where you had a bad loan officer, well, there was no strategic focus and all that. It was all about people, and any organizational structure will work if the people in it want it to work because you have the informal relationships . . .

ZIEGLER: Well, going back for a moment, Paul. My understanding is--and I haven't looked at this for a long time--but I think there was an advisory group first. I remember McNamara was part of it, and there were a bunch of people who were thinking about the reorganization, and then it was undertaken . . .

CADARIO: Right. Clumsily. No, I think every once in a while you have to move things around. You have to say, "Well, is how we're doing things working?" I don't think the rationale was very good because effectively they were saying that the tension between programs and projects wasn't constructive because the principles of the '72 reorganization, as brought to us by McKinsey--and heaven help us if they come and do the new one because McKinsey has screwed us up. They screwed us up in '98, as well. When the whole rest of the world was getting rid of matrix organizations, McKinsey came in and sold us one. And presumably business units organized by clients, well, I wonder if everybody is getting rid of that, too, and we're going to do that. But McKinsey has this habit of selling the Bank things that everyone else is abandoning . . .

ZIEGLER: They're always a step behind . . .

CADARIO: They're always a step behind, or they're advising certain clients of how to dismantle what they're about to have the Bank put in place, because it isn't working for them. And we keep hiring McKinsey. So I was pleased to see [Marshall] Goldsmith and [Michael] Porter have been chased off the premises, but McKinsey is still here.

So the reorganization was badly sold and then badly implemented because it got into a matter of somebody called and intervened on your behalf in the whole selection process. And I have to admit that Ismail called [Shahid] Javed Burki and said, "I have somebody that needs to leave Africa, and I think he would be great to work on a big country, and he writes really well, and he's very corporate." And I don't recall whether Javed was also a Rhodes Scholar, too, but I was sent off, and Ismail said, "As long as you don't bite Javed's head off, he'll hire you."

So I went, and Javed and I got on very well. So I got hired. The whole issue of could you be promoted, and in the whole mess it turned out that a whole lot of personnel filing had not been done, so I was lucky because my HR [human resources] officer went through my file and said, "Where's his OPE [overall performance evaluation] from last year? I know there was one. Why isn't it in his file?" But by that time it was too late to be considered for a deputy, whatever they called them. What were they called? Deputy division chief, wasn't it?

ZIEGLER: Uh-huh, yeah.

CADARIO: Effectively, the promotion to level 25 wasn't going to happen because there was something that was not in my folder, in my file. All right, fine. So the whole thing was badly handled because, as I think I said at the time, the Bank paid 400 million dollars to get rid of 400 vacant positions, like vacant as in unfilled, and to get rid of a whole lot of people who should have been dismissed on performance grounds. And that was really the scandal. And then all the friends of the organizers made sure they ended up in positions that were more important and more glamorous than the ones they had.

So then they set out organizing these country departments, and effectively you still needed somebody who was going to integrate, but you created all these technical units that were far too small to have everything in it and you made it very difficult to access knowledge from the technical departments themselves. Like you had the SODs [sector operations divisions] and the CODs [country operations divisions], and the COD was still doing what the old programs division did, if it was working properly. But then they did have all the country economics in the COD. And then the SODs were too big to be ignored and too small to be useful unless you're working on a big country like China, a big and important country, and then you had a really good SOD.

ZIEGLER: That's the sector operations . .

CADARIO: Sector operations division. And you had a really good SOD with a really good manager because they were big enough to attract the really good people; they didn't have to go to the technical department. So the technical departments were stuck with--in my view--filling in the gaps if the SOD was weak and puny and miserable or just being ignored because you really didn't need them if you had the right people or you'd call somebody from elsewhere in the Bank to come in and fill in whatever gaps you had.

It did, on the other hand, in the SODs lead to some great work. And, of course, my comments on all this are tinged by China, which was an exceptional client. The Chinese were used to saying what they wanted, and they got it. And the China office was big. It had a muscular and arrogant res rep. And we had good division chiefs on the SOD side and on the COD as well, even though Javed and Baelhadj [Merghoub] didn't get on very well and Baelhadj didn't always get along with the res rep, Ed [Edwin R.] Lim, very well.

But clearly the Chinese were going to make whatever system the Bank presented to them work, and we were going to make whatever system we had to work because China was important. And moving off to work on China--I think the reorganization was, was badly handled because they should have paid more

attention to individuals but without having to basically make it, "Which crony is going to help this person who I want to stay stay?" And, again, I'm not sure what other interviewees have said about what was going on--because I'm sure a lot of the senior staff were involved in the chicanery that went on. It was not particularly transparent process nor do I think it was particularly fair. But any . .

ZIEGLER: Well, one result, one person who was--well, you'd know him. Jamil Sopher--said to me on the terms of the reorganization, in his view what happened was that before the reorganization you owed your allegiance to the institution. After reorganization, you owed your allegiance to the guy who hired you. So it essentially created these various fiefdoms within the Bank.

CADARIO: Yes, I think that's accurate. And I look at the fiefdoms and networks of cronies that exist even today, and I would say that they go back to the '87 reorganization where Ismail Sergaldin called up Javed Burki and said, "Javed, I want you to take Paul because he needs to move and he'd be good." But I don't know whether Javed, if he was given a list of people, whether Javed would have picked me. And now you've got senior vice presidents where you can't work for them unless you worked for them before. And we had one like that--and we nearly got a president of the Bank who adopted that position--she added a passport dimension.

But that's a not inaccurate observation. I don't think it explains everything that went wrong with the '87 reorganization and the vestiges of it that exist today. But, nonetheless, I think it's pretty accurate.

The vestiges today, I think, in five years--provided they're strict on the retiree STC [short term consultant] rule, and that will depend on how the next reorganization is implemented--whether . .

ZIEGLER: And there will be one.

CADARIO: And there will be one.

. . whether the crony networks that were set up are going to hamper the Bank to the same extent. They got in the way of attempts to fix the matrix, put the matrix in place, and then fix the matrix, which they did in the late '90s. But that's not inaccurate, because at the end of the day if you wanted to move around, you could, though I would agree with Jamil, but I would add that's the way it worked if you wanted to move. So the moves put in and established networks and cronies, whereas if you were just moving, if the job you had and the job you were going to do was geographically localized enough, then you probably didn't have that crony network, like . . .

ZIEGLER: You still owed that position to whoever hired you.

CADARIO: You owed it to whoever hired you, but I'm not sure of that. I was one of the people who wasn't selected in round one or whatever it was called, and, well, I didn't worry because I knew I wasn't going to be out on the street. But various people did call me. Actually, I was quite--I got a whole lot of calls as I was negotiating with China, and when I finished, and I didn't really have to negotiate very much, I got a lot of calls from people. I never knew how they got my name because I didn't know them, but they clearly liked what they saw and asked me to work in sectors I had never worked in.

So I don't think it was that bad, but I would agree with Jamil. I would hope that the next time the Bank reorganizes that they will go back into the history. And I'm sure everybody says now that the utter lack of transparency and the bad, not terribly inclusive design principles led to a whole lot more trouble and a whole lot more cost that lasted a whole lot longer than anybody thought.

ZIEGLER: Well, Paul, after the 1987 reorganization, you were working on China, correct?

CADARIO: Absolutely, yes. It was an interesting period. Although when I joined the China, China Department in '87, China had been a member of the Bank for six years, there was still a lot of work to be done. The World Bank clearly had a tremendous brand in China. Although China is a very big country, we hadn't looked everywhere. We had, by that point, worked in infrastructure. We worked in agriculture. We had a program of technical assistance with the Ministry of Finance, which I'll talk about because that was what I worked on. We had very good relations in Beijing. We had a very strong rep who had, of course, written the flagship economic report.

ZIEGLER: That was Ed Lim, right?

CADARIO: Ed Lim. He'd been the principal author, the team leader for that. And that report was still the most significant. Well, the whole strategy of Deng Xiaoping and McNamara saying, "Well, first thing we need is we need to open up China to the outside world by describing the situation as World Bank sees it and that the World Bank brings prestige and objectivity to this, and the messages are important within China and to China and also to the people who want to come and work in China. So, of course, the World Bank has got to come and tell the story."

It was very exciting, and it spoke a lot to the brand that we had by then, and then, I think, reinforced the brand because in a way dealing with China and then looking at China today, a lot of what happens, what's happening today with China's opening to the outside world is due to, of course, political decisions that were taken after 1989, but it was on the basis of an economic trajectory, the foundations of which were laid by World Bank, lending with World Bank, dialogue in the '80s and the early '90s, well, '80s and '90s, when I think we had very strong economists as country directors who had the credibility to do that. Their record as managers was perhaps a bit uneven.

We had, at the time I worked on China, excellent staff, excellent Chinese staff who were from the ministries who . . .

ZIEGLER: Who were country staff.

CADARIO: Country staff. Chinese staff who were from the ministries, and so they knew the ministries, so we didn't have to worry about nuance, they knew how to interpret what we needed to say. They were also extremely good technically, so it wasn't that they were just interpreters. We had people from the Ministry of Agriculture and Ministry of Transport who worked in our office and were very strong.

The whole thing about our relationship was what did China learn the most from the World Bank. I was there at the tenth anniversary, and I think it was true in the twentieth, and maybe even the thirtieth. They said international competitive bidding. And, of course, this was all, I think, quite insulting to all the people that wrote fabulous economic work in collaboration with local institutions. And although the China 2030 paper that Bob [Robert] Zoellick was a TTL for had, frankly, rather too many old timers on China working on it; nonetheless, the fact that it was the first jointly branded paper, I think, disguised the fact that virtually everything we did in China was investigated, if you will, and then framed and published with the strong input of our Chinese collaborators, the clients really. You didn't come and do a mission and send the reports later. The Chinese had a pretty good idea of what was in the report because they had helped do it, which was very exciting.

And then the Chinese staff were very good. I think the fact that China said from the outset that "our relationship is too important for us to expect all of you to learn to speak Chinese" was excellent because they said, "We're going to provide superb interpreters and you're going to send the world-class Bank

staff.” So we had good interpreters, some of whom went on to become senior staff at the Bank even though they didn't have a lot of deep technical skills.

I think that also meant that we were able to pick people to work on China, attract people to work on China, who were strong technically and who would show . .

ZIEGLER: On our side.

CADARIO: On our side. Because if they said you're strong technically and you have to be able to speak Chinese or you have to be willing to speak Chinese at a certain level, that would have denied the Chinese the access to some of the very best people that the Bank could throw at the Chinese.

I was very fortunate. I had a tutor come to my office for an hour three days a week. And so that was fun because I could deal with the social situations. That included being at a banquet and speaking Chinese well enough where they'd up the ante and then, eventually, there would be something where I just couldn't say it, and then, “Oh, Mr. Cadario, your Chinese is so good,” and you'd say, “Oh, no, no, no, no, where did that talk come from? Nali, nali.”

But China is a place where showing respect for China is essential. And even you can say, “I once had this problem in Africa,” and they would say, “Don't compare us to Africa.”

At the same time, if you could speak Chinese a little bit, they'd say, “Well, he took the trouble to learn.” And the fact that I could say Beijing, that's how they say Beijing, and people think Beijing. I've sat in meetings with senior people who would say “Bei-zhing, Bei-zhing, Bei-zhing.” Okay, fine. If you've never been to China before, you can say that. But if you don't know how to say the name of the capital and if you don't know how to say “thank you”—how hard is it to learn how to say “thank you” when you come to China three times a year, four times a year, and you were taken out to a banquet every night? You can at least, god dammit, learn how to pronounce the name of the capital. And it used to offend me that this was not well looked after.

Dealing with China was tricky because everybody had an opinion. I was the principal country officer. I was there to screen stuff and to make sure that we were going in the right line. I had my areas. There were two other country officers that did things, and they were fun to work with. We divided things up well.

Learning to speak Chinese was good because not only was it socially very respectful and there are things where if you're walking around Beijing it's nice to be able to ask somebody. Also, in dealing with interpreters at a meeting, you're dealing with the same subject matter, so even if the words are not part of your active vocabulary you know what the words are and how they're strung together and what you or your colleague just said in English and whether the Chinese has got it right.

I would say something, and I knew how you have to chunk it in Chinese so the interpreter can do it. And I always tell people, “If the interpreter starts by saying ‘ta shou’—‘he said’—that means that your last comment was too long so shorten it. Never mind what else they said, but that's probably a paraphrase. If you want to be paraphrased, then just keep talking. If you have something that's really important, you have to make it short.” And that has helped a whole lot of people, I think, who otherwise would have just gone on and on and on as Bank people tend to do.

But also by being able to listen and realize that the interpreter didn't get my second point, and then I can say, “Well, let me just repeat my second point,” and then all the people across the table, most of whom would speak English but we did everything with interpreters, all the people across the table would then have to wonder how much Chinese does he actually understand. And I think that was always a certain

amount of mystery that's necessary in dealing with these things.

The time I worked on China--and Tiananmen, I think, is an inflection point, and I think that as more and more historians go back and look at China, it's a political inflection point in terms of the politics behind China's rise and integration in the outside world. The Chinese leaders realized that they can only offer the increase in living standards which were necessary to have political stability if they increased the rate of growth, and the only way they could do that was to embrace what the Bank had been working with them on about openness, about trade, about fiscal reform, about banking and monetary policy, and about modernizing infrastructure and education. They had to embrace it big time. After Tiananmen, they realized, was not the time to slow down. On the contrary, all the things that were going to help you distract people from political issues, you've got to do them big time. And the Chinese did it.

For example, you look at the railways, the Ministry of Railways. Well, we didn't do high speed trains, but we did everything else. And everything that we financed was built with a view that eventually you're going to do high speed trains and, eventually, you're going to want to put fiber optic cables in your railway right-of-way because you're going to want to have the internet, whatever that is. It will be used as a telecommunications enabler.

The Chinese central agencies of economic management were messy, and the Chinese knew that. And so we had this series of technical assistance projects, technical cooperation, I think there was TCC 1 [First Technical Cooperation Credit, and then I was the TTL for the PSSSP [Planning Support and Special Studies Project], project support and special studies I think it was called, which was with the Ministry of Finance but also with the State Planning Commission. And the Ministry of Finance and State Planning Commission didn't get on. They didn't like each other, but we said we're going to do--it was like the last \$30 million of IDA, and we said, "You want this; you got to work together." So grumble, grumble, they worked together.

But this, of course, meant that they could also commission studies in other parts of the government, which is what I did. So I come in. The thing is, the ink on the Credit Agreement is barely dry. I read this thing.

And so Javed calls me in, and he says, "Okay, you're in charge of this, Paul. You're the senior country officer," but I wanted to be principal country officer. And how I got my 25 is we had a retreat about the new country strategy paper, and I came in and quoted from parts of Mao's *Little Red Book*, which I had, about "when I look at what we've done, it seems to me we've done this, we've done this, and done this in the *Little Red Book*, but here is some areas in the red book we haven't done and I think we should be doing that and I think we need to be a little bolder in some areas."

Anyway, so Javed, I said—"Well," he said, "we have this very important project. We're trying, new organization, must get involved with the Ministry of Finance and Ministry of State Planning Commission. We, of course, have cooperation with the DRC, Development Research Center of the State Council." It was situated very well. He said, "Well, what do you think?"

And I said, "Well, I looked at this description here, and it's toys and tours."

He said, "What?"

I said, "Yeah, it's toys and tours. It's quite clear that the way that--like I've read the negotiations minutes and I looked at the way the PAD [project appraisal document] was written and the SARs [staff appraisal reports] were written and," I say, "the government just wants this for equipment, and they want to go on study tours. And my view is that we have ample experience in Africa in the whole Bank that equipment and study tours don't build capacity. Now, it's not up to us to say what your capacity ought to be, but,

frankly, I think we can hold the Chinese to a higher standard. And looking that I'm taking this over from my colleague who used to be at UNDP, I'm not surprised it's toys and tours, but I think we owe the government of China, a very important client, and I think we need to do this like I did in Africa. We need to use this as an instrument of our dialogue, and I would like to do that."

Well, this didn't sit well with my colleague, who was into toys and tours, or some factions within the Beijing office, shall we say the local factions. Fortunately, the country economist absolutely agreed with me, Peter Harrold, with whom I became great friends.

And we basically ran a 24/7 operation for PSSSP because what we did, the Chinese said, "Well, no, we don't want to study; we don't want to do a study of the steel industry."

And we said, "Well, that's fine. We'll just cancel the money for the steel industry."

So he says, "What?"

"Well, you agreed to do it. If you aren't going to do it, we have to amend the project description. So don't think you're going to just go on more study tours."

And then the study tours, we resisted the study tours. They had to come up with criteria for study tours, and nobody had ever asked them. I said, "Well, you're the Ministry of Finance. You're presiding over this. What criteria do you use?"

"Well, we've never had to use criteria."

I said, "Well, how will you know whether the study tours are reasonable and how will you get reports from the end of the study tours? Like, it's not about the touring, it's about the studies." And so we went through all this.

Fortunately, some of this resonated with the deputy director of the Ministry of Finance, Mr. Luo Qing. Mr. Luo and I became great buddies because Mr. Luo was the person who ferreted out corruption. That was one of the other things. Whenever there was a question about procurement, Mr. Luo and I would have a conversation, and Mr. Luo would go off to the province where there was a problem, and then Mr. Luo would come back and the problem would have gone away because that was Mr. Luo's job.

And so Mr. Luo and I--and Mr. Luo loved the fact that I tried to speak Chinese, so it was always, "Oh, Mr. Cadario, is your Chinese improving?"

"No, it isn't, Mr. Luo. If it was improving, you wouldn't be speaking to me in English." And his English wasn't very good, so there was always an interpreter there. But there was that feature.

But there was another one of his, somebody who reported to Mr Luo's peer, Mr Wang Liansheng, China's first ED [executive director] to the Bank, a very young and brash staff member called--I think you probably know him--Mr. Shengman Zhang, who became a Managing Director at the World Bank. He was one of my clients. Ah, and so whenever he would do something when he was a Managing Director, he would say it is my fault. I didn't teach him how to be a . . .

So Mr. Zhang and I were good buddies, and I remember taking Wilfried Thalwitz to China. Wilfried Thalwitz, senior vice president, wanted to go to China, had been invited to China. This was--when did we go to China? In '91 or '92.

The Soviet Union started to collapse, and the Chinese said Mr. Thalwitz—this was after the reorganization of the central vice presidencies, so he was a senior vice president of research. So Wilfried was invited to China. So Wilfried calls up Javed Burki and says, “Paul Cadario works for you. I want him to come to China with me.”

Well, when the senior vice president calls up Javed Burki and says Paul's going to go to China, I was summoned to Javed's office.

“Okay. So, all right, I'll do the briefing. We'll arrange it for the Ministry of Finance.”

So we go off to China, and of course I lugged a briefing book over to his office. So I bring the briefing book and give it to his executive assistant. “Oh, well, fine, well, Wilfried probably wants to see you just to have a minute.”

So I go in and Wilfried's eyes are big as he looked at the pile and he says, “You expect me to read all this?”

And I said, “Of course not, Wilfried. I don't expect you to read all this, but my colleagues thought it would be useful and they insisted that I lug this over. See, my arms are tired, they were strained as I lugged this over to your office.”

“Fine. What do I read?”

“Okay. This is the book I read.”

He says, “Fine, I'll take that.” So he puts it in his briefcase.

I said, “Now . . .”

And he said, “And the rest?”

And I said, “Well, I'm not going to carry it back, but I think that the one or two, let me just tell you what's here, and I think these are the two most interesting things in terms of your interests and what I think you want to get out of your trip.”

And he says, “Fine,” and puts those in his briefcase. And then he says, “Anything else?”

And then I also said, “Well, if you feel like it, take the rest over the weekend. There might be something that appeals to you that you might want to read, but I think, in terms of what you'll need, the briefing book and those two documents. And I'll be there if I need to tell you something that I haven't asked you about, that I've forgotten to ask you to bring along, I can probably answer, we can wing it.”

And he says, “Yeah, I'm sure we can.”

So Wilfried and I go off to China. So we're on our way, and the minions--of course, on our flights--so the minions and I are having an argument over, “Mr. Cadario, you're being too tough on us.”

And I said, “I can't be tough on the People's Republic of China. I'm just saying you signed this agreement that said you were going to do something, and I would be remiss if I didn't remind you what that was because somebody who signed that agreement who's higher than you might come and ask you how that was going. But if the minister says he doesn't want to do this anymore, I'm quite happy to let you off the

hook.”

So Wilfried just sat there, read *The Economist* as this was going on. And we were back at the hotel, and he just said, “Well, that exchange you had with them,” he said, “you haven't changed a bit,” and he smiles because I can be a little combative.

So, anyway, that was how we worked with China. We helped them open up, and we established--we helped them develop their own capacities to do it because we had, I think, country directors who were good economists and that was what the Chinese liked the most. And when you had a country director who was a good economist and was good with strategy and people or hired somebody underneath to deal with people and quality, then we really were off to the races and we made great advances with China.

I think, at some points, we weren't as tough with the Chinese as we should have been. But . . .

[End Tape 2, Side A]

[End of session]

Session 2
April 17, 2013
Washington, D.C.

[Begin Tape 1, Side A]

ZIEGLER: Today is April 17th, 2013, and my name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me in the Archives of the World Bank Group Mr. Paul Cadario, and we will be conducting the second session of his oral history interview.

Well, Paul, I'm glad you could make it on this nice spring day, but we're down in the basement here going at it. We were going to take up the subject of your engagement with China, which is certainly a very interesting topic, at least to me and I think to many people.

As a result of the 1987 reorganization, you assumed the post of senior country officer in the Country Operations Division of Country Department 2 in the Asia region. This division dealt with China. China had made significant, had made a dramatic shift in policy about a decade prior to your engagement with that country, beginning a process of economic reform and opening up to the outside world. The Operations Evaluations Department report entitled "China: An Evaluation of World Bank Assistance," published in 2005, notes on pages 5 and 6, quote, "Establishment of trust and mutual respect was a long and arduous process, but by the middle of the 1980s"--when you began your work on China--"relations were excellent and Bank prestige in China was high. The Bank's economic and sector work was a big factor," unquote.

How would you characterize the relations between China and the World Bank when you began working on that country, and what were the most significant challenges that the relationship confronted at that point, in your view?

CADARIO: Well, it was a very interesting time to be working on China because everyone who was new to the team in '87--a lot of people had been around since the beginning and some of them were being loosened and pried away and others--well, there were wars, but there were a lot of people who said, "Well, we worked on China, and who are you, the newcomers?"

ZIEGLER: Now, as a result of the . . .

CADARIO: Reorganization.

ZIEGLER: Some of them were still able to stay, nevertheless.

CADARIO: Some stayed, and I--there were--I don't think a lot of us that were really new, but I was one of them. And that had been arranged because it was time for me to get out of Africa. HR had done a bad job of looking after people, and in fact my HR officer discovered that my previous year's performance review had never been filed, which I think complicated things.

And also, as I think I talked about in the last tape, I had said, "I have to go and say goodbye to Africa," and had gone with someone else who was leaving the Bank.

And so, "Well, what do you mean you're leaving town?"

I said, "Well, whatever is going to happen is going to happen," not realizing that an awful lot of people

were schmoozing their way into jobs they probably didn't deserve, and under some objective re-assignment of staff it probably would have turned out differently, particularly at the managerial level.

Nonetheless, off I went, moved to China. So I was the new boy on the block. I inherited--and it was correct that the Bank had huge prestige in China because we had--the 1981 economic report was a thousand pages and whatever it was--spent, I think people said it was a million dollars . . .

ZIEGLER: It was something of a landmark.

CADARIO: It was a landmark. But then Deng Xiaoping and Robert McNamara said "If you want to open to the outside world, you have to let the Bank come in and look."

And Deng Xiaoping said, "Well, I could have said that. That's exactly what I want. I want the Bank to come in, and assess what's going on."

And I think, in retrospect, the fact that the Bank was candid and respectful about what could be done in China and what the Chinese authorities need to work on really established the credibility for our later economic work in the sector. So we had excellent relationships with the sectors. We had done a lot of investment lending, that's all we did, and in railways, in ports, in energy. In fact, a lot of the infrastructure that, the first generation of the infrastructure that makes China such an important country today, we're in a special economic zone of Hainan province, the railway system and introducing China to modern technology and to modern ways of doing things.

The organizational matters were a bit more elusive, and I inherited something called the Third Technical Cooperation Project. (Actually, it was called Planning Support and Special Study.) It was supposed to be TTC 3. I inherited it from a colleague, Al [Albert] Howlett, who went on to work for me when I changed jobs, who was a UNDP alumnus and who had crafted in the third project, PSSSP, something that was just like the first two, as I said, toys and tours. And having worked on Africa on technical assistance for institutional development, I knew that didn't work. We were working with the Ministry of Finance and the State Planning Commission, two organizations that normally didn't speak to each other, at least in polite terms.

And that project was intended to help the government do some studies in areas that they felt were important, like steel. Well, the first thing the Chinese did is they said, "Well, we don't want to do that study on steel." And a colleague who worked in the Energy Division--they didn't want to do one on energy. I think it was power generation. So a colleague from Africa and I went off to talk to the ministry about the power study, and they were being very resistant. So when he said to me, "Can we speak in French?" and then we had a little conversation in French about what we were going to do. And, of course, no one in the room on the other side spoke French. And then we went back into English.

So, indeed, the reorganization had brought some people who were not prepared to accept the prior ways of doing business, knowing, of course, that China is a country that tells the Bank what China wants, and the Bank says, "Yes, we'll give it to you by day X."

There was also, I think, a need to revise the country strategy. Javed Burki, the country director for China, was also new, and he was determined, being an ambitious man, to put a stamp on things. He had inherited Ed Lim, who had been the mission leader for the big 1981 economic report. And Ed was our resident representative in China, and I don't remember what his title was, except those of us that were new to the China Department took to calling him behind his back "Chairman Lim" because he being, I think, Filipino but probably Taiwanese when you got right down his--he spoke Chinese fluently. He ran the place, the office, ruthlessly, and he had--because he was an extremely good economist, very strategic--he

had around him and within the economics group people that didn't necessarily agree with him, but they were all really good economists, which I think meant that our dialogue with the government on important matters was very good because Ed knew what we had to say, and then Ed would make sure that it was said in a way that the Chinese could hear it. Ed and the team in Beijing were also good at identifying who we should work with because there were young people there and there were leaders there who were interested in what we had to say.

ZIEGLER: You were based in Washington . . .

CADARIO: In Washington. Yes, I was based in Washington, which was fine. The China Department all--I think we all flew business class when the Bank allowed first class. Effectively, we all worked out--before they got rid of first class travel many years later, we all worked out how to get upgraded, like take a business class fare. Basically, Cathay Pacific was eventually the one we all took when everybody went to Hong Kong. But we looked for every way to save money. The China Department basically had flown economy class from business class for two years in order to save up enough money to buy laptop computers, which were absolutely new in the Bank. And nobody else, everybody had one computer as their computer. We didn't have a desktop. We had our notebook computers, and they were hunky things, but that was our computer, our notebook computer. Even in Washington, that was our computer. We lugged them around. And we all bought ourselves our own 300 baud modem so we could read All-In-One from the hotel. It was quite something.

I was working on these projects. But as the senior and then principal country officer, I had some strategic responsibilities. At the retreat we had to figure out what we were going to say and the new country assistance strategy. I don't think they were called that then. I don't think they changed the name.

But, anyway, I arrived with Mao's *Little Red Book* from which I had selected five things that Chairman Mao had said about China's future and that we came at a time when it appeared that the Chinese authorities were actually taking those parts of Chairman Mao's book quite seriously, so we should do this.

This Javed--who was a man, who was a very intelligent man, very cultured--Javed liked this. And so there was a big argument over grades, and I got one of the--I got promoted to principal country officer relatively quickly over the ambitions of several of my peers who never really forgave me for the fact that I got in one of Javed's positions.

ZIEGLER: So Chairman Mao paid off for you.

CADARIO: Well, Chairman Mao paid off for me. And I remember my first trip to China, and it was my first trip, and I was sent along with a large mission that was looking at rural development. I don't remember whether it was rural credit or rural credit, rural development more narrowly. But we first landed there, and I had been to China as a tourist two years earlier, and to arrive at the Shangri-La Hotel--because there was nothing like it in China when I was there as a tourist--and there was marble and the television worked (not that there was any international television), but it was a really nice hotel.

ZIEGLER: So this was in Beijing?

CADARIO: In Beijing. And to arrive there, and so this is very different. And then we had our humble office at the Xiyuan Hotel Compound, and it was on the hotel shuttle they would drop you off there or you could walk in about 40 minutes, which I used to do, except in the real heat of summer because, although it was a very roundabout route in those days, it was one that was, nonetheless, navigable and bicycles and cars stopped for you when they should. But it also, I felt, gave me an idea not only to be in touch with Beijing waking up in the morning but also practice my Chinese because those were the days

when the Bank felt that we should offer staff the opportunity to speak the language.

But the Chinese were not going to have people speaking bad Chinese and being misunderstood. Meetings were conducted in English and in Chinese, and there were good interpreters. The Chinese said, "We're not going to have, we're going to run the risk of misunderstanding. We don't want the best people who speak Chinese brought to China. We want the best people."

So on the first . . .

ZIEGLER: Excuse me, Paul. I don't want to interrupt too much, but you say those were the days when people were encouraged to speak Chinese. So that's no longer the case?

CADARIO: I think that it became progressively more difficult, unless you really had managerial support to learn to speak another language. I think that that's probably changed now, but, nonetheless, one could say that my knowledge of my taking Chinese was recreational, if you will. Nevertheless, I worked hard at it, and I had my tapes and I had my book and I had my tutor, and he tried to get me to do characters, and I said, "Characters don't help me in a meeting, and I know enough of structured characters after three weeks of your trying to get me to read characters. I know how they work, but I want to talk. That's what I want to do. I want to be able to listen, and I want to be able to talk."

ZIEGLER: So the Chinese wanted to be able conduct all these meetings in English . . .

CADARIO: Well, their best experts didn't speak English, but they knew our best experts certainly didn't speak Chinese. And they wanted the best experts.

The Bank also played a very important facilitating role. Like, I recall that I think we brought Paul Volcker over to China to talk at a conference because the Bank had a convening authority. And we could call up and say, "Mr. Volcker, would you like to go to China?" Of course, everybody wanted to go to China because this was a time when you would run into people in the hotel who were there to do business. They were, and, of course, so we were with the World Bank. Well, then they'd want to know how they could do business and who did I know because they all realized it was *guanxi* Chinese connections. And now the World Bank couldn't do much for them, but, nonetheless--for these commercial people--but, nonetheless, the place was just the Wild West and everybody saw that China was opening up and they wanted to be part of the action.

Yes, there were so many meetings in China that I remember as if they were yesterday, but I'm not going to talk about all of them. But the first mission, the first meeting I went to was with a large group led by one of the senior agriculture people in the China Department, and it was looking at some aspect of rural development and rural credit. So I was the principal country officer, I tagged along.

Well, it was very interesting because it was this Minister, I think his name was Du Rensheng, and he was in the Central Committee, I think, and his communist party number was 3, a lower number than Mao Zedong's and Deng Xiaoping's numbers. And he was a very important person and a reformer. So there was a meeting, and it was very formal. And it was in, actually, a very nice conference room, as opposed to most of the meetings in China, which were grungy, terrible conference rooms. And the Chinese had a practice, which may exist even to this day, that you never met them in their offices. You always met them in a conference room because their offices, it turned out, were pretty awful. They were big, what we would call open offices, like the president's installed on the 12th floor but with beds and things. So you met in a conference room, and you weren't disturbed. And tea was served, and there were doilies everywhere, and it was all very formal. We were on one side, and they were on the other.

So we were in a room which was soft, with soft chairs, and we all sat around in a circle or a semi-circle around him. At the end of the meeting--and I don't know why this happened--Mr. Du, the honcho, came over to me and he said, "Mr. Cadario, I understand this is your first visit to China."

Well, I hadn't been introduced, so I tried some Chinese, and he laughed and said my Chinese was very good, and I said, "No, it isn't."

And he said, "Well, and I understand you worked on Africa." And I'm thinking I didn't tell him this, but he seemed to know. And he said, "Well, I'm pleased that we're going to benefit from your experience in the Bank." Again, I have no idea how he knew this. And he said, "Oh, there was one thing I forgot to mention to your colleagues."

And I said, "Well, this is my first trip to China. I very much enjoy the honor of working with your country and also learning about it, and that's why I'm taking a little bit of Chinese."

And he says, "Yes, that's a good thing to do. But I think one thing that people who come to China in our period of reform and opening to the outside world"—"reform and opening to the outside world" we would just write ROOW when we were taking notes because (I used to be able to say that in Chinese; it's *geige Kaifeng*) and then the market economy with Chinese characteristics, they all had slogans, just like the World Bank under Jim Kim. But the Chinese were actually implementing things. So he said, "Well, what people who look at China today, as the Soviet Union is trying to figure out what to do, what they really don't get is that we had the Cultural Revolution. And so all the people today who are in charge remember what happened to their predecessors because they didn't deliver." He didn't use "deliver," but it was something along the lines of "no civil servant who wishes to resist reform will get away with it, and they all know better because we're determined to do it." That was the sub-title. But the part--and I felt very honored that he told me this because when I repeated this in the van back to the office, people, people who long worked on China, were just stunned that someone of his seniority in the party would say this and that he would say it to somebody who was on his first trip to China. But he seemed to know who I was, and I could never figure out why and I never learned why.

Anyway, that part about, "Well, the bureaucrats are all on their toes because reformers give orders and the bureaucrats know what happens if they don't do what needs to be done" I think was largely true, at least at that stage in China's development, that the Chinese realized that we had access or, rather, had been given access to the people who wanted reform, including the premier, Zhao Ziyang. And it was said that for the third economic report on China we got Deng Xiaoping's marked up copy, that when the--and the Bank paid for the translations, and the translations were sent to the Ministry of Finance, who distributed them, and then they came back with what the Chinese wanted changed, and that we apparently had Deng Xiaoping's marked-up copy and apparently it had suggested that the Bank needed to go further in certain areas. I never--I never saw it. That may have been an urban myth, but nonetheless . . .

ZIEGLER: He was still active at that time?

CADARIO: Oh, yes, Deng Xiaoping was very active. I think he--he was no longer the premier, but he was still the senior leader and in Tiananmen was thought to be the person that gave the orders. But you were in the shadow of Deng Xiaoping, even though a new generation of bureaucrats was in charge, including Li Peng, the premier, and--oh, no, Li Peng, the prime minister, and Zhao Ziyang, who was the premier.

And the Bank was very tight with Zhao Ziyang because he was a reformer. And in fact there was a picture of Zhao Ziyang and Ed Lim in Ed Lim's office in a place with great privilege and prominence, along with a big large character figure, and I don't remember what it said, but it was said to be calligraphy that Zhao

Paul Cadario

April 4, 17, 22 and 30, 2013

Final Edited

Ziyang had commissioned for the opening of the Bank's office. And I think if you go to the Beijing office today, that calligraphy is big as that wall, like [the photos of] three former World Bank presidents, it was big, maybe two former World Bank presidents. It was a big, big piece.

So we chugged along, and it was very heady in China because there was a lot going on. And people who had been in China in the '80s, and even those of us who had been in China two years before '87, the reorganization, it was--the place was bustling. It was very controlled. There weren't tall buildings, but--and we were, and I got--I went on mission with a team that was giving advice on Shanghai. And that was really--I spent most of my time in Beijing, either accompanying missions or with my own projects that I was supervising, which were interesting because I was--I established some rules that were different from the ones that my predecessor had had, and the Ministry of Finance, there were some people in the Ministry of Finance and--actually, the State Planning Commission--actually thought that the rules were, we needed to know why there needs to be a trip and we needed to know who was in charge of the delegations, whatever.

So it was--it was a very interesting time. And there was an increasing level of frankness with the Chinese. I remember, in fact, the first mission was quite something because China had gotten worried about sovereign debt because there had been a big crisis in Mexico, and so China had asked the Bank to give advice on sovereign debt because the provinces were borrowing. So we brought in--I think it was Ishrat Husain. It was someone; I think the head of the external debt part of DEC [Development Economics Vice Presidency]. So he was brought to China by Christine Wallich, the country economist. And she and I worked together, and she was fabulous to work with, a great economist, along with Peter Harrold, who was in the Beijing office.

So Christine and I arrived, and we brought Ishrat Husain. We had a meeting with the Ministry of Finance, and they had invited some people from--because the Ministry of Finance was very siloed--but the World Bank Department invited people from the Debt Division. So the people from the Debt Division said, "Well, it's very clear that we insist that when the provinces borrow abroad, we insist that it says it's not sovereign debt of the People's Republic of China. And we have a regulation. Here's the regulation," da, da.

So this was all explained to our [Bank] colleague from the Debt Division, who says, in English, "Yes, that's what Mexico thought."

And all the people on the other side of the table who spoke English went, "Ah." And then it was translated into Chinese, and all the people who spoke Chinese went, "Ah," just horrified.

And then he explained why, because it's common currency, and you may not have, you may not think that you're not responsible but the capital markets are going to punish you if any of these people decide to default and you, therefore, have to acknowledge that if you let them go out and do this then, whether, even if you say you have laws, they don't really matter much if your sovereign debt is challenged and your credit rating is challenged.

Well, China didn't have big external debt then and doesn't have one now. Nonetheless, the Chinese are very concerned because what was going on in some of the provinces was really quite vast, there were a lot of experiments going on, an awful lot of experiments. And so it was, oh . . .

ZIEGLER: Different kind of projects or . . .

CADARIO: Well, no, the Chinese were doing their own projects. Like we were lucky if they invited us to come in and look at them, and then would we like to make a loan to finance township and village

enterprises. So the Bank was falling all over itself to lend money to China, in part, as I found out later, because if China borrowed money with a high credit rating, then the Bank could lend more to places like Russia. That was later.

So the Chinese were booming and the country was booming. So then '89 happened, and I don't think any of us who worked on China when it began in early May with the protests around the funeral of a previous premier, but there were student protests to commemorate this man's death, and they were about corruption.

ZIEGLER: There was something in the press just about that guy a couple of days ago I saw. Anyway .

CADARIO: Hu Yaobang, I think.

ZIEGLER: Yeah, I think . .

CADARIO: I really . .

ZIEGLER: I think that is. I think that is . . .

CADARIO: Anyway, the premier who was venerated as someone who had been a reformer. He was venerated as someone who was honest. And then the students were complaining about two things: corruption, which had not reached the level it's reached now, and inflation.

So one of the things that was going on is the Chinese were busy building stuff, but they didn't really have the tools and macro-management, so inflation because of the barriers and imperfections of the Chinese internal market. And this has been the other thing that Mr. Du at the--when the first meeting I was talking about where he was, "People forget that there was a Cultural Revolution, and that's why the bureaucrats do what they're told." The other point he made was, "China does not have an interstate commerce clause, so the provinces are busy setting up as if they were their own country, and there are no national markets to help us manage. You're assuming that we have national markets that we can move, we can use as part of--that the economy works that way. That's not the way the Chinese economy works." And he didn't say this, but it was, "This is going to be a big problem for us because it will create competition between the provinces, everyone will want their own steel mills, whether they've got iron, ore, and coal, and whatever. They will all want their own electricity plants. We won't have a national grid, et cetera, et cetera, et cetera," which, of course, was used to justify the strong power of the central government, the emperor, and all the central ministries who were building railways and this, that, and the other.

Nonetheless, the provincial leaders were basically saying, "Well, I have a province of 25 million people or 30 million or 50 million or 75 million, and I'm like a state here." Like it was warlords but, of course, history of warlordism, too. So this was all the sub-title. He wanted to look at that little playback.

So '89, it started off. I know Zao Ziyang was a liberal guy, so there were protests. Well, in the course of April and May, the protests expanded and expanded and expanded to the point where we had missions: May was peak season for missions. There were missions all over Beijing. They didn't all stay at the Shangri-La because there were other hotels in different parts of the city, so we had staff everywhere. Some of the missions stayed at a hotel which was near their ministry because it was easier, and, , that was when it took 25 minutes to get across the city, which was a long time ago. And, today, foreigners would use this metro. Well, that wasn't done then.

So, anyway, the protests went on. Those of us who were in Washington were jealous because all our

friends could be down at the square and see what was going on. It was really--it was fun . . .

ZIEGLER: You did not participate . . .

CADARIO: No, not participate. But it was interesting that Bank people were there. There was a buzz in the city, and I think that there was a genuine excitement that maybe this would spur, this would strengthen the hand of the reformers. And the students were, clearly wanted reform and they wanted reform fast.

Well, alas, that was not the way it turned out. And I don't know when we knew that things were not very good. But I'll tell you the story about what happened on June the 4th. And, um . . .

ZIEGLER: This was 1989?

CADARIO: 1989. And they've got a huge number of people in China. So we get home from a farewell party for a friend. It was held in the afternoon for a friend of ours from the State Department, and I turned on CNN and I see on CNN the tanks moving into the square live, around 5:00 in the afternoon. So this was 5 in the morning in Beijing, and this is live from Beijing. And I looked at that and thought, "Hmm." And there had already been some security advice: don't go to the demonstration.

ZIEGLER: Now, you're . . .

CADARIO: I'm here in Washington. I'm the principal country officer. I'm in Washington. I pick up the phone, and I call Bank security and identify myself, and I say, "We need a list of everybody who's in China and where they are, and we're going to need that."

"Oh, no, it's only a phase one under UNDP, under UN phase warnings."

I said, "It may be phase one now. I don't know whether you're watching CNN, but I predict it will not be phase one much longer and we will need that list very quickly."

So the phone rings at 2:00 in the morning, and it's Bank security to say, "Well, we can't find anybody else. You're on the list. Yes, it's now phase 5." And . . .

ZIEGLER: Which was the top . . .

CADARIO: Which is the top, no missions, evacuate everybody.

So of course I, like everybody else in the world, watched with horror as stories came out of China. Basically, nobody would go to China. Flights stopped. You couldn't get in, you couldn't get out. The airports were closed, I guess. And then the word got out about, well, what may have happened in the square because there were enough people going around, talking about what had happened, where things were going. China was not exactly sealed off the way I think the Chinese can do it today, but word was getting out. There were enough journalists there, enough foreigners who were able to phone and say, "Well, we're okay, but this is what we hear happened."

And then pictures started to come out.

So the world is in trauma, and the world doesn't know quite what to do. And China is sealed off and has done something that everybody imagines is horrible and gruesome, as it was.

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

And then as the week went on, we had the guy standing in front of the tanks. Like, enough was coming out of China that we know that whatever happened is not over. So Bank is, "No more missions to China, and we've got to get everybody out." So there was a whole drama about where is everybody, and the list had been quite useful to have because they could then where, they, there, there, there. And nobody knew quite what to do because I don't think we'd ever imagined we'd have to do an evacuation from China, but the Bank was talking to UN about what to do.

In the course of that week everybody who worked on China was quite dismayed about this, that we couldn't have imagined this, and our friends were in Beijing and people we worked with. We don't know whether they're safe, we don't whether our Chinese, where were our Chinese staff or where were their children when this was going on? And I think that I'm not aware that anyone from China, like any of our staff or contracts, lost children in what happened at Tiananmen, but we didn't know that at the time.

Sometime later that week--but it was--the whole world was outraged. And I think at this point the Bank didn't know quite what to do because we, of course, had lending, we had projects to go to the Board in June. It was bunching season. We had like a billion dollars' worth of lending already to go, all scheduled.

And I think at this point there was, "Well, what's the Bank going to do? Is the Bank going to lend [REDACTED]?" And they were called, rightly, every name in the book.

ZIEGLER: Now, this is just generally in the press . . .

CADARIO: Well, the press and even those of us working on China. It wasn't clear, even though I was, principal country officer, I wasn't quite clear what exactly the voice of the Board was. Well, so Javed Burki, who is from a fine Pakistani military family, a cultured man, decided to call the staff together. So he calls the staff together to say, "Well, it's going to be business as usual and this is just a minor blip, and we have to keep working," blah, blah, blah, which he thought was a pep talk. Well, this was not the way to handle the staff at the Bank.

So we all sat there and listened to this and went out, and I said, "I can't believe he said that. I'm horrified that he would just say this is business as usual because, first, like, even if you get into the whole issue of, well, can we go there, and we can't, we can't go there, we don't know what any of our interlocutors, what's happened to any of them. We suspect that there are bad people in charge who might not be people we can work with. And the world--I work on China. I have to be careful who I say that to in this city because the whole issue of supporting [REDACTED] is eventually going to be a problem. I just can't believe he said that." And we're all feeling terrible.

So, anyway, that afternoon I was summoned to Javed's office. "I understand you have been criticizing what I said this morning, and I just can't have this insubordination, particularly from the people that I trust and that I rely on."

And I said, "Javed, you totally misplayed that this morning. It may be okay for you that military government shoot their youth in large numbers on global television and that that's just the way it happens. It's not okay for the rest of us, and you absolutely misjudged the feeling in this department because we have our colleagues in the Beijing office, we have all the people we work with. We don't know anything about them. We are all in shock about what's going on in the country we're all committed, like you are, to help, and this is what they do. And you sit there and act as if it's business as usual."

"Well, how dare you criticize me in the corridor."

"Well, you certainly didn't open much space in the meeting for us to say anything, did you, Javed? You

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

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didn't even take questions. You just made your announcement and left. And I'm frankly quite worried because you heard what I said. I don't regret that I said that. Maybe I should have come to see you, but you've been so busy upstairs. When did you find time? And if you were going to say that, maybe you could have tested it on some of us that you claim are the people that help you run this department and deliver a great program. Yeah, I don't want the program to go under, but we can't go to the Board if they're all going to vote this down because that would be terrible. But, anyway, Javed, you misplayed it. I'm sorry you found out in the corridor, but I'm not sorry you found out. And if you'd asked me early this morning or yesterday, I would have told you the same thing."

Well, Javed was shocked because no one spoke to Javed that way. But Javed realized that I'm probably not the only person in the department that felt this way. So Javed had to backpedal a bit, but Javed was not one to backpedal. Javed also had to be very careful because he knew that . .

ZIEGLER: Now, you did like the guy.

CADARIO: Oh, yeah, I did like the guy. Yes, I liked working with him. Oh, no, I liked working with him, but he was a man for whom no amount of flattery was excessive. And he was from a Pakistani military family, like when the prime minister of Pakistan was in a plane that blew up, everything was canceled, not because Javed was in mourning but because Javed spent the whole day in his office with the door closed on the phone. One of the assistants came and told me all the calls that had been put through to Pakistan for Javed to talk to all of his friends in the government. So Javed was a very political animal. Very smart fellow, very strategic.

And I think in a way that brought us closer together because I was just one of the people who worked for him, but he realized that I was someone who would speak frankly to him. And, given that--and he surrounded himself with people who spoke diplomatically, and he had his Pakistani buddies and all this, but realized (a) I had a following and (b) I'd tell him what was going on as I always had, but I think he realized that we actually did have a pretty good connection.

I was also one of his only senior staff who had taken the trouble to learn Chinese, so he appreciated that. And in the two years since the time I worked there I had gotten the Ministry of Finance to do some things that they wouldn't have done. I was able to prevent some stuff that the projects people wanted to do that was not a good idea, and I was a little badass on some of that, as far as Javed was concerned. But, nonetheless, Javed appreciated that I was prepared to go through things and be vigilant about, "Well, does this move us in the direction where we've agreed to go or not and what were the risks?"

So about a week later, as all hell is breaking loose, the Americans, the Board has basically sent a signal, "Don't bring us any projects for China because"--in fact, the Americans were under legislative instruction not to support them. So the Bank's management was in trouble, too.

And also we had to get everybody out of China. So finally we got everybody out of China.

Now, there's one little paren, and I don't know what happened. But a couple of days, I think this was the Thursday, and the vice president had to go to the Board about what's going on in China, what are we going to do . .

ZIEGLER: This is the regional . . .

CADARIO: Regional vice president. I think it was Attila Karaosmanoğlu. I talked to David Pearce, who was the number two in the Beijing office, and he described to me what it was like to be in Beijing and the climate of uncertainty, and there was some fear. And he and his wife lived in the diplomatic

apartments on the other side of the city, as did all of our staff, not that far from Tiananmen, several kilometers from Tiananmen in the diplomatic zone and on the side of the city closest to the airport, which if you need to pull everybody out, you pull everybody out.

So I reported to someone in the regional front office that I had just been on the phone with David Pearce, and David had told me this. And the regional vice president goes into the Board and announces, "We're pulling everybody from China," a decision that I didn't know had been made, except that I always had the feeling that there were the people who were saying, "Well, no, this will all pass," including Javed, who were horrified that the regional vice president, on the basis of what he had heard I had heard, decided to pull out.

Now, I have no idea exactly what the cause and effect was, and it wasn't as if I was taken out and shot like a student in the square. But I did have the sense for a couple of months that there were some people who were deeply angry that we pulled everybody out of China on the basis of my conversation with the number two at the office that had been judged by the RVP who was the one who had to make the call and the one that would have to be ultimately responsible in front of the Board.

And the Chinese, of course, were acting as if everything was fine, no need to pull back, because the Chinese really wanted the legitimacy of the Bank. And, also, the Chinese--it wasn't just the matter of the major shareholders won't vote for the project. The Chinese said, "Well, excuse me, you promised to lend us this money."

So the Bank was, in a way, caught between a rich and powerful and important country--maybe not yet a major shareholder but a country everybody saw the World Bank is playing a huge role and the Chinese loved us and wanted to borrow scads of money from us--and the shareholders, the major shareholders, the Europeans, Canadians, the Americans, you name it, Japanese, everybody is saying we're not going to vote for anything you bring for China.

ZIEGLER: So there's a non-starter with the Board in terms of . . .

CADARIO: Well, that's right, but also the Chinese were furious. And then when we pull out all our staff, there was--so Javed was, I think, under some--he was--this was not a good time for Javed.

So a week after he and I had the little "come to Jesus moment" in his office, Javed announces that he's going to China to check things out--and it's still very uncertain--he's going to China to check things out now that flights resumed, or some--and he's taking me with him. Well, of course, this was--it ended up he never took me with him. He announced he was taking me with him if I would go, and because it was sort of hinting, "I'm taking the person who reflected your views with me."

It ended up where he backed away from that and went by himself. But having announced he was prepared to take me, wanted me to come if I would come, and then it was, "Well, I've decided to go by myself, Paul."

And I said, "No, I don't mind. I would have come with you, and I think I could have helped, but I completely understand that you want to have meetings and you can go."

And, of course, I think he was intending to repair his--his relations. So I made it clear that Javed--I just said, "Javed has decided to go by himself," and everybody read that for what it was worth.

So, anyway, Javed went and came back and none of the projects went to the Board. And so the Bank missed its lending targets, the China Department missed its funding targets and lending targets, the golden

shovel, you got to shovel that money out. And the Chinese were great because it approved its projects and when they were ready to declare it effective they would sign just before they were ready to declare it effective so they wouldn't have to pay commitment charges. And then they were ready to disperse. They were really well organized. And the projects in China, even the ones that were difficult, worked really well. The Chinese were good at project implementation, and it was a matter of not only capability but also face. If they signed a loan, then they were going to do what was fair.

And so there was a lot of tough negotiating. Conditionality was not something you did in China.

So time goes on. And in July it's worked out, "Well, maybe we can't make any new loans for China, but we have a portfolio of 167 projects"--I think that was the number--"and we have to go check on them. The only way we'll get back in is if we can show the projects we're implementing are being implemented correctly, and we haven't been to see. Because we pulled all the missions out in early June, we don't know what's happened."

So the Chinese received this wave of supervision missions to look at each and every one of our projects, and I was leading one of the first ones for my Planning and Support Special Studies Project. And then I was going to hang out with some of the other missions in Beijing.

So this is the first--I think I was one of the first missions back into China, and I took a couple of colleagues. And you could tell things were different because the city had this very peaceful, eerie air about it and, of course, no evidence that there had been any trouble, even though there must have been. And the taxi drivers, when you asked, they would not take you to where some of the most awful things had happened. Some of the areas were actually where our Ministry of Finance colleagues lived, a place called Muxidi, which had been the intersection where the public had, I think, ambushed and burned three policemen and strung them up on a bridge. So there were places where people we knew lived where ugly things had happened, and you didn't know what to do. And by being there, well, what signal are you sending?

But you knew it was a little different because the Chinese were even more hospitable than usual. And I finally said, "I'm not doing two banquets a day. Tell them that's nice, but I'm going to have breakfast, and then if they want to have me to a banquet at night, that's fine. But I'm not having two banquets a day. It just cuts into the day, and I come back looking like Porky Pig." This was before I knew the secret that the Chinese were all so skinny because you use chopsticks to push the stuff around your plate, you don't actually eat it. I like Chinese food.

So we were being feted, and the hosts were people two levels above the people we normally were feted by. So the State Planning Commission and Ministry of Finance, the first banquet for my mission was by a deputy director of the State Planning Commission--the guy who was in charge of the project, his boss's boss, and a level above that. He was a very high official.

So off we go to this restaurant to have dinner, and they have a young man who is our interpreter; there was only one other interpreter I can remember of his caliber the whole time I worked on China. He was so good (because by this time I knew enough Chinese, and I'm thinking he's very good), a young guy; probably in his 20s, and--you never know--maybe he was in the square.

But the purpose of this banquet was to persuade me that nothing had happened, so it actually wasn't a big deal and so on. And I'm saying, "Well, the purpose of our mission, deputy director--thank you so much for the lovely meal--and the purpose of our mission is to see how the projects are going so that we can offer reassurances to our members in Management and the Board that the government of China is prepared to continue with the projects we've already lent for, and I'm happy to be involved with SPC."

"Ah, but it's very important to understand," he kept saying.

And so the interpreter is sweating bullets because he's got to interpret something, and I'm watching him as he's interpreting, and I'm thinking, "I pity this poor kid," because his interpretation has got to be perfect because this guy--this is in English, but it was quite clear that the interpretation was really part of what had to happen. And I was pretty sure the interpretation was correct and very accurate, but the kid was clearly having trouble. Impeccable translation, but he was having trouble.

I'm trying to get back to why we had come to China while he's trying to get, "So the world really doesn't understand."

And I said, "Well, actually, I do think the world understands China's commitment to openness and reform. That's why we've come to see whether the conditions for that are still in place." And so I've upped the ante on our side. So the interpreter looks at me and he interprets that.

"Ah." So it's not clear where the conversation was going, what's really important--and then we got into, well, stability. And as soon as you say "stability," that's a political word. And our host reverts to "nothing happened." So he, the director, is going on, trying to get me to engage on "nothing happened in the square and I'll take your word for it." And the interpreter is then becoming nervous again.

So I said, "Well, this is a very interesting conversation, completely," I said, "in line of why the World Bank has sent this mission, me and my colleagues. I'm not sure it's useful to continue this because," I said, looking at director straight and then looking at the interpreter, "we all know what happened." And I stopped. And the interpreter translated that exactly. My Chinese then was not bad. He translated it exactly and with the same tone, not tone as in Chinese words but with the same, "we all know what happened."

And the director looked at me, and he said, "Yes, we do."

And I said, "Fine."

And he said, "Fine."

[Begin Tape 1, Side B]

CADARIO: Virtually everything that we were doing to continue--there were delays because, frankly, people were worried about other things during June and July but also during May. Nonetheless, by the fall of 1989, the portfolio was as healthy as it had been, but we still couldn't do any new lending because the Board said, "Don't bring us anything."

And, "Well, can we appraise things?"

"Well, if you appraise things," the Chinese are saying--well, I think we all knew it would clear, but the question is how are we going to resume our lending?

"Well," we said, "maybe only for health and maybe only for this."

"Well," the Chinese said, "we just don't want health, just health, just education. No, no, no, no, we want big infrastructure."

ZIEGLER: At this point in time, now, right today, they don't really need our money . . .

CADARIO: No, they didn't need it then either.

ZIEGLER: They didn't? That was my question.

CADARIO: No, they didn't need it then either. What they were interested in is they were interested in technology and they were interested in international competitive bidding, for reasons that have only now become clear, because they became experts at it and that's why they win all these contracts all over the world because they're good at ICB, and where did they learn that? Borrowing from the World Bank. So there are useful things to learn from the World Bank.

Also, if you look at reforms that the Chinese have done over the last twenty years, a lot of it is based on economic work that was done: housing reform, health reform, all sorts of things. And a lot of the things they're doing now to fix the safety net that they messed up were basically reacting today to things we told them then, that the downside of doing this is the following, that you have to be careful of moving to insurance, you have to be careful in getting rid of the social protections that are incorporated in the iron rice bowl.

So there were a lot of things where if you dust off a lot of the early economic work for China, as the people who did the China 2030 report did, you find that the Bank helped China analyze and become comfortable with its own ability to see problems and fix them. And then when things went wrong, not that the Bank would ever say "I told you so," it was because the Chinese looked at what the downside might be and maybe thought, "Well, no, we can avoid this." Well, they couldn't, or it was at a scale where it was hard to avoid. So that I think that, over the years, the usefulness of the Bank's knowledge work became more obvious.

Now, whether it was the usefulness of the knowledge work we're doing today or whether it was the usefulness of the knowledge work we did with blue ribbon teams in the past, I wouldn't want to comment. We had some excellent, excellent country directors who were basically all in the same mold. They were all economists. And then you had number two; who was the project implementation person. That's what we had done in India, and I think probably, if you consider that the main advantage for the big middle income countries--well, for the BRICS [Brazil, Russia, India, China, South Africa]--is you have a dialogue, so they don't really don't need the money. And then you do projects to show them how to do things that they've not done before.

I think, actually, that's a good model, and it might be a model and a reorganization of the Bank that might happen next year or the year after to look at, well, whether you segment the Bank's clients by complexity of their economy, rather than by region. That might be a way that would be a better way to mobilize the Bank's knowledge and apply it directly to needs of clients who vary, whether you're China or whether you're Somalia or whether you're China or you're Laos. Okay. So what do they have in common? They're both in East Asia. But China and Laos are quite different.

Where you get into trouble is where you've got pockets of a country that are not like the rest of the country, like Mindanao post-conflict. Well, if you're not going to put the Philippines with the failed states, you've got to put them with middle income countries. And then how do you deal with Mindanao?

So you have those cross-cutting things of which I don't think there are very many. But, nonetheless, you've got to figure out how to do that, and the Bank has never done cross support very well. That's a subject for further conversation.

So by '89, late '89, we were stuck. We had this portfolio that was working. We couldn't do any new

lending. It wasn't clear what we could do it for.

Then there was a little earthquake north of Beijing. Now the--actually west of Beijing, not very far from Beijing but near Datong, which was a small secondary city of like three million people, not so small, which was . . .

ZIEGLER: But small for China.

CADARIO: For China. A city that was hard to get to, even though there was an overnight rail train, and I don't know whether we actually had a lot of presence, but it was the manufacturing headquarters of the Ministry of Railways, so it was a town of some importance. There was coal in the area.

So there was a little earthquake. And this, of course, given the context, had the heavens announced their disapproval of China by . . .

ZIEGLER: The mandate of heaven and all that.

CADARIO: So this is an earthquake. Well, all right. Well, it's an earthquake. It's China. So Javed decides, "Well, maybe we should see if could be helpful." So the country office persuades the Ministry of Finance that we should go and look at China, look at Datong. So the country office goes out, and a report is written back about devastation of North China, the northern China earthquake. So Javed says, "We're going to do an earthquake reconstruction project and, Paul, you're going to be the TTL for this. You're actually going to be the TTL of record though we're going to put the project advisor on."

The project advisor was a good Pakistani gentleman just like Javed, who was, shall we say, more junior in the military so he did what he was told. Nice guy. Daoud Ahmed. So Daoud and I--well, it was China, so we hired somebody who was *the* expert in building earthquake-proof housing out of traditional materials, a Mexican engineer who lived over in Georgetown.

So off we went to Beijing, end of November, to prepare and appraise the North China earthquake project. And I was the TTL of record, but there were engineers and all that as well. And also, I write well, so Javed figured, "We'll get a good PAD out of Paul and we'll get it done quickly. And also we think we can go, because we can talk about the devastation." And the Chinese--the Chinese were good at showing all the mud huts. Well, basically, these were mud huts that have been knocked down. Mud huts with color televisions and mud huts with TV aerials and mud huts with microwave ovens, but they were mud huts.

So off we went, took the overnight train to Datong with people from the country office and a couple of Chinese colleagues. Off we went to Datong, and then we went to the place that had been devastated, and so all the mud huts had fallen down. And really these were not rich people. They were poor people, but what's interesting about this area is you had all the government buildings made of brick and they cracked a bit, but they were there. And then you had the mud huts that had fallen down, and I can't remember how many people were killed. It was--'89 was also the Loma Prieta earthquake, so I think, in fact, I stopped in San Francisco on the way to Beijing. And San Francisco had had an earthquake, and I don't know how many people were killed and vast devastation and all this.

Part of what we had to do in those days when you did an emergency reconstruction project is you had to do a prevention component. Nobody knew what they were. So I had to do a little component with the China Earthquake Bureau, so we put that in and then we went off.

Well, this place, the people were sort of back to normal and the military was there and there was temporary housing. The guy from Mexico said, "Okay, well, the way to reinforce mud huts is actually

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

very simple. You put chicken wire on the inside of the mud hut and then you put stucco over the chicken wire and then it's resilient."

Well, the Chinese earthquake people said, "No, no, no, no, we have to build brick houses for all these people. If these peasants weren't living in mud huts, then they'd be fine. Look at the schools."

And so the Mexican earthquake guy looked at the schools and says, "Well, you're lucky because these schools will fall down the next time there's an earthquake. Look at this. Look at this. Look at this," like they were good at building things they thought were earthquake-resistant, but the whole idea of what makes something earthquake-resistant--and you could tell that a little more shaking and all these brick buildings, low-level brick buildings, would have fallen.

So we're having a debate over the appropriate technology for this. And we would also go to villages. The deputy res rep in the Beijing office brought his wife. He was Dutch, his wife was Dutch, blond, long hair, and had a camera. And we were pretty sure that no one had ever seen a foreign woman before, and they had seen precious few foreigners, period, 200 kilometers from Beijing.

So, anyway, we did all this debating over construction standards. And so one night our earthquake buddies disappeared, and the next morning they came back and they said to the Mexican earthquake guy, "Okay, we took your designs here and we sent word back to Beijing, and we went last night and we built a model of what you want to do, and we shook it on one of our shaking tables, and it was okay. So we're prepared to use this technology." But they were also desperate to get back into the Bank's good graces and resume borrowing.

So we had an earthquake preparedness component, and it was done. So we had to go to the Board. So we wrote the PAD, went to the Board in February and it passed, so we'd broken the ice to resume our relationship with China. So that was how we got back in in early 1990, and it worked. And I think eventually we got everything back to normal. It took a while. And the Chinese were also doing their own diplomatic things, and I think they were also careful to suppress what had gone on.

There was, apparently, a report written about the whole thing, which I have never seen. I was not asked to contribute to the report. Whether it was, fault finding or blaming, I don't know. But I think by this point we were back to normal with China.

ZIEGLER: Did the Dutch lady attract much attention?

CADARIO: Oh, yes.

ZIEGLER: You . . .

CADARIO: Oh, yes, the Dutch lady, people followed her around, And she, of course, touched all the babies, and this was a good thing. It was very interesting.

One of the members of the mission, a consultant, was somebody who collected fountain pens. And so he wanted to go to buy a Chinese fountain pen because he wanted one, a particular kind. So one of our guys from the country office and I and this guy went to a department store in Datong, which was bleak, covered with dust, lights were not lighting. And we arrived, and nobody in there. "Oh, this is a very nice fountain pen. Oh, this is good. Well, how much is it?" and he said this all in Chinese.

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

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So China, at that point, used what were called foreign exchange certificates. If you were a foreigner, you had FECs. And they were the same, one FEC for one renminbi. But if you were in a luxury hotel, all you could use was an FEC. In fact, they devalued the renminbi one night and we got word, so we all went and paid our hotel bills, the night before. It got outside, but it didn't get back to Beijing. So we all paid our hotel bills in the renminbi before they had adjusted renminbi upwards.

He gets out the FECs to pay, and the shopkeeper, the clerk, looks and says, in Chinese, "Oh, this must be a new kind of currency. I don't recognize this currency." And, of course, the FEC is English all over, in addition to Chinese.

So the guy from the country office says, "Oh, let me," and pulls out renminbi and pays.

And it was fascinating to go to a country where they've never seen a blond Dutch woman and they had never seen the foreign exchange certificates, which, of course, those of us who worked in Beijing, they would take them anywhere. You'd get change in yuan, but you didn't particularly want that.

But, nonetheless, it was a country of phenomenal paradoxes, as we were--and this is barely fifteen years after they've opened to the outside world, less than fifteen years after when the rural reforms began.

So the Bank was very heavily involved in the reform period. A lot of very clever Chinese staff came from the country office to headquarters, [REDACTED] But it was, it was, it was an exciting time. And then we went on, and of course Javed felt that now that we have business resumed, we have to lend them lots of money, lots and lots of money.

So on my last mission to China in 1992, before I started, before I changed jobs working on technical or institutional involvement in Asia, the last mission, there had been a bet with the head of the--or the director of the State Planning Commission, would the Bank be able to deliver two and a half billion dollars of lending to China in FY92.

And Javed said, "Yes, we can do this."

And the Chinese said, "No, no, no."

And, of course, in a way, it was, "Will the Chinese borrow that much money?" but it was a matter of, "Can the Bank deliver it?"

Anyway, Javed lost. So there was a bet and the bet was dinner, so Javed had to take the official and his team out to dinner. We went to Fangshan, which is a restaurant in the middle of the Beihei Gardens in Beijing. Fangshan is done in the imperial style. I guess it was like a little chalet for the emperors. And it's very touristy in some ways, but at the same time if you were taken there by Chinese people, there was a part of Fangshan that was very authentic. And it's the only restaurant in Beijing at that time that was allowed to have yellow plates because that was the imperial color. That was the only place where they were allowed to have yellow. This was before restaurants could do anything. They were all private.

So Javed says, "Okay, I'll take you to dinner." So we go off to dinner.

So we're there, and we're having dinner and, "Oh, very good, what are these?" It's the appetizer or snacks with your first drink.

"Oh, this is very nice", we all say. With our chopsticks, "What are they?"

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

RESTRICTED
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MAR 09 2016

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“They’re deep-fried scorpions,” because the host, our guest had picked the menu, and Javed is paying, so this was deep-fried scorpions. Oh, okay.

So Javed says to me, “I dare you.”

And I said, “Well, I will if you will.” Now, he wasn’t committing, but he’s more important than I am.

So, anyway, I took a deep-fried scorpion. There was just a little, hmm, crunchy, like it didn’t taste of much. The whole idea that they deep-fried the scorpion and--but that reminds of another story.

One of the things we were trying to do--and there are two, actually, it reminds me of two other stories. After we were--we had done a women and development report on China which got blocked because certain people in the Ministry of Finance, including somebody named Shengman Zhang, didn’t think this was at all important and interesting. Nonetheless, the Bank was determined. In 1988 we’re going to do this study. So I hired the foremost expert on women in China to come and be part of a mission. So we went off and . .

ZIEGLER: Now, was she American?

CADARIO: Lisa Crowell, a scholar at SOAS, School of Oriental and Asian Studies in London. So she and I wrote this report on women and China. It was, I think, quite a good report, too, but of course it was a little controversial because all the people we dealt with were men and they didn’t understand why the Bank was interested in that and they certainly didn’t understand why it should be done this way in China.

Well, of course Lisa had her connections, had different connections to the Chinese Academy of Social Sciences and the All China Women’s Federation and there was a third place. But basically she knew all the people that were doing women’s studies who were thrilled that the World Bank would be coming to look at women’s studies because they had never been able to get any traction.

So of course this was “be careful of what you wish for,” because, “well, show us your data.” And Lisa and I were writing this report, and that, of course, was one of the other reasons the Chinese didn’t really welcome the report because this woman holding up half this sky. We had all the data about women in the Party, like all these Chinese sources that we would never have had access to if it hadn’t been for her or just couldn’t have been nicer with “give us this, give us that.”

So the report was stuck. Well, can’t we go and talk to them about this report in 1989, the summer of ‘89, and the Ministry of Finance said, well, they weren’t really keen on the report anyway, but, no, you can’t come to talk about the report. Well, eventually we did the report. We were just doing everything to get into China in the hiatus.

And so one of the things we did--the Hainan province wanted to become a special place. So I got sent with two colleagues to go to Hainan province to write a report . .

ZIEGLER: Which is actually an island.

CADARIO: It’s an island.

ZIEGLER: Yeah.

CADARIO: Off southern China. And this island off the South China Sea, minorities, sea, not much,

military base, naval base. And we were introduced to the people who were down there, and they were all big reformers. But some of them were like big reformers on the, "Well, who can we welcome in that would love to build golf courses and casinos and stuff like that?" And including--there was a guy who had been in the Cultural Revolution, and it came out as you got to know people that people my age had been sent to the countryside or their parents had been sent or they were teenagers so they were sent from their elite schools and elite upbringing in the big cities, and they were sent to be peasants for several years.

ZIEGLER: This is during the Cultural Revolution.

CADARIO: Yes. And so now they were back, and here they all were in Hainan, including a guy who had written a book. I wish I could remember the name of the book, but he was--the book has a bodice-ripping title and apparently it was about love in the provinces right in the center of the Cultural Revolution. So the place was pretty racy and a bit vulgar.

So, anyway, we're taken around. So we write our report, and the report--and we're shown along, and we're shown beaches that look like Hawaii, just totally bare, unspoiled beaches, and we'll put a golf course here. Well, the three of us on the mission were not particularly excited that we were going to be encouraging the Hainan authorities to be building golf courses in Hawaii.

Anyway, the report is ready. And for whatever reason, Javed Burki decides he's going to come to Hainan because this shows we're into reform, the next wave of reform. It will start with Hainan.

"Are you sure you want to do this, Javed?"

"Well, yeah, you're going to take me, Paul."

"Oh, okay, fine."

So we go to Hainan, and of course we still haven't resumed full relations with the Chinese. And the Hainanese authorities are desperate to show how keen they are in doing reform. Javed is received at the airport like a visiting head of state.

And Javed, after we had our little spat about Tiananmen, Javed and I became good buddies, and Javed was, "Well, if anybody is going to take me to China, it's going to be Paul. And I really want Paul to come, and I'm looking forward to hearing and seeing what's going on here." So off we go.

Well, we're received. And of course Javed (as I said, a man for whom no amount of flattery was excessive) just thought this was wonderful, except when it continued into day two even Javed was becoming embarrassed at the show, and there were television cameras everywhere.

Javed was quite witty, so as we were taken around then it was like how many, how big is the entourage going to be? So Javed and I would bet a dollar on, "Are we going to have more than seven cars on the entourage?" And so it was quite fun, but you're taken around and you're having lunch with every governor, you're having tea with this person and dinner with this person. And the Hainanese could be really vulgar, just phenomenally, because they wanted to show that they were gung-ho they were for reform. In fact, it turned out there was a casino in the restaurant, in the other half of the restaurant, but judging by the women going into the casino and how they were dressed, it wasn't exactly only gambling that they did there.

Anyway, "Javed, look over there."

And I'm thinking, "Oh, my God, where have they brought us?"

And there were 25 course dinners, like they'd just go on and on and on. And Javed would say, "When is this going to end?"

And I'd say, "Well, there's a soup coming. Usually, the soup is at the end." No, then it would continue.

We had a really good woman interpreter, and it was fun. For Javed and me, this was just over the top.

So we're off somewhere and we're having--I don't think it was our second lunch of the day, but we didn't really want lunch. But, anyway, lunch was brought out. So they come--and China had a way of announcing the dishes without saying what they were, like "phoenix rising from the golden sea." That was the name of the dish, and then you'd look at it, and it would be shrimp or something. They're colorful, southern China. Very nice.

And I had said, "You are not to take Mr. Burki down any street where the dog markets are. Just don't even think of it because I don't want to have to explain what this is, so just make sure the drivers know we're not taking any shortcuts where the dogs are hung up beside the ducks and the pigs. We're not going there."

"Okay."

And so they bring out this dish and they announce it. I'm looking at it, and I'm thinking medallions of snake. I ask the server in very basic Chinese whether it's snake. She nods.

So Javed, being the highest guest--there were many servers, and they were getting ready to serve him--he says, "What is this?"

And I said, "Just put it on your plate."

"So what is it?"

I said, "Just have a piece on your plate. That's why you have chopsticks to push it around."

"What is it?"

And I said, "It's snake."

"Oh, I don't want to eat it." And so, of course, to refuse something on the plate is very rude and I'm thinking after all the *guanxi* they were trying to set up by arranging this meal, and he is now the ultimate insult of not having it on his plate. So of course that meant I had to have it on my plate, which is fine, and I had to have a little taste, and it doesn't taste like chicken. And then I got to push it around my plate. That's fine.

But there were all these little things where--and what always struck me about many of the senior staff who worked on China--because I was lucky I had a tutor for a lot of the time I worked on China. He came to my office three days a week, American with a Beijing accent, which was hilarious. He studied in Taiwan, married a Chinese wife, but he had a Beijing accent. So I had a Beijing accent, so the Chinese thought it was hilarious: "Mr. Cadario makes valiant efforts in Chinese. Sometimes he succeeds, but why does he have a Beijing accent rather than a standard one?"

So what struck me was that I worked with people who were very senior who went to a lot of meetings with people who were very senior, and they didn't even know they should say Beijing, not "bei-zhing." And they didn't know how to say thank you in Chinese. They didn't know how to say thank you properly. And I thought working with the importance of one of the oldest cultures in societies and a really important country attaches to its relationships with the World Bank, to the point where they say we're not going to have our meetings in Chinese, we're going to have them translated, because we don't want, it's so important that we understand each other, we're going to have it interpreted. For people on our side not to even make the faintest effort to say the name of the capital right doesn't really show, didn't really, in my opinion, show the level of respect. It's not the Chinese would say that. But you've got so many things that are important to talk about China that maybe that's not a big deal. But it struck me that we fell just that little bit short in dealing with an important country where those little things make such a difference.

ZIEGLER: The Chinese place a great deal of emphasis on respect.

CADARIO: On respect. And if you can't say the name of the capital correctly, because that's not how Christiane Amanpour says it. She says it wrong, so I'm going to say it wrong. This is not, I think, a respectful way to handle things.

And so whether that's a--you can extrapolate that across all the ways the Bank deals with important countries. The Chinese are a very sophisticated client and use the Bank very strategically and learned an awful lot. And I think that a lot of what China is good at is because the Bank helped them get good at it.

The Chinese say, Oh, we got lots of labor; we'll build cars."

And the Bank said, "No, you're not going to use labor to build cars. Cars aren't made with labor."

"What do you mean?"

"Cars are built with robots."

So part of the big report we did on the automotive sector in China involved a study tour where they went and visited automobile factories all over the world and came back and said, "Of course we can't use people. That means we have to learn how to build robots," which, of course, was fine. A very high-tech kind of approach.

So the Bank was good at preventing the Chinese from maybe making wrong choices. And we had--we were able to open the doors for them faster than they could open them themselves and also brought a degree of equanimity, fairness. We weren't pushing any particular technology or any particular member country's interests. That, I think, some of the rich member countries didn't like--like because we would, like it was clear that most of the embassies were in China, especially the Americans were there for political reasons and some trade, everybody else was just there for trade, even countries with large Chinese diasporas and whatever were just there. They wanted to know what we were going to sell, the French, the British, and the Chinese, Canadians in particular, were all interested in what are we going to sell to China. That was, in a way, one of the good things about Tiananmen because it scared away all the small companies that never should have been in China in the first place.

I guess the only other--I'll just finish with China. Wilfried Thalwitz, who I worked with on West Africa, is at this point--actually, maybe I told the story last time where Wilfried and I went to China. Wilfried called Javed Burki and said, "I want to go to China, and Paul Cadario works with you, and I want Paul to take me."

ZIEGLER: Yes, I think so . . .

CADARIO: Okay. I told you that story. But, again, Wilfried was one of the--he loved his--it was the first time he had been to China, and he thought it was just fascinating. And he could talk about Russia, and the Chinese were desperate to learn what was going on in the former Soviet Union and, indeed, to have a very senior person from the Bank, because I think we had a banquet with the minister of finance at the Diaoyutai state guesthouse.

So it was a fascinating time to work on China. And, yes, it was very interesting.

ZIEGLER: In the early 1990s, you were the task manager for two credits to Mongolia, an economic rehabilitation credit and a technical assistance credit. The economic rehabilitation credit was a short-term operation designed to ease Mongolia's difficult early transition period. It aimed at helping maintain short-term macroeconomic stability through general balance of payment support and prevent the collapse of public enterprises and services in the agriculture energy, that is to say coal, electricity, petroleum, and transport sectors.

The technical assistance credit sought to develop Mongolia's institutional capacity for macroeconomics management in a market economy and prepare sector studies that would help the government define its medium-term public investment strategy. The Operations Evaluation Department's report on these two projects rated their outcomes as satisfactory.

What were the challenges you encountered in working in a country that had no prior experience with a market economy and whose key public enterprises were in danger of collapse and, of course, which was not nearly sophisticated as China?

CADARIO: Well, it was sophisticated in different ways. The China Department got that because the only way you could get to Mongolia, you had two choices: either you went on Mongolian Airlines through Beijing or you went on Aeroflot through Moscow, but that was really the only way to get to Mongolia. And when they joined the Bank, Mongolia was really in a mess because the Soviet Union was collapsing to their north. China was the big brother and looking at their resources. And the Mongolians realized that they had big resources that China wanted. They had a big state enterprise sector, and for some reason they had all these young, younger bureaucrats who knew about reform, like auctions in Czechoslovakia. So this was--this was going to be the new University of Chicago reform place.

So Mongolia joined the Bank, and Peter Harrold and David Pearce, colleagues from the country office, went up to Mongolia and said, "Right, what we need to do, we need to do an economic report, we need to do something quickly and technical assistance. They really want something for--because they never managed--the Ministry of Finance or the Central Bank or the planning office, they've never managed anything like that. And there's also balance of payments issue because they don't really have, like their typical export, their export markets in Russia are all, they don't know what's going to happen. That's where the foreign exchange comes from, so we have to tide them through." And I think winter was coming.

So off we went. And I don't remember how many times I went to Mongolia. It must have three or four times. Mongolians were delightful. After all, they had had an empire. And Ulaanbaatar at that time was the pits. There's the big Ulaanbaatar Square and there's the Ulaanbataar Hotel, and we're, "Well, what's that?"

"That's going to be a new hotel."

“Really. When is it going to open?” Because Ulaanbaatar Hotel was your old Soviet style hotel where somebody at each floor gave you your key . . .

ZIEGLER: The key lady.

CADARIO: The key lady. But you had the sense--but you talk to the government, and the ones who spoke English were, they were people who really wanted to reform. You got to know them. They were fun to work with, and they were interesting. They were just dying to work with the Bank.

So we had to help them make a list of what they were going to get through winter because the risk was that this is a very cold climate, and they have a central heating system for the city. And the central heating system, nobody had ever seen something like this before, but if it collapsed that would be the end of the city.

ZIEGLER: So this would be a heating plant that had . . .

CADARIO: For the whole, all through the city.

ZIEGLER: For the whole city.

CADARIO: Yes. And there's a spare parts issue, a fuel issue, you name it, and they didn't have foreign exchange because everything was a mess, so they wanted to privatize. So we were dealing with people who had a practical issue, Ministry of Finance, Ministry of Planning. “We've got to run this city in the winter, and we're running out of foreign exchange, and we have all this old technology.”

And then we had reformers who basically wanted to privatize this and privatize that. This was before some of the excessive privatization in Eastern Europe had come to light. And we had a gang from the Harvard Institute for International Development, Jeff [Jeffrey] Sachs and the boys, running around.

So there were great battles between the IMF and the World Bank there, and we never actually engaged directly or, rather, I was the only person that would meet directly with the Sachs team, who were all kids. They all were graduate students. So I would invite them over to my room, and there would be beer and I would bring peanut butter and crackers because it was just food. I can't eat three meals a day here. And I got tired of it being breakfast, lunch, and dinner with these people.

But Mongolia was where it was happening because Mongolia was positioned between these two superpowers. And Jim [James A. III] Baker was coming. It was really something. And you had donors who were determined they weren't going to let the Koreans have Mongolia just because Korea had a cultural affinity and the languages are similar.

Well, the Germans weren't going to have that. But then the Germans, they just had the wall come down, so the Germans were--well, they could see what the Mongolians were going through because the Germans now had to do it for East Germany. So it was a heady time to be working on Mongolia.

“So, all right, what are we going to do?”

“Well, we're going to do, we've got to manage a project.”

“Well, they've never managed a project before.”

“Okay, so we've got to teach them how to manage a project, as well as what's the project going to be.”

We're dealing with the Ministry of Finance and Ministry of Planning. The Ministry of Planning wants a list of things, so we made a list. It's like a structural adjustment loan, except it's not a structural adjustment loan or, rather, I think Javed was determined we weren't going to make it that complicated.

So we're busy working, and they've got to be able to submit withdrawal applications and all this. So we're working with the teams and I said, "It's really interesting. You go to meetings and all the interpreters are women." And, in fact, some of the junior staff in the ministry that we were working with, their English is wonderful. They're all women. And their peers, the men, young men their age who were all reformists, they don't speak English. It was strange. So I said to one of the women, "Well, your English is lovely. Where did you learn to speak English?"

"Well, I was at the Nationalities University in Moscow, and we went there and we were taught."

And in fact I was there, and there's a colleague who doesn't speak any English. He's trying to speak English, but he's clearly translating part of what she's saying.

She said, "Well, yes, because when the boys went, they were taught useful languages, like German and Bulgarian and Ukrainian and things like that. And of course what were we going to be? We were going to be tour guides, so we studied economics and all those other things. And they went to engineering school. We studied economics because that was a lady's job because they didn't teach other stuff. And then, of course, we were going to be tour guides, so we were taught English and French."

So you had this whole underpinning of people we were dealing with that were all women because they spoke English and French. It was interesting.

Well, then we had some of the ministers who didn't really think that the World Bank was something they wanted to deal with. And there was one minister who would sit in meetings and demonstrate his skepticism of the Bank. He spoke only Mongolian, and he took notes in Mongolian during the meeting in Mongolian script. Mongolia was also thought to be a terribly closed off place, essentially a satellite of the Soviet Union but big Buddhist community and big Buddhist temples and monks. And it was really quite interesting.

When we worked on Mongolia there was a problem because all their supply chain was to the north. Well, you want parts to repair the heating system and all the pipes. You've got to go to get them in a non-member country of the Bank that was coming to be a member but wasn't a member yet. And the payment system didn't work.

"Well, how do you pay for things?"

"Well, we borrow them."

"That's not going to work."

"Well, how are we going to pay for them?"

So I had to write the memo which went out, I can't remember to whom, when we were appraising the project that said, well, "First, we've identified the list, and they need \$35,000 worth of spare parts that can be procured only in the Russian Federation, not yet a Bank member country, and there are no payment systems. So what they proposed, and they have processed and managed this, is that they take \$35,000 in cash and go to get these parts and bring them back, both of which . . ."

ZIEGLER: Basically, a suitcase full of money.

CADARIO: Literally. And of course we were deeply skeptical, but it was this or the place would freeze in the dark. We did everything to see if there was another way to do it and how badly do you need them. And they need them badly, and no other way to do it.

So, anyway, this thing comes, and so--and the memo was written. And this was not like today: we don't have video conferencing. So I've--I don't remember exactly how we typed it. But, anyway, we got it typed, and we got it sent. I think it was faxed to the Beijing office and then faxed to Washington.

So it came back with this terse note, "This is the stupidest thing I've ever heard, but you may go ahead with it," because, of course, I think the Bank was actually--like you couldn't say, "No." You can't because Russia was talking about joining the Bank. So we couldn't say no, but we were really uncomfortable.

The other thing that I did which I--it's one of the things I'm proud of at the Bank--is that we had to teach them how to run a Bank project, but I've got to deal with the Ministry of Commerce on this, that. So there was a really good procurement assistant, a level, I don't, she was a D or an E. She might have been a level E, a procurement analyst, called Lyra Pinto. Lyra was from Goa. So I said to her boss, "Can I bring Lyra to work out with the Mongolians how they're going to run this project because Lyra knows about procurement applications and she knows about disbursement applications, and she's really good? And I don't want, actually, to impose something. I want Lyra to sit and ask them how do you do this and then come to me with a proposal from them that is the thing that she, as the person who would need to receive this, would be able to approve or rather recommend approval."

"Well, if you take a level E"--at that point--"on mission to a place called Mongolia, okay." So I got permission to take Lyra.

Well, Lyra arrived, and Lyra was just the toast of the city. All the people we were working with were just thrilled that here was a woman who actually knew how things worked and she was interested in talking to them about how things work.

So she comes to me one night and she said, "Well, the things are going fine."

And I said, "How are things going, Lyra?"

"Fine, but we have a problem."

I said, "What's the problem?"

And she said, "Well, I think the best thing to do would be to run on a spreadsheet."

I said, "Sure, sure."

And she said, "Well, yes, they have spreadsheet software on their computers."

And I said, "Well, that's fine. They have computers?"

And she said, "Yeah, they have a computer, and they showed me how to use it." And then you got, this was not when you do a spreadsheet test email. This was . . .

And I said, "Okay. Well, that's good. They've got a spreadsheet on their monitoring table. Is that how they do it usually?"

"Well, usually, that's how they do it. I have to look at what they do, but, yeah, they do it." She said, "Yeah, the only problem is that I don't know where they got this software, but it looks as if it's stolen."

I said, "Well, was it stolen from anybody we know?"

And she goes, "Well, no, it doesn't seem to be."

And, "Well, I didn't hear you say that it was stolen property, and it works, doesn't it?"

And she goes, "Oh, yeah, it adds and it subtracts. So if you could just agree with them on a monitoring table that when you come out to supervise that you'll be able to see what they've done."

So, anyway, she came up with a whole system, and the kids in the Ministry of Finance were thrilled that it was their own system, that the Bank had said, "Well, we can tweak this, and we can do this and do a spreadsheet that looks like this, and it will work." So actually it disbursed pretty well because they knew how to fill out the forms.

And if I hadn't taken along somebody who never went on missions and said, "Look, here's Lyra, you can do this. And if there's a problem, let me know and I'll come in and help, but I trust you do to this." And I don't think people did that very much, certainly not in the hierarchical China Department of the time. I think she was a level D, and she eventually got to be a level E, and I thought well deserved.

And the other thing was negotiating with one of the ministers of commerce. She only spoke French and I was the only person on the mission who spoke French. So I had to sit--she was a tough number--and I had to explain to her what she was not allowed to buy. So, anyway, madame and I were just chatting away in French and negotiating, and I said, "Fine."

So madame and I came to an agreement. My division chief was sitting there, and he says in front of everybody in English, "Paul doesn't really sound like such a hard ass when he's speaking French."

So, of course, the ones who spoke English all laughed and so did the ones I had been difficult with, the ones: "We have to have you do this." And madame didn't know what this was, so she laughed along with everybody else because madame and I--and madame also had a reputation for being extremely difficult. Well, madame and I just got on like a house on fire, and madame understood--and, "Yes, some other things here I guess we didn't understand. I heard what you just said to me, Mr. Cadario, and this shouldn't be on the list either. I will make sure that that ministry knows that they should have put this on the list and they should be there. We wouldn't want to get you in trouble. I wouldn't want to get in trouble." But you can just imagine that she would have gone and ripped strips off the ministry: "You tried to sneak this past me, and I'm glad that we were able to work this out."

So those were the--they were the things where--well, the last mission to Mongolia, there was my mission. I think that was my last mission because I was changing to work on the institutional development unit. And so we had a nice mission, and the minister, the three ministers that we worked with, said, "Well, we're going to go out to Agar"--actually I have another story.

[Begin Tape 2, Side A]

ZIEGLER: On March 15th, 1993, you assumed the post of chief administrative officer in the Europe

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

and Central Asia . . .

CADARIO: No, we forgot Asia Technical.

ZIEGLER: Oh, I'm sorry. On July 1st, 1992, you became unit chief of the institutional development unit in the Technical Department of the Asia region. How were you selected for that position?

CADARIO: Well, Dan [Daniel] Ritchie, who was in the Technical Department, the director, had liked what he'd seen that I'd done in China and Mongolia TA [technical assistance] projects. And I liked Dan. Dan's a great guy. And he was setting up the unit that he wanted to serve all of Asia, and he had some staff, but he needed somebody who was going to pull it together and somebody who understood how TA supports strategy and liked what I had done in China and then the Mongolia stuff.

So there were a number of--I don't remember whether in fact it was advertised or not. I'd also been working on China for five years, so it was time to maybe do something else because I worked on West Africa for a long time. And while I was enjoying working on China, I think Javed moved on by that point or was about to. And Javed, just before that--Javed, who was very happy with the country assistance strategy that I had taken a lead in writing and was the first CAS [country assistance strategy] ever discussed by the Board, and the Board had loved it--and Javed had called me in to thank me, to say how wonderfully it had gone and the notes I prepared and the answers for the questions and really the leadership of writing the document, and he was very happy with it. But it was--so he was--I was back in his good graces because I delivered for him. He was very pleased with Wilfried Thalwitz's review after his trip to China.

So I was in a position where people were saying nice things about me and they liked my work, and it was time to move on. So, anyway, Dan asked me to do it, and I had to meet with the two RVPs--I think Calisto Maldavo and maybe Gautam Kaji, but I'm not sure. Gautam and I were never really great buddies.

Anyway, Dan picked me. So off I went, and I was there to pull this together and move it beyond, beyond just doing technical assistance projects in a UNDP style, which--everybody in the unit was a technical assistance officer in the UNDP style. So that, of course, required somebody to try to raise the bar. And for some people, raising the bar was possible. And for others, Dan acknowledged it probably wasn't, but "Paul, work this out, but first thing is to do business development."

The only mission I remember going on was in early '93, and in fact I think that there was a--the other excuse for going there is that, well, now I was a manager and the YP unit could have me interview YPs. And we were interviewing YPs in Jakarta in January. So I went along on mission and interviewed YPs and loved Indonesia, and I've been back very, very frequently since.

But I remember--and this is going to come up later when we talk about my work on trust funds, including on Indonesia--we were there to talk about the fact that the Indonesian government really wanted to reform government procurement and it couldn't get its act together. And, well, "Could we do something about that?"

And I said, "Well, I think we could."

And the country department people wanted to do something, and the country department, I think that's when it was led by Marianne Haug, a woman of considerable determination and a very sharp tongue. But I knew Marianne from working with her on Africa, working on Guinea, so she approved of the fact that someone who was hardline on matters was, "At last I have someone I can work with because I'm surrounded by all these stupid men who work for me." So this was very much in terms of what

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Marianne's vision of Indonesia was, that she wanted to up the ante.

While this was happening and I starting to get involved with institutional development work, the Bank decided to reorganize. And so the '92 reorganization, basically, changed the technical departments by creating what now are called the networks.

ZIEGLER: They also helped to reflect the change in membership with the ingress of these former Soviet Union and all . .

CADARIO: Yeah, yeah . .

ZIEGLER: . . those other countries . .

CADARIO: Exactly.

ZIEGLER: . . that was needed.

CADARIO: Because you didn't know quite what to do with all the twenty--what have you got, thirty new member countries, some of whom are on their way to Europe, some of whom aren't, some of whom, one of whom is a super power and a second one would like to be. The '80s had been the decade where the Bank absorbed China, and now the '90s were going to be the decade where the Bank absorbed the former Soviet Union, which was a different level of sophistication. Well, the whole former Soviet Union was thought to be at a level of administrative and technical sophistication that we'd ever seen before. In addition, a lot of our products had to do with agriculture. We didn't call them products then, but we dealt with tropical agriculture. But here we are, what are we doing? We're herders in the mountains in Central Asia.

And I think by this point Wilfried was maybe--no, he was vice president then. In any event, the Bank had reorganized--because we had both these new members and the weaknesses of the '87 reorganization were starting to become clear in terms of a hollowing out of the technical depth in the Bank because you didn't really have much interchange between the technical people who were all assigned to country departments. And even the technical departments were, well, you were "eat what you kill," you had the CAM [country assistance management system], you had to buy cross support, and it wasn't clear how that worked. And you certainly didn't buy cross support from outside your region.

And so the technical department directors like Dan Ritchie had challenges in terms of, "Well, do we have the best people here, and are there people to work on global issues?" So there were a lot of structural problems and I think quality problems that were starting to emerge from the 1987 reorganization, and the '92 reorganization was an attempt to address that, which meant how are we going to deal with technical assistance groups because that doesn't really fit anywhere. And do we upgrade them? And if so, do we have to have different kinds of managers, et cetera? So . . .

ZIEGLER: But what was--before you proceed, just as background, what were the responsibilities of the institutional development . . .

CADARIO: Well, I had to go and do business development. If we're doing TA, well, we need to do it. What does your country's strategy do? And are there ministries you want to improve? And provide support to technical people who were needing support.

It was ill-defined, but there was a sense that if you left the railway engineer to come up with an institutional development program for the Ministry of Railways you weren't going to get very far. So you

needed people who understood what are metrics by which we want to assess these public administration characteristics capabilities of our clients? And where institutional matters are getting in the way, what can the Bank offer about that?

ZIEGLER: Somewhat the softer aspects . . .

CADARIO: The softer aspects. Yeah, softer aspects of projects, but also procurement reform in Indonesia cuts across the whole Bank lending program, but it also cuts across the whole government of Indonesia. So if the Bank has something to say about that, we ought to be able to draw people. There were public sector management specialists in the center. I don't remember what it was called, but there was a group in the center that did this.

Really, and maybe this--well, and of course to do it in Asia (well, China, India) you're not going to tell them about institutional development. Well, the point is, well, we had somebody who's actually worked on China and with some success and on the State Planning Commission and Ministry of Finance and understands how you fit technical assistance to the investment lending side. So, "Oh, let's see, we'll give Paul a chance to do it." And because I worked on China, people knew who I was in the Bank.

So that was fine. I'm up for a challenge. So that's what we did. So it was a matter of we had to go out and look for business, and then we had to encourage people to set a higher bar, and then we had to hire people because Dan had gotten permission to have a group and he needed somebody who was going to go out and hire folks that would do, somebody who had done lot of institutional development with ministries of agriculture, for example.

So there were various people that he had indicated he wanted hired and moved over to the unit. But the '92 reorganization got in the way of that. So I wasn't sure I wanted to work for the guy that I was going to work with because it was a matter of, in the design of the '92 reorganization, nobody had thought much about institutional development.

So Geoff [Geoffrey B.] Lamb and those of us who worked in institutional development all met and, "Well, what's going to happen to us and how do we make sure that we're not just buried or diluted to the point where we can't have an impact?" And of the people there in that room, Geoff and Mary Shirley, these were all people who had written about this and Ph.D.s and written books, and I'm at the delivery end of things. So I was more than a little out of class in terms of my publications record, a lot out of class. At the same time, I'd actually done technical assistance in institutional development in both China and Africa, so there was a sense that Paul likes well-designed projects and seems to be able to get ministers of finance to do stuff.

So that came to a halt because, well, what's going to happen to the unit, am I still going to be in charge? I was anxious. So when I got a call from Wilfried Thalwitz saying, "I never thought of you, but I'd like you to come and chat with me about being my CAO [chief administrative officer]," that was a reprieve. And I think in a way it helped Dan Ritchie because otherwise--like he realized that I was better in technical assistance than the manager he had to bring over and give a portfolio to that included technical assistance in institutional development.

ZIEGLER: So that was a rather brief assignment . . .

CADARIO: Well, yes, but effectively Wilfried Thalwitz called me in, I guess, in January. The process by which I was selected for that post, it was interesting . . .

ZIEGLER: This is for the chief administrative officer.

CADARIO: Officer for Europe and Central Asia region. So Wilfried called me and said, "Come and talk." And so he said, "Well, it never really occurred to me, but now that I think of it, it's actually--it's a smart idea." His current CAO, the man that I was to replace, was a guy named Geoff [Geoffrey B.] Fox. Geoff I had met when I joined the Bank because I rented a room in his house for a month until I found a place of my own.

And Geoff is somebody I kept up with. And Geoff had gone to Indonesia for a long time and finally, after eleven years in the Jakarta office, had to be drugged and duct-taped and put in a container and brought back to Washington because Geoff would have stayed there forever. And Geoff was a CAO, and Geoff, what Geoff did--Wilfried didn't think CAOs should be just budget people. They had to understand how the place worked and they needed to be strategic, and he also wanted us to police some aspect of the quality side of the house because you don't want to be a CAO forever.

So what had happened was that Geoff and I had run into each other at the founding meeting of GLOBE [Gay, Lesbian and Bisexual Employees], and Geoff says to me, "What are you doing?"

And I said, "Well, I'm getting tangled up in the reorganization."

Geoff said, "Have you ever thought of being a CAO?"

And I said, "Well, I've done a lot of budget and programming. I was in the China Department. And now I'm a manager, so I have to worry about budget stuff."

He said, "No, you'd be perfect. That's exactly--like Wilfried doesn't want one of these budget types he's being thrust on."

So, anyway, the next day Wilfried called and said, "Okay, you're whom I'm looking for." I never knew exactly the deal that was made, but I moved over and I got a promotion out of it.

ZIEGLER: Hmm.

CADARIO: Because the CAOs were all labeled 25 or 26. No, I think we were labeled 26 at that point. Yeah, because I was already a 25 as a principal country officer. So, anyway, I got a promotion out of it and was moved over to work for Wilfried. But I think it was advertised. I think I had to apply, but it was pretty clear that Wilfried, once he identified that I was available, Wilfried wanted me to come work for him, even though Wilfried knew I could be quite difficult because I had a reputation for being difficult. Well, like . . .

ZIEGLER: You?

CADARIO: Exactly. Well, that was an amazing era because--and I had a very good team. The CAO's office was excellent, and the CAO managed not only budget but also all of our facilities that we were busy expanding and putting the IT in and also--and the IT support for the region. And, of course, the space was in the H Building.

So I proceeded and had probably the nicest office in the entire Bank. This was the southeast corner of the H Building on the 12th floor, so it looked straight down the runway at National Airport. Amazing office. Cherry blossoms, the whole bit.

So I move over to ECA [Europe and Central Asia Regional Vice Presidency]. Well, it's hard. What wasn't

the significant event in that period because we were busy establishing our presence in all these new countries, which meant, well, we've got to argue with PBD [Planning and Budgeting Department] for the budget and we've got to set up offices and we've got to have a presence and we've got to make sure that the staff was working on the right things. And we have to do CAS's for all these places.

And we've got some very willful and difficult country directors because Wilfried wanted good country directors. So we had Russ [Russell J.] Cheetham, who worked on . .

ZIEGLER: I've met him. Good guy, yeah.

CADARIO: Oh, good guy. But a man where you were with him or against him and you better--like being against him, you really--he was--he was wily and dealt with the Indonesians, played golf with Suharto for all those years.

ZIEGLER: I've interviewed him for an Indonesia project. Very interesting.

CADARIO: Fascinating guy, very interesting guy.

You had Kemal Dervis, who was clever, but Kemal never forgave me because the first meeting I had with him I said, "Well, Kemal, I look at your budget, and I look at your reports in countries like Hungary and the Czech Republic and all these countries that are on their way to Europe," and I say, "Why are you spending all your budget on Albania?" Well, Kemal never really forgave me for having--because Kemal knew that the way for Kemal to be a vice president was to work on something poor, and so he did that. And the amount of money that we spent on the other countries, and then nothing happened. And then the amount of money we spent on Albania, for God's sake how many people are in Albania? And I never went there, but I always had the feeling it was human trafficking, drug dealing, car theft . .

ZIEGLER: And there was some scandal recently about . .

CADARIO: There are always scandals in Albania.

So we're busy, and I had a very, very good team. They were just excellent, Ed [Edward F.] Dube, Peggy [Margaret] O'Donnell, just really, really good budget officers. They were excellent, and they knew the Bank and they knew the system. And of course I didn't know that, but I was very strategic and I could learn the systems and all that.

I, at one point, called myself O.J. Simpson's lawyer because I had to--and, in fact, the head of PBD, with whom I had some difficult run-ins, the head of PBD always used to say--well, what was his name? He was an Indian gentleman, he worked for Richard Lynn, who was the director, and Richard and I would have run-ins. We liked each other, but we had run-ins because it was a matter of saying to PBD, "You haven't given us enough money, we need more money." And it was a matter of then going back to ECA and saying, "You're wasting. You're spending like mad men. I want this stopped," and squeezing things. And I think at some level PBD knew that. There was a big game. They knew we were going to demand more money, but then they also expected me and knew that I was turning the screws, that I'm just tired of seeing all this money being wasted.

We also had to establish field presence. So Ed Dube, fortunately, he had good relations with GSD [General Services Department], and Ed loved to go out and pick buildings. And then I got involved and worked with GSD people.

That was interesting. And we set up offices in Uzbekistan. I visited many, many of the places where we

set up offices and we had new staff. And setting up offices, you had to get the building, what's the legal status, you were renting property.

And so I joked that when we got, when we bought part of a building in Bishkek in the Kyrgyz Republic, I paid Baker and McKenzie \$70,000 to write me a lease that was legal in the Kyrgyz Republic, and I said, "I should have just gotten the government an IDF [Institutional Development Fund] grant and we could have written condominium law. That would have cost probably about the same, and it would have been good for everybody and not just for the Bank."

And there were always things going wrong, like the facilities, and that was not how I spent a lot of time because Ed dealt with facility stuff. That was his field. But there were stories about--Ed would say, "You've got to listen to this voice mail," so I had a voice mail from somebody at the facilities who said he had just gotten a call from the res rep, the new res rep [REDACTED], who announced, who wondered if it was okay because he had just gotten the bills, because his wife had gone to Roche-Bobois and had bought X thousand dollars' worth of furniture, and then she got Baccarat and Christofle. She had also gone to the Paris furniture show and had gotten this and--appropriate cost sharing.

So I had to deliver a blunt email that said I would cut them a deal, that I will look over the list and I will decide what's suitable after you've returned the Baccarat and the Limoges, but it was a china and it was--it was a cloisonne china that you could buy. They were like \$300 a place setting. And I said, "After you've returned all of that, I'm happy to look over the list and decide what your successor might like, and then I'm prepared to pro-rate the cost of the shipping of the rest of it, should you choose not to cancel the orders your wife has made at the Paris furniture show."

Well, the country rep was just mortified to get this voice mail that made it clear that you will not do this. And then somebody said afterwards, "Well, if you had bought it, then people would have walked in and assumed it was your personal stuff."

I said, "Yeah, except it would have been \$85,000 when I gave him a budget for 30."

So there were all these things. It was just phenomenal what went on, what people tried to get away with and the waste that they would have gotten away with because there's urgency.

And then dealing with landlords and saying, "Madam, this is a lovely house here in Tbilisi and when we were measuring the house"--because I had to be shown; we had local architects, but I would bring a tape measure, and we'd measure the house--I said, "but when we were measuring this, it turns out that the. . ." This was where working on the earthquake back in China was good. It turns out that the columns on the second floor are not standing above the columns on the first floor. "And Natasha," I said--Natasha, she's a woman who wore black with a little gold cross; she looked like a babushka—"Natasha, I just could not sleep at night thinking that ten years from now, when our lease on your beautiful home has finished and when you have moved into this home, perhaps with your children, with your son's family and the grandchildren, and one day your grandchildren are playing right over there in front of that lovely fireplace, and there's an earthquake, and the whole place pancakes because I rented this place from you that is not seismically sound. So if you want to rent this to me, Natasha, so that I can sleep at night not worrying about your grandchildren, this is what you're going to do and you're going to do it. I'm not changing what I'm going to give you for the rent. This is what you're going to do. I will sign the lease, but only when you've done this, all this, and my architect will come by to check. Do we have a deal?"

But there are all these stories about . . .

ZIEGLER: Did you get a deal with Natasha?

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CADARIO: Yeah, we did get a deal with Natasha. It was great. But it was a--it was a very interesting time. And working with Wilfried was wonderful because Wilfried was very strategic. And there were lots of things, like I would have to read the CAS's, I would have to price them all.

It was--I remember sending a note. And the chief economist ran into my office and said, "Your suggestion to hand over all the 'stans' to South Asia is brilliant."

I said, "Well, of course, because the history of ECA is a history of conflict and about Europe, except Central Asia. What you do with the Caucasus is, I think, another question, but I'd leave them in ECA. But I don't--the 'stans,' I think that Tajikistan has more in common with Afghanistan because they're all rural. They're peasants. They've got hydroelectric power, but why would you ship it to Russia? Why wouldn't you ship the hydroelectric power to Pakistan?"

Well, this was in the early '90s, and I'm saying--or '94-'95--"And why in the world are we saying to these people you have to have the links to the formal colonial oppressor when we could give them better service at the Bank by saying your history is different and it's closer to (although there are mountain ranges). We think that the skills that we need to serve you are the ones that are in South Asia and your part of the 'stans,' so give the 'stans' to South Asia."

Well, Wilfried thought it was a great idea, but, no, he wasn't going to give the "stans" to South Asia. And I don't think whoever was vice president wanted them either.

ZIEGLER: Well, they became part of the Russian Empire in the 19th century, basically.

CADARIO: Yeah.

ZIEGLER: It wasn't that long ago, and they're basically colonies in a way . . .

CADARIO: That's right. If you're going to be a colony and you're going to set out, you might as well be, like, places you're like, with people you're like, not used as the place where the drilling industry and the hydroelectric power were.

ZIEGLER: And nuclear testing . . .

CADARIO: And nuclear testing. Exactly. Kazakhstan was different because Kazakhstan had minerals, had energy, and the same with Turkmenistan, so how do you--you didn't put an office in Turkmenistan, but Ukraine, Russia.

But the other thing I did, which I was very proud of, is I said, "Well, you got all these local staff. Who's teaching them?" So as the CAO, I set up a 2-week introduction to Bank operations for the local staff, and we did one in Hungary and we did one in Ankara the next year. And they were two weeks, and I ran it and called in projects people that I thought were good, like Brad [William B.] Herbert and Judy [Judith] O'Connor, who was a project advisor.

So I had people come, and we'd talk to them about procurement and we talked about the project cycle. And some of them now are at headquarters, but nobody had thought to tell them, "This is how we deliver good work, this is how things work, and you're there and we're not going to just use you as interpreters. We're hiring you because you're going to help to appraise the projects and you're going to help supervise the projects. So you got to know what our standards are, and you've got to know how to fill out the forms and all this stuff because you're there all the time and know how to deal with the government."

So that was fun: that was part of full service from the CAO.

We also, at that point, were dealing with trust funds, and Geoff had hired a trust fund coordinator, the only CAO in the Bank to have one. And we got really good. We did trust funds in ECA because we . . .

ZIEGLER: And we'll hear more about trust funds later on.

CADARIO: Yeah. But I was in the cutting edge of issues. The CAO has got to worry about this, got to be strategic. We have to worry about quality assurance. So I would read all of the country departments' PHRD [policy and human resource development fund] requests, like I had done in the China Department where I was the person who coordinated all that. So I think that things were working pretty well.

So then in June of 1995 Wilfried Thalwitz walks into my office, and he says, "Have you heard?"

And I said, "No."

And he says, "Well, you were in a meeting, and I wanted you to hear from me, but I've decided to retire because I'm not going to break in another President of the Bank." Jim Wolfensohn had just arrived. And he closed the door, and then he looked at my rock garden as if he was going to butt his cigarette in it.

And I said, "Wilfried, you don't smoke in my office. You're not supposed to smoke in your office, Wilfried, but that's your office. This is my office. So butt the cigarette outside."

We always joked about his breaking the rules, and I never enforced the rules . . .

ZIEGLER: By that time, the smoking ban had been . . .

CADARIO: Ban was there. And he--basically, I think that if you were a vice president and you were Wilfried Thalwitz then you got away with it. But he had those little silver thing where he put his cigarette butt. But you knew that he had been smoking in his office and all that.

So, anyway, Wilfried said to me, um, "I've decided to retire. I'm not going to break in another Bank president." And because he's dead and it's a long time ago, I will say this. He said, "And you must not tell anyone this, but I've met the man and he is crude. Even if I had to break him in, I'm not sure he's trainable. And I don't feel that I have the stomach for this, so I'm leaving at the end of the year. And I didn't want you to hear it from someone else because you weren't here when I summoned everyone a little while ago, you were away, but I want you to hear it from me."

So that was sad because I liked Wilfried. And I could understand, of course. Then Wolfensohn is arriving, and what does this mean?

[End Tape 2, Side A]

[End of session]

Session 3
April 22, 2013
Washington, D.C.

[Begin Tape 1, Side A]

ZIEGLER: Today is April 22nd, 2013. My name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me at the World Bank Mr. Paul Cadario, and we will be conducting the third session of his oral history interview.

Well, Paul, on June 1st, 1998, you became operations advisor in the Office of the Director and Head of Network Operational Core Services. How were you selected for that position?

CADARIO: Well, that relates, I think, to what was going on in ECA at the time, and so I'll back up a bit and then head into that question. The Bank went through various reorganizations starting in '96 and continuing into '97, including what was called ECA renewal. It was, every part of operations was re-doing itself, and the Bank was heading toward having six regions that were all organized slightly differently. Like, the principles were there . . .

ZIEGLER: Was this one more intense than some of the others, given that countries from the former Soviet Union were joining the Bank?

CADARIO: Well, not really. What happened was that Johannes Linn had replaced Wilfried Thalwitz in, I guess, January 1st, '96 when Wilfried left. And then waves of reform were sweeping the Bank because the '87 reorganization and then the '92 tweaking wasn't exactly working. There was a sense that there was a loss of technical focus, I think, a correct sense of loss of technical focus and that the highway engineers who worked on particular countries didn't really benefit, didn't really work across internal arrangements for cross support with a VPU [vice-presidential unit] within from the center were very onerous to organize. And not everybody was really following the rules. And then, as the CAO, I was in charge of that.

I had also decided, as part of my mid-life crisis, to get a Master's degree in organization development and because what was going on with business process innovation, which we may talk about on another occasion. But, effectively, that was the run-up to a fairly substantial reorganization of the Bank, which every region did differently.

I remember in, I think, the spring of '96 saying, "Well, Johannes, Jean-Michel Severino is about to join as our country director for Central Europe, and you look as if you're about to reorganize the region. Don't you think you better tell him? Have you phoned him yet?" And I think Johannes did. We were getting along reasonably well then.

ZIEGLER: But not subsequently, I take it.

CADARIO: Not subsequently. And Jean-Michel had replaced a very talented country director, Rachel Lomax, who had been suggested to Jim Wolfensohn as his chief of staff but then had been plucked to go and become the country director for Central Europe, where she brought her enthusiasm and, as an outsider, her view of how things should be done differently.

ZIEGLER: Because she was British.

CADARIO: She was British, and she went back to be the permanent secretary for Wales and

subsequently had an extremely distinguished career as current secretary for a number of increasingly important ministries . .

ZIEGLER: And the Bank of England, too . . .

CADARIO: And the deputy governor of the Bank of England. So Rachel was a woman who had done, who had worked to correct some of the mistakes the Bank had made, bring in the former Yugoslavia, and also had, I think, a much better strategic sense of what we should be doing in these countries, what we should be offering or not. She left . .

ZIEGLER: Which came first? She was chief of staff for Wolfensohn . . .

CADARIO: Yes, but she arrived--well, she was country director and then she was chief of staff, and then she left. Jean-Michel arrived in '96, I think. Rachel was there from mid-'95 or when Wolfensohn arrived or just after he arrived, and I had been a CAO for a while.

And Rachel was wonderful to work with, even though I would be summoned down to her office and she would complain about what people expected to be done, which she thought was just ridiculous, not only in terms of Bank process but also in terms of some of the things that were not being left to her, as the country director, to decide. She said, "Well, why do you have a country director if anything important is you're told about?"

Jean-Michel arrived from the French government. I don't remember where. Cour de Comptes, maybe. Jean Michel was a wonderful man and a brilliant strategist who set about working on the Central European countries very nicely. Jean-Michel used to come up to visit on Friday afternoon. This was when AWS [alternate work schedules] had started, but I didn't do AWS because I came in every Friday for the Friday Morning Group. And Jean-Michel would come up on Friday afternoon and--and come to me because he was puzzled that the Bank did this or did that.

And Jean-Michel and I became very good friends because I would listen to what he had to say, which generally I agreed with. And then I would interpret, why the Bank behaved in this often irrational and inefficient different way.

Jean-Michel and I became good buddies, and Jean-Michel was looking at all this and say, "Well, the Bank needs to do more in all the countries that are going to join the European Union, and we need to do infrastructure because they either do it now or they do it after they join the EU. And after they join the EU, it will be much more expensive, so they ought to get started on improving their links to Europe." And Jean-Michel had inherited countries that were in conflict because you had to break up the former Yugoslavia. And countries that had been thought to be too wealthy and, therefore, the Bank had done structural adjustment lending or done million dollar economic memoranda but really had decided, "Well, they're advanced, so we're going to ignore them." Jean-Michel had a very much more pragmatic view that the Bank could play quite a role in getting these countries ready for Europe. It was hard to move things around, and we were in the middle of a reorganization in ECA.

The reorganization of ECA was massive, and I was, among all of the CAOs, the only one who said, "Right. We're going to make everybody move offices the day it takes effect because if we leave everybody where they're sitting now and then we move bit by bit by bit, we're going to find that we're never going to get the new organization in place." Well, this was quite disruptive in the short-term, but I think most people agreed that it was actually the right thing to do.

There were great heady fights over furniture and size of offices and who was sitting where. And I took all

the heat for things people generally didn't like, but I think that my impression is that, compared to other regions that have reorganized but had not moved people around, the disruption of the reorganization was a good deal shorter in ECA than it was in other parts of the Bank. We got back to business fairly quickly.

Relationships with Johannes Linn were tricky because, well, for a number of reasons. But I always thought the main one was that Johannes is a very smart man but had never really been a division chief. He had been made a director, and then he was made a vice president, and then he was made another vice president. Johannes had never managed small groups of people and therefore he was not particularly good at dealing with a team and was very good at intellectualizing things, but he had a gosh, gee-whiz approach, so it didn't look like intellectualizing.

And relationships with Johannes over the budget and other things became increasingly difficult because Johannes was . . .

ZIEGLER: Your relationship . . .

CADARIO: My relationship with Johannes became very difficult because Johannes didn't know why we weren't getting more budget. And I said, "Well, because we have to be more efficient."

And then Johannes would say, "Well, how can we be more efficient?"

And I'd say, "Well, you need to send the message we can be more efficient."

And he wasn't used to giving tough messages, and things were getting very . . .

ZIEGLER: What were the deficiencies in the efficiency, deficiencies . . .

CADARIO: Well, the reorganization had not gone particularly well, and some things had to be stopped,

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But I don't--and then, of course, we were going through great IT turbulence, because in my capacity as a CAO, I was essentially going to be chairing the information technology services board, and I was also championing Lotus Notes, which our IT colleagues weren't particularly keen on because they wanted to do the upgrade of All-In-One, but that was not going to happen. But I was in the vanguard on all sorts of things for what is now IMT [information management and technology], and there were people in IMT, including people in--I don't think it was called ISG [Information Solutions Group] then. Well, it was the information . . .

ZIEGLER: ITF [Information Technology and Facilities Department], perhaps.

CADARIO: ITF, yes.

ZIEGLER: We called it "it takes forever."

CADARIO: It takes forever. Anyway, ITF, and including a former CAO colleague of mine and then the de facto head of ITF, Mohamed Muhsin. Mohamed and I had been very good friends while we were CAOs. And there were many stories about, like when we went off with Jim, when Jim Wolfensohn brought all the black books and said, "I can't imagine you need all these black books to run the Bank."

And running battles with the Programming and Budgeting Department, PBD. And Mohamed and I got on very well and told jokes about things, kept the thing very light.

And Mohamed, along with Charlotte Jones-Carroll and Richard Gregory and I were old variety of CAOs who were picked because we knew operations. We had been in operations. We had been loan officers. I had been a projects person, as we called them in those days. And the vice presidents actually wanted people who understood how the Bank did business, rather than just budget types. This, of course, meant that we could be, on the one hand, very useful in terms of explaining to people who did the work how they could be more efficient and why are your average size of missions so big and why, et cetera, et cetera, because we knew what went on on mission.

But at the same time, our budget, central budget colleagues at PBD didn't always like the fact that we were saying, "Well, this is going to be a real dramatic impact."

They just said, "Well, just cut 5 percent or whatever."

And the budgeting process went over--we tried a number of times to reform it, including what was called the CAM. Eventually--I can't remember what the CAM stood for, but I was in charge of it when I was in the China Department--but effectively it was cross support and very coefficient-driven budgeting. Well . . .

ZIEGLER: Could you just say something about the institutional role of the operational core services and what your primary responsibilities were?

CADARIO: Okay, all right. Well, this is what happened because Johannes realized or Mohamed realized that things were getting worse and worse with Johannes. So Mohamed--and this was when we were starting systems renewal--Mohamed said to himself and spoke to Kathy Sierra, "I think I know just the person to come over to OCS [Operational Core Services]," which was dealing with lending policy but also environment and fiduciary. But, basically, Kathy Sierra, at that point a director, was the owner of all the operational business processes and language that we subsequently adopted.

So Mohamed organized that, since Kathy had positions, that Kathy would--and I knew Kathy from various change things that had been done. So Mohamed engineered that Kathy would get me over there because he was in the process of starting systems renewal. And since I was one of the few people in the Bank who understood the Bank's work, understood the Bank's budget, and understood technology, and was increasingly, was having increasingly difficult relationship with Johannes Linn, which was one of the reasons I got a Master's degree, thinking I'm going to move out of here because he's the vice president, he's going to outlast me. The Master's degree from AU [American University] was a mid-life crisis that cost about the same as a sports car.

Anyway, I moved over into OCS because Kathy needed two operations advisors to deal with quality. She needed people that understood Bank business processes. So two of us were hired, and she got the operational services board to agree that we needed two. And I think she had the money. I never knew for sure.

But, anyway, I moved over. And when I left Johannes may have gotten some peace because he didn't feel I was criticizing how he ran the region, [REDACTED] And there were a lot of budget problems in the region [REDACTED]

At OCS, I arrived, and I'm busy, offering quality things. Robert Hindle and I worked on what's an

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operational definition of quality and how do we assure it, which was interesting because I got to work with the OS people, the operational quality people, in all the regions and, indeed, the networks because the networks were involved in this, too. The whole Bank was reconfigured, well, away from the country departments.

So OCS had to realize, had to figure out, well, if one of our problems Hans [Willi W.A.] Wapenhans said was that we didn't get quality right, what do we do to make quality happen and where are the touch points and are there ways that we can improve quality and simplify processes?

So I was busy advising Kathy, working on things. I did continue to support the regions, like the ECA region, for example, on their quality training for staff in the field because, although I had gone over to the dark side of the CAO, I still had a sufficiently strong reputation as a quality person and as an operations person, which had been--which had been recognized by my moving into OCS.

As I say, once we got into the jargon of information systems renewal, which began in earnest in early '98--actually, no, when did it begin? Well, we went live in '99 . . .

ZIEGLER: My notes say in 1999 you led the information systems renewal.

CADARIO: Right. So, so one of the first things I did was, '98, so information I had--saw--was on the horizon toward the end of '98. And then to everyone's surprise, instead of picking PeopleSoft we picked SAP. Now, I don't remember exactly why we picked SAP. It appeared that, by whatever metric was being used in evaluation, it was closest to what we said the specs were. Well, I hadn't been involved with the specs, but we decided we were going to buy SAP.

So we had to build a number of interfaces, and we also had to do business processes because it had been decided that best practice was you don't pave the cow path. What you have to do is you have to look at your business processes, and SAP or any of the ERP [enterprise resource planning] software--but SAP in particular--has business processes built in that represent best practice, so you should use them.

Well, this, of course, was a major challenge. I think that one of the reasons we bought SAP was that we realized that, since we would decentralizing, we needed a low bandwidth product, and SAP at that time was very low bandwidth. There were concerns that were voiced about, "Well, the interface is all gray and gray and gray," but we bought SAP.

So in the, I guess, spring of 1998, I was put in charge of coming up with the redesign of the operational business processes for lending and supervision primarily. Triple A [analytic and advisory activities], or what we now call triple A, but economic and sector work was under the jurisdiction of Joanne Salop, who was the director for--what was she the director of? I don't remember a title, but she and Kathy were at the same level and they both reported to Sven Sandstrom, and they didn't really get on very well.

ZIEGLER: Who? She and Sandstrom didn't . . .

ZIEGLER: No. Kathy and Joanne didn't really--they seemed to be archenemies, and they had very different styles. You could imagine that. And they came up with very different ways in the Bank. Joanne fancied herself an economist, and Kathy was a projects person, did lending and supervision. Both of them were highly regarded. Kathy had gone over to QAG [Quality Assurance Group] but then had been moved back into OCS.

But I was working for Kathy. I liked Kathy. Kathy and I got on like a house on fire. And she was wonderful to work with because it was just get on with doing what you're doing, I have people here who

all work with each other but by themselves, and she didn't interfere with things.

So we had to re-do the operational business processes. I worked with consultants, and basically we were finished re-doing the operational business processes in four and a half weeks, including negotiating changes with Joanne Salop.

ZIEGLER: Now, when you say what you were doing was essentially changing the way the Bank did its business in . . .

CADARIO: Well, for example, do you need a preparation mission and a pre-appraisal? Are they different process steps? But effectively we compressed a whole lot of things and introduced new touch points, which were subsequently changed again and made even simpler. But the idea of business process simplification, which was the next part of what we call business process innovation was, well, does the step add value, does it need to be there, because obviously the more complicated your business processes were the harder they're going to be to configure and you want to configure them right. You don't want to, as I say, pave the cow path; you're not getting the benefit of this automated system if you're doing it. But then, well, we've got to do time recording. Well, I knew about that. And we've got to do budget. Well, I knew about that.

So Mohamed said to Kathy, "Well, Paul has done the change management on operations and he's even negotiated with Joanne Salop," which no one ever thought was possible, and we were all done in four and a half weeks, including simplifying steps and coming up with a new framework, like analytic and advisory activities around--yeah, AAA was something that I think Joanne wanted to call it anyway. But this was an opportunity to make a whole lot of changes so that for once Joanne was on board, and Joanne, of course, could have been very powerful in stopping things. And we were able to move that.

So Mohamed said to Kathy, "Well, frankly, we have to do change management all over the Bank, including in controllers because we've got to do the whole budget process and we've got to do the accounting processes, and we need somebody who's going to oversee that for the whole business renewal project."

Now, I had been a bit disappointed because they hired a program manager, Arif Zulfiqar, with whom I worked later, and he was a returning res rep. And I never found out exactly why he got that job because everybody thought I was going to get it because I had the overview of business processes, I had been a CAO, et cetera.

Well, fine. I'm happy, like it would have been nice to be a program manager and at the time I said it would have been nice to be a program manager and work directly with Mohamed, but I'm happy working with Kathy. I think that was a good decision, as we will discuss later.

Anyway, so the change management began across the Bank, and a lot had to be done because change management is much about communication and getting people ready and training as it is about changing the business processes because, effectively, with systems renewal, you were changing everybody's relationship with information because people were putting in their own information and, with luck, they should be getting it out themselves.

So this, of course, meant that a whole army of intermediaries that were used to putting things in the system and then printing something out and then getting someone to sign it and then putting it into the system that someone had signed it and making sure the paper was filed or not, their jobs were all changed because we had decided that we were going to have everybody put in their own travel requests and we were going to have everybody put in their own expenses. And this was not exactly easy. If you were

logical and you saw the systemic issues, well, yeah, this makes sense and it's not so hard and you practice. But, of course, for people that were not used to answering their own phones or who were not used to typing their own emails, it was a generational thing.

And then, of course, you have the, "Well, I'm a TTL" or "I'm a task manager; I'm too important to do this." Kathy took the view--it always embarrassed her, had someone else entering her expenses, so she had really no sympathy for those people who thought it was beneath them. The Budget Department--led, at that time, by Achim von Heinitz--wanted to do certain things, and we almost got to the point, in fact, of abolishing time recording because we said we weren't sure that time recording, like building this whole system for time recording when, frankly, we all thought it was inaccurate. It was just a waste of time. But, no, other people said, no, you're not going to get rid of time recording.

So the . . .

ZIEGLER: I do remember, Paul, that there was a good deal of--how should I say--discontent among staff with this introduction of SAP because it was considered extremely difficult to use, as I remember.

CADARIO: Well . . .

ZIEGLER: I never used it because . . .

CADARIO: Indeed. Well, we proceeded with this, and we marketed this thing. And we decided, "You ought to brand this," because we had a communications advisor, we had Seth Kahan working with us on training, certainly not on the change stuff, but Seth was a good trainer and communicator. We had Leighton Cumming. We had Maureen Moore. These were all my old buddies from the Budget Department and from being a CAO, and we were all working together on systems renewal.

So one day, "Well, we've got to come up with the signs, and we've got to come up with the logos and all this." So things were brought in. A logo--and I don't remember--Mohamed had somebody that had been put in charge of that part of it whom I didn't think it was very strong and didn't really understand things. "Well, we should do this, and we've checked whether a key has had any bad connotations." Like they had these things that were very--they made it all very mechanical. And the pictures were fine.

But then the communications and branding person said, "Well, actually, we want to show you another proposal that came in, and you just look at the one that we think won, but we'd like to show you this proposal," and they brought out these pictures of flowers and the brand name and the graphics.

And I said, "We're going to use the pictures of flowers."

Everybody looked at me: "Well, they didn't win."

I said, "Well, I don't know what criteria you used, but I don't consider that those pictures that you were going to do with the key and the light bulbs and all this and making it look like cartoons, I don't think any of that is memorable and I don't know what it conveys. It makes this look hard, whereas if we show them beautiful photographs of flowers" . . .

ZIEGLER: That rings a bell with me now that you mention it, yes.

CADARIO: . . . "people will steal these posters and will put them in their offices, and we can do mouse pads, we can do everything because we can brand the whole thing. And the way we branded it, these are flowers, and every flower in nature is the same, i.e., our business processes. They're used--they're all a

little bit different. Like when you look at a business, when you look at a flower, what it is, and it's going to be the same with SAP. And we've already decided on improving the way we work." And I said, "I don't think it needs to look mechanical. I think that a visual identity like this will get everybody's attention because it's so unlike anything we've ever done before, as is information systems renewal."

Well, this didn't really sit well with the people that had fought for these banal things. And, anyway, so Mohamed and the sponsors said, well, they rather like the pretty pictures, too, and in fact they all wanted one in their office right then. So we did the changing the way we work, and the changing the way we work was very organic.

So we proceeded toward go-live day, which was Bastille Day 1999. We didn't go live on July 1st because the system wasn't ready and the FY98 books had to be closed. An army of consultants was hired: we had IBM Global Consulting, who were very good, and we had SAP working with our people from ISG.

ZIEGLER: That's a German company.

CADARIO: SAP is a global company headquartered in Germany. The head of the technical team kept saying in the meetings every week, "Your staff are not writing enough code. They weren't writing code, and you've got to write code. This code doesn't write itself, and you've got so many lines to cover each week."

Well, they got really seriously behind writing all the stuff that had to be programmed and tested. This created a problem because best practice--and there wasn't a lot of best practices. To the extent there was best practice, it said your training needs to be done by the people who actually built the system because, as they do training on a system which is ready but not live, if, when they're doing it, something is wrong they can go behind, they can open the hood and fix something and say, "Well, that's not supposed to happen."

So what happened, because our coding people didn't do their work and their feet weren't held to the fire by our managers and other people, the sponsors, we were basically having to do all the training for go live with using slideware. So what people saw, they saw PowerPoint, but, of course, depending on when you got trained--because not everybody could be trained at once--you saw PowerPoints that were not actually what the system looked like. The earlier you got trained the less likely it was the final system actually looked like what it you'd been shown in training.

In fact the last people were to be trained were MNA [Middle East and North Africa Regional Vice-presidency] and ECA, and of course they were mad at me because, well, I had been the CAO for ECA, and you're leaving us to the end. And I said, "Well, trust me, you'll be glad you waited until the end," because I could see, by looking at the training materials and getting the feedback from what had gone on elsewhere, that there was a problem: the training materials kept changing because the system was still in the process of being built.

The other thing we did, which was, again, classic change management, was we created champions, and there was a champion's network and there were champions who looked at a Lotus Notes database frequently for the latest news on what they were supposed to go out and talk about today.

So we ran a communications and outreach campaign which, again, was state of the art for the time and penetrated every unit within Washington, and then in every unit in the field there was an SAP champion. In June, I went out to Paris and Almaty and Delhi. Paris and Delhi and somewhere else, Bangkok, and we did face-to-face training for managers and what your role was. I did it all over the Bank, with this PowerPoint presentation. I think it was 230 slides, which I would never do again . . .

ZIEGLER: So you led from the front . . .

CADARIO: Led from the front. And we had people that were trained to do this, but I said, "We're not just training everybody to be trainers. It's got to be a small number of people," so we picked a small group, including, I think, most of the people who did the budget training, and there were only like three or four of us were operations people, like managers.

So we went out. And we got everything ready, and we got our knit shirts with "Improving the Way We Work: the New World Bank Group," because it was all linked . . .

ZIEGLER: Was that black . . .

CADARIO: Black . . .

ZIEGLER: I still have mine.

CADARIO: I have, too, and they're great shirts. And on July 14th we're all ready because, after all, this was part of the Strategic Compact, and you have to give Jim Wolfensohn credit because he realized that the information systems we had were not such that we could run a global bank the way we're doing information, particularly with the way we were doing the budget. And the information systems were also a platform for how we would keep and store all our operational documents, like supervision reports were going to be in SAP. That was maybe not the greatest decision, but it was better than putting them all in Lotus Notes.

We had the time recording. There's a front end, and it was a Lotus Notes front end, but it went to Lotus Notes, it went to SAP.

So, in fact, it was a very nicely integrated system. It worked in the whole world, and it was going to be used the same way in the whole world.

There was workflow so that everything was moved electronically, and you weren't supposed to print stuff out. You're supposed to get on the screen "approve/not approve." You could review things on the screen. It was quite revolutionary.

So July 14th, 1999, happened, and the night before a couple of us were asked to come in and try out some processes to see that they worked. And the night before, I was doing something with travel, entering my trip that I'd done in June. So I'm entering it, and then something goes wrong, and I said, "Well, why did that happen?"

So we looked at each other, and somebody said, "Well, we rewrote code."

And I said, "What do you mean you rewrote code?" Because one thing you don't do with SAP is you don't go in and rewrite the native code. You build on top of it.

"Well, we had to."

"What do you mean you had to? I've been going around for the last six months saying to everybody we're building on top of a, like we bought a package software because it comes out of the box with code.

"What do you mean you redid the code, and what do you mean it doesn't work? Like, this has got to go live tomorrow morning because there are all these people waiting to submit their expenses. This has got to

go live, it's got to work tomorrow morning.”

So they stayed up overnight because I had made quite a stink about this, and I was going to be the front man for Information Systems Renewal when it went live.

So at 7 in the morning we're all gathered over in the I building, and we have a dashboard up on the wall, and we watched the servers go on. They moved from red to green, and so all the servers went on, and we waited and we waited. And then we got the first transaction.

So who's the first transaction? So we didn't have blogging then, but who's that first transaction? It was staff number whatever.

So I pick up the phone and call him and say, “Congratulations, you did the first transaction on SAP. It went through. Great. Somebody will be over with a black tee shirt right now for you to put on because you did the first.” So we put on the database the first transaction was done by--I've forgotten who it was.

Anyway, okay, we're waiting. So we're waiting for a field. So the next transaction was one from Abidjan. “Oh, great, that's wonderful. All right. Where is that?”

“It's Abidjan.”

“Okay, good, all right. Get them on the phone.”

So we got such-and-such on the phone. “Hi, this is Paul Cadario. You did the first transaction for the field. We're going to put in the pouch the customized tee shirt. Thanks very much,” et cetera. So it was run like a big media event, and all day I was putting things in the database on how things were working, where there were glitches.

Well, of course the people that went in to do travel were less than enchanted at the travel system. Even though we had gone to valiant efforts to prepare people for this, it was just something, well, nobody believed that they actually had to do it themselves. And the big--to move back for a moment--the big thing we did to prepare people was we decided to bring down Michael Hammer. Michael Hammer had, his firm was in Boston. We brought down Michael Hammer because he had written the book about . . .

ZIEGLER: Re-engineering . . .

CADARIO: . . . re-engineering the corporation.

ZIEGLER: Yeah.

CADARIO: And Michael Hammer was the big guru on these things, and Michael Hammer cost the Bank \$85,000 for one day. And so somebody found the money, and down he came. And there was a big meeting in the Preston auditorium with Jim Wolfensohn in the front row. Hammer was very engaging and had a PowerPoint. He did a great presentation, basically talking about the dip and talking about denial and talking about what we could expect.

And so Jim Wolfensohn turns to Mohamed Muhsin and says, “Why didn't you tell me this?”

And Mohamed says to him, “We did, sir. We did.” Because Jim had been helpful.

But Jim had, “Okay, if I need to read something, if I need to do a video, I'll do it.” And we had done our

best to get him involved, but Jim was disengaged.

“Well, it's going to be this big bang.”

“Yeah, it was going to be a big bang.” And big bang was also quite important because Y2K [year 2000 computer coding problem] was coming, and nobody knew for sure--everybody said our information systems were okay, as the world's turned out to be, but, nonetheless, nobody wanted to be caught off-guard. Nobody wanted to take the risk.

So we go live, and there was unhappiness because of travel. So I have to do this big presentation in the auditorium of the H building, and there were, I can remember, figurative pitchforks . .

ZIEGLER: I'm sorry, Paul. What was Wolfensohn's cause for discontent? I didn't quite . . .

CADARIO: Sorry. Michael Hammer explained you would go live and then there would be a dip in productivity.

ZIEGLER: Oh, okay.

CADARIO: And then getting out of the dip required you to do this and this and this, and it was all about leadership. So Jim Wolfensohn went back to his office and then had an email sent saying, “I was at a meeting this morning about information systems renewal with Michael Hammer. And, vice presidents, I didn't see many of you there. And, fortunately, Dr. Hammer is doing a second meeting this afternoon for the directors, and I expect that, if you were not there this morning--and I saw very few of you--you will attend this afternoon.”

So everybody realized that the president was involved, the president was engaged, and the president wanted things to happen. So we went live, and we did get a dip. We got a great big dip.

So there were public meetings. There was screaming. There was ranting and raving. Consultants didn't get paid. The travel, you had to do it very precisely or the system would refuse to take it, but compared to the old paper way, the advantage was if you entered all your expenses and they were within norms, you didn't have to have it signed because the system auto-approved them. The disadvantage was that you had to enter them all. And when I thought about it and explained it and then I entered things, big meetings, I'm going to show them how to fill out a trip request. So what happens: the minute that we go into the system, the system fails. They get--grumble, grumble, grumble--and all the ITS people were in the front row, “Oh, my God.” So they all called, and then the system went back up quickly. These things happen.

So fine. We had problems. I was sent to three country offices--to Nairobi, Cairo, and Budapest--because, after a month we had no transactions from the field, and Mohamed wanted to know why that was. So I said, “Well, you want to find out, we've got to find three offices where I don't need a visa to go. I can just go on my Canadian passport.”

So we picked three and off we went. And the excitement of my saying to them, “Well, let's try this again.”

And I remember a woman from the Cairo office who was working all morning, “Why isn't this working?” And we're looking, we're looking; we're looking at her printed out stuff. And she went and fixed, she went and did something, and she came back and said, “It worked, it worked.”

I said, “What did you do?”

And she says, "Well, this instruction in the binder is wrong."

"Well, how did that?"

"Well, because that's not what we were told in training," so training on slideware had been a real problem.

And then I went to Budapest, where they had been trained last, and they were doing it. Not all of them, but there were people who were actually trying and putting things in.

And it was a matter of, "Well, why isn't the manager approving them?"

"Well, he's away."

"Well, didn't he set his Out-of-office to reroute his workflow?"

"Well, no, he didn't."

So we had all these little glitches. But effectively the noise continued for a long time. The big issue, of course, was that everyone had said all the reports that were used to run the Bank came out of a box. Well, they didn't. The reports were green and grey, and they were awful, and managers weren't used to seeing them, and we hadn't really known what they were going to look like. And so, effectively, the Bank was running blind.

So the controller, Jules Muis, wrote this famous note--and I don't think I can do it justice--but he wrote a note, basically saying--he and ACT [Accounting Department] director Fayeze Chowdhury sent a note saying, "If you don't know how your work program is going and you're relying on some budget assistant to print out things, then you shouldn't be a manager. And, yes, we're sorry there aren't reports, but nobody says that you should stop work just because you don't have reports. And it's the summer, so we're working to come up with reports that will be useful for you, and we're sorry that we can't get them, but please don't act as if everything in the Bank must come to a halt because of ISR [information systems renewal]. On the contrary, you have to try to use it, but just don't pretend that's why you're not doing things."

So there was a lot of acting out. And change is hard because, as I say, it changed everybody's relationship with information. We all joked afterwards that all the local programmers--because every unit had people who did local programs--all the local programmers became webmasters because there was no need for those programs because Kathy and Achim and the controller were all adamant we will all come to meetings with the same reports. We are not all coming with different versions of a report or with our own reports. If we're going to talk about money, we have to have the same report.

ZIEGLER: In retrospect, do you think ISR lived up to the initial expectation of results?

CADARIO: Well, it's not quite clear what the initial expectation was. If you consider that we had six different systems that didn't speak to each other and we created all this industry of people taking things out of one system and putting them into another or coming up with reports from two systems, we didn't eliminate all of that, but we eliminated all the parts that were risky, that is the parts with money, because before Information Systems Renewal there were frauds that went on because there were people who could get into the system and then produce fake reports, and we had a couple of those that everybody had heard about. But this made that fraud impossible.

It also corresponded with the fact that a lot of the budget under the new model was actually run by field-

based country directors, and if you didn't have one system that worked in the whole world, you couldn't do that.

Also, the Bank was in the habit of closing everything very late; it would take months to close books. So at the end of the year you didn't really know whether you were over-running or under-running, which meant that there was money in the wrong places at the end of the year or everybody was cautious and then this annual traffic jam to Dulles on June the 30th. Then everybody realized, oh, all of a sudden, headquarters was empty the last two weeks of June because everybody realized they had money to spend.

So we couldn't really run a decentralized Bank unless you had an information system. Was it uglier and more difficult than anybody predicted? Yes. Was it as ugly as it could have been? No, because part of managing the dip, as they say, and emerging from the dip was that every two days *The Wall Street Journal* would run another front-page story of some company that had implemented SAP and it had to close down or a company that implemented SAP and then went back to doing it by hand. And the Bank had said, "No, we're not running two systems in parallel. We're moving; it's a clean break; we're going from the old system to the new system; we're porting over what we need. And we're not going to keep certain kinds of data from before we move over to the new system because the cost of moving it over is too high."

Initially, it was tougher than we thought, but we couldn't run the Bank today without SAP. And we couldn't run the Bank decentralized without SAP. And that is--I think it was trouble worth going to.

It also, I think, brought rigor to how we manage our money that we would not have, that we did not have in the old system and that we have in the new system. And also by buying a software package, I think, ultimately, we brought in the treasury systems. All the systems in the Bank effectively became based in SAP, and SAP got better. And so the modules that the Bank had developed and tailored then became part of the package. And then when we upgraded, our stuff was actually out of the box at that point, rather than having to be built from scratch. We moved all the payroll into PeopleSoft and then built the interface.

So I think that it streamlined how we did business. The whole old system was band-aided together and would never have served the Bank becoming much bigger. We could also handle all of our lending. All of our lending and loan accounting runs through SAP.

So it's a nice integrated system. And the Bank today is, in part, the way it is because we moved into the 21st century when the 21st century began, rather than later.

[End Tape 1, Side A]

[Begin Tape 1, Side B]

CADARIO: In terms of how the progress went, I think that by the end of 1999, like six months in, things settled down. The Bank, there were things on the technical side that weren't done right, and they needed to be fixed. Some of the business processes were not quite what we thought, and they had to be tweaked a bit. But I think in general they were pretty good. And at least they'd modernized, and so there was the platform on which to make further changes.

It was also the opportunity, because we were running a system worldwide, for the accounting department to think, "Well, maybe we don't need to have everybody here in Washington." So if we hadn't done that, the decentralization of our back office functions couldn't have happened. But by the end of '99, okay, the system was stable, it works in the whole world, now we can think about offshoring.

And I think that the training, it gave new impetus to both the RM [resource management] family and the transaction processes and the ACS staff that they had to be trained. It wasn't something you could just pick up: you had to go to, you had to be trained, you had to be certified.

The fact that we had to know who was actually authorized to approve things brought process discipline to the Bank, and so you knew who'd approved something, you knew who put it in, you knew who changed it. That was all tracked in the system.

You knew who shared their password. We revoked passwords the morning we went live just to show that we could and we would, because managers really didn't want to sit there and so they would give their assistant the password and the assistant would do all of their approvals. And I think eventually they turned on the feature where you could see what computer had been used, so you knew whether it was done by the manager or by the manager's assistant by which computer the person was sitting at.

As an operations advisor, there were other things going on. There were two things that I recall. One of them had to do with knowledge management and the other one had to do with trust funds.

I had originally, when I had gone over to OCS, been there to help with knowledge management; at that point Steve Denning was running around. And so Steve took up that role and I would say acquired a number of ideas that other people had given him about communities of practice, et cetera, and made them his own and continues, I guess, to make a good living out of those ideas that other people gave him at the time.

The other thing was that we'd always, well, Arif went on after the system went live to be the director for trust funds, again, a job that everybody thought I should have. I think the reason I didn't get the job is that one of the people who was on the hiring committee, Geoff Lamb, and I had a shouting match on the phone about why he had to put in his own travel. And there were also people who realized that I knew a lot about trust funds they didn't particularly want handled differently.

So Arif, having gotten this program manager job, he then went off and got the job in what was then, well, it was TFC [Trust Funds and Cofinancing Department] then. But he then was in charge of trust funds, which was all right. I was publically quite supportive while privately a bit annoyed because, having been a CAO and having done a whole lot of work when I was CAO on trust funds, having been the first CAO to have a trust fund coordinator in the region and knowing how the systems work because we had to put the trust funds in the system, I was quite annoyed.

But, nonetheless, there were two big events about--and we were continuing with business process innovation--one about knowledge management, one about the reform. By this time Kathy had gone on to become the Vice President of Human Resources. I don't remember when that happened, but there was going to be a Chief Learning Officer. So we did these things called ART, which were like a GE workout. We did one . . .

ZIEGLER: I'm sorry. What was . . .

CADARIO: They were called ART, Achieving Results Together. The GE workout was trademarked or copyrighted, so the Bank made a little tweak and then pretended we had our own process. But it was the General Electric style workout because everybody was ga-ga about General Electric, and there had been things done in the Peru department about using the workout style.

So we had big large-scale change events that I was involved in about learning and who should the Chief Learning Officer report to. And I think somebody asked that question, and Xavier Coll, who had been the

leader of our group, stood there like a deer in the headlights, and I got up and said, "Well, Kathy, I think the Chief Learning Officer should report to you as Vice President of Human Resources," which is the right answer.

And we also did an ART for trust funds. Now, the trust funds . . .

ZIEGLER: Who became the Chief Learning Officer? I don't . . .

CADARIO: Phyllis Pomerantz, who was a country director returning from sabbatical, a friend of Kathy's. So there were a lot of change things that were going on that were in the works. And as I was still in what was then OPCS [Operations Policy and Country Services], and then Kathy went to HR and Joanne took all of OPCS over. And Joanne was, of course, a good deal less relaxed than Kathy, and Joanne--and the merger was not exactly well handled because all of Joanne's people got to be in charge, which didn't sit well with people who had worked for Kathy. But Joanne was a woman who took no hostages, and Joanne also worked "7/24," as she used to put it; she would send emails at 3:00 in the morning.

And it was difficult, and I remember saying to her once, "Joanne, I don't mind when you send me emails. You can send them at any time of the day or night, but I'll respond to them when I get to them. Don't expect I'm going to get up at 5:00 in the morning to see what you sent at 3:00." And nobody talked to Joanne that way, but Joanne realized that I was delivering for her on figuring out how to make trust funds work with operational quality. And she and I had also come to respect each other because the work we'd done cleaning up the AAA processes that had all been done very quickly and she'd gotten what she wanted and Kathy had gotten what she wanted and I had brokered it all.

Nonetheless, it was, "Okay, so what's going on here?" And I was doing an awful lot of systems renewal-related work, but OCS saying, "Well, we don't have enough quality advisors, et cetera, and Paul should be in more quality stuff." So I knew I needed to do something else. Even though I'd only been there for three years, okay, we've done systems renewal and it's time to do something else.

In the spring of 2001, the famous CTF [consultant trust fund] fraud came to light. The CTF fraud was three of our former colleagues effectively embezzled over \$900,000 from six consultant trust funds. It was the Nordics and the Dutch and the Spanish and the Italians, and we were doing an IDA replenishment. It was a small amount of money, but what had been problematic--and this came to light only piece by piece. One of the donors who followed the trust funds, his CTF, a Swedish donor, had noticed that contracts were being let to companies that he'd never heard of and to individuals he'd never heard of. And Sweden is a closely-held country, so he looked and said, "Well, I have no record of these people."

Well, it turned out that it was white collar crime where two people in ECA--and I think they were somewhere else first--and in Africa took advantage of their division chief (who went on to be a vice president) being away, and one of them would act or the other one would act. And what they'd do was while one of them was acting they would put in a fake invoice, a fake consultant request. And then the other one would approve it and . . .

ZIEGLER: And they were in cahoots, of course,

CADARIO: They were in cahoots, and they were in cahoots with somebody who worked for Arif Zulfikar in trust funds. When the complaint arrived from Sweden, it went to Arif, who sent it to the person in his group that was in charge of Sweden who happened to be the guy that was the ringleader of the fraud.

A very strong letter was written saying, "We have no evidence of this; how dare you accuse this," blah, blah, blah, which did not--which enraged the guy in Stockholm, who called the IAD [Internal Audit Department] hotline, the predecessor to INT [Department of institutional Integrity], and said, "There's a problem."

Well, an internal audit came in and found, yes, there was a big problem and there was a whole lot of money missing, and here were the three ringleaders. And it was a big scandal because we were trying to raise money for IDA and this is the World Bank and this is not supposed to happen. And it was all very hush-hush.

This was being handled by Kathy's shop, by Caroline Harper, but then it became Joanne's headache. And Joanne was very uncomfortable with this because Joanne didn't like budget and Joanne didn't like trust funds, and here we have donors. And Joanne is busy helping with IDA but realizes she's got to deal with donors, and the donors are all after Joanne because she's working on IDA with Sven Sandstrom.

[REDACTED]

Anyway, it was clear that things had to be fixed.

In the spring of 2001, Deloitte, who are auditors--this was before Sarbanes-Oxley--Deloitte did a report on what had gone wrong and what needed to be fixed. The report was sent to me for some reason, and I don't remember what it was. But I was off on vacation the next day, so I read the report, which had been sent to me for comment, and then sent an email saying, "I think the report is going down the right lines," because it basically said the problem was lack of segregation of duties and it proposed that the donor relations function had to be separated from the trust fund operations and that you needed somebody to look at compliance and quality assurance.

So I wrote an email saying I agreed with this and it struck me that this was very wise and why, and sent it to, I guess, Joanne and Sven Sandstrom and others. Well, the phone rings ten minutes after I push the button with a very angry Arif Zulfiqar demanding to how dare I write an email on this.

I said, "Well, I was given it to comment on, and I'm going on vacation, and you knew that. And, in fact, why are you involved? This is about your department. And I'm interested, I'm curious that you're calling me to say that another vice presidency can't comment to endorse these proposals," which was funny.

So I went on vacation and then came back and things were moving along and there's got to be something done and the donors were angry and what are we going to do? And it was decided in the summer that yes, we're going to reconfigure the trust fund establishment,

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CADARIO: [REDACTED] And so the job was posted. Like they posted all the jobs, including the new one for the director for trust funds quality. It was a GH/GI job for quality assurance and compliance.

So, okay, it's been posted, and Kathy says, "You are going to apply."

And at this point I was thinking, "Well, maybe I should just leave the Bank," because, okay, I wasn't really . . .

Kathy said, "You are going to apply."

And I think I worked for Joanne at that point or Joanne was about to take over. So I said, "Yeah, I'm going to apply."

So I applied. So I'm called to an interview, and of course I don't think that people in CFP or RMC, including Arif, were terribly happy that I might apply for this because I knew where all the skeletons were and I'd also done business process innovation and systems renewal for ISR and all that.

Well, so I go to my interview, and I don't remember whether I was interviewed by a lot of people or not. I think there were a few people that interviewed me. I went for the final interview with Shengman Zhang, the managing director.

And Mohamed had said, "Let Shengman do the talking; don't come across as too pushy."

And I said, "Well, I know Shengman."

And he said, "Yeah, but he's a Managing Director now. He's not a peer."

So I go in. I sit down, and Shengman says to me, "Paul, what I want you to do is I want you to send me a note." He said, "I want you to decide what you're going to do in the first three months in your new job. Send me a note," i.e., you're going to have the job.

"Okay. Well, thank you."

So that was fine, and then it was formalized: I got a note very quickly saying you have been selected for this. And then since we were still doing trust funds to clean up the mess with the CTF donors, there were meetings, and I was asked to go to a meeting that Shengman was chairing about, well, what are we going to do about this mess with the consultant trust funds, how are we going to handle it?

So I go into the meeting and sit by the side, and Shengman points at the table so I went and sat at the table. So Arif came in and Motoo came in, and they all sat down and I could see that they're wondering why I'm there.

So the meeting starts, and Shengman is, of course, very unhappy that we're having to go through this and we had internal audit work out what's tainted, et cetera. "So there are two things--so we have to decide what to do. But let me first say that we've got to proceed with this reorganization."

At this point, Shengman's advisor, Margarita Bellinger, comes in and gives a piece of paper to Kusakabe, and Kusakabe looks at the piece of paper and looks at me and Kusakabe is visibly shaken and pale. And I'm thinking, "What's that?"

So Shengman says, "Okay. Well, two things we're going to do. The first thing is Paul is here because he's in charge of trust fund quality assurance and compliance, and he's going to be overseeing what needs to be done to sort this out. And, secondly, the CFO [Chief Financial Officer], Jeffrey Goldstein, and I have decided that Paul will report to the CFO, not to the Managing Director for Operations because, frankly, this is a finance and control issue. And, Paul, you go see Jeffrey after this meeting, and he and I agreed you need to start right away."

Okay. So I leave the office, and I say to Margarita, "Did you run that past me?"

And she said, "No, I didn't think I needed to run it past you. I thought the element of surprise at the meeting was quite necessary. Shengman wanted it that way."

ZIEGLER: What was her last name again?

CADARIO: Margarita Bellinger.

ZIEGLER: Oh, Bellinger. I remember . . .

CADARIO: Margarita was a wonderful advisor because she knew where everything was and who was connected to what. She was excellent. And I worked closely with Margarita.

So I go out of Shengman's office, and there's Jeffrey. Jeffrey and I had never met, and Jeffrey says, "I'm so glad you've come on board. I understand you really know what's going on here and you're a straight-shooter. I'm looking forward to working with you." And Jeffrey was an absolute prince to work with, like "Just get on the job; let me know if you need help."

I got--when I took that job, and it was a level H, and, "Well, do I get promoted now?"

"Well, no, we can't do it right away." And I got promoted a year later to director, which was fine.

And then Jeffrey said, "Well, you've been promoted. Do you care about your title?"

And I said, "Well, what does it matter?"

And he said, "Well, I have to go to the Board if it's director, but senior manager I can just do."

And I said, "Well, whatever is easier for you, because it's the same grade and I get a 5-percent promotion increase, so that's fine."

So I took over in October of 2001. And it was a competitive managerial process, and there were only two of us on the short list. There was the annual portfolio review, which I had to pick up because RMC had dropped the ball on it. And they'd given it to someone that none of them liked, a woman named Aynur Sumer, whom I knew from West Africa days, we were both in Freetown in the summer of 1976. She was

the country economist, and she was great but had never been allowed to write what she really wanted to write. But I said, "Well, you're doing it for me now, Aynur, so write what you want."

And then I recruited Caroline Harper, who had managed the analysis of how much were we going to pay back. And over the course of the fall the Bank decided, and I think we ended up, on account of three separate mishaps, the CTF fraud, PHRD problems, and the third one . . .

ZIEGLER: PHRD?

CADARIO: Japan Population Human Resources Development, PHRD. It was a trust fund that was used for project preparation. And then there was a third one. We ended up paying the donors back \$30 million but . . .

ZIEGLER: Because there had been problems.

CADARIO: Because there had been problems on account of these three things. And Jeffrey Goldstein took the view that we need to touch, we need to repay everything that these people touched under the CTF fraud because if we don't, the cost of looking at, of trying to decide should we repay, shouldn't we repay is going to be excessive, it's going to take forever, we need to put this behind us, so everything they touched we're going to repay. That was 10 million bucks to the six donors.

PHRD, there was a number and, well, what did we already reimburse? We're going to pay that because want this to go away with the Japanese because the Japanese had not been, had not suffered under the consultant trust fund scandal, but the Japanese had a big consultant trust fund, but then there was another problem. And then there was a third one, so the total for the three situations was like \$28 or \$30 million reimbursed to the donors.

What we wanted to avoid were two things. First, extrapolation. In other words, well, across these six, you repaid X percent. Then we need to go to all the consultant trust funds, and we need to repay X percent of all of them. We did not want to extrapolate because that would lead to a second problem, which could be separate or it could be the same. Well, if you don't have control systems that prevent this, we should make reserves because every year you're going to have to pay something back. And the Controller and the CFO said, "We are absolutely not making reserves because then we have to disclose the basis on which we're doing this, and we get into a whole kimono show or open the kimono or the seven veils about 'just how bad are your controls?' And we've got to fix them, and we should not either extrapolate, or we cannot allow extrapolation. We're just going to repay all the donors all their money that these people touched. We think the Board will go along with that."

So this was all in the fall, like October or November, and there was a lot going on. And then I think it was December. It was December. It was after Thanksgiving. It was decided by Joanne Salop, the trust fund working group or trust fund action committee, which was chaired by Jeffrey Goldstein and had vice presidents on it, and then there was a trust fund working group implemented, it was decided we're going to do our "we're sorry we screwed up" tour. And Chuck [Charles A.] McDonough, who at that point was the director of accounting, Chuck McDonough and I were going to join Motoo Kusakabe, and we were going to go to Italy, France, Finland, and the Netherlands. And Chuck and I were there to make sure that everybody understood that the Bank meant business, and Motoo was then vice president.

A second group led by Joanne Salop went to Sweden, Denmark, and I think Spain because they were the ones where the donors were really angry. And Caroline Harper, who was working for me by this point, had to accompany Joanne, and we flew around Europe for a week, like if this was Wednesday it must be Helsinki. Then we'd arrive in Helsinki in the morning, we'd have our meeting, and we'd go on to the next

place.

And Chuck and I were traveling together. So Chuck and I would get on Lufthansa because the Bank had a deal with Lufthansa, and we would sit in 5A and 5C, and the Scotch would be brought out. And Chuck and I cooked up the idea that we need to automate all this, we need to put this all into SAP so that there shouldn't be paper workflows. We need to put this all in SAP, and then we know who's approved it, et cetera. Can this be done?

This, of course, fit very well with Chuck's vision that we could offshore it to the new center in Chennai, which had just opened. The center in Chennai, just to go back, the center in Chennai was something that I guess a lot of organizations were doing, where you put your back office in India. And they looked around and they picked India, and then they looked at some cities and they picked Chennai because I think the government of Tamil Nadu had offered some concessions, and the Bank was going to put a building that was going to have four or five hundred people in it. So it's this big deal, and it wasn't congested like Hyderabad. The idea of putting it in the capital made it a little too close to the New Delhi office and to the central government because this was a Bank installation. It wasn't to serve India.

So we had acquired premises in Chennai. And offshoring a lot of the back office had been a big deal. And I remember one day--and this is moving back a bit--I think I was--I was doing my Master's degree in organization development, and I was doing change management. And I ran into Faye Choudhury, who was at that point the director of accounting working for Jules Muis, the Controller.

Faye said, "Paul, I'm working on this offshoring to Chennai, and I'm having a terrible time with my managers. They just aren't happy. They don't know what they're going to do. We're not getting any progress."

And I said, "Well, I can understand that." And I said, "Well, let me suggest something because I know all your managers, and they're all great people. They're all wonderful. They're smart, they're committed. They're good managers. But look at it this way: you're asking them to manage people that are 8,000 miles away, and they're afraid that they won't be able to do it. I think they can do it because they're smart people, but you're going to have to support them, and they're going to have to figure out how to do it. But they're smart; they'll figure it out. But what you need to do, Faye, is you need to make it safe for them to talk about the fact that they're afraid. And if you make it safe, then they'll probably all find that they're all in the same boat and some of them will have figured things out, and then, together, there may be things where they haven't, and none of them have figured out how to do it. But if you get them to talk about it, they'll say, 'Well, I'm afraid of that, too.' I would do that."

Well, he called me up two days later, and he said, "That was a brilliant suggestion, Paul, because that was exactly it, that they were afraid, and by saying it's okay to talk about why we're afraid, we all need to be afraid," because I think Faye had basically been told, "Jules Muis is leaving and if you want to be the Vice President and Controller you better pull off this offshoring."

Anyway, so in January of 2002 I was in Paris interviewing YPs, like I do every year, did every year. And then Chuck and Brian Quinn, who was the new manager for trust fund accounting, and I were going to Chennai. So we get off the plane in Chennai at 1:00 in the morning, and we are whisked to the Chennai center which, of course, is open because the day is just beginning, the time difference in Washington. They were just closing. Well, Chuck was received like visiting royalty, which he was. And he'd never been there before. And of course it's 5:30 in the morning. Brian and I said to Chuck or I said to Chuck, "Well, it's been a lovely event, and you've done a great town meeting, and we're having a lovely buffet here of samosas and everything, but it is 5:30 in the morning. Given that you probably want to do some work today, could Brian and I go back to the hotel and maybe get some sleep because you'll want to . . ."

Paul Cadario

April 4, 17, 22 and 30, 2013

Final Edited

“Oh, okay, fine.”

So we left, and Chuck continued to meet with people. But a lot of the work and the quality assurance in the whole trust fund business process, in the process excellence, in terms of everything is set up properly, is because we set up Chennai because people in Chennai took great care with the process; for example, there was a sign up on the bulletin board, they're targeted at 95-percent accuracy, and last month they got 99 percent, so the sign, well, “We need to discuss how to improve our work, at 3:00 tomorrow afternoon.”

So it was really impressive because we had a great team of people, and a lot of the work that required absolute assurance that it was going to be done properly and it was all coming to them through the system, it was done in Chennai, and it was done beautifully.

We were very fortunate. I think we were among the first international companies to come to Chennai so we had some of the greatest staff. They were great. Managers, they were great. Accountants, they were very . . .

ZIEGLER: You were able to get the pick of the lot?

CADARIO: Yes, we had the pick of the lot because we were the first one, and it worked that the World Bank was prestigious. And we had beautiful temporary space, and I think we moved into another temporary space, and then we built our own building in Chennai, and it was lovely and environmentally-appropriate building. And Chennai has now become, I understand, as congested as Hyderabad and the other places we had looked.

But I think that the fact that we had the process simplification and setting up everything in the system was all done offshore in Chennai where it was all going to be done exactly by the book. Everything was work-flowed because of SAP and everything was done there, and if you needed to change something you had to go to Chennai to change it and you had to explain why. And they were saying, “Well, yeah, we could change this if Paul C. allows it, you have to explain why, and this is where you have to put it. And once you've put it in, we will approve it. We will flip the switch and turn it on.”

So we had a succession of great trust fund people and great dedicated business process actors in Chennai who have made it possible, at least in the back office on the accounting side. The trust funds got really mainstreamed into how the World Bank Group manages its money.

ZIEGLER: For the benefit of future researchers, can you just explain briefly the role of trust funds in the Bank, broadly speaking?

CADARIO: Well . . .

ZIEGLER: I'm not sure that I understand it completely.

CADARIO: Well, basically, trust funds are a financial and administrative arrangement where somebody gives us the money to do certain things, and we agree to give it away in accordance with Bank policies and procedures. Over the course of the years, we had separate trust fund policies and procedures that weren't aligned with how we did loans and credits, and that was a problem. When we put them into the SAP that cleaned it up a bit.

There are basically three kinds of trust funds. The biggest ones are the financial intermediary funds, which are real trust funds, but the Bank does not control the allocation process. We're the trustee, but

we're not the administrator.

The big ones are the Global Fund to fight AIDS, Tuberculosis and Malaria; the Global Environment Facility; the Montreal Protocol; the new Global Partnership for Education. They're the big ones, and that .

ZIEGLER: So the donor decides . . .

CADARIO: Well, there's a governing body outside the Bank that allocates the money, as opposed to Bank-executed trust funds and recipient-executed trust funds. Recipient-executed trust funds are just like IDA, in that they have to be appraised and then we give them to the client, and the client uses Bank policies and procedures, environment, fiduciary, procurement, safeguards. And there's a PAD [project appraisal document] or some--a project document that describes what's going to be done, and a grant agreement with the recipient about what's going to be done.

Most of those recipient-executed trust funds go to governments. There are some recipient executed trust funds that go to non-governmental organizations, but most of them go to government, just like IDA. They're sometimes used to co-finance IDA. They're used in countries that are very poor and they're used in fragile states.

Then we have Bank-executed trust funds. Bank-executed trust funds are supposed to be just like our budget. And in FY12, I think we used something like \$670 million of Bank-executed trust funds. Some of that is, well, for various peculiar reasons, like if you have a recipient-executed trust fund that you supervise, you create a Bank-executed trust fund to pay for the supervision.

Well, \$670 million on a budget of \$2 billion, and the budget of \$2 billion includes all the back office, so if you say the budget of operations is like \$1.3 billion and you're adding \$670 million, you've basically got 40 percent of the Bank's operational work paid for off budget through the kindness of others. And so .

ZIEGLER: Now, where does the money come from? That comes from donors?

CADARIO: It comes from donors, it comes from governments. Well, you've got--all of the money comes from donors. There are various accounting rules that say the Bank can't put its own money into trust funds. IFC can, but the Bank can't for some reason. But you've taken that in as income and you've put it in a trust fund. You spent it yourself, well, why didn't you just spend the budget? So it's a very funny fiduciary role because the Bank can't be trustee for itself.

So this is why we have a budget and we have trust funds separately, even though they should be used together. And when you're coming up with the cost of doing something or the budget for doing something or the cost for doing something, you should take into account all resources, all results and all resources.

And of course the Bank was very good--or some parts of the Bank were very good--at saying, "Well, we've achieved all this stuff," and not mentioning that they actually achieved it with a budget subsidy from a trust fund of 20 or 30 percent or maybe even more.

And you got into problems because we have to prepare a PAD and we're going to use trust funds, but we don't get any money to prepare the PAD until the project is agreed and then we can charge against the trust fund. But we've already spent \$300,000 to write a PAD, but we had to pay that "nights and weekends." Well, actually, charge it to something else.

So a lot of issues arise from a lack of transparency in what exactly they pay for. And the Board was also saying, "Well, we approved a work program and a budget of so much. And we know that these trust funds are there, too. We should approve those, too." Well, no, no, no, we don't want the Board approving Bank-executed trust funds.

So there's been a constant struggle between the forces in management that want efficiency and transparency and accountability because, remember, the trust fund is generally assigned to a TTL not to a manager. So the trust fund pays first for the TTL and her entourage. And a manager gives her a budget and she says, "I'll take that and I'll get some trust fund, and we'll spend it," or the manager says, "I know you have lots of trust funds. I'm going to cut your budget." East Asia, for example, has a lot of trust funds, so we won't give them as much budget as they should otherwise get.

So the trust fund business has led to a whole lot of distortion about staffing, about efficiency, about priorities, at the country level, at the regional level. Like, "Well, why are we doing this trust fund?"

"Well, because the donors gave it to us."

"Do we know anything about that? Is it in the CAS?"

"Well, yes, but the donors want to do it."

"No, no, no, I asked you is it in the CAS?"

And the extreme example of the use of Bank-executed trust funds is the Indonesia office where I always joked that when Sri Mulyani Indrawati, the Minister of Finance of Indonesia, was the luckiest minister of finance in the whole world because she didn't have to manage a policy team. If she had a question, she'd call the World Bank office, and there were fifteen or twenty people who would answer her question and she would get a little a two-pager by the end of the next day.

So the whole issue of why do donors do trust funds and why does the Bank accept them became, with the size of the Bank-executed trust funds, quite a contentious political issue over the years. I would always say, "Look, there are two issues. The first is do our work program deliverables reflect what we've agreed with our owners and with our clients we were going to produce, or do we have like little pet things we do because the donors will pay for them? Do we end up at the end of a CAS having done all these nice things, but we didn't do what we started out to do because the donors waved money in front of us and we did something else? Is it fair to the countries that don't have trust funds, like the IBRD countries?"

And then, of course, there are some trust funds that are run by the networks so they can have their own programming. And country directors see these people marching through, generally the fancy and touristic middle-income countries: "Well, why are they here?"

"Well, they're here to give advice on privatization."

"Well, yes, but we're doing work on privatization. Who are they? Well, but do we know what advice they gave? Do we know whom they talked to?"

And if you're in one of the big middle-income countries, staying on message is really important because these big middle-income countries know what they want. I remember once going to China and going to the ministry of finance and, "Well, Mr. Cadario, how nice to see you. I remember when we worked together."

“Yes, I remember you.” Now, he would be like a deputy director, and I'd say, “Well, I'm here to talk about trust funds and get your point of view.”

And he says, “Well, trust funds are really interesting, but, you see, the ministry of finance only sees them at the very end because we have to sign the grant agreement on behalf of the government. And I get these grant agreements, and I look at it, and I say I don't think I would have done this. Like, where is this in the CAS, or, oh, my God, the technical people at the Bank have talked to the line ministries. And ministry of finance doesn't want this to happen, but am I going to say, no, no, no, no, take this away, I don't want it? Of course not. But I really wonder, Paul, you remember that the World Bank, department of ministry of finance and the Bank always had agreements, this is what we're going to do?”

And I said, “Yes, China told us what you wanted us to do, and we did it, and we did the best we could. We managed the money.”

And he says, “Well, but with trust funds that doesn't happen. There's all this stuff going on that we don't know about until it's just about to start or maybe we find out about it when it's done because we think there are all these people running around with Bank-executed trust funds here in China, and we look at their terms reference and we authorize the visas, but we're not quite sure why they're here because we don't know what project they're associated with, like this big program that we've agreed to do.”

So I think it leads to a lot of confusion. And, of course, as the perception of the budget being tighter and tighter has increased and as the Bank's cost of doing business has increased because of decentralization and the cost of running country offices, staffing them, giving them security, doing the IT, all of that has increased. Budgets are under pressure.

The other thing is that it's not respectable to be a member of a team anymore. You don't get promoted unless you're a TTL. Well, so who do we send? We send a level F and four consultants, two of whom are paid by trust funds because the level F wants to be a level G or the level G wants to be a level H, and we've fragmented our work program so that everybody can be a TTL. And because we've fragmented the work program, we've fragmented the budget. And because we've fragmented the budget, we have to have trust funds to support each and every little thing.

ZIEGLER: Like a circle almost.

CADARIO: Yes. And shouldn't we do fewer bigger pieces, let's say? And does everybody, like I think I was reading one of the--like either Javed Burki or Johannes Linn's point that a client said, “You used to send us missions led by people with gray hair, and now you send us missions with young people who have all these consultants working for them, and we don't really know whether that's a good deal for us the way it used to be, because the person who led the mission was excellent and that person brought experts with him.” Well, part of that is the “him” or part of that issue is the “him.”

But I think there is a question of whether the Bank is still doing high-quality work because, effectively, we're letting anybody do it. And decentralization may not have improved that because there's a big push to have country office staff leading activities. And many of our country office staff lack global experience, which is really necessary in order to be the World Bank. That's part of the license to operate, the global experience that we bring. It's also the way that the Bank's experience in one country moves to another because those people have led the missions in Burundi so that when they go to Laos they can say this is very similar or . . .

ZIEGLER: Well, you're a good person to ask this question of, given your experiences. I remember when I first came to the Bank, one of the questions, I forget who I asked, but we're the World Bank and

we just have a few of these little resident missions and these people come from, have to fly from Washington to wherever they're going. I mean, isn't that kind of expensive? But I was told, well, it would be much more expensive to put them in the field.

Now, you just said the cost of doing business has increased due to decentralization, but has the decentralization, in your opinion, been a good idea? Has it improved quality of the Bank's work and the benefits for those client countries?

CADARIO: Well, yes, it has, but to the detriment of something else. Yes, we're treating our clients like clients. We have an office there. And you've got people that are dedicated--country director, country manager--and they only work on that country. There are people who are senior in the big countries, and there are people who are quite experienced: the Indonesias, the Russias, the Vietnams, Kenya, not to cite just those four but that's the idea. You've got really good people in those big countries. And I think that's often true at the country manager level, as well.

But once you got a manager there, you have to put people around him and you have to have an office and you have to worry about this, that, and the other thing, and then, oh, well, we should have agricultural specialists there. Well, that's fine. Well, okay, what agricultural specialist should we have? Well, if we could move people around; that's fine; that's a good thing. But what also I see happening is we have people who work only in country offices. They move from one country office to another, including directors sometimes. They don't do anything corporate. And so we've got people who might know the country very well, including local staff, because that's what they know mostly, but do we have people who understand global issues? Well, yes, we can have these confabs for one or two or three weeks where they all come and party and go to workshops, selected I don't know quite how.

But there's a World Bank global way of doing things, bringing global experience. How does it get transmitted? I'm not sure, like I don't think just that there's something special about going through Dulles Airport means that you're a global expert. But, similarly, I don't think that sitting in a country office means that you're necessarily more client-focused because the client doesn't just want you able to come over at the drop of a hat. Frankly, if I were a minister of finance, I basically don't want the World Bank calling me all the time. And I can pick up the phone and call whoever is in charge of my country at any time. I don't really need to have them drive over.

I'm not absolutely sure that our clients are better served, but I'm not sure that they're getting the full benefit of everything the Bank knows or ought to know because we've created these large installations in country offices where we have to have local people doing supervision or doing preparation. We have to have locally-based staff, but somebody who's an internationally-recruited staff member who's sitting in a country and has worked in other countries is more likely know exactly who to call if they have a question. But they're there by themselves. And, okay, they might be able to get somebody from headquarters to phone them back, but, frankly, the Bank's experience, despite all the hundreds of millions of dollars we spent on knowledge management, is not that we have created the practices in the way we should have.

And the FPD [finance and private sector development] pilot, which was intended to create these global practices, seems to be lost and somewhere banished in the shadows as we're talking about change management, at least I haven't heard anybody mention the FPD pilot where you had practices as well as global things, basically a 3-dimensional matrix. I haven't really seen anybody, I haven't heard anybody talking that that's improved how we're dealing with FPD matters.

So, on balance, yes, I think that decentralization had to happen and was the way things needed to go. But I'm not sure that we've necessarily given every country the right team that it needs. And I'm also not clear that we're extracting what we know and using all our experience and, indeed, listening to people in

country offices about what they want to the extent that we ought to be the way we've configured ourselves today.

[Begin Tape 2, Side A]

CADARIO: One of the things that was always in the background and moved into the foreground toward the end of my time at the Bank was trust funds. As I mentioned, Chuck McDonough and I had thought about it when we were flying around on the famous "we're sorry we screwed up tour" in 2001. And Chuck was keen to take full advantage of process improvements for the control possibilities that were possible, that could be done by automating the whole system.

CFP was a little less convinced, even though--or, rather, RMC were a little less convinced because they thought they were business owners. And Chuck's view was, "Well, excuse me, this has to do with money, getting the money, allocating the money, spending the money, returning the money, so it's controller's, so we're going to do this." So the team was set up basically under Controller's authority.

The learning and accreditation program which had been imposed had done a lot of good because you couldn't run trust funds unless you were prepared to get accredited. And that had been rather a big institutional step because I had championed it, but there was someone in CFP who--Dale Hill--who came up with a module. And we tested them, and because we decided it was going to be mandatory, we had to make sure it actually worked.

So I had insisted, and brought in WBI [World Bank Institute] to do a validation of the questions so that they would be considered valid and reliable for then being the basis for tests which decided whether you could run trust funds or not.

ZIEGLER: How did the World Bank Institute . . .

CADARIO: World Bank Institute had an evaluation group in there.

ZIEGLER: Oh, okay.

CADARIO: And I had, in doing the work on the learning board and knowledge management, met some of them and I said, "Could you come in and advise us about how to make sure these questions are valid and reliable and do they measure what they're supposed to measure?" They were happy to do it. And, in fact, a year later they came in and did an evaluation, a level 2 evaluation, of the whole trust fund learning and accreditation program and concluded that it actually had been a big improvement. And they looked at the statistics of mistakes and errors that had been made, and there was actually a report that said, "Based on a year's experience, this was a good idea."

And there had been a lot of resistance. The most famous part was the Vice President for East Asia, Jemal Kassum, called Jeffrey Goldstein or, rather, he let it be known that while there was this July 1st deadline for the accreditation, it was really difficult, it was bunching season, and his people would not be accredited at the time.

So I went to Jeffrey, the CFO, and said, "Jemal said that he's not planning to get his staff accredited by the deadline and muttering that the trust funds better not stop and that he's basically told his people just to ignore the July 1st deadline."

And Jeffrey said, "Well, why did he do that?"

And I said, "I don't know, but he's certainly been told it was a July 1st deadline and that was what your instruction--you and Shengman signed this note that said it will be July the 1st and that's the deadline and the trust funds will be frozen if the TTL isn't accredited and that there will be no shadow TTLs. The TTL of record has got to be accredited, and the system is now hardwired to make sure that that happens. And if the TTL is not accredited, then the system won't process trust fund transactions."

So Jeffrey says, "Thank you."

And Jeffrey called Jemal Kassum and said, "I understand you have not read my memo. I'm telling you, Jemal, I'm telling you, there is no Plan B. If your TTLs are not accredited by the 1st of July, the trust funds in East Asia will freeze. There is not another option. As we told you six months ago, this is it. That's the way it's going to be. And I expect you, in case I've not been correctly informed, but if you believe that there's any misunderstanding about the fact that this July 1st deadline applies to East Asia as it applies to the rest of the Bank, I would invite you to make whatever clarifications are important or necessary today, tomorrow morning at the latest, but I'd do it today because they'll be opening for business in East Asia in a few hours. We wouldn't want them to lose a day to study to get accredited."

So Jemal, of course, became the biggest supporter of the learning and accreditation program.

But the trust funds, it's standardized, it's simplified. We were able to identify what processes were leading to blockages. It was a marvelous opportunity to do things, but to basically get everything in one place and sort out the accountability so it was all very clear. Some people filled out the forms better than others did, and we probably asked for too much. And, of course, as we did more and more trust funds, the whole issue of, well, we have to put everything in these trust funds and then we have to write a PAD, too.

That led to the final move that had to be engineered, basically starting, I guess, a little over a year ago. Like early 2012 was the final step on trust funds.

I decided--and Jeffrey, by this time, had gone. John Wilton had become the acting CFO, and then Vincenzo La Via became the CFO. Vincenzo was also wonderful to work with, a consummate professional, truly committed to integrity, committed to good risk management, sound risk management practices, and also somebody who said, "Just go and do whatever needs to be done."

I should parenthetically say that, as I was in charge of TQC [Trust Fund Quality Assurance and Compliance] for all those years, when I started I got a very good piece of advice from Mohamed Muhsin, who said, "You should write an email to Jeffrey every week telling him what's going on, and you'll find that it will be tremendous discipline in terms of what you're working on." So I did that, and I wrote those emails every weekend, every Friday, sometimes Saturday, sometimes Sunday, every week for that whole period, and they were only for the CFO. And then Caroline Harper got a copy, and my assistant got a copy to put in a binder for the record. They didn't go into the files because they had--it was always, well, events this week, issues, and then on the agenda for next week. And they were detailed and often very candid descriptions of what was going on and what I was going to do about it. And the understanding I had with Jeffrey and then with John and then with Vincenzo was that I would just, if they had any comments, suggestions, or advice, they were free to call, but if I didn't hear from them I would be proceeding with what I said I was going to do. And I didn't expect them to follow-up on anything unless I came and asked for it. In other words, "Don't get alarmed about something I've written, I'm dealing with it. If you have questions or if you want to, if something is troubling to you, then let me know."

Well, of course, that worked very well because all three of them were people--and I think they treated all of their managers this way--that once you've established that you knew what you were doing, they were just there to be supportive and they knew you were reporting on what was happening so that they knew

what was going on if anybody complained, as, eventually, it is said one or two of the Managing Directors complained about things that I had done to people who were working under them. And the CFO, Vincenzo, and I think Jeffrey before him, I don't remember hearing any stories from Jeffrey, but Vincenzo would listen and would say, "Well, actually, that's what I pay him to do, and the fact that you've come to complain shows that my trust in his judgment is correct. Thank you for letting me know what a good job he's doing." And then there would be the "but, but, but, but," and Vincenzo would say, "No. I'm sorry you don't like what he did, but he did what he's supposed to do and he did what I expect whoever complained to you is going to do." So it was always good to have bosses like that.

We had SAP; it was working. We had shown that offshoring the back office was possible.

But as the Bank-executed trust funds, in particular, got very big and they were being mixed--not mixed but they were being used in parallel and sometimes in substitution for Bank budget. And you got into issues about people being hired, and they were paid for entirely by trust funds. But we had different rules. "Well, excuse me, this person works for the Bank. They have a contract with the Bank, not a contract with the trust fund. The trust fund is just this pot of money."

And then, of course, the donors sometimes said, "Well, why are you treating--like you're supposed to do this with our trust funds."

And I would say, "Where does it say that?"

"Well, we want this."

And I said, "Well, we have an agreement, an administration agreement, and this is what it says in Bank policies and procedures. What part of Bank policies and procedures isn't clear to you? We're not doing separate reports for you. That would be very expensive. You wouldn't want to do that because then we'd have to charge you."

But the noise level was rising because donors were getting a little pushy. They wanted extra reporting. TTLs were saying, "Well, we have to fill out this trust fund proposal, and we have to fill out a PAD, and we have to fill out both, and then there are two different approval processes." Managers were saying--and they got a trust fund proposal to approve it--they'd say, "Well, didn't I just approve that?" or "Well, this was before the PAD." So there were all sorts of little disconnects where there was duplicate work going on or work that shouldn't be going on because trust funds, it's just an account in the Bank's books, as I kept saying.

So the time has come to say, "Look, if recipient-executed trust funds are like IDA, and Bank-executed trust funds are like Bank budget, why are we treating them differently? You've got to approve them. You've got to get the money into the Bank. But in terms of how they're used and how they're dispersed and how they're accounted for and how they're supervised and how they're reported on, they're like IDA or they're like BB [Bank budget]. They shouldn't be different." So what we had to do, having said to the donors that your money is very special and different, we had to then say, "Actually, it's so valuable we're going to treat it like our very own," which, in fact, had been what we weren't doing when the consultant trust fund scandal happened back in 2000. So having told them for a decade your money is different, we had to now say, "No, your money is so special we're going to treat it like our very own".

That messaging had to be managed, so how do we do that? Well, that took a lot of coffee and a lot of drawing sketches on napkins in the atrium there because you had a whole trust fund industry that's been built up: the hunt for trust funds. And people complaining, on the one hand, that the donors were demanding things and, on the other hand, giving them special reports. And I said, "No, no, no, no, we are

not giving the donors special reports because we can't validate if those reports are correct. We can't--they have to come out of the information systems, and that's why they, the donors, have access. In the donor portal that goes into E-trust funds, they can see their money being spent. They also can see things consistent with our disclosure regulations and privacy. They know we can't show them staff costs. But as soon as we have people, TTLs, taking on themselves to prepare special reports, first, that's extra work; secondly, that's a control problem because we don't know whether those reports are right and for all we know we could get into a problem where the Bank did not comply with reporting if you asked for something special. So, effectively, we need a completely standard process."

Well, of course, you've got this whole industry of people that has been built up saying, "Well, trust funds are special; we're the trust fund priestesses." You've got a whole part of the legal department saying, "Oh, no, no, no, they must--they're all tailored made." No, they're not. The only thing that's tailored made is what they're going to be used for, and you should be able to put that on one page.

So we need to simplify it so that effectively we should use the operational system to describe all the qualitative stuff, including the results and the risks. And the only thing that's really e-trust funds or the trust fund system should be what the Controller needs to set up the account, how much is it, who's paying it in, how am I dispersing it, how do I give the money back at the end, how do I have it audited? And that's all the Controller's business. The rest of the stuff needs to be mainstreamed into operations.

So that required a lot of doing, but effectively all the ducks were lined up. And in the trust fund portfolio review for FY11, I outlined what we needed to do and had already arranged that Caroline Anstey's office had already seen the draft and had sensitized her, and Caroline and I had coffee. So Managing Director Caroline Anstey endorsed the part about we need to make recipient-executed like IDA and follow operational policies, and we need to make Bank-executed like the Bank budget. We need to follow how we do Bank budget, how we oversee it; and we need to leave the Controller stuff but, basically, pull back, integrate trust funds into the operational and business systems, rather than have their own system.

The reason that we had two systems is because at the beginning the e-trust funds was more robust than the operations portal. But in the years, OPCS had built an operations portal. The operations portal is glitchy and overbuilt and complicated and needs fixing. But if you're going to have to fix it, you might as well put the trust fund bit in at the same time. It's not a matter of cutting and pasting from one system. It's a matter of this one decision-maker, this one workflow, and it all happens at the same time using the exact same information.

And then: "Am I supervising a trust for a recipient-executed trust fund?"

"Yes."

"How do I do it?"

"Just like you supervise IDA."

The advantage in the field is you can say to the donors, "You're welcome to join the supervision mission of this trust fund," or, rather, implementation of support, whatever we're calling it now. But that simplifies life for staff because, as I always like to say, it's better just to have to remember one set of rules so you can't get confused.

I'm not quite sure where it stands now. I hear that somebody has laid hands on the money and wants to use it for something else, and I've retired so I don't have a dog in that fight anymore, and if the money is going somewhere else, that's unfortunate.

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

But we then proceeded, and then last--a year ago in March, March of 2012, "How are we going to do this?" Well, I created a three-week team that had a deadline. They were told, "Three weeks and you've got to come up with the architecture for a solution"--which hadn't been done, basically, since we did business process innovation in the mid-'90s--and set up a team and tell them come up with a process (I mean, full-time) "and here's your room that you're going to work in." We hadn't done that, and they came up with a team and a proposal that was endorsed by Caroline Anstey and by Vincenzo just before he left and by Chuck McDonough, the acting CFO. And it was also endorsed by the business process owners and the vice presidents involved.

So they should have started to work on that, which, I think, if they proceeded with it, would have improved both results and controls in the management of risk.

Some of the other issues that came up over the course of the time I was a TTL got to the heart of how we do business and what is our business. As the Bank got more and more decentralized, like we had--we have a lot of staff who don't understand what's our work and what's the government's work. And so we would find people were preparing projects, like using a Bank-executed trust fund to prepare a project, which then we would go and supervise or we'd go and appraise, like we were appraising our own work. Well, that's a blatant conflict of interest.

There was an incident where somebody had hired one of his neighbor's children. And we would find that there were examples of impaired objectivity, where we would get somebody to do a study that would mysteriously start off as AAA [analytic and advisory activities] and would end up looking like a large part of a PAD, which was supposed to be based in large part on the preparation report the government gave us to be the basis for our loan or credit. Well, you can't really objectively appraise something that somebody in the Bank, maybe you even, had hired and paid a consultant to prepare.

One year in June we whacked the regions for \$1.1 million after we did an analysis of people that they used, they'd hired using trust funds and consultants that were then brought along on the appraisal mission. So they prepared the project, and then they brought them on the appraisal mission or--and, in fact, what was really egregious is a Bank-executed trust fund to do recipient work, like Bank execution of recipient work, and then they hired those consultants to come on our appraisal mission to just copy and paste what they had already written. I said, "We can't tolerate this," and, "This is absolutely forbidden in the staff rule, it's forbidden in the procurement guidelines, and this is non-compliance, and we're going to take that money back. And we're sorry it's June, but either you tell us what budgets to whack or we're just going to go to the regional vice president's budget. If you don't tell us by June the 20th which budget to charge it to, we're going to take it out of the RVP's budget."

ZIEGLER: Which he would appreciate very much.

CADARIO: Well, it was June the 20th, yes. But this was the way, occasionally, we had to act.

One of the most serious issues we had was a TTL who had hired a whole lot of junior consultants and then broke all the rules about 150 days. [REDACTED]

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wants to be seen to be doing something. But also, in the absence of a real program manager to run these programs, the donors think that they're in charge.

So then the program manager comes, and they're saying, "Well, we want this."

"Well, no, that's not what you agreed to."

So I went to several countries, including one in Pakistan where, first, I got the government saying how happy they were with what was going on, which wasn't what the donors wanted to hear. But the government actually stepped in to say what they'd achieved through their own efforts, even though the trust fund hadn't disbursed. And I finally said, "Ladies and gentlemen, I'd just like to remind you a multi-donor trust fund is simply an account in the Bank's books. The government has told us about the achievements under the program that this multi-donor trust fund helped pay for, and should that not be where we are focusing? How can we help the government get more results, and is there something else that the Bank should be doing, and indeed a number of you who are parallel co-financing some of this, that we should be doing to help the government achieve more results and to make sure that they're supported in every way that they can be in order to be responsible for results in this very politically tricky situation. But don't blame the MDTF [multi-donor trust fund]. The MDTF is just a pot of money, which you graciously asked us to administer."

There were all these things where, the trust fund world got very complicated and a lot of, a lot of the complexity and a lot of the irritation that some donors felt was because we didn't clearly do what we were supposed to do or because we . . .

ZIEGLER: "We" meaning the Bank?

CADARIO: "We" meaning the Bank and, again, country directors or country managers. And it's not that there was bad will. It's just, well, we're going to start the trust-funded activities in January, then we don't even start to hire the project manager until February. We start the previous July to hire somebody who's going to be there when we're going to start working with the trust fund. The recipient-executed ones, I think, in the fragile states, I think were particularly problematic.

You then have different ways of doing the same thing and doing cost recovery, which became a huge issue. You do it one way in Afghanistan, and you do it a different way in Indonesia: trust funds of the same order of magnitude, but why are they being done differently?

You have different relationships with donors because donors want to come in and do audits.

"Well, we have rules about that."

"Well, do they apply to trust funds?"

"Well, yes, they do. Why wouldn't they?"

"Well, no, but this is what the Supreme Audit Institution framework says."

"Yeah, but that's a typo on page one in the footnotes because the other footnotes that refer to that same issue on pages 10, 15, and 17 all say something different. So you read the whole document, not just read the typo on page one."

So a lot of the quality assurance and compliance was a matter of cleaning up mistakes that had been made

in the past and also saying, "If you want to set this up you need to make better plans because there have always been problems when people got started late to make the arrangements for actually spending the money or supervising the money."

And that, I think, is a more generic problem about how the Bank plans its work and organizes its work. It may indeed happen with IDA projects, too, but there are very few IDA projects that get started without somebody who is going to supervise it.

When you got a recipient-executed trust fund and a program manager, the fact that recipient-executed trust funds and programmatic trust funds are a little tricky because we have to appraise each piece of them, and maybe the pieces are too small, so we fragment the work. But, nonetheless, to both our clients and to the donors who are funding things in those countries, we need act the same way because the results, if we act the same way, are predictable. If we do something, if we improvise or if we're rushed into having a signing ceremony with photographs and a reception, then we're not--that's not--what happens next isn't very predictable. And a lot of the anxiety that donors have and a lot of our problems with results have to do with predictability and did we do things that were common sense, reflecting good judgment, because once these things get out of hand--it's the same with a proper project--once a trust fund, once trust-funded activities get out of hand, they're really hard to fix because it's not just IDA and the client, it's IDA, the client, and donors. And the donors, in some of the smaller places, donors don't have much to do other than put the flag on a car, drive by the Bank country office and pull the carrots up and say, "They're not growing very well, and I'll come back tomorrow and look again," and leave the carrots strewn on the ground and go back to their office to wait and complain to the capital and then come back the next day to complain again.

So I think in a way we're masters of our own misfortune. At the same time, I think it's easy to fix if we just basically said "Look, this is just money. It's money to achieve development results, and the way to do it is to do it the way we do all the other development results." Hopefully--and again you're acting in partnership, but acting in partnership is not a matter of inviting them in to do our work. It's a matter of keeping them informed about how the work is going. It's a matter of inviting them along on a supervision mission.

In this regard, the European Commission is one of our most difficult, high-maintenance donors. We had problems about verification missions, which were not foreseen in the Framework Agreement that had been signed. We had problems with external audits, which again were not really foreseen or the wording was such that it was different view in Brussels from the one in Washington. And then, of course, in the country offices nobody knows quite what to do because sometimes you have a very professional development-focused EU delegation, other times you have a prancing ambassador. So it, again, is very difficult if our development partners aren't always behaving the same way.

With that said, I think having solid development partners, like DFID [United Kingdom Department for International Development] in particular, means that we need to be particularly good at doing what we do because DFID, I think, has really upped the ante. I don't agree with everything they've done. "Value for money", whatever that is. I think that's a slogan in London. But, nonetheless, they remind us that these are, at the end, taxpayer funds, whether they're guaranteed or whether they're given, and that they need to be able to say to their authorizing environments and parliaments that by operating through the Bank we're doing things we wouldn't be able to do ourselves, and we're doing them better, or we're operating in places that the Bank knows much better than Her Majesty's government or USAID [United States Agency for International Development] or whoever knows. And . .

ZIEGLER: It's a scary environment there right now.

CADARIO: Yes. And, therefore, there is a particular obligation to show that we're getting results and that the governments are spending the money that Her Majesty has put at our disposal, their disposal, effectively.

But the bottom line on this is that trust funds are fragmented, they're fragmenting the aid architecture: slogans, like the Bank is very good at. Well, if you want to consolidate trust funds, it's hard to know how because most of the trust funds are actually at the country level, with the ambassadors, the head of DFID, the head of USAID. They've got a program for that country, and those decisions are between them and the capital. They're not as if the capital can pull our money and say, "Well, we're going to do forestry or carbon finance." There are some things that are global public goods, and they're decided in the capital. But most of the trust funds are actually co-financing or it's because DFID wants to buy a seat at the table in Indonesia for the work the Bank is doing on trade. Well, that money isn't going to go to some trade facility; the DFID rep for Indonesia is in charge of that money, and he's made the argument that it should be deployed in Indonesia and they're going to work with the Bank.

Well, to consolidate that isn't going to happen. But at the aggregate level, a dollar spent on aid, a dollar spent on trust funds might be a dollar that's not spent on IDA. And at the end of the day, it's IDA that's important, and I think that at some level everybody in the Bank understands that IDA and IBRD are the Bank's bread and butter. Global public goods and partnerships are important, but the big money and the big development results have to be for work at the country level as long as we have a country based model for the way that the World Bank does its business.

And we have a reputational problem if you use the trust funds badly. But we also have a problem of, "Please don't go out and try to raise money while the Bank is trying to collect, to raise money for IDA 17," because at the end of the day, it all goes back to the minister of finance and she or he is going to decide where to spend the money that goes to the World Bank to administer.

I think that all the evidence is that the decisions about how to do IDA are quite separate, how to do and how much to do with IDA are quite separate. They're based on burden sharing, and they're based on the faith that the World Bank Group is still a great place to get development results. But on the other hand, the noise that goes into proliferation of little trust fund programs, which creates little vested interests in the NGO community as well as in some agencies in different capitals, creates noise and creates risk because it increases the likelihood that something will go wrong. And if there's something that goes wrong, then that's a distraction from what should be the Bank's main message, as recently refined by Dr. [Jim Yong] Kim when he arrived.

So, it's hard. I worry that with donor fiscal austerity that we've become too dependent on trust funds and that while we have a nice stock that will see us through a few years, that stock of trust funds isn't as fungible as budget we may or may not have because it's all dedicated to a specific global public good or it's dedicated to doing some particular work in a particular country. And the vagaries of aid, as we've seen here in the United States, there are countries being cut off. Canada pulled back on both the aggregate of its aid program and where it was working, and I think that can be expected because the argument for aid is not apparently as politically palatable as bailing out your banks or protecting the elderly or doing early childhood education in a developed country. That's the world we live in; and we need to understand that and, frankly, spend and behave accordingly.

ZIEGLER: How would you characterize, generally, the relations that the Trust Fund Quality Assurance and Compliance Unit had with units whose trust fund activities you reviewed?

CADARIO: Well, I think generally not bad. There were times of friction and difficulty, generally, when somebody was caught doing something they shouldn't do. Relationships were probably best with

East Asia, which is a region which, aside from one little period after, well, aside from one little period after there were changes in leadership, which has now been changed again. East Asia took trust funds . . .

ZIEGLER: Leadership in, in . . .

CADARIO: In East Asia. Well, Pamela Cox, because she came from LAC [Latin America and Caribbean Regional Vice Presidency], didn't quite understand the trust funds were a big business and were well handled at East Asia.

But East Asia handled trust funds very well. We always got on with East Asia because they had a very good trust fund coordinator who's well integrated into the quality team. Generally where that was true, that was the case. And as we moved the trust fund coordinators in the regions out of the CAOs' offices into the quality team, which has now been done everywhere, that improved things because it was-- it allowed us to focus on results, and it also emphasized the fact that most of the results are from recipient-executed trust funds not Bank-executed trust funds.

East Asia took the controls very seriously, took the quality very seriously, took the trust fund and operational training very seriously. South Asia cooled their work on training, and South Asia is different because they don't really have a lot of trust funds. The big trust funds they got after Mieko [Nishimizu] left.

ZIEGLER: Nishimizu?

CADARIO: Mieko Nishimizu never liked trust funds. So their portfolio is very unusual because it's basically Afghanistan and a bit in Pakistan and Bangladesh and then very little anywhere else. But the big money is in those three countries, and even in Bangladesh most of the trust funds are used for sector work, for SWAPs [sector-wide approaches]. In Pakistan trust funds are used, the multi-donor trust fund, along the border.

Latin America didn't have very many trust funds but ran them very well. The ones they had they ran very well.

Indonesia was for a long time the biggest trust fund user. The Aceh multi-donor trust fund was a model for a new generation of programmatic trust funds, which I think, though, at the end, had very heavy governance arrangements, that they could have been done much more simply had they not been so elaborate. They had program management, they had a program manager, that had a donor committee, they had a PR team, et cetera. So you have a whole infrastructure of reports to donors and lunch afterward.

Also, you have governance structures, which made it look as if the donors were making decisions, which they're not, even in Afghanistan. Well, fine, you have a steering committee and you have a donor group. At the end of the day, nothing gets to be decided that the Bank hasn't asked for, and after the meeting, after the lunch, a good lunch, the country director goes back and goes into SAP and pushes approved in his or her office. But it gives the donors the impression that they're calling the shots, and they're not. We're the trustee, we're the administrator. There isn't shared decision-making here. There's a meeting and a good lunch, and that's governance arrangements for recipient-executed trust funds because that's the way they've got to be. Even with the Bank-executed trust funds, well, yes, we can have a governance body, but all the examples where the donors were approving this and that were complained about because they were heavy and burdensome for TTLs and their managers. So that's why this whole mainstreaming became quite important.

Looking at other regions, MNA didn't have a lot of trust funds except Iraq, but then that was very

particular. ECA moved big-time into Bank-executed trust funds to compensate for its budget having been cut and to respond to requests from Brussels, but again not a big portfolio.

Africa was a problem because there was an organizational issue where you had someone who basically, who used--well, I hired in the Bank when I was a CAO. She was in charge of trust funds, but because she was more an RM person not necessarily an operations person and most of the trust funds in Africa, like everywhere else, were recipient-executed, there were issues of how to get trust fund approval.

Africa is also a place where people try to get away with things. It's not particularly well managed and has never been because it's big and it's decentralized and there are 42 or 43 offices. The Africa region, we sent three--actually, two big missions went to five offices and wrote a very strong cover note to the five BTOs saying there are no controls, people don't know what the portfolio is, it's not clear at the country level if there's fiduciary oversight going on. All of these are different examples of five missions, five places we went to. So, "Well, yes, we'll fix this," they promised.

Three years later, another five offices were visited and, same problem. And then there had been missions to various places between, and I just said, "Nothing's improved."

Well, this--of course, the Regional Vice President had a hissy fit. The Managing Director in charge had a hissy fit.

I said, "I'm sorry. We offered our help. The region chose to do nothing. The region doesn't do its training properly. The region doesn't take training seriously. The region doesn't have strong enough people in the country offices, except the big countries, like Ethiopia, I have no problem. But there are no other places where you've got someone of appropriate standing and experience supervising trust funds. It's hard because the portfolios are small. It's not like East Asia where everything--they've got five country offices, five big country offices. You have all these little country offices, and the decentralized directors have multiple responsibilities. But nonetheless, Africa has a license to operate and it's the World Bank Group's license to operate. And you've also taken on fragile states. You have to do a better job of linking country strategies to results because financing instruments and trust funds are rather important. And I don't get the impression that the region takes that seriously." And the region didn't like to hear that.

I think--I heard last week that the region has now realized that I was right. There were some high-profile battles before I retired and now it's, "Oh, my, the chickens are coming home to roost." And I think that from the point now the Bank now is taking a more aggressive and coordinated view of risk, that the chief risk officer has brought everybody's sensitivities about risk appetite and risk tolerance out to the point where people are saying, "Hmm, maybe we are doing some things in Africa that we need to fix and that work on the quality enhancement side will have a broader impact."

But we also have a problem in Africa where, although IDA plays a huge role in the very poorest countries in Africa, the donors all have their own peculiarities and their own needs because they're all ex-colonial powers. Some of them were better ex-colonial powers than others. And so the Bank is actually operating in partnership, but the Bank doesn't necessarily have the same credibility in some of the African countries compared to some of the donors who are treating those countries as very important clients and are, as a result, very important parts of their local establishments.

But all in all, I think that when I started TQC there was a crisis because the Bank had messed up with a rather small amount of money. Over the next decade I think we made remarkable strides on quality assurance, having first dealt with the compliance issues, which had to be addressed. We standardized and simplified. We got rid of consultant trust funds so that anything that was an outlier showed because there were fewer moving parts in the whole trust fund industry. And the VPUs that chose to link it into quality,

got a head start in saying, "Look, we can link trust funds to our CAS's." If it was seen as not really a quality and results issue, then it was very hard to get your arms around what's priority and what's not, what do we use trust funds for, what should we not be using trust funds for.

The fact that we then came up with the rapid response OP [operation policy], which was erroneously used to mean that we could execute trust funds for the poorest and weakest countries, I think that was a problem and I would hope that we're going to review the Bank's role because I think it sent a signal that the Bank could execute things that really should be recipients' work. And that's a lazy way around, for a TTL or a manager to say, "I'm too lazy to work out what the capacity of this fragile state is. Well, I'll do it--their work for them." Well, that's risky. It doesn't build ownership, you just build capacity in the Bank. And it leads to hiring our friends to do the work.

[Begin Tape 2, Side B]

CADARIO: Just to finish up on trust funds, I think, all in all, we're doing a far better job. We're not doing as well as we could, but I think that it's a matter of saying, look, we've got to actually put them--mainstream is the wrong word, integrate is the wrong word because it sounds as if they're separate, but effectively we need to say this is just another source of development finance. Anything that the Bank administers has to be administered with a set of rules that are the same because it's predictable for the clients and it's predictable for the donors. They know what they're going to get. You have to do a few things differently, like invite them on supervision missions. But if they were co-financing with their own money and not money that we were just administering, if they were doing the administration themselves, they would be invited. We would want them to come along to look at the road or to look at the schools or to look at the health centers. We'd want them to come at the same time because that's part of making life simpler for our clients.

The issue of the conflicts of interest are hiring people to do things and then hiring them to do something else, like organizational conflicts of interest: we start a program, we hire all this staff, and the manager is worried about keeping the staff and expanding our work program beyond our budget. I think that's a general problem about the Bank's lack of focus and selectivity, which we're told will be addressed in whatever reorganization and process reforms are now underway.

The question, arguments over indirect cost recovery, we need to figure out a standard way of doing things. And the whole idea of direct cost recovery is risky. It hasn't worked. We need to basically say it's going to cost you X percent, whatever that percent is. We need to put it in the budget and say you have a portfolio of work to do, and part of it is from trust funds and part of it's from BB; just get on with it.

And the whole question of what levels of assurance are we offering, I think it ought to be the same assurance for other people's money as it is for our own, but I'm not sure that all the donors actually agree with that. I think on one level they do. But when you have the European Union, who's not an owner of the Bank but it's a supranational organization that represents 27 owners of the Bank or has 27 owners gathered together to do something different, they expect to be treated differently. Well, maybe they should be.

But you've also got foundations, so how do you handle them? And when you get into the area of partnerships, if we are responsible for how the money has been spent, it's very difficult to share responsibility for allocating the money and for overseeing the money and I don't think we've got the partnerships piece right yet. I think we're moving to that because partnerships with money are different from partnerships without money. And if it's with money, then your objective function and your reporting mechanism have to reflect why you're involved in doing this work, which is not a lot different from saying we're going to do a piece of AAA in country X or country Y.

So that's it, I think.

ZIEGLER: In 2010, you became a member of the Social Media Working Group. Please explain what that was and why it was established.

CADARIO: Well, I'm not sure why it was established. The Bank hired from outside a really sharp consultant head of social media who actually became the head of social media, Jim [James E.] Rosenberg. I think he came on first as term staff. Jim was great, and I don't remember how I got introduced to him. It might have been through Michele Egan.

The whole thing about social media at the Bank is funny. I remember, as the [Paul D.] Wolfowitz problem was beginning in 2007, I took an EXT [External Affairs and Communications] course in dealing with the media, and I always laughed that it had to talk about things like blogging and they talked about leaks and all this. I always laughed that I took the training and then the Wolfowitz scandal was the practicum or the graduation project, the capstone, which it was because the Bank found out about blogging and found out about internal blogs. It found out about the power of social media. And this was before there was a Facebook or Twitter. It was actually quite interesting, and you wonder whether Wolfowitz would have hung on so long had there been Facebook and Twitter at that point.

It was, I think, established because there were people in the Bank who wanted to blog, and there was a concern about what are people blogging about. Also, a part of social media is not just putting out your message, it's also knowing what people are saying about you. And part of what they say about you is what your people are saying. But also when somebody says something about you, who's allowed to respond or who should respond, because a lot of these things on the Net have corporate implications.

So the Social Media Working Group was set up, and I guess I was put on it because I am very prolific on Facebook. At that point, I didn't do much on Twitter, but I had several hundred Facebook friends, many of whom were at the Bank. And at one point, I'm told, an iPhone with my Facebook page was passed around an ECA management team meeting because I had been posting things, articles about the scandal in Albania, about the Albania coastal development project, which was about integrity. It wasn't about risk management. It was about somebody who lied to the Board and then got caught—by the Inspection Panel—lying to the Board and then got caught covering up the lying, and got caught covering up the cover-up. It was about integrity. It wasn't about anything else.

So this fellow's iPhone was passed around, and I asked somebody who was there, "Well, was it because the 32 people in the room had never seen an iPhone or was it because they were interested in what was on my Facebook page about what I was posting?" And I was very careful that I did: I was posting the stuff, but I didn't put comments that would make my view known one way or another. But I was posting it on my Facebook page, which is locked down. You have to be a friend of mine to see my Facebook page.

But this had, in some places in EXT, raised concerns because my friends on my Facebook page are all over the world and they're university types and NGO types, etcetera. And so, well, what should people be posting? Well, they didn't have a social media policy, so I was asked to be on the social media team.

Well, it was interesting. I don't remember how many times we met, but we came up with what I thought was quite a good policy, that effectively you're encouraged to do this but be very careful of what you say. It's like dealing with anything else. And there are already staff rules about contacts and about commenting on official matters.

But what was interesting is that we discussed it. In the room you had people who wrote speeches and

*Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited*

people from EXT teams in business units, in operational business units, and you had some people who were webmaster social media folks, and you had people who, like me, were, not in EXT. It was very interesting to see how the opinions broke: it broke by age. You had people under 30 and people over 50, and then you had people in their 40s. And there were a lot of people, I guess you'd had some people in their early 30s. The fascinating thing was the people in their 20s got social media and why it was important and what the Bank should and should not do. The people over 50, and there were only two of us, we got it because we knew about Facebook, because I used it and Michele Egan, well, her son uses it and she used it as well and so she had seen what was on it. We got it.

The people who wrote speeches, the people who managed external relations in the region, they insisted that, "Well, you've got to clamp this down."

And we said, "No, you've got to get people to be responsible. You can't clamp down."

"Oh, no, well, how do we manage it?"

"Well, you manage it like this is another tool that you have to manage but you don't, at the end of the day, control."

And so we came up . . .

ZIEGLER: There's no controlling . . .

CADARIO: Well, there's no control, except if you're going to blog for the Bank your manager needs to know you're blogging. If you're going to tweet for the Bank, then there's a way of getting an @World Bank blogger or @World Bank whatever. There's a way to do that, but you don't do that unless your manager agrees and unless that there's a code of conduct about what you're allowed to do and that the Bank has to know who's tweeting or Facebooking or whatever for the Bank or blogging, so that if we have to take something down, we have the authority to do it because we knew it was there because we could say, "Mr. X"--to Twitter--"you got to close this account down because it's not one of our accounts." We can say, and we know how to manage it, but also we, central EXT, do not want to be managing something that's fundamentally regional or in the business unit's purview. So you need to know what's going on, and your manager needs to know that this is something we encourage people to do because it gets the message out, but you need to do it in a way that's responsible. And I think that having a social media policy is good.

The one thing that I think we did--and, unfortunately, we haven't policed--is that you got a blog or you got a tweet or you have to do your Facebook page yourself. You can't hire bloggers. And there are people around here who hire bloggers. The other thing is a blog is not like writing an essay or it's not like doing a piece of AAA, long and windy. Blogs have got to be punchy and compelling. That said, somebody who does not know how to be brief and I'm sure has people writing for him has a huge number of followers and people who comment on his blog. So the fact that social media works if the reader feels that the person that's reading your blog feels you're authentic, and that means you need to have a voice which sounds like the way you write or your tweets need to be about the same thing and have a line or a narrative or a story line or an arc, whatever it is. And then that means the Bank can actually deal with important things.

There was an issue last year where Bill [William R.] Easterly, when he tweeted something that was in the *New York Times* which turned out not to be right, and so the Bank was able to get on that, even though it came out on his Twitter account at 3:00 in the morning. By 8:00 the Bank had responded.

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

You can do that if you're organized to do it, but I think that the people who follow the Bank, who have to manage the Bank's social media presence, are very much helped if there's an orderly way, at least, for Bank people to present themselves for the Bank and also if there's an orderly way for the Bank to create a response, because if something in your region is written about, why should central EXT do the response? They don't know quite how to do it. You may know the person who's tweeting or the person that's put it on their blog because it's your part of the world or it's your subject area. So you have to be prepared to deal with that, rather than have everything centralized.

ZIEGLER: So, in a nutshell, what did you guys come up with then in . . .

CADARIO: Well, a social media policy that basically says you've got to tweet for yourself. If you're tweeting for the Bank, this is the way to do it. Your manager has to know you're doing it and you can't tweet stuff that's for official use or confidential. It's like when you're writing a paper. It's, effectively, making those parts in the staff rules about behaving responsibly with information and keeping in mind that you do--you are never really tweeting or blogging in your private capacity. And although I didn't put this on my Twitter page, you need to say who you work for and that's you're not tweeting for the Bank. I worded my stuff a little differently, and Jim Rosenberg never called me on it.

I'm not in a position to say that it's worked or not. I did hear one or two things where the fact we had a social media team meant that we could deal with things that were being spread around about us that weren't correct. I don't know. I don't follow a lot of Bank social media things, so I don't know what goes up and what comes down, and I don't search for @World Bank or #World Bank and #majorfail in the same tweet to work out whether our image in the Twittersphere has improved or not.

But I think every organization today, particularly given the fact that our younger staff are very comfortable with social media, has to have a social media policy, and social media is also a way to get the Bank's word out. So we need to not just push, but we've also got to engage with the people who follow us when they comment and engage with the people on our Facebook page and engage with the people who follow our blogs. And if you're going to set up a blog, part of the responsibility is to engage with the responses. And if you're not prepared to do that, then you shouldn't be blogging for the Bank.

[End Tape 2, Side B]

[End of session]

Session 4
April 30, 2013
Washington, D.C.

[Begin Tape 1, Side A]

ZIEGLER: Today is April 30th, 2013. My name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me in the Archives of the World Bank Group, Mr. Paul Cadario, and we will be conducting the fourth session of his oral history interview.

Well, Paul, it's time to sum up your experiences, and we'll start with something that you were something of a pioneer in, I would say, and that is to say GLOBE. You were a founding member of GLOBE, the Gay, Lesbian or Bisexual Employees of the Bank Group club, which was established in 1993. Please describe the events and issues that led to the founding of GLOBE.

CADARIO: Well I'm not sure that there was an event or an issue, at least not that I can remember. I think some things happened just after GLOBE was set up or perhaps the ringleaders had decided that something needed to be done and had talked to people. And so . .

ZIEGLER: Who were, by the way?

CADARIO: Well, the ringleader is a fellow . .

ZIEGLER: Hans Binswanger.

CADARIO: Geoff Fox was prominent, Robert Calderisi, of course, had been . .

ZIEGLER: And we have an oral history with him, too.

CADARIO: Right. Oh, I'd love to read that.

ZIEGLER: If it's available . . .

CADARIO: If it's available. And there was a couple whose house was the venue, and it was up on S Street, like about 1800 block of S, which is just around the corner from me . .

ZIEGLER: That's S for Sam?

CADARIO: S for Sam, north of Dupont Circle. And I think one of them wanted to take a leave of absence, and there was a big to-do because it was to take a leave of absence to follow his partner, who had gotten a job in Boston. And he wanted to take a leave of absence, and he had things to do. But for some reason, the Bank was giving him a hassle about a re-entry guarantee.

In any event, it got set up. The start-up was a little tricky--and I'll go back and talk a bit about what it was like to be gay in the Bank later. But the start-up was tricky because that was a day when there was a weekly bulletin that was on paper, and the ethics officer, Jim [James A. Jr.] Roan, was absolutely determined that the founding meeting of GLOBE was not going to be announced on paper.

ZIEGLER: And as I recall him, my wife worked with him, and he was a pretty staunch religious . . .

CADARIO: A religious man. He was a Catholic, a prominent layperson in his church. And I had great

respect for Jim, but Jim could get a little . . .

ZIEGLER: A very ethical person.

CADARIO: A very ethical person on most things. But I remember he had, it was brought to my attention at the Staff Association, where I was a volunteer, that there was a little bit of a hassle with Jim Roan. And the chair of the Staff Association, David Delmonte, asked me to come to a meeting with Jim Roan because the other founders of GLOBE had objected to Jim blocking the announcement. And I think it was, I don't remember if there was a Staff Association section, but I was invited, and Jim Roan and I had a shouting match in the meeting.

Now, I don't as a rule have shouting matches with people. But basically I was very annoyed.

And Jim says, "Well, then there will be naked mud wrestling"--and all the crap that you put up with in those days--"well, we let those gays in, and then we'll have to, the next time there's a naked mud wrestling thing."

And you sat there and thought, "I wonder what Jim thinks goes on at these meetings." But this is the early '90s, and he probably didn't think he knew any gay people, and he was a devout Catholic.

I was sufficiently angry at that encounter, and I don't remember exactly how it was resolved because the announcement did actually get made. I think what they did is they asked people to call someone to find out where it was, either call or send an email. Now in 1999, we had All-In-One, so you could do that.

But I remember going back to my office and writing a very angry email to Bilsel Alisbah, who was the Vice President of Human Resources, the gist of which was, "Jim is entitled to his religious views, but when he comes into the office he has to put aside his feelings of homophobia and bigotry and in his job as ethics officer, that fact that he opposes anything that has to do with gay people leads me to question whether he would defend my rights or he would go after me or if he's not good with gay people who else isn't he good with? And, therefore, you either need to counsel Jim that this had better not happen again or you need to get a new ethics officer because I consider his behavior has so compromised his reputation that he has to have for being fair and to consider only the Bank's interest in carrying out what is a very difficult job."

This put Bilsel on the spot because Bilsel was known to be an ally and a very civil and open-minded man and . . .

ZIEGLER: Known to be an ally of?

CADARIO: Well, the gay community, he didn't have a problem with . . .

ZIEGLER: Oh.

CADARIO: . . . so Bilsel wrote back an email. I may still have it, one of the few things I printed out and took home with me when I retired. And it was in All-In-One, so it's probably there, and I made sure a lot of people had copies. But Bilsel basically said he appreciated that I appreciated that Jim had a difficult job, but he had spoken to Jim and there would be no further problem.

So it got set up with just a fair bit of controversy because the Staff Association had been involved and GLOBE got established.

ZIEGLER: Did that turn out to be effective, an effective discussion between the two? In other words, you didn't have any further . . .

CADARIO: There were no further problems. There was a problem later, which I'll talk about, about an obituary.

Being gay at the Bank was interesting because there were more of us around than anybody knew or anybody talked about, including some fairly prominent people, allegedly one vice president and someone very senior in personnel and everybody knew who they were but nobody talked about it.

I remember once being on mission in Conakry, Guinea. And in Conakry, I was there with the country programs division chief, Mike [Michael J.] Gillette, who had been brought over from the Pentagon by Robert McNamara. He'd been in the book *The Best and the Brightest*. He'd actually been the . . .

ZIEGLER: I knew him slightly, yeah.

CADARIO: Anyway, Mike sat there, and I don't know why it came up, whether there was something in the news (and in Conakry you didn't get a lot of news). And we were sitting having, we were having lunch at the home of the American ambassador, sitting under his awning by the pool. And Mike made . .

ZIEGLER: And what year was this?

CADARIO: This was, this would have been when I worked on Guinea, so it was sometime . .

ZIEGLER: Yeah.

CADARIO: . . between '76 and '79.

ZIEGLER: Okay.

CADARIO: And Mike worked on Guinea then, too. So Mike says, "I just don't know how those people live their lives." Well, he's sitting with one at lunch and do you come out at that point? Well, in that era and in that setting, you didn't come out, you didn't make a point of things. And Mike was somebody I particularly liked, but I don't remember what the issue was. I think this may have been orange juice and Anita Bryant or something. But it was--one sits around and chats at lunch when you're on mission with people.

When I moved over to the technical department in 1992, I decided I would put my partner's picture on my desk. And my director, Dan Ritchie, was very supportive. And, in fact, I brought my partner, Dan, to the Bank holiday party. I think it was called Christmas parties, though. And everybody knew about Dan, but people now met him, so that was very good.

And certainly, privately, everybody was very good. At least everybody I knew, to my face was very supportive. And we had colleagues over for dinner. And then there were other gay colleagues at the Bank, and we had them over for dinner and went to their homes.

But GLOBE was there and GLOBE had social events, but GLOBE didn't really have much of a political role.

ZIEGLER: Now, was that . . .

CADARIO: This is in the '90s.

ZIEGLER: Yes, but is it now established as a club in the Bank?

CADARIO: Well, it had been established because whatever the characteristics for recognition were, GLOBE met them and it was a staff club. I don't know whether there was a lot involved.

The next issue--but of course you're still pushing the envelope because gay people don't get spouse points. Everybody talked about that. And there was a lot going on in employment law elsewhere in the world, particularly in the United States, about companies signing up partners on the health plan and things like this. And this is not discussed.

ZIEGLER: Was the Bank then generally ahead or behind the curve to speak of that?

CADARIO: Well, the Bank was moving along, but there were other organizations that went first in terms of benefits. And I'll come to that in a moment. But, still, the Bank was not, as a rule, very comfortable.

The other issue that then, just as an example of another issue, a very dear friend and colleague, Bob [Robert] Zaborski, who was a loan officer for Jordan, contracted AIDS and died. And he was well known in the Bank, well liked. He kept his private life private. I was a lot more open at work than he was. But when it came down to what's the Bank obituary going to say, there was a little issue about whether do you mention his partner and how do you mention his partner.

So I remember getting involved, and I spoke to whoever was chair of the Staff Association, and I said, "Well, for God's sake, everybody knows he has a partner. We're going to put this in the obit."

Well, the Bank didn't know what to do. And I don't remember who was running staff relations then, but they were determined that we'll mention his parents in Prescott, Arizona. And those of us who were helping with the arrangements (and everybody knew about Stan [Stanley B. Gaddy]) said, "Well, no, that's not right."

So I remember making a call to whoever was doing this and saying, "Look, this is Paul Cadario. The Staff Association chair said to call me." I don't remember who it was in HR, but I said, "Look, an obituary has been written, and it's got to mention his partner, so what do we need to do to do that? Because I think that everybody who knows Bob knows that that's what his intentions were, and his parents were certainly not the partner. Like I don't know what's the issue here?"

Anyway, there was a lot of to'ing and fro'ing and I don't remember who was actually involved in HR, but eventually the word came back, "If you can make sure it's okay with his parents, then we won't have a problem." Well, there's okay with his parents, and there's okay with his parents.

And so I said to a couple of us that were around, I said, "Well, I've never met his parents," but somebody had met his parents. So I get a call from this friend who says, "His parents are okay with this." So I then conveyed back to the Bank his parents were okay with it. Well, then, of course, how do you mention him?

So the obit came out and just said he is survived by his parents, Mr. and Mrs. Zaborski of Prescott, Arizona, and by Stan Gaddy. It didn't say who Stan was, but it said "and by Stan Gaddy." So the ice was broken under circumstances that were extremely tense internally and the Bank had never done this before. And the Bank, as we've talked in these oral histories, things are always controversial in the Bank when no one has ever done it, and somebody has to go first. So, anyway, that was done.

The agitation over benefits continued, but it was low-level, and GLOBE really didn't take a very political role. Hans Binswanger was there, and Hans' concern was AIDS in Africa. The Bank had probably not done enough on AIDS, as eventually came to light, and I'm sure there are others who could, who may have, I hope, talked in the oral history about that.

But it had been an issue. When HIV testing first came out, [REDACTED]

[REDACTED] Personnel was determined that there were going to be no gay people sent to the field and that they were going to test everybody. And at the time, he and Chris [Christopher J.] Redfern, the chair of the Staff Association, again had a shouting match in the elevator where Chris Redfern told [REDACTED] that, "You, of all people, [REDACTED] shouldn't be behaving in this bigoted and homophobic way, and you're not going to get away with this. The Staff Association will see to it that we're not going to test people. If they want to go, they want to go. They're like anybody else going to the field. They know what the medical issues are in going to the field."

So again the Staff Association prevailed. There was no testing. But it required--in the early days there were a lot of shouting matches about things that were related to gay people doing this or doing that, even though I think socially the Bank has always been very liberal in terms of--tolerant at least but also liberal, because I think that we all are known around here by the quality of our work and our work relationships. And people didn't tend to judge, at least most people. I don't think I've ever been the object of a homophobic act in my whole time at the Bank.

The agitation about benefits continued, and the Staff Association and HR talked about this, but there were other issues in the benefits review, like that we were able to make sexual orientation neutral, like, well, for example, if you were married, you got a bigger funeral expense than if you were single. And I remember saying to the people from HR, "Well, as far as I know, there's only one body to be buried, whether you're married or single, so I can't understand why there would be discrimination against single people, gay people, as well, and unmarried people who might have partners." Okay. So that was fixed.

But there are certain things that go along with marriage, and nobody was really moving. Again, it got into the whole spouse points argument that we don't want, like the thing that's so obviously heterosexist is spouse points. Nobody wanted to go down that road because the Board will get rid of spouse points and it's been an issue for succeeding people in HR, which has only recently been changed.

So on the Staff Association's side, there were a lot of things that were done to make the benefits more marriage neutral and, at the same time, to make them more cost effective and also tailored to what people needed. There were a lot of improvements that went on, and we might talk about them later. In the Staff Association, a lot of things were cashed out. Well, of course, if you got money for an airline ticket, generally, you could probably buy two tickets if you had to. And our colleagues, who were U.K. nationals, would buy about six with the amount of cash they got. But that was fine, and it cost the Bank less money, and they didn't have to administer it. So there were little work-arounds for people that had partners to take their home leave and even take their partner with them.

So this continued, and we were working with great people in HR, including Peter Karp and others. Peter retired, and the next thing the Staff Association finds out is that a think piece has been written about modernizing the Bank benefits, written by Peter Karp, former deputy director of HR and now consultant. Okay. So could we come to meet his successor? So his successor arrived at the Staff Association office. Basically, what they're saying is we will extend all benefits to married people to people with domestic partners. The Bank already had domestic partner registration. It didn't get you much good. Like, you could use the gym and get an ID card, but it didn't get you much. So everybody went to the Credit Union to get something notarized and then you became a domestic partner, but it didn't get you anything except

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

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a limited building pass.

Anyway, HR came in and said, "Okay, this is what we're going to do," and effectively they were extending everything, including pension plan survivor rights and the MIP. They were extending it to people with domestic partners. They weren't doing spouse points. And there's another benefit: tax equivalency allowances, which wouldn't go because there was different jurisdictions didn't really recognize domestic partners--and that's a tax equivalency, so most jurisdictions didn't recognize gay marriage, so if you don't recognize gay marriage, you don't have tax equivalency; therefore, you're not eligible for it.

So, anyway, the HR people left, and I said, "Well, I think we should just read this and say thank you and then discuss with the HR management what we could do to make this happen, like if it has to go to the Board . . ."

ZIEGLER: So this is among your staff . . .

CADARIO: Among the Staff Association because the benefits review people, and I said, "I'll deal with World Bank GLOBE because they're going to want the spouse points, but I'm going to say, 'Look, we've got 95 percent; we're treated equivalent to married people if you have a domestic partner, so register your domestic partner and get on with it.'"

Domestic partner registration was easy if you did it at the beginning, but there were occasionally problems where the woman in HR who was managing it would get a little stropy about whether people had lived together for a year and what evidence did they have, and then a call would need to be made from Staff Association saying, "We've had a complaint. I'm sure you'll look at this carefully." And in this regard, Bill [William S.] Silverman in HR was always very helpful at going over things to accept this. If it were not gay people, we'd have no problems with this at all.

And, in fact, in the whole evolution of this there were all sorts of surprising things, like in the discussion of the Bank's anti-harassment policy, which had been done under Shahid Husain's time and Robert Calderisi was his special advisor. Robert was asked to leave the meeting where it was being discussed with the President and the senior people and couldn't understand why--or it had been, "Well, when is Robert supposed to join the meeting?" but, "Oh, that item on the agenda happened," and Robert was still sitting outside waiting to join. Anyway, in the course of that meeting, sexual orientation was put into the range of things that you could not discriminate against at the Bank, and it was listed as among those issues for harassment.

ZIEGLER: So this would be what . . .

CADARIO: Well, Shahid Husain was the vice president, senior vice president of personnel and administration. This would have been '94, '95, or '96, somewhere when the Bank was doing business process innovation, and it was, I think, before they, before Dorothy Berry was brought in. So that would . . .

ZIEGLER: That was under Wolfensohn.

CADARIO: Under Wolfensohn. Or maybe the late Preston period. And by this time the gay people all knew who we were all over the Bank. Some people were a little more open than others, and GLOBE was there and GLOBE was interested in benefits and GLOBE had happy hours and there was an annual party off premises.

But it's fair to say that the expansion of benefits came basically because the Bank offered them, not because GLOBE agitated for them. And although this is not politically correct to say, I think the Staff Association had more to do--and the benefits review working group, which I chaired--had more to do with the benefits being expanded than GLOBE did because GLOBE didn't see its role that way. That . . .

ZIEGLER: Hmm, how did it see its role?

CADARIO: I think the GLOBE at that time saw its role then as mainly social. And it's only with the last couple of presidents where there's been a political role, with Fabrice Houdart in particular. But the politics of GLOBE changed over the years as more and more people wanted more and more things.

And then, of course, at the same time, society was changing very quickly. In the Wolfensohn period, and I don't know the exact date, but Kathy Sierra was the vice president and the . . .

ZIEGLER: For Human Resources.

CADARIO: For human resources. And Kathy was a supporter. I worked for her, so Kathy was very cool with having gay staff and is a woman of tremendous integrity when it came down to treating people fairly. I think that was one of the hallmarks of her career in the Bank that she thought everyone had to be treated fairly and fair is important and pretty standard.

So Kathy was the vice president, and there was--there was always stuff going on in the background. Not everybody was as tolerant as others.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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Kathy was very good when it came down to "we're not going to stand for bad behavior."

Well, that was also the year that they actually took all of the benefits for domestic partners to the Board for approval. And I was chairing another meeting, and it had been agreed that I would get a text message--and I was not a text message kind of person--but I would get a text message on my phone when it was okay, when it was about to go on the agenda. So I got the text message on my phone, and I closed the meeting and trotted over to the Board room and walked in and sat down.

Shengman Zhang was the Managing Director, and Kathy was the vice president of Human Resources.

[REDACTED]

[REDACTED]

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[REDACTED] Shengman made it happen. Shengman was also somebody who believed in treating people fairly.

So all of a sudden, all these benefits arrived, and people registered for them, and the Bank didn't come to an end.

Moving back in time and back to Mike Gillette, Mike became a country director for West Africa and decided he was going to send Robert Calderisi to be the res rep in Abidjan. Well, of course, Robert wanted to take his partner. Well, Jim Roan really didn't like this, and Robert had to pay to relocate Jean-Daniel [Rossi]. So Jean-Daniel was there. And then when Robert finished his time in Abidjan--this was when *Bank's World* was a glossy monthly.

ZIEGLER: There were two pieces by him in that, yeah.

CADARIO: Well, that's right. Well, when Robert left, there were all these pictures, including Jean-Daniel opening something in Cote d'Ivoire. And Jean-Daniel--like Robert was giving a talk, and Jean-Daniel was there. And then the text has in it that when Robert left, Jean-Daniel was so much a part of the diplomatic spousal community in Cote d'Ivoire that the wife of the French ambassador, who was the doyenne of the diplomatic community, gave a luncheon for Jean-Daniel and a lot of the other diplomatic spouses because Jean-Daniel's contribution in terms of being involved in philanthropic and charitable activities and youth things. Jean-Daniel traveled everywhere, and Jean-Daniel had actually established a whole do-gooder volunteer life, as a spouse was expected to do, but had gone far beyond what most of the diplomatic spouses did.

So when this came out, we all laughed that there had been such a to-do when Mike had taken the step, "I'm sending a gay man to Abidjan with his partner," and now he leaves after three years and pictures of Jean-Daniel at all the farewell events. At one point, I think there was a picture, there was an article sometime while Robert was the res rep.

ZIEGLER: Would you like me to send those articles to you?

CADARIO: I'd love to see them. I remember one of them. And I think that around the Staff Association we all laughed--and this was before Jim Roan had his heart attack and, sadly, died very suddenly--we all said, "Well, Jim Roan, having fought tooth and nail that we had to stay in the closet, we had to be invisible, must be just horrified that here's a picture of Jean-Daniel and mention of Jean-Daniel's important role and all the things he had taken on in Abidjan when he was there."

So over the years GLOBE got bigger and bigger. Other organizations in the city, like you got GLIFAA [Gays and Lesbians in Foreign Affairs Agencies] at the State Department, I think there's an IMF GLOBE now, but GLOBE was the granddaddy of all these organizations.

Paul Cadario
April 4, 17, 22 and 30, 2013
Final Edited

The parties got bigger and bigger. And they got a bit too big in the sense that the host never knew exactly who was going to turn up, and Hans Binswanger's house was quite a bit the worse for wear after one of these parties . . .

ZIEGLER: I was going to ask you what was the venue of these parties.

CADARIO: They were at people's homes, and the parties got very big. I had been--I think I was honored by GLOBE in early 2002 for having been one of the pathfinders, and I gave a talk at this party and looked around and I didn't recognize two-thirds of the people, and it wasn't because they were younger and I didn't know them. It was because they didn't work for the Bank.

So the parties got a little big, the whole thing got a little too social. And that was, in a way, good because it attracted younger people, including current GLOBE leadership who basically took up the cudgel for the last remaining benefit. But also . . .

ZIEGLER: Which was?

CADARIO: Which was spouse points, which, yes, the good news is we're giving spouse points to domestic partners and we're going to go three years back. The bad news is that we're ending them for everybody. We can only accrue them until, I guess, June 30th, 2013, and then you don't accrue anymore and you have three or four years to use them. But everybody wanted to get rid of spouse points for years. Well, this is a good way to do it because you gave something and you took it away, which was probably wise, they were heterosexist. And from a business point of view, they were a scandal when you had a mission and you had a spouse onboard.

In parallel, the Bank appointed a diversity officer. And so Julie [Juliana] Oyegun, who was a great ally of GLOBE but also great ally of other groups and asked questions about inclusion, and I think in that era the Bank became very much in the forefront, certainly in the UN system. There's no other international organization that has benefits or a commission who have benefits like the World Bank had. The UN says, "Well, if you're married in your home country or you're recognized legally in your home country, then you can have benefits."

The one elusive thing--and as GLOBE got more political, the one elusive thing that caused some division within GLOBE was G-4 visas because the State Department, which policed them, said, "Well, we're prohibited from doing this." And there was a part in the whatever--it's not the official journal--the *Federal Register* that defined what a family was for the purposes--and this pre-dated DOMA [U.S. Defense of Marriage Act]. But the Bank had been working behind the scenes with our colleagues in the State Department, and again, I would say it was Bill Silverman because Bill handled a lot of the visa issues. Bill was working very quietly (GLOBE, of course, was making a huge amount of noise) and said, "Well, the Bank has to do this." And I was one of the members of GLOBE who said, "Well, it's not for the Bank to do. The Bank can ask, but the U.S. government decides."

And there were issues about, well, when somebody went in the field with their partner, how did the Bank get the partner a visa? And this is still an issue today in places like India where the Indian government just ignores requests from the Bank to give partners visas. And it creates having to leave the country every three months and get another tourist visa, which creates an issue if some alert immigration officer decides not to let you in, and every time the partner goes back it's a problem.

And, of course, over the period that this was being discussed, this was the [George W.] Bush Administration, so the Bank didn't really feel that the Bank got a lot of traction, like there was no point in escalating it within the State Department because the State Department had quite different views.

ZIEGLER: This is the second Bush?

CADARIO: Bush, Jr., yes. Bush, Jr. So the Bank, nevertheless, worked very quietly on this. And after the [Barak] Obama Administration took over, the *Federal Register*, an instruction--well, first, Condoleezza Rice sent out--oh, no, not Condoleezza Rice. General [Colin L.] Powell, Secretary Powell sent out a note that basically said consular officers will give domestic partners a tourist visa, like that's just automatic. He didn't say don't give them a G-4, but it said a tourist visa will be granted. And that was a big breakthrough because then there was no doubt about how Foggy Bottom expected it to be handled. And the Powell memorandum, actually, was used by the Bank to get visas for partners, even though the G-4 remained elusive.

When the Obama Administration came in, clearly this was something that was an important point for Secretary [Hilary R.] Clinton. And the *Federal Register* was very quietly changed because the State Department was under pressure from the embassies, like the Dutch Embassy or the British Embassy or the South African Embassy said, "Well, we have gay marriage and this is a spouse, or we have civil unions so you need to let our staff bring them and you need to give them the same diplomatic privileges as anyone else."

So the State Department very quietly reissued the guidance in the *Federal Register*. And the guidance came and you read the last paragraph. And the last paragraph, you had to read it twice, but basically it said if either the presenting government or the international organization has established criteria by which there is recognition of a domestic partner or same-sex spouse, the State Department will accept those criteria as meeting the requirements for granting a G-4 visa. And you had to read it very carefully because it was written in a way that no one would take offence: same sex wasn't there anywhere, and domestic partners was--so that was really clever. And, of course, GLOBE took a lot of credit for that. I think the credit really belongs with Human Resources, who had been working on that for a long time.

ZIEGLER: Any particular individual?

CADARIO: Well, I think it was Bill, I think it was Bill Silverman. Bill was always very modest and behind the scenes. Bill was never one to draw attention to how he intervened to get things done. Bill just went and did it, which was a rare quality among the people in the service center. But Bill clearly knew the file and knew what needed to be done and knew who you needed to call at the State Department. And I think between the Bank and probably other embassies in the city and GLIFAA, the gay and lesbian organization at State, that there were enough friends and allies and lawyers to figure out how to write this in a way that would effectively give the recognition status to a government or an international organization here in the United States.

 And toward the end of Mr. Wolfensohn's presidency, there was an attempt to get Jim Wolfensohn to write to the head of the ILO [International Labour Organization] as the leader among the UN staff associations or the United Nations . .

ZIEGLER: Systems . .

CADARIO: . . . systems staff association, whatever it's called. The agreement seemed to be if ILO would recognize domestic partners and give them benefits that, because it was ILO, that would be a signal for the rest of the system because then all the other staff associations at all the other agencies could say the ILO had done it.

Unfortunately, for whatever reason, Jim Wolfensohn didn't feel that he could write that letter to his counterpart at the ILO, and it was never done. And it was very disappointing because there were a lot of discussions with peer staff associations about what could be done.

On the whole, I think that you still run into homophobia. [REDACTED]

ZIEGLER: Still in the Bank?

CADARIO: Yeah, and still creating trouble. Julie Oyegun was absolutely vigilant that we're not going to have anything done to reverse achievements, we're not going to let anybody be discriminated against.

In fact, there was something funny, a personal story about this. My partner and I became the first same-sex married couple at the World Bank. We got married in Canada. And, of course . . .

ZIEGLER: When?

CADARIO: In 2005, just after it became legal. So you go into the HR website and you register your life event. So we got back from our marriage in Toronto and our wedding celebration. We went to Toronto, and we did a wedding here, too. Not a wedding, a cocktail party. And so I go into the system and I'm upgrading Dan Gordon from a domestic partner to a spouse. So you get the autoreply back and it says, "Congratulations on your marriage, please fax a copy of your marriage license tomorrow to such and such, thank you very much." Okay.

So a couple of days later, I get a call from Bill Silverman, and Bill says to me, "Do not do anything. It will be fine. We will fix it. Do not do anything."

And I said, "Do not do anything about what?"

And he says, "Well, you haven't heard?"

And I said, "No."

He says, "Well, there is a problem, and if you promise not to forward these to anybody, I will forward the email chain."

So he forwards them to me, and I read them. And what had happened was the benefits assistant who had to go in and change the system because I had sent the notification, but somebody had to go into PeopleSoft and change me from--and PeopleSoft in SAP--and change me from being domestically-partnered to being married. Well, deep in the bowels of SAP there's a validation, and the validation looked at male/male and said, "No, can't do that."

So the poor benefits assistant is trying to do this, and she sent an email to ISG [Information Solutions Group] saying, "There must be something wrong because it won't let me do this. It won't let me do this, and it won't tell me why it won't let me do it."

Well, the issue was because, deep in the bowels of SAP, there was this thing that requires married people

*Paul Cadario
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MAR 09 2016

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to be the opposite sex, which was ironic because I had, of course, done information systems renewal, and one of the big things about information systems renewal is you take SAP out of the box and it had this built-in validation. We bought SAP in the late '90s, and maybe things like changing that validation were not that hard. So I said--so I laughed, and I said, "I'm sure it will be sorted out."

Then I got a call from a friend in ISG saying, "Well, congratulations. I understand you got married."

And I said, "Well, I did. How did you find out?"

And he said, "Well, I found out in an unusual way, and I think you ought to know."

And I said, "Well, what do you mean?"

And he says, "Well, HR worked out that deep in the bowels of SAP there's a validation and had said to the programmers 'fix it,' and there's an email floating around from the programmers saying, 'Well, this is immoral. We refuse to fix it.'"

And I said, "Well, to the extent that you speak with these people, John, let me just make two points. The first thing is the programmers at ISG do not determine the personnel policies at the World Bank, and so it's not their call. And the second thing is if they send this email, if they push the button to send that email to the CIO [Chief Information Officer], they do need to remember that the CIO, Mohamed Muhsin, and I are very good friends, and I will see to it that they're all fired. And that is not a threat, that's a promise, because Mohamed would never condone this, and the ringleaders will be out of here because it's just improper."

Anyway, they didn't send the memo, the validation was fixed and everything was fine. But as late as 2005 there were still pockets of homophobia. I'm going to say homophobia rather than bigotry, but for an international organization which brings so many people together and where there's great respect for traditions, there's great respect for cultures, and probably a little too publically this celebration of culture stuff in March, but nonetheless the fact that this was going on in the first part of the 21st century is really, in an organization that I think thinks of itself as very cosmopolitan, is really . . .

ZIEGLER: But some of those cultures, Paul, have a very ingrained view against . . .

CADARIO: Indeed. Well, indeed. And, the whole issue of visas: some of my GLOBE colleagues say, "Well, the Bank should get a visa for anybody to go to, serve anywhere and take their partner." And that's true, but I don't know how comfortable a gay staff member and her or his partner, spouse, would feel in Zimbabwe, and I don't know how they would feel in--well, India is not a problem but . . .

ZIEGLER: Iran.

CADARIO: Iran. And governments are, and it's not like when I joined the Bank, when the loan officer from Malaysia had to send a letter if they were going to send a Jew to go on mission to Malaysia. And that's 40 years ago.

But the Bank, for all of its cosmopolitan background and cosmopolitan behaviors, is still full of people that are like anyone else. Some people are more comfortable with diversity and inclusion than others. And, in fact, a conversation about diversity moved into diversity and inclusion because it's inclusion that's important. The diversity is fine. You count diversity, but you get results because you include everybody. And so it's nice that that has shifted over the years, but there's still, obviously, a way to go until people are comfortable about including everyone that's here.

[Begin Tape 1, Side B]

ZIEGLER: You were active in the World Bank Group Staff Association for many years. What were the major areas of your involvement with it?

CADARIO: Well, when I started out at the Staff Association, I think I was a delegate from West Africa and did that for two years. I remember getting up . . .

ZIEGLER: About when was this?

CADARIO: Oh, in the late, late '70s. I remember getting up and saying--and this was one of those things about salaries; I don't remember what it was--but I just said salaries and benefits are demands for something or other, and I got up and said that this was ridiculous, that the Staff Association's credibility was absurd, just not believable, not very high if this is what they thought the big issues were. And I don't--I don't even remember the issue, but I just said I've had enough and did not stand for delegate again.

ZIEGLER: But what should have been the issues then?

CADARIO: Well, the issue then, it was probably--it was all about money in those days. And money is important, but there was a lack of appreciation for the fact nobody else was getting big salary increases like the Bank felt it should have. And it was a time, frankly, when the Staff Association, like there wasn't a salary-setting mechanism. Every year there was something offered, and then that was it. And I thought, I think that whatever was being offered that year seemed more than generous, but the Staff Association was absolutely fit to be tied about this, particularly the Europeans. And I think in the late '70s the exchange rates were all starting to move against them, so that a lot of the comparators were tricky to do. And the fact that the dollar was slipping or appreciating meant it was very difficult from the point of view of competitiveness. But people were making arguments, "Well, we have expenses back in our home country." Really. And people came and stayed, for heaven's sake. What is this? And I was fairly new and outspoken then, as I was to the end of my career, but I didn't feel this was terribly credible and one should really back off a bit.

Nonetheless, I remained a Staff Association volunteer and worked on travel because there were all these issues about classes of travel.

ZIEGLER: One of those working groups.

CADARIO: Working group. One of the working groups. You had volunteers, because I was quite happy to do that. I didn't have to put-up with the DA [Delegates Assembly], like I think I said at one point in public I did enough student council when I was in high school. It's the working groups where things happen and worked with a succession of Staff Association chairs, Chris Parel, Ann Hammond, John Alvey . .

ZIEGLER: He wasn't a . . .

CADARIO: Was he a chair?

ZIEGLER: No, not at the time you were . .

CADARIO: You sure. Oh, no, no, John Alvey, John Alvey.

ZIEGLER: John Alvey, yeah, yeah.

CADARIO: John Alvey, Jamil Sopher, Morallina, Alison [Cave], Rachel [Arnold], I worked with them all. And even though I headed the travel working group--it became travel and services--like that was all I did for the SA. I was happy to do that, and I established relationships with people in travel, like with Koos [Jacobus] Van den Berg and others who were running the travel stuff. And we did a lot of good work together very quietly.

In 1986, I think it was, Ann Hammond said, "Paul, you run very good working groups, and we have to do a benefits review, and we need to set up a working group. Will you chair it?"

And I said, "Only if you and I get to agree on who's on it. I'm not going to have people volunteering from the delegate assembly because of what I think of the delegate assembly. I want people from maybe other working groups, chairs or senior people in the other working groups that are related, so somebody from health." There was somebody from expatriate benefits. But it was a by invitation-only working group.

And we were to meet with Human Resources, this new guy named Ross Marcou, who had been brought in from, I think, the U.S. Government. Ann was very suspicious. And I said, "Look, he just arrived. We have no grounds from which to be suspicious."

So we had a good talk. He came and talked to us with his team, which included Bill Silverman and, let's see, there was a woman. But he brought his team. I got to know them well, and we had someone from the education benefits working group and people that dealt with education and people that dealt with health.

At the beginning, there was an agreement that we were going to try to maximize the value within the current spent on benefits rather than try to chop it down. And that was the watchword that everything we looked at was to make things work better.

So we took to meeting every Wednesday afternoon. Every Wednesday at 12:30, we would meet in a Staff Association conference room. And I would chair the meeting, but HR was there and we met every Wednesday. And then we would all go to have lunch in the cafeteria.

So we all became good friends. And Ross was really good. And I said to Ann, "I like what he said. When he turns out to not tell us the truth, then we can bring out the cannons. But this is a man who doesn't come with a vested interest like some of the people in HR. He's a specialist and he knows his stuff."

So we proceeded and came up with the broad outlines of the benefits that exist to this day. Now they probably need to be changed again because more of our staff are in the field. And, eventually, having been this guy for benefits for years, I went to the Delegate Assembly--it must be about 5 years ago now, so 2007 or 2008--and got up and said, "Look, I'm on the old pension plan, I'm on the old benefits. I don't agree with what was done with the mobility premium under a previous chair's reign where they chose not to have the working group deal with it." We were brought in at the very end and had skepticism about both the principle and the mechanism, which turned out to be right in both cases. But that was the way things worked Jamil Sopher's presidency. He liked to negotiate with people. But I said, "Look, I don't represent most of the staff in the Bank, and we need, you need a working group that represents people on the new pension plan. It has to have a sprinkling of people from the field. It has to deal with field benefits but also the benefits for field-based staff, either locally or internationally recruited. You need a new working group because I don't feel I'm happy to speak for staff, but I don't feel that this is about me. I do not have a stake in this the way other people do. I'm happy to work with whomever you get to volunteer to ensure a handover and how we work effectively with management, but I don't feel I can do this

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Final Edited*

anymore because it's just not an issue for me. And I think there are big issues that need intimate knowledge of what goes on."

Well, anyway, the Staff Association never really rose to that, but I relinquished my duties as chair of the benefits working group.

On the travel . .

ZIEGLER: Of the working group?

CADARIO: Of the working group, yeah, chair of the working group. On the travel side, which, of course, is how I had cut my teeth and, of course, fending off efforts to get rid of first class travel took years. And, finally, I was the CAO and I was also chair of the travel working group. One day . .

ZIEGLER: Conflict of interest?

CADARIO: Well, all right. Well, what happened was I was the CAO and chair of the working group and, fine, I did my Staff Association volunteer stuff and I did my CAO stuff. And, anyway, I was one day called into Wilfried Thalwitz's office, and Wilfried says, "I just got a call from Ernie Stern, and Ernie wants to get rid of first class."

Now, I, of course, had been traveling business class, where it made sense, for a long time. And I would downgrade in order to save the Bank money because you really didn't need first class on the morning flight to London. There were all sorts of things you could do to save money, and I thought, "Why in the world spend too much of the Bank's money?" Business class wasn't as universal as it is now, but, nonetheless, there were ways to do it.

So Wilfried said, "Well, Ernie doesn't feel that you can be a CAO and be the chair of the travel working group at the Staff Association, given what Ernie is about to demand."

And I said, "Well, no, you're right," and so I resigned from that half an hour later. I called whoever the chair of the Staff Association was--and I don't remember who that might have been in '94, I guess--but I just said, "I'm happy to give technical advice, but I can't sit at the table with management, and I'm sorry but it's not in keeping with my job. I'm a loyal member of the Staff Association, but I don't want management to be upset, I don't want to get in trouble and I don't want to get the Staff Association in trouble," because Ernie was not a man you trifled with. And if Ernie called up your boss, then you had to do what your boss said was the right thing to do.

And then Wilfried said, "No, if you don't feel there's a conflict, I'm happy to tell Ernie that we've spoken and you don't feel there's a conflict," but Wilfried made it clear he wondered what he was going to say to Ernie if I dug my heels in. And Ernie was not a man, as I say, that you trifled with.

So, over the years, I worked on various things for the Staff Association, including running as delegate and then running for chair against Rachel McColgan, not understanding, I think, that there's a hierarchy. There's an escalator, and you don't get to be chair unless you've been first vice chair or something in the executive.

But I was annoyed with the way HR was being run, and so I said, representing some of the people who had been badly treated by HR, the lack of transparency. And this was four years ago so it would be 2009. This was the beginning of the--we were in the Zoellick presidency and things were not going particularly well.

There were a good many people who were delighted that I was running. I was, of course, disappointed to lose, but Rachel has done an excellent job and I embraced her election. Then I resumed my being an informal advisor to the chair of the Staff Association, a role that I had played over the years, which was very interesting.

The importance of Staff Association involvement is interesting with the decentralization of the Bank, the Staff Association had two main impacts. The decentralization of the Bank meant that the benefits packages and employment policies and even HR management that the Staff Association always saw as its value-added or its role in, made defending the interests of staff very different because, of course, the Staff Association is a very Washington-based organization. Many more Washington staff went to the field, but you didn't have Staff Association chapters in all the offices. You had them in some of the big ones, but of course they had their own particular ways of doing things and reasons for being staff association chapters.

And then you introduced dues, and so the dues fueled the Staff Association's budget significantly. So they give it back in little prizes made in China. But I always wondered whether you needed all those people and whether a lawyer and counselors, and whether that was, in fact, the way the Staff Association ought to be running, rather than with a full-time chair and office support but mainly with volunteers.

There was a big budget that paid for a whole lot of stuff, and then you had to ask yourself is this supply driven, that the Staff Association used to be volunteer even though the chair was paid for by HR. There was release time for the Association's working groups. But the Staff Association really didn't need a big budget. Well, of course, whatever they--I don't remember what it is they charge, but as salaries went up, up, up, the Staff Association's budget went up, up, up. And the question of, well, should you have reduced the annual dues--this sounds like a very Tea Party argument--should you have reduced the percentage that people pay to cover a budget that wasn't nearly so elaborate and didn't pay for a whole lot of things, like lunches for the delegates and the Executive Committee and presents for members and all that. I'm not really sure. But I think . . .

ZIEGLER: I remember now--I'm going back 20 years or so. As you may know, I was heavily involved in the Staff Association too, and we were always concerned about the level, the percentage of staff who were members. We always felt it was crucial that it be above 50 percent at minimum.

CADARIO: Right. And I think that's right; you're right, and I agree. That was a time, though, when you either were a staff member or you weren't, but now you've got term staff and you've got ETCs and you've got staff at country offices. So the whole issue, "Well, why should I pay money, what am I getting out of this, and how long is my relationship with the Bank?" Because benefits, well, if you're going to be here until you retire, you have a very different view of benefits, whether it's health benefits or pension, than you do if you're just here for three years.

So the extent of corporate citizenship, if your relationship with the Bank is tenuous, I think it's hard to derive. But I remember seeing, when the "what are we going to do to increase the membership" became quite an issue because the percentage was dropping and it was, of course, the matter of, well, what's the denominator? Like, who should be included in the denominator to say, well, we represent X percent of staff or something less than X and then should management take us seriously because Paul Wolfowitz didn't feel that he should be taking the Staff Association at all seriously. And I think it's, at some level . . .

ZIEGLER: He found out better, though.

CADARIO: He found out better. Well, we'll come to that. He found out better, and I don't think Zoellick particularly thought that the Staff Association was important. I think Wolfensohn saw the Staff

Association as a partner, as long as the Staff Association agreed with what he wanted to do. And I think, on balance, the relationship with the Staff Association under Wolfensohn was not bad because Wolfensohn sized up a potential ally and a potential enemy, and we ended up on the ally side.

ZIEGLER: I remember he was, I won't say offended but he said, "Why am I not a member of the Staff Association?" And so we arranged special membership . . .

CADARIO: Right.

ZIEGLER: . . . and I was the one who drafted the--it was a proclamation, I suppose, and I made sure that the Staff Association's view of matters was included in that, in terms of the importance of having a Staff Association.

CADARIO: Sure. And I think Jim Kim has joined, if I'm not mistaken. I think he's joined. So and then, of course, the Staff Association is not a union, and that's . . .

ZIEGLER: Right. And that always, occasionally that's been a source of discussion . . .

CADARIO: Well, that's right. And should, like, well, why are you negotiating with the Staff Association? Well, because there's a staff rule that says that you have to . . .

ZIEGLER: And it's actually not negotiation.

CADARIO: Well, there are people who don't like that we're doing it, that it's being done, let's say negotiate, but, in fact, it's consulting. And the Staff Association, over the years, has people, Chris Parel, Jeff [Jeffrey] Katz, others, who've developed tremendous expertise, sometimes better than the expertise in HR.

ZIEGLER: Well, Chris, I was on the compensation working group with him for many years, and he kept going, long after I'd retired from the Bank.

CADARIO: Right. Long after he retired from the Bank.

ZIEGLER: So he had a good--and Jamil, too . . .

CADARIO: Jamil, exactly.

ZIEGLER: . . . for many years.

CADARIO: And that a lot of the technical, all the technical work that is management to do, as I always used to say, why is the Staff Association paying consultants when we should just tell management to get consultants to do it? Because they've got a budget for this, and if their staff can't do it then we have to say to HR's managers, "Well, your staff don't seem able to do the analysis that's necessary to back up what needs to be done."

And I think until--and I don't know exactly when things changed--basically, management and the Staff Association had a very cozy relationship that whatever went forward to the Board had everybody's agreement, but the Staff Association always had to ask for more. But the Staff Association was comfortable with the technical analysis that had been done, and I think the Staff Association also realized politically that the Staff Association couldn't say we embrace it, we endorse it, we think it's wonderful. At the same time, to attack it, to attack something you've worked for months on that you felt was

technically underpinned by good analysis, good data, well, you couldn't really do that, either.

And I think that at some level most of the members of the Board welcomed the fact that Staff Association and management worked closely on things that were brought forward and that they didn't have to sit and listen to the chair of the Staff Association rant and rave about this being unacceptable. And, also, management didn't want the Staff Association saying the basic premise for this recommendation is wrong and faulty on technical grounds. And, in fact, I would have to say that as long as there were people in HR who actually cared about that, that the technical standard of stuff that they sent to the Board was probably higher than some of the stuff that got sent to the Board on other matters, that were fundamental to the Bank's operations--eliminating poverty and extending prosperity--that the technical analysis by what was effectively a joint working group was very good.

There was also great continuity among the working group ringleaders. I was working on travel for years, and then I worked on service for three years, and then I worked on benefits for years. So there was a historical memory, the institutional history was . .

ZIEGLER: Which is something the Bank, as a whole, I think tends to lack these days.

CADARIO: Right. And we talked, well, how did you learn about the new countries you worked on? Well, there were black books left in your office. Okay. You go through the black books. All the issues about how do people learn about what happened before and why we're here, why we are where we are, what led to this, I think that's why we do oral histories to try to bring this to the floor.

ZIEGLER: I'm just not--Paul, honest to God, more and more I'm just convinced that people don't care about the history. They're here; they like good--they like good, amusing stories, like some of the ones you tell, for instance. But there is a point to them, those stories. In terms of historical analysis and what worked, what didn't, I'm not so sure that there's a great deal of interest in that. Personal view.

CADARIO: Well, I'm not sure. I think that the incentive structure is broken: "Well, let's invent something, let's invent something we can take credit for." And, in fact, the work the Bank does is evolutionary. There aren't punctuated disequilibria. Whatever theory of change one uses, the Bank is a large bureaucracy, and I use that in a neutral term, that in doing its best work, it's working out what worked well before and saying, "Well, how could that work even better," better being everywhere or scaled up or in places we hadn't thought of applying that approach before. And in a way all the money we spend on knowledge management is a total waste, in my view. It should have helped fix that, but it didn't. And . .

ZIEGLER: [Inaudible]

CADARIO: Well, let's finish with the Staff Association.

ZIEGLER: Yeah. But that's interesting. Hold that thought.

CADARIO: The Staff Association fought for years to get the same kind of benefits for green card holders because there were a lot of people who came to the United States, got green cards, and then they came and worked for the Bank and say, "Well, why am I not allowed, why am I not given home leave to go back to where I came from?" Well, the answer is because you decided you were going to become a permanent resident of the United States. This is home now. You should have thought of that before you got your green card if you thought you might go home.

And the idea of what is the rationale for home leave: is it to maintain your links to your home country or

is it to--in order to do what to return? Well, if you work for the Bank long enough, you can get a green card to stay here in the United States.

So the whole issue of, well, why do people need home leave benefits, I think, actually is a good benefit. But the issue of how should we treat lawful permanent residents--and that was an area where I was absolutely ruthless on the benefits side saying we will not, at the Staff Association, argue for benefits for the green card holders. We will not. And Ann Hammond, of course, had to adjudicate running battles between me and the expatriate working group, they called themselves. And I said . . .

ZIEGLER: Expatriate benefits working group.

CADARIO: Expatriate benefits working group.

“Excuse me, you're green card holders. You pay taxes, not on your Bank income but you're paying taxes on everything else. Why in the world do you need to have home leave? You made your decision to live here permanently in the United States and you can eventually get a passport. I can't. So excuse me, you already have a benefit. You can file U.S. income tax and deduct all sorts of things that I can't deduct, so please.”

And that was a point of contention. And of course management was never going to give the green card holders expatriate benefits. So that was very straightforward.

The '87 reorganization, I think there must be other people that can speak about that because, frankly, I guess I had my head down like everybody else, trying to figure out what did this mean for me.

The engagement, or lack thereof, I think--Chris Redfern, who I believe was the chair at that time . . .

ZIEGLER: Yes, he was.

CADARIO: Chris took enormous risks to say this was being done badly, and he was right. Management didn't listen.

ZIEGLER: I was on the EC [Executive Committee] at the time, and there wasn't that much we could do. We could . . .

CADARIO: Well, there wasn't that much we could do, and the people who were determined that they were bored with their jobs and they all got put on the working groups to design jobs that would make them more important and would relieve their boredom. In reading, for example, Javed Burki's oral history, I didn't know he'd been involved, but I thought to myself, “Yes, I can imagine that.” And because the whole thing, like who was involved, and they all basically had put black hats on certain people. And, indeed, there were people who were not pulling their weight. But it was an awful lot of money spent and a lot of disorderly change by not involving the Staff Association in the design of the '87 reorganization.

ZIEGLER: We even established a group called SABRE [Staff Association Bank Reorganization task force].

CADARIO: I remember that, yeah.

ZIEGLER: I can't quite recall what it stood for, but it was basically an ad hoc working group to be the task force for the Staff Association's involvement in the reorganization but . . .

CADARIO: Right. And if there's one thing that was learned, I don't think the Bank ever did a reorganization without involving staff because the '87 one had just been so messy and painful and expensive, and it was also done at a time when the Bank was on the front pages more often. So the fact that there was this open warfare going on at the Bank, people were losing their jobs at a time when the Bank was not particularly well regarded was something that could have all been avoided if management had chosen to work with the Staff Association on the diagnostic and then on the various organizational alternatives. Any organizational structure will work if the people in it want it to work, except, given all the cronyism and the mess, the messiness of getting from the way we were to the way we would be, one has to wonder how much did it really cost?

And then you had, until threw in the towel on the '87 reorganization and went back to country units—that was another nearly 12 years. So it's interesting we have the 1973 reorganization, the 1987 reorganization, then the nineteen ninety . . .

ZIEGLER: Two.

CADARIO: Well, one in '92 where they gave the technical departments more clout, and then they basically got rid of the country, the country management department in the late '90s and created the CMUs [country management units] but basically put the technical people back together the way they should have been all along, I think recognizing that the technical skill of the Bank had been seriously eroded by the '87 reorganization and the only way you were going to get the highway engineers talking to each other and doing good stuff was to put them all back together again, rather than having one here and one there. And Jim Wolfensohn asked the Board for the money to make that transition as painless as it could be.

ZIEGLER: This was the . . .

CADARIO: Strategic Compact.

ZIEGLER: Yeah.

CADARIO: Which was around '97, I guess. So lessons were learned, and I guess they were reflected later on.

I think the other thing the Staff Association did was give a lot of voice to the ACS [administrative and client support] staff, maybe too much voice and—because I don't know of any other organization anywhere in the world that has as many people that sit outside offices and are allowed to answer phones and make photocopies. And I guess they don't do boss's email anymore, but we've given the ACS staff the view—and many of them are very well educated, but it's not necessarily a glass ceiling, but they're not as well educated or experienced as the people that are hired to do the jobs at level F. And we don't use “professional” because we're all professional.

But the technical cadre of the Bank is with the people at level F, G, and H, and you work your way up with F, G, and H, and you get diverse experience as you work different parts of the world. That's where a lot of the Bank's knowledge is embedded and where the contacts that are necessary to learn from each other's experiences are established and nurtured and where you understand, well, on this issue, I know just the person to call. So that's fine. Just the person to call. So that's how knowledge gets transferred in a knowledge organization. It's about people sharing their experience and people answering good questions. And we've created a structure, and maybe the Staff Association should have stepped in earlier, though I think there's more than enough blame to go around, where everybody has to be mission leader or TTL. So

we have a TTL at level F surrounded by five consultants. Well, I'm not sure how that promotes knowledge, nor am I necessarily sure that the level F can pick the five consultants. And it looks funny where you've got this 30-something with five consultants who are all writing things with the retirees about what the Bank used to be. And we've fragmented our work program. We've fragmented our knowledge. We've fragmented our budget, just so that everybody can say they went on a mission or they were a TTL. I'm not sure that was a good approach.

It also leads to more and more of the Bank's work being done by people who have no long-term stake in the Bank's effectiveness and in the Bank's knowledge because they're there as long as they have a patron who will hire them. And that was true with younger staff and it was true with, I think, retirees who stay around as long as they've got a patron, and I'm not sure that's necessarily the way to reinvigorate the Bank. I think you need a combination of--not pay for performance but more performance-based assessments in how people are contributing and achieving results, and you need an inflow of people with new skills.

And in that way, the Young Professionals Program is really the model. You can't exactly run the Young Professionals Program the way it used to be because a lot of our level F's are hired in the field, and they're hired--they're not hired after, effectively, a well-run international competition. But they're level F's, just like the people who are Young Professionals. And Young Professionals have an institutional stake.

So I think that as the employment types proliferated and after the NRS [nonregular staff] debacle, which the Staff Association was instrumental in helping Jim Wolfensohn sort out and helping Jim Wolfensohn do the right thing on past pension credits, which initially wasn't his view. Well, excuse me, you should have asked for that when I agreed to regularize you, and then it had to go to the [World Bank Administrative] Tribunal and it became messy and expensive. Again, fixing one problem created another one.

Well, again, I think the Staff Association's involvement should be the time when we anticipate all the things that if we don't anticipate them there will be a problem. And the fact that there were so many vested interests present in any Staff Association get-together should, I think, give management and everybody else the sense that we're doing consultation because we want the Staff Association involved because they're going to tell us what the showstoppers and deal-breakers are. And they will also help us by doing that. They will also maybe have ideas that will lead us to say, "Actually, that would be a better way to achieve this goal."

ZIEGLER: I think the more astute managers are the ones who understand these things and use the Staff Association in an intelligent way. There's a reciprocal responsibility on the part of the Staff Association, though, to make sure it's done its homework, too, and acts in a responsible manner towards institution . . .

CADARIO: Yes. Well, and at the end of the day the Staff Association says that it's up to the management and the Board to make these decisions, and our role is to make sure that these decisions will work and that they're in the interest of the organization. The Staff Association has a particular view because an organization that does not have well-motivated, hardworking, smart staff is not going to achieve its goals. So the Staff Association has an important role in making sure that the institutional processes (including HR processes, and reward, recognition, and compensation) work in a way that encourages people to perform their best and to not harbor grudges against their manager who is a weasel or has a manager weasel above her and then a manager weasel above him, et cetera. The Staff Association needs to earn the right to call things when they see them, to name things that are not going well.

Well . . .

ZIEGLER: We were going to talk about the Wolfowitz . . .

CADARIO: We're going to talk about the Wolfowitz affair. Well, like, how long do we have? All night?

ZIEGLER: It's a good story.

CADARIO: Well, it is a good story, and I don't know how many people, how many other oral histories there are with the Wolfowitz affair.

ZIEGLER: Alison Cave

CADARIO: All right. Well, Alison Cave, I'd love to see hers.

ZIEGLER: It's not ready yet.

CADARIO: Not ready yet. But, anyway, the Wolfowitz affair was interesting, and I'll start by saying that I was one of the eight percent of the staff that said Wolfowitz probably was not going to be a bad thing, like he was a neocon, but nonetheless he had been . . .

ZIEGLER: I was one of them, also.

CADARIO: Right. He had, nonetheless, been the U.S. ambassador to Indonesia. He was the head of a school of international studies.

ZIEGLER: And it was also a done deal. The staff had no say in it anyway.

CADARIO: Right. And, fine, he's there. He's not a congressman from New York State. He's not the president of a big American bank. He doesn't have his own name on an investment bank and never managed more than 300 people effectively, like Wolfensohn. Wolfowitz was, unfortunately, the Deputy Secretary of Defense [REDACTED]

ZIEGLER: But I pointed out to colleagues that McNamara, who's arguably a quite successful World Bank president, look at his legacy in Vietnam.

CADARIO: Indeed. But Robert McNamara had also been the president of Ford, so he knew how to manage large organizations, and that could never be said about Paul Wolfowitz.

Okay. Wolfowitz came in and Wolfowitz brought this [REDACTED] entourage. They know who that was, but Robin Cleveland and Kevin Kellems. [REDACTED]

[REDACTED] Robin Cleveland ran the place. She [REDACTED] gave other people in the Bank, who were primarily motivated by ambition, the sense that if you could do something that would please Robin Cleveland, however stupid it was, however badly formulated it was, then this was good for your career.

I remember the matter of the rapid response, the OP8 [Operational Policy 8.00 Rapid response to crises and emergencies]. And I remember one of the people who was currying favor to Robin Cleveland and was proposing something that basically would have allowed the Bank to execute our own projects, I sat there with this woman's minions, and she walked in just at the time that I said in a meeting with 25 people there, "I don't give a flying fuck what Robin Cleveland wants, and I'll tell her that to her face. This is not

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going to happen because it's the wrong thing to do. And if I need to go to explain that to Robin, I'm happy to do it."

And to be fair, Robin, I think, realized at some point that she basically had made a lot of enemies.

[REDACTED]

So Wolfowitz was there, and I think I was only in one or two meetings with him. I remember the one meeting about the diversity and inclusion task force.

[REDACTED]

But, nonetheless, Wolfowitz was there, and Wolfowitz was getting rid of people. And Wolfowitz--I eventually decided that I had been very wrong about Wolfowitz. Wolfowitz had interfered in Uzbekistan and the trust funds. I liked what I was doing. I didn't have anything to do with Paul Wolfowitz and we had, fortunately, Vincenzo La Via. Vincenzo overlapped with Wolfowitz.

So I remember it was early May--sorry, early April 2007, and Wolfowitz had been here, and I had my little fight about Robin Cleveland. We'd all heard the stories about Robin and her SUV in the parking garage. She didn't realize the SUV in the space that it was too tall, and she scraped the top off. And Robin was an object of humor in some circumstances. Why does he keep her around? She does him no good.

And, of course, Wolfowitz brings in his neocon buddies, [Juan Jose] Daboub, others that were not very strong. Why?

I think there were people who decided they were going to leave because they didn't want to work with Wolfowitz. I can't think of who they were that left in that period, well, 2005-2007.

Anyway, early April 2007 I did the EXT course for how to deal with the media. It was a two-day course and they had directors, level H, level I staff, who had to deal with the media. Well, of course, this was about the time that all hell was breaking loose. This was just before the Spring Meetings. And in fact I think the morning the course began--and I'm having trouble piecing this all together because I was telling this story to somebody else a couple of days ago, because the Wolfowitz thing was already breaking and I remember being in the atrium when it happened--Alison Cave, the chair of the Staff Association, sent an email that the chair of the Staff Association would be having coffee at 10:00 in the morning and there would be an important announcement.

And I think someone had phoned me and said, "Paul, you need to be there."

And I said, "Fine. What's the important announcement?"

"Well, it will be fairly clear."

So I arrived. I'm standing in the line for the barista, and Alison is getting ready to speak and the podium has been set up, microphone. Oh, this is interesting. And somebody was handing out the announcement that she was about to read. I think it was Morallina who was handing it out.

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So Morallina gives it to me and gives it to the person ahead of me. So we're reading this, and we turn the page over and the two of us say at the same time, "Holy shit," because it was about Wolfowitz and Shaha [Riza]. Oh, my God. So we got our coffee, and we all went downstairs where Alison was going to speak. And Alison read this statement, and Alison said, "This is absolutely unacceptable. The President has to explain why his girlfriend has been given these outrageous, outrageous benefits, and why no one stepped up to stop him because it's just not allowed."

So then there were questions. Now, of course, this is all during the Spring Meetings. So Wolfowitz was somewhere else in the building, and in the course of the Spring Meetings, in the course of Alison's statement where we were all having coffee with the chair, Wolfowitz is seen over in the corner of the atrium underneath that middle mezzanine thing and he's standing behind a pillar watching. So Alison says, "I see that Mr. Wolfowitz has joined us, and I would welcome him to come to the platform, come to the stage to explain these rather serious issues."

At that point, someone in the front row said, "Resign, resign." And a number of us were standing there and we all went, "Ah," and nobody thought it was going to go that way.

Well, of course, at this point, there was a din, like the noise level went up. Nobody was shouting "Resign, resign" because it had already been said. But everyone, "Oh, my God." So . .

ZIEGLER: And this is so contrary to the normal institutional culture where there's a great deal of deference given to the president.

CADARIO: Right. But there was no deference here. And the Spring Meeting was here. Well, I think at that point I went back to my "dealing with the media" session, and whoever was supposed to come and talk about something in the afternoon, substitutes were sent. The Board members came. No, journalists from other places and Board members, and they all said the Bank leaks like a sieve. And, of course, meanwhile all this was going on and the word is coming out.

So the fact that it was happening was out, and I got a call in the afternoon from a friend of mine at the *Washington Post* who said, "I understand there was a little incident." This was maybe a little later in the week, by which point the whole thing had gotten an external visibility because it was during the Spring Meetings and whenever Mr. [Augustin] Carstens got up to a press conference, all the press wanted to know about was this scandal with Mr. Wolfowitz and his girlfriend. That was all people wanted to talk about.

Now, I don't remember whether there was a cosmic global issue because this was before there were crises. This was 2007. Nonetheless, the whole Spring Meetings narrative had been taken over by Wolfowitz and his girlfriend.

Wolfowitz is sitting there, and of course it's starting out on the news. So I get a call from a friend at the *Washington Post*, "Um, were you there?"

And I said, "Well, actually, I was there."

"Well, what was it like?"

"Well, okay, what are the rules here? Like, I do not want my name attached to this."

And she said, "Fine."

And I said, "Because it's extremely sensitive and frankly, knowing Wolfowitz, there could be retaliation to anybody who speaks. In fact, I worry about the chair of the Staff Association having done this."

So I was the one who was quoted as saying, describing this. And then someone who was there said, "Everyone was quite in shock, but it certainly was not a warm and fuzzy moment for Paul Wolfowitz," said a senior staff member who declined to be identified for fear of retaliation and given the sensitivity of the matter.

So that was fine. So we were going on on this. And Alison is busy, "Well, so how are we going to carry through to carry out this?"

[Begin Tape 2, Side A]

CADARIO: Okay. So I had gone, and Morallina George, Alison's predecessor, was the one who was handing out things. So clearly she and Morallina were working together, and I was a friend and great advocate, supporter, and counselor to both of them. So I don't remember when exactly we had our first meeting, but I had an office up on the 11th floor, the 11th floor of MC [main complex], and, "We need to borrow your conference room. We know you have a small conference room, very out of the way. Can we use your conference room? And, of course, you need to be there."

"Fine."

So they had come up to my conference room, and it was Alison and Moralina and Edie [Edith] Wilson, who, at that point, I think had worked in EXT, but she might have been previously working in [Department of Institutional] Integrity for Suzanne Rich Folsom, who was part of Wolfowitz's nest of cronies that was brought in. Suzanne Rich Folsom, who was known as rich and fulsome Suzanne in some circles.

So, well, what are we going to do? Well, the man has got to go. And of course there was concern that now that he's been exposed this way that there would be havoc and he and his cronies would get rid of everybody that was opposed to him. But as far as I was concerned, this was a serious corporate governance issue, and I was part of the compliance community, so we need to do something.

So a little group of us--and there were five--agreed we're going to help Alison, and we're going to do everything we can to make sure that the press is involved. Well, how do you do that? And I often laugh that I did the EXT course in how to deal with the media, and then the practicum was getting rid of Paul Wolfowitz, your graduation project. So . . .

ZIEGLER: Your senior thesis.

CADARIO: Senior thesis, exactly.

So we decided we were going to work, and Edie knew a lot of people on the Hill, Edie Wilson. And Morallina knew people. And of course nobody quite knew who knew whom. But this was becoming a celebrated incident because not only did you have this scandal at the World Bank, but of course there were lots of people who had their knives out for Wolfowitz outside the World Bank and the international financial community.

So this became not exactly a sport, which was aided by a number of things. First, social media were taking off, and we didn't have Twitter and we didn't have Facebook, but blogging was the big thing.

And of course if you had a blog, you had your comments section. And the Bank had introduced comments on the intranet in February, just a few months previously. And the woman who ran it, Michele Egan, had had a problem with the rollout. A couple of days after it got started there were comments on the blog that basically didn't like whatever, like there were people who didn't like whatever was on the intranet that was being commented on. And there was a code of conduct, but then there were things that set the code of conduct, that complied with the code of conduct that were clearly quite negative to management.

And Michele Egan had said, "We cannot take this down. If we take this down because it's saying things that are unpopular that do not break the code of conduct, then we have a problem, our credibility, like why did we do this, because we've introduced something that's very common." Now, of course many organizations do not allow you to post anonymously, and that was the default on this. That didn't get changed, but we're not going to take down the comments section on the intranet on the things we want comments on.

So we had a tool internally called the intranet, and various things went up, and of course the intranet all of a sudden turned into what do we know, what have we heard, what do we think about Paul Wolfowitz on virtually any story. Not virtually any story, but there were some stories where there was comment, and people would start the commentary so that it would start on the story, but then it would turn into Paul Wolfowitz.

This meant that there were people--somebody set up a website outside the Bank which mirrored a whole lot of what was on the internal stuff. And there was no way to stop somebody from copying and pasting, which was very useful because that got the word about what do World Bank staff think, which, of course, got the press all excited.

So over the next seven weeks, I think it was, every morning the five of us, including a friend of Edie's who was a public relations professional between jobs who was going down to Richmond to look--he was going to have a gig in Richmond or he was going to volunteer to help somebody's political campaign. So Edie calls him when he's driving down I-95 and says, "I need your help. You need to come to get rid of Paul Wolfowitz. So, well, I can't pay you, but you're between jobs now anyway, and it would be good."

So he called his wife and explained it, and she said, "You turn the car around and you come back to Washington because you will never have an opportunity to get rid of Paul Wolfowitz again. It's a golden opportunity." So the progressives in the city were all mobilized, and Paul Wolfowitz is not exactly a sympathetic figure. He was noodgey but not sympathetic.

So every morning at 5:30 we would all get up in our respective residences to look and see what was on the web about Wolfowitz. And one of the roles I played is I would collect articles, and I would put them in a big email and I would send them to people all over the Bank, generally people in the field. And then I would get emails back, "Well, we just got a copy of your email, Paul, out here in Jakarta. We got it from such and such. Could we be put on your list?" So there were like several hundred people, and I would do this twice a day, what the press is saying. I did not editorialize. I just said, "Meanwhile, meanwhile, meanwhile," but I sent this around and there were links to the stuff.

In the morning we would see what was going on. And then the message of the day about what needed to be done would be agreed. That would be X, and Alison, of course, was the public face of this. The rest of us all had our press contacts that we would call in the course of the day.

So there were four of us supporting Alison and making sure her stuff got out and then amplifying what she said. And I was, of course, shipping some of it off to a website called *worldbankpresident.org*, which

was run by the Bretton Woods Project.

So eventually Bretton Woods Project wrote back to me and said, "Your stuff is so good, we'd like to give you access. Will you post it directly? And we'll give you a name, so what would you like to be?"

And I told them.

And they said, "Fine."

ZIEGLER: What was it?

CADARIO: Deep Insider. So Deep Insider blogged on *worldbankpresident.org*, and then we had a hierarchy: what goes on *worldbankpresident*, what do we share with the press but not *worldbankpresident.org* and then we put it on *worldbankpresident.org* the next day but, basically, very opinionated pieces.

Well, like everybody spent hours every day commenting on the internal blog sites. It was just amazing. And Michele Egan would take down the stuff that was libelous, but a whole lot of it was expressing opinion about the president has got to go, et cetera. Most of it was unsigned, but I said, "Well," I said to myself, "Paul, anything you put up there, you've got other fora where you can be anonymous, but somebody has to sign their name. And what are they going to do? Fire me?" This was five years ago, five and a half, nearly six. Yeah, it was around this time six years ago.

So whenever I decided I want to comment on something, I would sign my name. That, of course, was rare: there weren't a lot of senior staff who signed their name. And then there would be people who agreed or people who disagreed, and I would go back and forth. But that was something where it struck me that if somebody said to me, "Well, you're in a position, Paul, that if they decide you've got to go, you've been at the Bank long enough that you're risking getting fired, and you haven't broken any rule, you're not using any non-public information. But at the same time, some people have to be there with Alison as public faces of 'this man has to go.' There have to be other people who are prepared to sign their name."

And I would defend the INT people because Suzanne Folsom's role was coming out and were they reading our email, et cetera. And I would say, "Look, our INT colleagues are not like that and so what if people have some specific examples of their having broken the staff rules, which they should, of course, go to the ethics office and report them. I think we need to assume that our colleagues in INT are with us. We should not assume that they're doing things that are against the staff rules." So I would defend INT from time to time.

But I was prepared to defend people, but on anything on the intranet I'd sign my name. And I hope that the Bank has archived that whole discussion that was going on because they started one, and then they had to move it because it got so full. So they started another topic.

But it was just amazing to watch, the Bank learning about social media. And, again, this was before Twitter or Facebook. I don't think Wolfowitz would have lasted so long if there had been Twitter. I think that there just would have been more commentary and more leaks.

Well, the Board finally had to do something because the Bank was not operating. So they set up a special committee, and Mr. [Herman] Wijffels, I think it was, the Dutch ED, chaired it. And it had various people who were supporting Wolfowitz, and the Canadians were there. Samy Watson, who was [REDACTED] Executive Director [REDACTED], and I wrote to Samy Watson saying, "How can Canada stand for this?"

Paul Cadario
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Canada stands for something," and copied people I knew in Ottawa and sent it, copied it to every Canadian staff member at the Bank.

And then Samy never replied, so I sent another note to him copied to the *Globe and Mail* in Toronto saying, "I sent you an email. In case you haven't gotten it, we are expecting a response, Mr. Watson. You do, after all, represent the Canadian government, and our government has to do the right thing." So Samy wrote a wishy-washy response, which didn't really please anybody. But Samy was cornered because we were also working the media in Canada, and Canada does represent a fairly big constituency, and Canada has always done the right thing.

Meanwhile, trying to fan the flames in Europe, with the British, and the British didn't know quite what to do because he was the President of the Bank. So, anyway, the commission of inquiry (or whatever it was called), the special committee got set up under Mr. Wijffels.

Well, this is where I think the tide turned because most of us were prepared to stay in the line with the staff rules that you had to be very careful about what you said outside if you found out something. So if you go into SAP and find something, you can't really put that out there.

Well, Wolfowitz hired Bill Bennett or Bob [Robert S.] Bennett--it was Robert--the very vociferous lawyer who had bad hair and a big mouth. And he was, of course, in the press. The press was everywhere. The building was swarmed by press. And Bennett would come out and talk about what had happened in the closed meeting with the Board. And a lot of us were quite offended. This was supposed to be an in camera discussion of the Board.

So Mr. Wijffels said, "Well, since Mr. Wolfowitz's attorney has taken to speaking in the press, we are going to release a transcript of these meetings." So, of course, every night we were all waiting for 8:00 when the transcript would come out. I'm sure children didn't get put to bed, bridge didn't get played, television shows were Tivo'd while people read what was on the blog. And sometimes it was later. But the effect of that was that everyone in the whole world, worldwide offices of the Bank, the Asia colleagues would all read this and they would start talking and putting things on the Intranet blog. And so in the morning, when East Asia, South Asia, MNA, ECA, the whole world had already read this and how disgusted they were to read what was coming out, which was really pretty shocking, that the vice president of human resources wrote emails to himself about this, that the human resources officer didn't put her foot down about the salaries that were being paid. The whole circumstances behind Shaha's detachment, like, well, what exactly was it? And what was this organization that she was sent to with a huge Bank salary? And then the promises that were made to her when she came back. So people were shocked. You'd read it and you wanted to wash because it was just so unsavory.

So this went on. And the Bank became more chaotic. And of course there were some people, some of us who were publicly involved in this, but then some public roles and private roles and people blogging.

And, meanwhile, all this stuff on the inside, all the extracts would get out onto a separate website, which meant the press had lots to go on because they could say what was going on in the Bank without actually seeing it because it was on this other website. And they would call people and say, "Well, is this true?"

"Yes, well, somebody did write this."

So we were all involved. The press was being well fed.

The Bush regime was not particularly well regarded, so this was, of course, catnip for the international press. They just loved it.

Finally, all of the stuff came out, but, well, what's going to happen? What do you do when you've got, basically, something as corrupt as what Wolfowitz had been up to for his girlfriend and who had colluded with him?

So finally Graeme Wheeler decided to take credit, and he was the one who said, "You have to resign." He said this to Wolfowitz.

ZIEGLER: Well, he said it in a meeting, as I understand it, which I found--again, it was so contrary to normal Bank practice. I said, "Wow . . ."

CADARIO: And to Graeme Wheeler, who was very soft-spoken.

ZIEGLER: And I tried to get him to do an oral history, and he wouldn't do it.

CADARIO: I'm not surprised. And there were other people who had been in that meeting that said, well, actually, it wasn't just Graeme Wheeler, it was two other people, including my boss, Vincenzo La Via, who as a CFO was just horrified and apparently had gone to Wolfowitz privately and said, "This gets to the integrity of the whole organization. And whether the organization is going to recover from this: the organization has to. The longer this goes on, the worse it's going to get."

So I then, on the blog and signed my name, because it had all come out about what Graeme said, and Graeme is in a very difficult situation. And I then said, "Well, it's good that Graeme Wheeler did what he said it did about confronting Paul Wolfowitz. What Graeme had missed in his eloquent talk"--or something because whatever he said did get out there, and then Graeme made a statement that we all had read--"what Graeme missed is that he didn't talk about how we all feel working for an organization where we're expected to go out and talk about anti-corruption and our clients think this is a joke because here we have the president of the organization gives his girlfriend this raise and this deal and these promises that senior people do nothing to stop. That not only sickens us from an integrity point of view, it embarrasses us. And how do you feel when you're embarrassed? And so it would have been nice had Graeme Wheeler chosen to talk about how we feel because that's really as important as what we think."

So Graeme, a couple of days later, actually responded and said, "I'm sorry. I know. We all know that we feel embarrassed, horrified, shocked, and we should talk about that."

So of course since Mr. Wolfowitz was never one to do much with his feelings and was really bad with people, just awful . . .

Let me open a paren. I had celebrated my 30th anniversary at the Bank. And it would have been, that would have been 2005, and it was actually held a year or two later since Mr. Wolfowitz didn't really see the need to do these things but was finally prevailed on that you really do need to have these celebrations.

ZIEGLER: This is the one-on-one photo op with the president.

CADARIO: One-on-one photo op, with a mob of people. They hadn't done it for so long the whole 12th floor atrium, which is now Dr. Kim's bullpen, was full of people and families and all.

So, anyway, the invitation came. So I called up and said, "Yes, I'll be coming, and my partner, Dan [Daniel I.] Gordon, will be coming." He'd been here for my 20th and I had said to Elaine Wolfensohn, who was surprised that here are two men, "Oh, and this is my partner, Dan Gordon."

And Elaine said, "Oh, your partner."

And Dan says, "Yes, and the Bank is very good about domestic partners."

Anyway, so we were invited--so I called. When we got home that night, I said, "Okay. Well, Mr. Wolfowitz is going to be doing photo ops, 30-year stuff, and it says to RSVP, so I RSVP'd." So we put in our calendar as "stand-up cocktails with a war criminal." We both wrote that on our calendars at work.

So, the 30-year people were there, and Wolfowitz didn't know quite why he was there. Reet Jukkum and others in HR did a heroic job. The crowd was just amazing.

So I RSVP'd, and whoever answered the phone said, "Well, thank you so much for RSVP-ing, we really appreciate it."

And I said, "Well, doesn't everybody RSVP?"

She said, "Well, actually, most of the people of your generation have RSVP'd that they will not come, and most of them have made it clear why they won't come."

And I said, "Well, I come for respect to the office and for the organization that I've spent 30 years in, not for Paul Wolfowitz. [REDACTED] the Bank chooses to recognize my service in this way, so here I am."

Anyway, so I go up. And it was grip and grin, and I was introduced: 30 years. And it sort of--well, I remembered making small talk with Jim Wolfensohn, who said, Jim Wolfensohn, that we were thrilled that we were there, and there I was with Paul Wolfowitz.

So then he says nothing, and it was awkward because you were expecting the President of the Bank to say something, and he doesn't.

ZIEGLER: Now, this is to the whole group?

CADARIO: No, this is to me when I'm getting my picture taken.

ZIEGLER: Okay.

CADARIO: And you're expecting him to say something [inaudible].

So he says, "Well, how long have you been here?"

And I said, "Thirty years. Thank you." And then I walked off. And it was just, "Well, who is this man? And you were finally prevailed on to do this event, at least, goddammit, do your job. You're supposed to be recognizing us."

Well, when all the one-on-one pictures were taken and the party was winding down, Wolfowitz asked how many people are here from country offices, so he made a big deal about there were people there from some country office he just visited. It was just--it was just a bad evening. The man had absolutely no social graces.

So, of course when the time came that he's got to be ushered out, here was agreement: by any means necessary the man has got to go. And of course as this thing went on, it became more and more

Paul Cadario
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embarrassing to the Bank.

But what really was most embarrassing--and I hope this story is finally right about this--is that there is no other corporation in the world who would have allowed the CEO to stay for seven weeks having given his girlfriend what he gave Shaha. And there is no other organization that would have allowed the people that let him do it stay on without some slapping of the hands, "Whatever were you thinking of when you didn't say this is not allowed? Why didn't you say, 'Is that not your job?'" And in any other organization there would be an executive committee in the board, and the chair of the board, which, of course, is not--it's the president of the Bank--but the senior person on the board and two or three other members would have gone to the CEO to say, "Look, our reputation has been absolutely tarnished by what you've done. It is bad business to get the impression out that the president of the Bank doesn't think that the rules apply to him and allows himself to be so badly advised. So you have to resign."

Well, the fact that it took seven weeks and then they had to make a deal and, fine, they just lived up the conditions of his contract. But it said to me an awful lot about the corporate governance of the Bank that the corporate governance was not such that it could have acted swiftly against something that dreadful. When you have the accusation of this out there, you have to get the bottom of things quickly. And the fact that the U.S. government, that the President of the United States would feel that it was his role to announce that he fully supported, as the U.S. government, Paul Wolfowitz. Well, excuse me, the Board hired him. With all the talk about changing the governance of the Bank and improving voice and representation, for the President of the United States to be put in a position where he felt he had to defend Wolfowitz, he just should have said, "The president of the World Bank doesn't work for me, and I hope that the Bank sorts this out with Paul Wolfowitz, who was the distinguished Deputy Secretary of Defense in my Administration," something like that.

But the fact that you had governments in an awkward position when the Americans were allowed to basically indicate the White House didn't want him gone. Now maybe history will say, well, they had to figure out who they were going to put in his place because the arguments that you needed an open, transparent merit-based selection of the president of the World Bank were already circulating then, particularly since . . .

ZIEGLER: It had been for some years, actually.

CADARIO: For some years. And, okay, well, they did something that was not open, not transparent, and apparently not merit-based by appointing someone with such low integrity. And then he surrounds himself with people who also had even lower integrity, and they do something that violates every rule you can think of and then he's still there, and it's only because the courage of the Staff Association, the Staff Association chair, that this comes to light.

And then, well, who leaked it? I guess we're never going to know exactly how Alison got her hands on that document. There's a story about the British ED in the parking garage of the Fund. That's one story that goes around, but I've never asked Alison where she got it and I don't think she's volunteered how it all began.

Anyway, every morning we would decide on the message of the day, and then we had our press sources to work. And we did it all mainly with our own phones and generally our Bank computers, so we were taking some risk there. But we didn't leak any internal documents, and we were all doing our jobs and, what would they get us for?

The thing is that I think once you get down the path where the president of the Bank doesn't feel the rules apply to him, he can't very retaliate against people because then it's a matter of, well, see, that proves that

he did it. And he did. So that created a huge mess. Shaha had to be put on administrative leave. But the Bank lived through it.

Some would argue that Wolfowitz was sent to the World Bank to destroy it and he was doing a very good job because the people around him and the somewhat mediocre politically-based appointments that he made, and that Bob Zoellick got the Bank farther down that road, but he was more stylish about . . .

ZIEGLER: Farther down . . .

CADARIO: Crippling . . .

ZIEGLER: . . . to perdition?

CADARIO: Yes, to getting rid of the Bank because should Bob Zoellick not have pushed for a big capital increase for the Bank, for example? Should Bob Zoellick have been as zealous about anti-corruption? We say governance and anti-corruption, and I remember the consultations about anti-corruption that were going on while all of this was happening.

ZIEGLER: Consultations with . . .

CADARIO: With the clients, with our governments. And I was in Vietnam--it must have been before all this happened--and I was there. There was this big meeting where all the ambassadors were there and the government. And the French ambassador said, "This hysteria about anti-corruption is not really doing the Bank any favor, any good in terms of distracting everybody from what really matters," and he wasn't exactly saying that corruption is okay but he was saying we've gone a little too far here.

And, in fact, when you consider that this just added to the risk aversion that is all too common in the Bank because you were afraid that INT was going to come, and then INT has not been blessed with having great leadership. On "the cancer of corruption," the Wolfensohn period was not well followed up by Wolfowitz. He didn't take what Wolfensohn had done very well. He exacerbated, if anything, the mess that Wolfensohn had made about management succession.

And then Zoellick proceeded and really didn't--he kept the place quiet because he was a figure that, when he arrived, really, we were all glad to see him. Nobody thought much about what he was going to do. And then Zoellick wasn't always the smartest guy in the room, and Zoellick made some bad management appointments, too. But he did, to give him his due, at least calm things down internally. Whether Zoellick leaves much of a legacy in terms of doing more than keeping things calmed down on the agendas about poverty, on better management of the Bank, on greater credibility with our shareholders, again, I'm reminded that while all this was going on, you couldn't go to a dinner party in the city or out to dinner without getting a call from someone.

I remember talking to somebody who was a very prominent U.K. journalist who phoned me in the middle of night his time while I was having dinner with friends in Georgetown. And, "Oh, I've been trying to get you," because he had been called by somebody that I had called and said, "If you want to know what to do, if you want to know what's going on, then here's the man you have to call."

But it was a matter of--at least the circle, any World Bank people and the circles they ran in were consumed by this, absolutely consumed, which was, at some level, cool.

But I remember when Zoellick was announced, a friend of mine, a journalist whom I've known for years, came over for dinner, and he said, "Well, Paul, I know you're really happy that you got rid of Paul

Wolfowitz, and I applaud your enthusiasm, the earnestness, and the devotion that you devoted to it, the energy devoted to this for the seven weeks it took for the guy to be edged out. But with Bob Zoellick, be careful what you wish for.”

And I said, “Really?”

And he says, “Yeah, there's a friend of mine who's covered agriculture and trade for many years and, therefore, knew Zoellick because he was the U.S. trade representative. He said there are two things you need--well, there are two things you need to know about Bob Zoellick. The first one is, in a city of narcissists, Bob Zoellick has taken home the trophy. And whenever Bob Zoellick gets a new job, the only thing he thinks about is his next job. So for the next five years, or until he gets offered a job somewhere else, Bob Zoellick is only interested in his next job. He is not interested in the Bank.” And I don't know. I think that would be a harsh--in retrospect, I think that would be a harsh exposition or a harsh description of what Bob Zoellick did when he was here.

But at a time when you have the global financial crisis, you had the crisis with the Fund. And, of course, the other good thing about the Wolfowitz mess was that Mr. [Rodrigo] de Rato had to be replaced over at the IMF and the deal that appears to have been struck is that the Europeans would go along with Zoellick if the Americans would go along with Dominique Strauss-Kahn, who for various political reasons had to be out of France, and that was the deal that seems to have been struck.

This, of course, backfired on [Nicolas] Sarkozy because he sends Strauss-Kahn over to preside over a downsizing of the Fund, and then we have the global financial crisis and Strauss-Kahn is now the sun king standing on a trillion dollars worth of new resources and . . .

ZIEGLER: And did a pretty good job . . .

CADARIO: And did, actually, a very good job, except he has a zipper problem. And so that was the end of DSK.

ZIEGLER: That perp walk was the only worse thing I've seen after the Wolfowitz affair.

CADARIO: Yes. Well, the perp walk, yes.

ZIEGLER: And I woke up that morning because it was a Saturday, I think . . .

CADARIO: Sunday.

ZIEGLER: Oh, okay. And looked at the paper and just, “What?!” I was just totally taken aback.

CADARIO: Well, I was flying to Europe. We've digressed a bit, but it's two stories. I was going to Europe to the donor forum and then off on mission, and you're all in Lufthansa business class, because that was our deal. So we got Lufthansa business class, and probably 40 percent of the people in the business class cabin on the flight to Munich (because that leaves later, so a lot of people prefer that flight on the weekend if you're connecting for meetings on Monday in Europe, and Munich's is a far easier airport to navigate than Frankfurt). So there are 40 percent of us in business class, and the plane lands in Munich, and of course since the plane is on a taxiway, even though you're not supposed to, all the BlackBerrys go on. So we're sitting in business class, and everybody is going “Ah, ah, ah, ah,” after reading what's on their Blackberry. And this was emails and links to Strauss-Kahn having been arrested. And, of course, it's Bank or Fund people, so, of course, we're all passing our BlackBerrys: “Have you seen this?” The guy next to me was a colleague at the Bank, and he looks at me and he says, “Oh, my

wife is Strauss-Kahn's chief of staff." So it was quite an interesting week.

But then the issue about--you had the question of Strauss-Kahn. I was in France for most of the week, so the French media were just beside themselves . .

ZIEGLER: All over it.

CADARIO: . . and all over it. But you also had the issue of governance, about, well, Strauss-Kahn at least had the good taste to say, "I'm relinquishing my command of the Fund to deal with this important problem." And then the Fund Board edged him out fairly quickly.

And then we started to have the not particularly open, not really transparent, but at least merit-based selection of the heads of the IMF and the World Bank. Certainly, in retrospect, Madame [Christine M.] Lagarde has done a superb job, but that was the first one where the candidates had to go around and . .

ZIEGLER: Yeah.

CADARIO: . . and meet the constituents, which was something that was followed up last spring when Mr. Zoellick left. And there was a merit-based selection, probably not as wonderful as we all thought at the time but, nonetheless, one that—and not particularly open or transparent—but when all is said and done, Jim Kim was the best of the candidates on offer, notwithstanding the fact that he was nominated by the President of the United States.

So here's a great evolution in terms of behavior. Could Wolfowitz have gotten away with this fifteen years ago? Probably, because there wouldn't be the forces of the media that would have said, "People who lead corporations don't do this. "And I think 50 years ago people who led corporations actually did do this, so that we . . .

ZIEGLER: The Mad Men phenomenon.

CADARIO: Exactly. Mad Men. That's exactly it, Mad Men.

So I guess we're into summing up time, unless you want to--unless there's anything else you'd like to know about getting rid of Wolfowitz or the Staff Association.

ZIEGLER: No, you've covered it, I think, fairly thoroughly. In summing up your lengthy and illustrious and distinguished career, who were some of the outstanding personalities, either staff, executive directors or consultants, whom you encountered during your Bank career?

CADARIO: Well, the Bank is full of outstanding personalities. I'm going to use "encountered"--I'm going to use "encountered" because I can't say I knew all of these people.

ZIEGLER: Sure.

CADARIO: They're people I had interaction with, but I can't say I knew all of them well. Of course, when I joined the Bank Robert McNamara was the president and Burke Knapp was the executive vice president. Mr. Knapp was a man of considerable influence, tremendous integrity, and he inspired fear in everything because he ran the place. Bob McNamara was, I think, quite iconic and had a number of stories about what he liked. He didn't like to turn the pages sideways, so all of the Appraisal Reports folded out and you had these big charts because he didn't want to turn it to read, like that. So there were things Mr. McNamara wanted.

But of course Mr. Knapp ran the place, and Mr. Knapp--and he had an assistant, Mr. Knapp, she would call, "Mr. Knapp would like to speak to you." I don't remember who the assistant was.

But I was only in one meeting with Burke Knapp about a matter in Africa called the Kez affair where a consultant to the government, somebody who worked for the government of Mali, a consultant that we had gotten in somewhere, accused the Bank of having interfered with his ability to give good advice. And because of that, he was no longer able to work because the Bank had said he doesn't do good work. And he was writing to Mr. McNamara saying he was going to go public with this and he demanded compensation.

And I, and he was a--his surname was Kez, and he was a Hungarian-Canadian. And my boss was a Belgian-Hungarian, a Hungarian-Belgian, and it was pretty clear to me he didn't much like Mr. Kez.

Anyway, I was summoned to his office and said, "I want you to come to a meeting with Mr. Knapp about the Kez affair."

"What's the Kez affair?"

"You'll find out."

So off I go. And I'm in a room with directors and vice presidents and division chiefs. I was like the bottom man on the totem pole, and everybody in this room, at some point in this event--and it had gone on for about three years--everybody in that room had some relationship with Mr. Kez and had been involved in some way with what Mr. Kez was writing to Mr. McNamara to complain about. And Mr. Knapp, chairing the meeting, that Bob wanted this attended to, and "attended to" sounded like Bob wants this to go away. And I was the only person in the room who had not had anything to do with it, other than the assistant general counsel, Lester Nurick.

"All right, who's going to handle this?"

"Well," my director says; "I've asked Paul Cadario, a recently graduated Young Professional, and he's going to have access to the file and he will work with the assistant general counsel."

So Mr. Knapp said "Fine," and then Mr. Knapp led a discussion.

Well, everyone in the room was sweating because everybody in the room had had a piece to play in this whole event. And Mr. Knapp clearly knew that everyone in the room was sweating, except the two people that had nothing to do with it, and it was clear that everyone in the room was nervous being summoned to Mr. Knapp and then Mr. Knapp wanted this and wanted it done quickly.

So I read the file. And to cut a long story short, Mr. McNamara then decided that it wasn't just a matter of going to Mr. Kez, we were going to go to the Board with paper that described these absolutely baseless allegations so that Mr. Kez would probably never work again because he had crossed Mr. McNamara.

So I read the file and we're drafting this. And Lester Nurick and I are going through what we drafted, and of course there was all this lobbying, "Well, Paul, you saw this paper." All these people would come to me to make sure that I had seen something that exonerated them and their role.

ZIEGLER: The allegations were baseless in your . . .

CADARIO: No, what happened was--we're finalizing the board paper, and Lester Nurick and I are sitting alone in his office going over the draft Board paper, which I had largely written, and we get to a point where Mr. Kez alleges this and he alleges that. And, of course, I have said our records do not show, our records show the following . . .

And then Lester says to me, "You think it's true?"

And I said, "Yes, I think it's true," because effectively there was enough missing from the files that looked as if we were guilty, as Mr. Kez said we were, and we were only saved by the fact that the Malians had better files than we did. And there was somebody in Mali who actually didn't like Mr. Kez, but the file on balance did not exactly disprove the allegations that Mr. Kez was making. There was not enough in the file to prove it. But the fact was that this had gone to Mr. Knapp and that everyone in the room was afraid.

The only other person whom I ever encountered was Ernie Stern, who had the same impact on people. When I worked on Guinea . . .

ZIEGLER: Burke Knapp was a more genial sort . . .

CADARIO: More genial. For Ernie Stern--genial was not a word you used with Ernie. And Ernie was a very smart man, and when you sent him a memo, Ernie would write three lines in his cursive and you'd know exactly what you were expected to do in three lines because Ernie was that way.

So we were doing a country assistance strategy for Guinea, and we were doing--oh, what was the other document--and we were doing a structural adjustment credit for Guinea. So in we went with my boss, Pierre Landell Mills, and I had authored large parts of both papers. And for some reason they were having two different meetings, one for the CAS and one for the country--one for the SAL, structural adjustment credit, and one for the country program paper or CAS, whatever it was called then.

And Ernie says, when we're looking at the CAS, Ernie says, "We sure have loaned a lot of money to these people." Of course, you didn't know what that meant. Well, Ernie had his views on the CAS but fix this, fix this, fix that. And I had been the principal author, and I had been working with the people that would have advised him. So fine.

So he came out, and I was sweating, "Oh, my God, I'm with Ernie Stern."

So my boss, Pierre Landell Mills, says to me, "It's not a problem. He must still like the SAL."

I said, "Really?"

And he says, "Yeah, because if he hadn't liked the SAL we would have heard this morning."

So we went in, and he actually liked the SAL. He thought it was very well constructed. He liked that. But there were a whole lot of people who worked with Ernie who could read Ernie and knew whether it was the god of the Old Testament or the god of the New Testament that morning when you dealt with Ernie, but a man with tremendous intellect, very analytic, ran the place. And when I see a whole department called deliveries management, Ernie Stern and his assistant, Mary Lawrence, worked the whole board schedule in three-quarters of an hour on Friday afternoons because Ernie knew what was going to happen and Ernie knew what was going to slip and Ernie knew what the Board schedule was. You didn't have to have a whole army of people and a whole information system. There was something that went to Ernie every Friday morning, and by 5:00 the Board schedule had all been organized and Mr.

Stern would have expressed his views or would have sent his word whether this was going to happen or that was not going to happen.

But he was very smart and had tremendous judgment. And a friend of mine once said, well, that whole bit about, in those days, when you're in the field, you are the Bank. It was a matter that Ernie is not going to get on a plane and second-guess you, but Ernie probably had a pretty good idea whether he could believe what you were saying. And I think that he was, again, an outstanding personality and an outstanding leader.

I've already talked about Wilfried Thalwitz, a man of tremendous talent, great integrity, very concerned about giving younger staff both the opportunity to do good work but also give them feedback fairly in the moment and gently. With him, there wasn't a lot of shouting and screaming. It was constructive, and it was really--you were clear whether Wilfried was happy or what he wanted you to do differently the next time, avuncular if you will.

[Begin Tape 2, Side B]

CADARIO: Okay. Other outstanding personalities in no particular--I can think of one and I might think of a couple of more.

Earl Drake, who was the Canadian Executive Director around the time of Tiananmen, was a professional man of tremendous integrity, listened to Bank staff, but had also felt we could do better. And I remember--and Earl was also someone who did outreach, meaningful outreach to Bank staff, that he wasn't just, well, a skill for Canadian vendors who want to come and you need to receive because they want to hear about procurement opportunities. No, Earl was actually very interested in what was going on in the Bank.

And after Tiananmen, I remember he was in Beijing, and he and I had dinner where he made the point that China's relationship with the whole world had changed and China's relationship with the Bank had also changed, the fact that the Bank pulled everybody out and has now come back to make sure that we can operate. And it's going to be a while before the Bank, before the owners of the Bank agree to new lending. Certainly he was a very good, very long-serving Executive Director. Everybody respected him: staff, EDs, senior staff at the Bank. And he tried to bring people together to come up with good solutions.

A subsequent--and then there were some really unfortunate ones.

ZIEGLER: So I remember another distinguished Canadian. He even wrote an autobiography. Escott Reid.

CADARIO: I don't remember him.

ZIEGLER: Oh, I'll have to tell you about him . . .

CADARIO: And then Marcel Masse, who was earlier the head of CIDA [Canadian International Development Agency], was the Executive Director, and in fact he was--I remember being on mission in Brazil and flying back overnight because Marcel Masse had heard that there were problems with Wolfowitz and asked--I guess there were four or five of us senior Canadian staff--if we would come to his office and have breakfast and tell him what was going on with Wolfowitz. This was just before the Shaha affair. And he was absolutely shocked. And I remember saying to him, "Well, what are you going to do?" Actually, was this Wolfowitz? Yeah, it was Wolfowitz. No, it was--because he was replaced very quickly by--because Samy Watson was the [REDACTED] Executive Director when the Wolfowitz affair happened. He had a Ph.D. in leadership from some religious school in Michigan. [REDACTED]

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And she said, "No, that's exactly the point."

So I think he was an employee for the rest of that day, but--and she wrote a fairly strong memo to somebody saying, "Mr. Cosgrove needs reminded of staff rule whatever," which made it pretty clear that if you want to run for public office you have to resign first. And Bill wasn't prepared to do that.

In the latter days of Jim Wolfensohn, who was larger than life, Jim figured out how to run the place. It took him like a year and a half into his second term. I remember coming back from mission and I'm in--where was I? Was I in Toronto? No, I was going somewhere. I was at National. There's the *Financial Times* with the leaked note from Jean-Louis Sarbib's management team about Wolfensohn and how he was so egotistical. And of course Wolfensohn, had he seen this in the *Financial Times*, would have been furious. And is he going to last and does he get a second term? And he was doing strategic compact, and the management of the Bank really didn't like Jim because he shouted at them all the time. And Bank staff doesn't like to be shouted at, particularly senior staff.

Well, Wolfensohn survived that, but still he had trouble clicking because he had a vision and people didn't like it and there was all this whining. And Jim, of course, was an investment banker, and he made deals. Some of them worked and some of them didn't. But he went on to do the next deal, and he'd shout and scream if he didn't get his way, but then he'd go on to do something else. And Jim was charming when he needed to be, and he was angry when he needed to be.

But what really, I think, turned the Bank around--because, despite Jim Wolfensohn's charm and vision, the Bank was just drifting. And he just couldn't get things right--it was 9/11. And what that did, and I don't know what it was exactly, here we are in the middle of downtown Washington and the plane might have gone for our atrium or hit the White House or whatever, but there a memorial service, not exactly a memorial service but an event in the atrium, I think, on Friday afternoon. And the U.S. ED was there, and it was a time where, yes, things were going to change because the world had changed in that terrible terrorist act. And Jim Wolfensohn said, "Well, I think what we're going to do is we all need to hold hands," so everybody looked around and this is not something that's ever happened in the atrium. But I think that was a time, and whatever he said, everybody stood there and thought, "There are more important things to do than argue about how the Bank is run. There's work to do." And I think he did make the point that if you don't deal with the things that cause people to lose hope, then people turn to do things like this.

And that, I think, was, in his re-branding of the Bank as "our dream is a world free of poverty," which he got away with, I think that was what was missing. You had to basically say, "The consequences of poverty go beyond what we all know about and what Robert McNamara spoke of in 1973, the human conditions that are just beyond imaginable and really go outside what is ethical and what is moral." But by saying that "here are the consequences if you ignore that," that is a message. And although it did not have anything to do with the hijackers, it is still a point that in places where people have no hope, people are prepared to do things and they elect governments or they have governments that don't improve their situation, so people, particularly young men, become hopeless and violent. And that, I think, turned the Bank around because we all said we have to stop sniping about what's going on in here, we have to deal with what's needed in the world and, frankly, we're uniquely placed to do so. We positioned ourselves and organized ourselves to do a better job on what the Bank's real mission is.

So from that point of view, I think Jim Wolfensohn, along with Robert McNamara, are the two great presidents. And they both basically talked about the same message: about poverty. Certainly, Robert McNamara had been here for a few years before he made the Nairobi speech in 1973.

ZIEGLER: Yeah. He came in '68.

CADARIO: Yeah, and reorganized the place . . .

ZIEGLER: Just as an aside, I would vote for Eugene Black, though, as the greatest president the Bank had. I'm a big fan of his.

CADARIO: I don't know Mr. Black.

ZIEGLER: It used to be called "Black's Bank" before it was "McNamara's Bank."

CADARIO: Hmm. I'll stop with the outstanding personnel because I could talk about everybody I worked with.

The most important lessons learned from an institutional point of view during your career at the World Bank? Well, the World Bank was a worthy institution long before people coined that term. It was an institution that stood for something, and when I joined the Bank, the Bank was looked at as very technocratic, which was a good thing. And indeed, analysis of things--the place was run by engineers and then the economists took over, and they all had physics envy so they wanted to be like engineers, which sort of worked.

Nonetheless, the fact that the Bank stood for something, and then when the Bank didn't stand for either technocracy or a mission, which was the Preston period where it wasn't quite clear what the Bank did, mission sprawl, problems emerging from middle-income countries like the Mexico crisis and the Argentina crisis, so, well, what's the Bank role? And the Bank and the Fund were both sort of fuzzy.

But on the other hand, when the Bank has known what it wants to do, it's gone out and done it pretty well. And I think that at the end of the Wolfensohn period, "our dream is a world free of poverty," that was pretty good, and everybody knew what that meant and everybody said, "Well, this is what I do, and this is how I contribute to this."

Things got a little fuzzier again under the Zoellick regime, and then I think part of it is we had brought in environment and climate change as things the Bank has to work on. And I remember being in a meeting when they were talking about, I think, the environment strategy. Maybe it was the beginning of climate change and environmental strategy, and all the poverty people were coming and they were outraged, and they said, "Well, the Bank has to focus on poverty, the Bank has to focus on poverty."

And somebody says, "Well, what in the world does climate change have to do with poverty?"

And I said in a loud voice, "What doesn't it have to do?"

And I think that reconciling all of these things that have to be seen as combining, they'll either come up with solutions for climate change or, boy, their problems with poverty are going to be even worse, is something that the Bank ought to be very good at. But we've silo-ed ourselves so that everybody is "It's all about me" rather than "It's all about us." And it really shouldn't be all about us. It should be, despite our use of the term "clients," we don't really mean clients because if we meant clients we'd be more worried about their being good at being clients, and we don't really worry about that.

As I was saying earlier, when I look at all these junior people leading missions with consultants, and I say, "Well, how do we learn and how does a junior person know the consultant is the right person, and are we serving our clients the way we ought to?" Because, frankly, I think even if you go to our poor country

clients, a lot of them are very capable and we should be spending more time learning what are they good at, what would they like to do better, what do they need to scale up, what do they know how to do?

From that perspective, we've looked at clients very technocratically, and then we looked at clients generically, and we probably need to look at clients in terms of people that are, countries that are capable.

Over the period--and this is something that I've also talked about a lot in my post-Bank life--the Bank, when I joined, was a big player and a lot of the money that went for development came from the Bank. And we're not a big player anymore. Even donors aren't big players anymore. Between private investments and remittances are really the bulk of flows to the poorest countries.

We also have do-gooders doing people-to-people . . .

ZIEGLER: Bill Gates.

CADARIO: Well, we have Bill Gates. We have the foundations who are a big and fairly impressive amount of money, but they're also people that come up with new ways of doing things and are prepared to experiment. So social philanthropy the way that Mr. and Mrs. Gates do it is something that has raised, I believe, has really raised the bar in terms of evaluation and testing things to see if they're going to work. The Bank has generally not been terribly good at it. I think the Gates Foundation is one of the big players in 21st century development because they believe in pilots and they believe in evidence-based development, which the Bank has sort of missed until lately; well, I think we've come to it now, but I don't think we embrace it the way we should. We're not as disciplined as we should be, as the Gates Foundation would be.

But also you've got the Global Givers and the Kivas where individuals can put money of their own down, a rather small amount, which is a great thing because you're stimulating the private sector, the very small private sector. You're also creating civil society at both the receiving end and the giving end that says development is important.

The risk to doing that, in my view, is that they all think that all development works that way, and from that point of view whatever Dr. Kim is going to do to end the mission sprawl or get us out of this sprawl we shouldn't be in and whether that's the General Electric approach I don't know.

I think that's welcome because I think there are other actors, but the Bank is so into embracing other actors and pretending they're our own. Well, I don't know where that's going to go. But I think that the world of development has changed and maybe there's not enough corporate thinking by staff about, well, if the world of development has changed, we need to do more than say "My client wants me to come and do X and Y."

Internal trends. I think we've empowered--well, the fact that we have all these ACS people and all these IT people, and I think if you look at the people in those two networks, like 2,000 people who work here in one of those networks, 2,000 people out of 13,000 are either ACS staff or IT. There's something I'm missing here about why we need that many.

The fact that we've decentralized is a huge improvement in understanding clients and serving them is also a problem that we don't necessarily field our A team in all of our country offices nor are you going to get the A team to relocate there. So decentralization has cut both ways. It was necessary, but I wonder now if you're going to get out of doing things, whether we need to look at a different organizational geography, geographic model.

That said, our processes are all still very Washington centric, and I think that there weren't a lot of us who were prepared to say that. A lot of that was we didn't really take advantage of what we got by having information systems renewal, and we acted, like, okay, we'll do a video conference, but it's at a time convenient for Washington. Well, that's not how a global organization works.

ZIEGLER: What did you like most about your career at the Bank, and what did you like least?

CADARIO: Well, I don't know. I had a great time in the Bank. I never worked for a jerk, at least not for very long. I liked the younger people I worked with, I liked the people I worked with, although I was-- I have a reputation for being fairly blunt and not suffering fools gladly. And I've mellowed over the years, I think. I think that everybody here is, at some level, smart. And everybody here works hard. I never worked with people that were slackers, and I guess there are slackers around here. There are slackers everywhere.

I worked with some people that were a little too driven, and I look at them all who kept their G-4 because they did their jobs from the minute they retired until they got cooled out and then they had to get lawyers because they couldn't get green cards anymore. I think that was a bad idea, and we got too dependent on retirees, and retirees on their successors as managers. I found the Bank always very accommodating to all the things that I wanted to do while I was at the Bank, like I've been a volunteer at the University of Toronto for thirty years and flying back on my own dime. I think Bank staff have a lot of flexibility in when you travel and how long you travel for. I've never gone on a mission where I was away too long, and I hear these, "Oh, I have to go on 6-week missions." No, you don't. What is it that you need to go on a 6-week mission to do? I've never heard, I've never had that constraint, and I don't believe it's true.

What did I like least? I think there are a lot of people that get away with very shoddy short-term thinking, generally aided and abetted by other people's money that "I can't do this; they won't give me budget to do it; I'll get a trust fund." And we were doing an awful lot of crummy work with other people's money. And it wasn't integrated, and managers didn't have any way to check or managers didn't want to know. And we would take credit for the results, but we would never disclose how much money we actually spent, which I think is dishonest. And if you're dishonest about those things, well, what else are you being dishonest about?

I also didn't like the situations where there was clearly a need for accountability that heads had to roll. The two that I'm thinking of are the India DIR [detailed implementation review] where, clearly, there were managers who weren't doing their jobs and people should have been forced out. You need to leave. I think there were a couple of people who were blocked whose ambitions were that they should be vice president, and they've been blocked. They're never going to be more than they are, and they're maybe never going to work anywhere other than they're working now. But for what went on with the India DIR and with the cover-up of Albania, there should have been heads chopped off.

On the Albania thing, where you sent a statement to the Board and then you don't tell the Board . . .

ZIEGLER: The Board was flat-out lied to, from what I've been . . .

CADARIO: The Board was flat-out lied to, and then the region tried to cover up the fact they'd been lied to and then they tried to cover up the cover up. And then the Bank sloppily demoted and fired people, so the guilty parties went to the Tribunal, and they all got money instead of just being marched out the door for lying to the Board.

But what was interesting on Albania is that I was interviewing YPs, and a lot was going on. And we're there, and one of the principals was supposed to be with us interviewing YPs, and unfortunately, someone

said, "Well, she won't be able to join us because she's got other preoccupations," so somebody else in the room said, "Oh, good, we can talk about her."

And we asked two ethics questions; there are two ethics scenarios that you ask one of when you're interviewing Young Professionals.

And so I said to the two people who were interviewing with me, "Can I do an ethics scenario based on lying to the Board?"

And they said, "Sure."

So I got permission. So we asked the sixteen people that we interviewed that week, two in the morning, two in the afternoon, four days. Sixteen people we asked. We did a scenario about "Something is wrong, you find that out. You then agree you're going to tell the Board. You're sitting in the Board, and that statement that this is wrong is not read. What do you do?" All sixteen of them got it right. And Bank management didn't know what to do and spent a year and a half trying to cover it up. There's something wrong with that when we've forgotten that you don't lie to your authorizing environment. And I think that it sends a signal when nobody really got in trouble over that, and some of the people that should have got in trouble got paid large amounts of money because the Bank didn't fire them right. Now, that's an issue.

The other thing I disliked about--the whole management succession and talent management had just been badly run, people hiring their cronies up to the management level, a lot of gossiping going on short listing committees, because I've always felt when I've been on short listing committees or an interview committee you had to basically look at the file, you had to do reference checks, but the reference checks shouldn't have the checkers trying to put words in the interview, in the referee's mouths, which I think was altogether too common.

But at the end of the day, the World Bank is a wonderful place to work and it does wonderful work. It's not uniformly wonderful. If we stopped acting like a university the way we're run, I think we'd do far better work if there were more accountability for getting results and also if we stopped trying to make everything so complicated.

There's a wonderful book, *The Knowing-Doing Gap*, written by two professors at Stanford. And, you know, it's about the Bank. The Bank only gets mentioned once, but the examples they used were clearly based on the time one of them spent consulting at the Bank. And you read it, and the premise of their book is that if you make a hundred decisions and twenty percent of them are wrong, you've made eighty decisions that are right and achieved something. If you took the same amount of time and you polished and you analyzed and you made ten decisions and only ten percent is wrong, you would have made only one mistake, but only nine right decisions. But by doing your decision-making quickly, you would have 71 more right decisions. Yes, you'd have 19 wrong ones, but you'd have 71 right ones. And everybody looks at the wrong ones around here: "Oh, we can't have this happen." So we all persuade ourselves to just analyze and analyze. It's analysis paralysis.

One of the authors went on to write another book called *The No Asshole Rule*, which is a very good book. And a couple of us, in dealing with a colleague who will remain unnamed, pointedly left a copy of this book out on our desks whenever we knew he was going to come to visit. Hint, hint. And you read it and you could describe, probably, a third of senior management at the Bank by these dysfunctional behaviors. And, again, I think that, well, people don't call each other on bad behavior and those of us that do are not considered good sports or corporate or whatever.

ZIEGLER: Not collegial.

CADARIO: Not collegial. I was only threatened once in terms of, "Well, I need you to do this, and you would not be considered a team player." And I went and reported that threat--because it was clearly a threat--I reported that threat to the man I was working for at the time, Jeffrey Goldstein, who said, "Okay, I'll take it from here, and you don't need to use him as a feedback provider. Although he's worked with you on many things, we will not use him as one of your referees to get you promoted to director, which, if anybody says, 'Well, what about,' I'm just going to say no."

And the fact that people could get away with that--I'm referring to the scandal in ISG and Mohamed Muhsin.

At the same time, you see abuses of power, like when INT went looking for something in a colleague's computer and they couldn't find what they were looking for but they found something else and they fired him for that. And he went to the Tribunal, and the Tribunal came back and said, "Dismissal was not the appropriate punishment and the way you handled it was egregious, so the Bank is going to reinstate him. And you can punish him however you want, but you can't fire him. What he did didn't rise to a level of being dismissed, and you're going to pay all his legal fees." And I think they gave him--they gave him a year's salary and said we're going to give him compensation because--well, actually, no, they didn't; he was on admin leave. But, "You're going to pay his legal fees and you're going to reinstate him and then you can decide what you want to do." But the interesting thing was when they decided to fire him, they waited until the day before he would have qualified for early retirement, and they fired him that day. And, of course, when he went to the Tribunal. The Tribunal said, "Management is not going to do that." And that was because Bob Zoellick had been embarrassed by what had leaked out, not that this guy had leaked what--not that this guy had leaked that had caused Mr. Zoellick to be embarrassed but they found something else on his computer that they couldn't exactly prove but they went after him anyway.

And, in fact, what was interesting was that I was a witness in that because he had forwarded a document to me, and I read the document. But, of course, you forward something, and they broke into his personal email account when they found this. And when I left the interview with INT, the head interviewer said to me quietly, "I don't really think we've got a case, and you've helped confirm that, but thank you," and then they fired him anyway because Mr. Zoellick wanted him out.

So you've got a lack of checks and balances on what's appropriate behavior. At the same time, lack of checks and balances when people are punished inappropriately and then you have people getting off scot-free and sometimes getting promoted after doing things that in another organization would get you fired. So the whole issue of, well, what do you have to do to get fired around here, the answer seems to be you need to be a serial sexual-harasser, you need to steal a lot of money if you're senior or a small amount of money if you're junior. I'm not sure that's a healthy corporate ethics culture, which is why I'm a big believer--I'm going to a farewell party for Nicola Dyer is moving on from the Ethics Office to something else and there's a party this afternoon--I'm a great fan of the Ethics Office because I think they do good work and they try real hard against managers who really don't understand.

Greatest success. I don't know. Greatest success being a matter of what you talk about most? It's hard to say. Well, the fact that I was the TTL for the first project in Guinea-Bissau and the first two projects in Mongolia. That's something that I'm proud of, that those projects worked well, and it was--it was a challenge and something very rewarding to be involved with people who didn't know much about the Bank. And they--we did the projects, and they worked well through their own devices.

I guess the same is--I told the story about Bengali Camara who was the highway, head of the highway project in Guinea who was the same age as me and then he became the head of the port authority, and it was very exciting when Tom Clausen, the president of the Bank, came to Guinea to open the new port.

And Mr. Camara, who greeted me with a political diatribe when I first arrived in Conakry a decade earlier, Mr. Camera is now the head of the port authority and a man of integrity who denounced his minister for stealing things, and you didn't do that to Sékou Touré, but the minister got in trouble and Bengali got made the head of the port authority. So that's exciting.

I think that the work that I did for systems renewal, if you frame it in a broader context, was very important. And, again, historians may write about this someday because, although it was in one level an IT project, it was also the platform for which the Bank could become transparent and accountable because everything worked the same way everywhere and it was all documented and we had a platform for people to communicate outside Washington that we didn't have before. So from that point of view, if you look on the worldwide trend in organizations to be transparent and accountable, having done the change management for systems renewal is probably, despite all the things I did in trust funds, that's probably what I would see as being in at the ground floor of something that was actually quite important for the Bank.

So I think that in terms of the trend, the way organizations worked, decentralization, that systems renewal was the beginning or laid the platform for transparency and accountability, disclosure and efficiency that we could not do what we're doing today in terms of open data, all the other things that if we hadn't actually done all that work and gotten people used to working at a distance with tools that were appropriate.

We probably could have done a better job. I guess in terms of what would I have liked to have done better, well, I wish we had done a better job on knowledge management. And while I was involved at the beginning, and it would have been nice to stay involved longer because I think we went down a lot of rat holes and maybe some of us who thought we were going in rat holes should have spoken up more, but . . .

ZIEGLER: Any examples of a rat hole?

CADARIO: Well, I don't think we did the thematic groups right. You look at QAG evaluating the thematic groups--the reports weren't very positive because we didn't have a template. In a way, it's the university culture of the place that nobody said, "When you set up a thematic group or a sector board, this is how it's got to be." And people were allowed to do whatever they wanted, which in some cases was expensive rather than effective.

So there were certain things maybe I could have, since I had a--I knew a fair bit about that, I could have maybe spoken up. But the Bank doesn't always like people who--they don't like Cassandras.

And if I look back at things where I bucked the prevailing wisdom, whether it was on China or whatever, I think I had a pretty good track record. My intuition was often very good. And other people said, "Oh, no, no, we don't want to do that." Well, my intuition is better than your preference or your opinion. So maybe I should have been more intuitive. I should have said thank you to more people earlier and more often.

Anyway, so I think that about sums it up, unless you have a last question.

ZIEGLER: No, that's quite thorough, I think. And I think, in due course, this will be one of the more popular oral histories for reference purposes. So I thank you very much, Paul, for participating in the World Bank Group Oral History Program.

CADARIO: It was my pleasure. And I, as I think history of organizations is really important, so I'm happy to have done this and I'm delighted that the Bank does this for senior staff because I think it's really

important.

ZIEGLER: Well, thank you, Paul.

[End of Tape 2, Side B]

[End of session]

[End of interview]

Postscript

The third pass and edit brought back a number of other memories about how the Bank does its best work in teams, and under pressure. It's not just a matter of "it's better to go to a bad one act play than a bad three act play," as Jeremy Lane, my highway engineer colleague said about why we should do a short first project in Guinea-Bissau. Nor is it about rushing a project through because the IDA allocation period is coming to an end, as we did in China for two of the TA projects I worked on, or, with greater internal and external consequences, for the Western China Project with its "Tibetans." And it's certainly not about cutting a corner just because you think no one will notice, as happened time and time again in various IT projects, and seems to have been at the bottom of some corporate issues like the India DIR and Albania Coastal Development.

I might have talked more about change, because there was a time when change was done well—with consultation, transparency and speed, so everyone could get on with work in the new organizational configuration. Because when the Bank did change well, and it worked, it followed the rules. Rules and theories are important, as the Bank seems to have forgotten.

In the two years since I did this oral history, many unpleasant and unfortunate things should have not happened. Senior women were fired. People of integrity and experience saw no future and decided to leave. Armies of inexperienced young STCs came on board, and cooled-off elderly retiree STCs still roam the hallways.

Many of my friends have said to me, "Paul, you retired at the right time." Yes, that's certainly true, and I was wrong about Jim Kim. Although I was a big supporter of his on Facebook and in the blogosphere when he was nominated and after he arrived and I faced down Bill Easterly in his opposition to Dr. Kim, he was merely the least dreadful of three bad choices, which gets to the Bank's old-fashioned and dysfunctional corporate governance.

VP and Controller Jules Muis was right when he spoke about "tone at the top." It's too bad that's no longer fashionable in the Bank and that the Bank's concern about its external image is so narrow. I hope that by the time this is released, the Bank's owners will have sorted that out.

Washington, DC, July 14, 2015