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Transcript of interview with

J. L. BAJAJ

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Interview by: John Lewis, Richard Webb, Devesh Kapur

FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

J. L. Bajaj
November 16, 1991 - Verbatim

*[Begin Tape 1, Side A]*¹

BAJAJ: . . contacts at the level of government and the Bank, the central government and the Bank, that you would need, as you said, a lot of people who have had long dealings with the Bank.

But one thing that struck me over the years, I mean it's--I [tape skipped] do really find the content, as you say--was the fact that there was a great deal of understanding of India in the senior management at all times, right from, right from the beginning. And I think this had partly to do or substantially to do initially with the fact that a person like David Hopper was dealing with India--he was the vice president in '85 when I started my contact with the Bank--because in many, many, in many cases one found that where all kinds of objections were being raised in his offices and even by the division chief or even by the division people and the director, he was able to appreciate these problems. And this I would illustrate by the manner in which the rural credit loan for NABAD [*National Bank for Agricultural and Rural Development*]-the first one; I think '86 or '87--that was negotiated because, if one looks at it, there was a lot of opposition in the Bank for that particular kind of loan, especially the performance criteria. But he was the one who was able to get through and have it sorted out. Similarly . .

LEWIS: This was a large . . .

BAJAJ: This was a 350 million dollars loan, 300 or 350 million dollars. It was a large--no, it was to NABAD, and then it was to be to various states for this cooperative credit, refinancing of cooperative credit. It was a large loan and--I mean, that's just one illustration I would give.

Similarly, even in the case of Ernie [*Ernest Stern*], you see now, of course there's—I come back to what happens now--but even Ernie, the whole, this question of savings, IDA [*International Development Association*] savings, is now assuming a lot of importance and a lot of discussion between various directors and this and that. And I recall . .

LEWIS: IDA savings?

BAJAJ: IDA savings in projects because of exchange rate variations or because of price, you know, prices being lower than what was expected at that time.

Now, in the case of power projects at that time . .

[Pause for coffee]

¹ ¹Original transcript by Brookings Institution World Bank history project; original insertions are in []. Insertions added by World Bank Group Archives are in *italics* in [].

BAJAJ: So there, I mean, after going through the various, it took him some--I think Ernie does most things in five minutes--it took him probably three minutes to say, "Yes, this is a good thing, and we should get it done."

Now, of course—I mean, so what I am trying to say is that there was, there has been over the period--and India has been fortunate in that respect when some other countries may have had problems at that level, both in terms of understanding of--there always was that it has some special problems and maybe because of democracy, maybe because of some other special, size or whatever the reasons, but there was . .

LEWIS: You're saying that the vice presidents have been, have known India pretty well.

BAJAJ: Yes.

LEWIS: That was true of Peter Cargill way back and of Ernie and of Dave, those three at least.

BAJAJ: Yes, and I think that has been one very important feature of the Bank's dealings with India.

The other thing—I mean, and that, I would say, the same thing would apply to the people they have sent to Delhi. The people have been, have viewed the Bank relationship with India as important, and they have tried to build it up in terms of the concerns of both. I mean, they haven't acted only as representing the Bank. I mean, they have been faithful communicators of Government of India's concerns as well as—I mean, they have done their job in the sense of communicating the Bank's concerns, but by and large it's not been a—it's been a dialogue. It's not been just giving, kind of conveying instructions from the Bank. So I think this has characterized the relationship with the Bank.

The second thing I would say is that in times of difficulty, the Bank has been extremely helpful in the '80s. Now, let me illustrate again by the drought loan, I mean, which was in '87-'88. Now this--there was no precedent. Now there was when [*Barber B.*] Conable came to India in '87 we took him. And there was a drought in Gujarat and large parts of India at that time, and we took him there and showed him some of these things. And when we went back, I mean, there was this 300, about 300 million dollar loan for import of oil and various other items. I mean, hardly any conditions. And the dialogue was not at the level of finance minister. In fact, I gave the letter to the Bank, and on the basis of that letter and commitment the loan was negotiated. And that was . .

LEWIS: This was a quick disbursing?

BAJAJ: Very quick. I mean, this was disbursed in five months, in about 300 million dollars, five or six months. So what I mean is that—that was a difficult period.

Now again, I mean in the current, current problems, the Bank again, the amount being disbursed--the structural adjustment thing is coming up in less than six months, which again would be a record for the Bank.

LEWIS: In the drought thing, the urgency from--I suppose it was basically a foreign exchange gap that you faced.

BAJAJ: Yes.

LEWIS: So it's sort of like--I was trying to think. It's quite an unorthodox loan.

BAJAJ: It was. It was an unorthodox loan. It was questioned; the legality was questioned, and then later on they issued guidelines. But that was subsequent to the disbursement of . . .

LEWIS: That was in '80 . . .

BAJAJ: '87 or '88--'88, I think. '88. I mean, I'm hesitating to . . .

LEWIS: And so the president himself had a fairly active role in that, then.

BAJAJ: Yes, because he came here, he saw the thing, and he promised that we must do something. The Bank should be a party to this, and he went Gujarat, and we were able to negotiate it very quickly. I mean, he saw that . . .

LEWIS: This was IDA?

BAJAJ: It was IDA. No, it was, I think, part IDA--200 and 100, if my--two-thirds, one-third. So it was what—I mean IDA [*inaudible*] was very—very, very quick disbursing and very useful. So that has been the second piece of it.

But to come back to the, to your specific thing about the fact of relationship of the Bank with the states and with the project departments, there has been over the years a feeling in many projects and in many states that the officials who come on supervision missions, et cetera, et cetera, they tend to go into issues which are not really concerned with either that project or with that area. And there have been some problems in some of the projects, especially in areas of rehabilitation, in area of urban development projects, the famous one being the Calcutta urban development project and some of the rehabilitation projects in Orissa and [*tape skip*]

I would say the states feel sometimes that this six-monthly review is far too frequent. I mean, by the time one mission goes, there is the other person coming, and in between there are individuals coming for the same project. So because in one or two--one year we had estimated that the same project had been visited some ten or eleven times by Bank staff. That is one point where people have been . . .

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LEWIS: These people all come out of the regional offices, do they?

BAJAJ: Well, they all come out of the regional office--no, some regional, some maybe dealing with sectors. But whatever it is, I mean to the person in Orissa or to the person in, it makes no difference to him who is coming and from where.

KAPUR: I'm sorry. Does it make any difference if they come from Washington or the New Delhi office?

BAJAJ: It doesn't make much difference. I mean, the fact is that after all you have to get hold of the people in that project and attend to these. For them, it doesn't matter who is coming from. That was one point.

The second was the whole question that the--some of the details in which they were going in, that created a problem for the field staff because information was somewhere else and they . . .

The third was that they tended to have, you know--and I think that was a problem with the state government offices--that there, since they met not only—I mean, in Delhi the contract points were, have been largely civil service, ministers, occasionally for some projects [*inaudible*] But at the state level a lot of them have been meeting the ministers also. The result of that is that—I mean, it's both in the sense that the ministers in the state don't understand always the import of what they are communicating. So in terms of, let's say, irrigation rates, in his eagerness someone may say, "Yes, I would raise the irrigation rates, and once you approve this project . . ." Now, by the time he goes back, he thinks that here this a commitment given by a minister, but the fact is he has no intention of honoring it or he did not really realize the importance of it. So those things have created some misunderstanding in . . .

LEWIS: Why did they see ministers more at the state level? Is it the option of the Bank person or . . .

BAJAJ: I think both. I would not say that it is only the Bank person but also the eagerness of the state, bureaucracy of the state officials who say that we are getting some external assistance for Project A or Project B. [*tape skip*] Although I mean from the central government point of view we have tried to discourage that, not because--I mean, because, partly because it creates other problems, problems especially in terms of some kind of commitment being made which then . . .

LEWIS: We sometimes have either heard or guessed that the Bank behaves quite differently with different governmental bureaucracies, makes some judgment about sort of the sophistication of its counterpart, that that's why it has had a reputation at least of being very--I mean, very good relations in the sense of good procedural relations with the government of India, that it fully respects the people in government as its peers intellectually and so on. It has not been thought to be quite so well-mannered in dealing with other governments sometimes. I mean, Bangladesh is one case, probably, and

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certainly the African governments are perceived to be less competent. Do you think there is some sense in the Bank that the state governments are sort of at a, not just juridically at a lower level but sort of qualitatively of a lower level than the center?

BAJAJ: I think so. I think there is some such feeling, but I will illustrate that—I mean, just as an anecdote. One of the very senior officials of the Bank once told me that when he was posted in another country, he would, I mean, go for swimming with the head of the state and then sort out problems, but he was feeling very unhappy that he couldn't do that kind of a thing in India. And he was very genuinely saying that he was apparently very successful in that country as a resident representative and was able to get things done with the head of the state in the swimming pool or wherever it was.

LEWIS: He couldn't go swimming with Rajiv [*Gandhi*] right? [*Laughter*]

BAJAJ: Yes, he found it difficult to do.

But that feeling, I mean, from the Bank side has been there amongst some people in the Bank who have especially dealt with countries in Africa or some even in Indonesia.

WEBB: [tape skipped] I think contacts once the thing's gotten [*inaudible*]

BAJAJ: You see, the problem—although not really--one feature of the relationship also has been the number of Bank people in India in one year. There are at present I think about 90 projects almost, so you would see that 180 supervision missions. In addition to that, the projects that are under preparation for this year and for the next two years, so in total it will come to over, I mean not less than 200 groups visiting the country. So, I mean, in winter you will find a Bank man in every town in India! So it is--that was because of the nature of the program. I mean, I am not saying that they were required to do that, but that is why we had suggested at one point that at least in several projects, I mean, it would be easy for the Bank to delegate the supervisory role to some institution in India. I mean, there are now lots of institutions working over here, so that you visit it once a year rather than twice a year. Now, the Bank found it attractive, but they didn't do very much about it. That's one.

The other thing, I think the problems that countries like India also face is post-reorganization, you know, and pre-reorganization. I think post-reorganization the intention was to delegate more powers to the regions. The fact--I mean, our experience was that much less power was being exercised in the regions in the post-. Now, this simple thing, for within a sector or within a project, in a project if there were going to be savings, as I said, because of either prices or exchange rates or something and the project is to be extended, in the pre-reorganization phase one found that the division chief or at best the vice president dealing with India would be able to approve it, and approval would be given. Now it had to be senior vice president and his front office and his whole bureaucracy, and then it depended on him whether he circulated that to the Board [*of Executive Directors*] and things like that. So the--somewhat in areas especially where

there was some leeway for discretion, there was much less discretion being exercised at the level of [both speaking at once]

LEWIS: Do you think this was because of a structural change or was it because you had a substitution of [Moeen A.] Qureshi for Stern?

BAJAJ: I don't know. I mean I think it's hard to say, but it is also possible that . .

LEWIS: Because presumably before, when Stern was the operations senior vice president, in theory stuff also had to clear up, but maybe he had been able to in fact delegate a bunch of decisions.

BAJAJ: Because you see what we could get through with Hopper or even with the division chiefs . . .

LEWIS: [Bilsel] Alisbah?

BAJAJ: No, Alisbah was later. This—from Malaysia; the name escapes me. And it was difficult. I mean, it had to go all the way up to Qureshi, and many times Qureshi had, would refer it to, you know, various Board members, things like that. Maybe he was having problems vis-a-vis Board on other accounts and maybe because they wanted to go, I mean, slowly as far as any flexibility was concerned in relation to India. I don't know what was doing it, but what we found was that in India in fact it was not as easy to get within the regional framework things done which one could get done . .

LEWIS: Of course, South Asia had been bracketed with the rest of Asia at that point, so you had—you didn't have a South Asia vice president. You had [Attila] Karaosmanoglu for the whole thing.

BAJAJ: That's right. That's right.

So that is one feature that strikes me as having been important.

KAPUR: The '70s and perhaps the beginning of the '80s there was the issue between the GOI and the Bank on the size of the New Delhi office. That's my perception of GOI was--they were locked into a large local office and expanding--was that ever an issue?

BAJAJ: Not between '85 and '91, but, I mean, it was discussed as to what kind of people they are sending. What we were saying--I mean, basically--was that if you are expanding the New Delhi office, give them more powers at least to clear the disbursement claims because there is no point in having more people in the New Delhi office just for reporting back. I mean, that is one function. The other is to give them power so that at least the disbursement process is speeded up or some of the contentious issues regarding some contract or the other are sorted out in Delhi. So that was the issue and not whether there is real advantage to [inaudible] That was not an issue.

LEWIS: There's been concern about the backlog of disbursements, hasn't there?

BAJAJ: Yes.

LEWIS: What's your perception of the reason for that?

BAJAJ: Well, the reasons have been two or three, I would say. One, straightforward, I mean, in this period the exchange rate variations have been quite substantial and that has . . .

Also a large number of projects have faced budgetary problems in terms of allocations. I mean, I'm talking of the problems on our side.

The third one, I think projects on many occasions have been negotiated earlier than they should have been because the contract documents were not ready when the [tape skipped] the scope of documents, et cetera, was decided after the negotiations were concluded.

WEBB: Is this something that is different from the way it was done before?

BAJAJ: No, no, I am not saying that, but the size became larger. You see, I mean what you can do with 800 million or a billion dollar program, and in this period it was between 2 billion to 2.25, 2.5 also in one year, and the number of—and these are all project loans. So if there are 13, 14 projects annually and even four or five are running into problems of one sort or the other, the backlog of disbursements would . . .

Then almost all projects are seven, eight-year projects, I mean six to seven-year projects. Therefore the disbursement in India is bound to be lower than the disbursement where there are at least one or two policy loans, sector loans.

LEWIS: Roughly, what fraction of those annual commitments would be for local cost financing?

BAJAJ: In case of IDA it would be about 80 percent.

LEWIS: Eighty percent?

BAJAJ: IDA would be about 80 percent. In case of others, I would say about 60 percent--no, no, in forty percent, forty percent.

LEWIS: Really?

BAJAJ: Yeah. It is—you see because in IDA if you have small contracts, I mean, and small projects because in nutrition projects there is nothing much that you would import or in agricultural extension projects or in tube well projects. So the local cost financing has been quite--I mean, in terms of orders on India program, I think our [*inaudible*] over a billion dollars. [he is speaking almost under his breath]

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LEWIS: There is a catchword in a lot of--the differences between wholesaling resources and retailing them, and the Bank--this is a very big program in absolute terms. Take these IDA loans. In some sense does it wholesale them, does it leave the detailed distribution to the recipient governments, either to the center or to the states?

BAJAJ: No.

LEWIS: It doesn't?

BAJAJ: No, that is one of the reasons for the slow disbursement. [both speaking at once] You see, in one project I recall there were even expenditures of about a thousand rupees were being, you know, the receipts were being collected and sent to the Bank office and so on. So I mean there was a lot of retailing. We tried; we pointed it out, of course. I mean, this got resolved over a period of time, but in many projects like--which are decentralized in nature, especially nutrition projects or projects for--or even the tube well standardization, there have been some problems that for each tube well unless this is a procurement after--these steps are taken, then the disbursement takes place, and it is step by step. So the problems do arise. There's a lot of retailing.

LEWIS: They don't have to tell you people how to do that, do they? I just had to get something out of the customs warehouse the other day, and found that the step-by-step procedures are very familiar.

Well, that's very interesting. Where does that resistance to wholesaling come in the Bank? Is it a matter of culture? Is it because they do things like this in Africa and everywhere else? Are there certain executives or . . .

KAPUR: Or is it a fear of leakages?

BAJAJ: Well, after all, I mean I don't think fear of leakages, but it is--that's the way they have been doing in other places. I think that is--so wherever there has been a change, it has been an uphill battle. I mean, one has had to really push them hard to change somewhat the . . .

But the legal department, I think, in the Bank is far too powerful for a DFI [*development finance institution*]-I mean, if it is considered a development finance institution--because a lot of these are not legal issues. Frankly, they are issues—I mean, there are many issues in conflict there are legal issues and there are non-legal issues where there has to be some discretion. I think the lawyers--I mean, this is the American culture probably transferred to the Bank office--that the lawyers have far too much power [both speaking at once]

LEWIS: You have an Arab lawyer in charge now, [*Ibrahim F.I.*] Shihata.

BAJAJ: No, it's--he may be a Harvard graduate, but [all speaking at once]

LEWIS: He is, in fact. *[Laughter]*

BAJAJ: He is. That's what I said.

WEBB: Loans to credit institutions are an exception to that, aren't they? [tape skip] retail without any . . .

BAJAJ: No, no. There are limits. Initially there were the--the limits were as low as 500,000 rupees, and then they were raised slowly. But all loans above a special level had to be approved by the Bank. So even for a DFI, it is not as if some broad parameters were laid down and then the DFIs were free to lend them. That is not the case. In most cases beyond a certain amount it has to go to the Bank.

KAPUR: Although the agricultural credit loans are essentially retail. Ones given to NABAD, which in turns refines these co-ops, state or *[inaudible]*, then of course it's almost . . .

BAJAJ: No, that is one exception. There were these conditions laid down in terms of overdues and in terms of recovery and other factors that had to be satisfied and then they could do it. That was a more flexible arrangement than in case of even IDBI *[Industrial Bank of India]* or the ICICI *[Industrial Credit and Investment Corporation of India]*.

KAPUR: How has—how have issues like last year's sort of political--some political leaders who have advocated loan forgiveness to agricultural credit institutions--how has that sort of impacted on the Bank's saying, "Okay, in that case we won't give it all"? Has it had any effect?

BAJAJ: You see, by the time this arose, the loan had been drawn, so--I mean the earlier loan. For the next one the main issues have been interest rate and some organizational problems because was--in fact, this has in many ways improved the position of banks because the money has been repaid by the state governments and central government to the cooperative institutions and the banks, so if their normal recovery was 50 percent, they got a lot more money. So this has created problems for the government, I mean a fiscal problem for the government. But as far as forgiveness is concerned, it has helped many cooperative credit institutions to recover loans. So that has not been an issue. The issue mostly has been interest rate.

In terms of policy, I mean I would say while the Bank has renegotiated some of the [tape skipped] late--and this is maybe because of failure of public enterprises all over the world--now they are reluctant to lend to public enterprises, the better ones, also are insisting on some of the conditions even for the financial institutions. I don't know what will . . .

LEWIS: Some of them, you say, are insisting on some of the conditions?

BAJAJ: Conditions relating to ownership, relating to interest rates, relating to--yes, mostly, I mean, these interest rates are--and also the sources of their borrowing because there, as you know, the IDBI had and could borrow at a lower interest rate, especially for refinancing of state financial cooperatives and small industries. But now they're finding it more difficult, especially after this famous financial sector paper, the [Fred D.] Levy report in the Bank. Since then there have been no loans to the financial institutions. So I don't know the situation in other countries, but at least in India it's been so.

KAPUR: That's also--the hardening of attitudes also now relates to recoveries of these, which has affected India.

BAJAJ: Yes, but that, I think, is a good commercial pressure. It's logical that if they are not able to recover, how will they repay? That's not a contentious issue. The only thing is the period over which the recovery can be made, but after all [tape skipped] in practice to the recover loans which are [inaudible] I don't think that's a major . . .

LEWIS: Am I wrong in thinking that this question of interest rates is a simple one and that there was a sort of understood answer to it many, many years ago and that somehow that's eroded? The answer was that you did two-step financing, that you'd have, give soft--if you're interested in giving aid, you give very soft terms to the government, but then you would try to insist that when that resources were re-lent internally that it be at an economic rate so that you didn't get a lot of misallocation of resources in the system.

BAJAJ: No, but for example agriculture had preferred access to . . .

LEWIS: Yeah, well, I mean there's always pressures against that kind of rationale because people want to be given concessions, favored subsidies and so on. But in a sense the--it seems to me the economics and the development economics of that are pretty straightforward unless you want to be quite sure which ones you wanted to give--that's why the Rural Electrification Corporation was started, in a sense, try to get credit out to the farmers which electricity boards weren't giving because the Bank and others were insisting that they have their tariffs high and so to conform to that they simply weren't putting out agricultural credit. It seems to me, sort of looking in from time to time but not continuously here, that there is sort of a backsliding on the . . .

You probably need to leave.

BAJAJ: No.

LEWIS: You're okay?

BAJAJ: Yeah. There was a meeting at 11:30 that has been postponed to 12:00, so I have . . .

[Brief discussion about scheduling and location of offices]

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WEBB: May I come back to all these hundreds and hundreds and hundreds of Bank people wandering all over the country: are they really doing something for India? Are they helping--mostly justified because the Bank maybe reduces its risk a little bit, checks if it's able to get a slightly better portfolio and then control it more, maybe go on that side, but from the point of view of India, are these people really improving the way things are being done?

BAJAJ: I don't know if they have succeeded in improving very much the things that have been done, barring in some areas, but in some areas—I mean, I think one—I mean they have helped in appreciating some of the weaknesses in the system. But on the other hand I think one problem which I may--and one area that I may mention--is the key, is this whole—there has been almost, you know, insatiable desire to create new institutions, and maybe the success of a loan depends on how many new institutions you have created.

Let me give you one simple—let me illustrate my--in the late '70s they recommended that every state has a state water board, a centralized agency that will go and construct waterworks in various towns so that you have this expertise and you build these tube wells in towns. Over the years this has become a very large agency in some of the states and has failed because earlier it was being done by the local governments in the towns--whether it was a municipal board or whatever there was [*inaudible*] employed--and they were able to maintain staff based on their resources. Now here a huge bureaucracy has been created in several states which now doesn't have much work because they have to now depend on the allocation of all the resources by the state government and then they are unable to supervise what is happening in [tape skipped] large states and has not been much of a success. That is one, one illustration, small illustration.

You see, if an institution has succeeded, let us say, in a state like Maharashtra, it's not necessary that it can be replicated in Orissa or somewhere else. But things like this water management institute for irrigation engineers, it's a good institution in Aurangabad. In almost all other states they have had to create this institution because it was a covenant in the Maharashtra loan and it was then replicated in all other loans. And in half of them they haven't even been able to fill up the position of the director because in an irrigation department who would like to go as the director of a training institute, giving up his construction or maintenance expertise [*inaudible*] So this—and this is—and now the thing is to build new training institutions. Training will be a very good, you know, input in improving the management, but then whether you need fresh institutions in every state every time you have a new project, I don't know.

So I think it has something to do--it could have something to do also with who is considered a successful manager in the Bank itself. I mean, what are the criteria used there to evaluate a project officer? Now if it is that he is creating new institutions, then I'm sure they will be—I mean, they will put that in the project and have a small part for the expenditures. But I think the time has come--at least my experience in India is--that there is time to consolidate on whatever institution-building has been done and improve them rather than to have new structures and new [tape skipped] state and at the central level.

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LEWIS: There's often a complaint--and I'm trying to think whether I should know the answer to the following question, really--in Africa it's often complained that the Bank goes around creating new institutions because the existing structures, administrative structures are not very effective, and in the process it creates enclaves that sort of suck talent away from the regular administrative system and create sort of islands of maybe effectiveness but maybe not. But at any rate it has very long-term adverse effects on the development of the system over the long term. I don't know whether they've done that so much in India, have they? I guess the thing we visited, that you just mentioned, the . . .

[Interruption]

LEWIS: What did we visit last night?

KAPUR: NTPC [*National Thermal Power Corporation*].

LEWIS: NTP, yes. Now that is a--the Bank had something to do, I guess, with the creation of that, or at least it came in at the take-off of it almost, at the beginning of it. But that clearly has a function that is . . .

BAJAJ: No, that's fine. I'm not suggesting that all the institutions created have failed.

LEWIS: Right.

BAJAJ: But, I mean, even practices--but there are many which have failed, which have not succeeded, I mean, I would say. Also many of the systems installed at that time, for example, the--today the much-maligned fertilizer pricing is based on the formula which was developed by the Bank. I mean, this whole fertilizer formula of having a 24 percent post- or a 12 percent post-tax return and on efficiency parameters and things of that sort in case of gas-based plants was all developed with the Bank.

KAPUR: Was this a part of the HVJ [*Hazira-Vijaipur-Jagdishpur*] pipeline?

BAJAJ: Yes. But this was—I mean this concerned a much earlier loan than the HVJ pipeline was being . . .

KAPUR: Was it the late '70s?

BAJAJ: This was late '70s, '76 or '77. And now, of course, I mean one can't say that it's bad, but one can always say that at that time it was okay but now those things are different. All I'm saying is that in many cases . . .

But coming back to your thing of institutions, you see, in India, in Africa, what happens is that once an institution created by the Bank within the government has better resources and also has better, let us say, incentive structures. In India that is not the case, because what has happened is that--luckily, I mean we have not divided the administration and the

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Bank-funded administration, I mean, the structure created because of that and the rest, because otherwise what happens is that these fellows have a higher salary structure than others have. Then it creates other problems, as indeed it did especially in the agricultural extension when [Daniel] Benor and others had advocated that you give motorcycle loans to the agricultural extension workers and so immediately the health workers and the rural development and everybody demanded it. And after all the work was similar. I mean, they wouldn't care whether the money was being, you know, given by or what was the source of funds. But by and large we have--I mean here in India the state as well as central government have resisted that kind of a division between externally created projects and have a salary structure on that and the rest. And that is why it is the institution that is the focus rather than two different administrative groupings.

LEWIS: Going back to the wholesaling/retailing thing, I sympathize personally very much with your preference for wholesaling. You say the Bank is really sort of retail oriented for various reasons. To what extent do you perceive that they have—and this goes back, really, to what Devesh asked, but I put the question again—to what extent do you perceive that they're worried about corruption and that they are trying to keep their own sort of skirts at least clean in terms of accountability back to where they have come to.

BAJAJ: That has never been mentioned as a major concern of the Bank. The concern that has been mentioned by the states, I mean, since they are [inaudible] is that the Bank projects are more expensive than what they have [inaudible] Now, it is partly because of frills added to it, they . .

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

BAJAJ: . . they are about 25 or [inaudible] Now, that could be because some of the, you know, this whole concreting of canals or all those things, they raise the cost, while on the other hand people could use it for 10 or 15 years and start that later on. Especially in irrigation this has been done. On the other hand I would say that in other areas they have been quite competitive, especially in power. The Bank's contribution has been very large, very useful, but there is a feeling sometimes that the Bank projects tend to be more . .

LEWIS: More expensive.

KAPUR: If the Bank had not existed, what difference would it have made to India?

BAJAJ: Well, I mean, after all, the Bank is an important source where you can get about two billion dollars annually. So that's, I mean, that's just one straight source. Secondly, I think it's an important link with the thinking on development policies in the Western world. That is a very useful link because I think, even though the Bank may not have influence on a day-to-day basis--which it hasn't--but I think the thinking in the Bank has had a lot of influence on many of the people working in the government and in the bureaucracy in India who were in a position to influence policy. So the Bank influence

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has been more indirect and less--it's not very crude; it's been quite sophisticated in that sense, and it has helped. It has helped.

I mean, I would say lately, of course, in the '80s again, I think the Bank today is quite different from the Bank in [*Robert S.*] McNamara's era, I would say. There was--it was more tolerant then. Now it presents one face. I mean I don't think that the Bank is the same in terms of its approach. A lot of different things could be tried. There were different--people with different points of view in the Bank at that time. Now you don't find that, and I've met people in almost all divisions and all regions who are deeply involved with that, they speak the same language. I mean it's more like a commercial bank today than it was.

LEWIS: Because the whole world has gone that way.

BAJAJ: Yes, the whole world has gone, but still I think there can be some . . .

LEWIS: My own sense is the Bank is not quite as orthodox and doctrinaire as it was, say, in the middle '80s. It has become more pragmatic and all, but, as you say, certainly not as many voices as there were going in the '70s.

WEBB: More like the Fund.

BAJAJ: Yeah, now there's not as much difference between the Bank and the Fund. I mean, you see, and an important thing is that they don't even pretend that there is a difference of view. And I think a healthy difference of perception in terms of what needs to be done in a country is useful and is beneficial both to the Bank/Fund as well as to the countries concerned. But that has evaporated. I don't know whether it's a short-term phenomenon or whether this will continue, but that is not a sign in which many different experiments can be attempted. It's become more individualist. You see, if [*Michel*] Camdessus is favorably disposed to Country A, he can get through a few things, maybe, or if, you know, Conable or [*Lewis T.*] Preston or whoever is here.

LEWIS: Maybe it's because Camdessus is the McNamara of the Fund's history.

BAJAJ: Yeah, I think he has done—I mean, for example, as far as India is concerned, earlier [*Jacques*] de Larosiere and now Camdessus have—I mean, the speed with which both helped, I think places us in a very different category. We can't complain, really, both in relation to Fund or the Bank. But on a day-to-day, in a normal situation, I'm saying, that when we are not passing through periods of crisis--which we do every five or six years--in that period I would say that it's good, not only in India but also in Africa, to have different experiments going on or different voices.

Second is that there are--I mean when I said lawyers, I would also say that of economists. I think the list of sociologists or people dealing with institution-building or the dynamics of institutional change that one comes across in the Bank at all are all people who understand institutions.

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LEWIS: We have only one sociologist. No, I think you're--we're very aware of that. All of us are more or less economists.

KAPUR: You mentioned the power sector as one where one can have a reasonable sense the Bank has made [tape skipped] Are there other sectors?

BAJAJ: No, I would say that in nutrition, I mean this Tamil Nadu project is a success. In irrigation I think the experiment with the new kind of tube wells in UP [*Uttar Pradesh*] has been very successful. But there are many cases of--where the projects have been very successful. It's not confined only to the power sector. And there have been some experiments like in—now with this is going on; how it will shape, I don't know--in case of technical education, polytechnic as well as IPI [*Indian Plastics Institute*], both the ideas are worth pursuing, and I think this is an area which has been neglected. And Bank association would help in increasing the allocation of resources to this very desirable area. Earlier it was very, very small, and because of the Bank project now, because the level of spending will go up, so to maintain that it will continue. No, the--in that sense it has been quite useful in many situations.

WEBB: Do you think the Bank does have some effect on the mix of investments?

BAJAJ: Yes, it has, it has, especially at the state level. In some states it has in fact created problems or rather, you know, the desire is to get these resources, so this has changed the pattern of investment in some states.

WEBB: Even creating problems, you were going to say?

BAJAJ: Well, problems in the sense that now some sectors which were getting very small are getting very large amounts with the result that other projects within the same sector are starved of funds. So if Sardar Sarovar—I mean, this is much in the news--has to get X amount of money annually because Bank is partly funding it and there are 15 other irrigation projects in Gujarat, I mean in Gujarat those projects are out. But that happens wherever there are lumps [*phonetic*], you know, projects in a state. This is a problem, and this is largely so in irrigation.

WEBB: There is something that to me is a bit paradoxical. India has continued to be a country where the Bank has lent most of the projects, but at the same time you have planned, very centralized management, you have a consortium, and you have a certain stability in the relationship. All of this [tape skipped] the Bank lending to India acquire an almost program character which is giving certain global amounts. And it's--so in the end one wonders, is it really project lending that's going on or is it really in practice really a program loan? It's obviously something of both, but . .

BAJAJ: Well, obviously something of both, but what one would say is the allocations are on the basis of or the notional amounts that are allocated at, say, 2 billion or 2.2 billion dollars and call it a "program for India" which is divided into—but the

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disbursements are based on projects. So it has character both of the program as well as of projects.

LEWIS: Well, I can tell those stories that captures what Richard is talking about. When I was here with AID [*United States Agency for International Development*] we had an extremely energetic, driving, trusting program officer. I used to get people to come in and talk to the staff meeting each week or sometimes. This time I got the guy who was doing—John--what the hell was his name? But he was head of UNDP, an American. And he came in and said, “I don't know what you're talking about. I have no problems.” He played a lot of tennis. He said, “The GOI gives us--what we get from New York every year a number, the number we have for India, and the GOI gives us a list of projects rank ordered, and we go down the list until we run out of money. That's our annual program.” And he's saying that's really what happens here, only they go through an awful lot of motions.

WEBB: Well, I'll tell you another story apropos of the swimming pool. A mutual friend used to be a division chief in Central America and a bit of a wheeler-dealer. He would go around in Central America, and he was always saying, “It's very important to deal directly with the ministers and presidents and in a very informal way.” He would be in a meeting with the president, and at some difficult thing the president would go to the bathroom, he'd go to the bathroom too, and as they were both standing there peeing, he'd discuss this issue and settle it with the president! [*Laughter*]

BAJAJ: No, but this, I think--even in India—I mean, you know, if you look at, if you look--in [*Jawaharlal*] Nehru's time it was quite different. It was quite different, I find. You know, in many of his letters to the chief ministers, which he used to write (as you are aware) every week or two weeks, he has mentioned that “some Bank mission visited me, and I had discussions on agriculture” and this and that. So I mean maybe the workload was much less then. I don't think so, but then he was--maybe because he was interested in the whole planning process--but he found time to, and there was not that hierarchical problem, a problem of hierarchy at that time. It's possible. I don't know. People may recall that. Because—and he, I mean he was amazing in many things.

I just ran into a file where in 1954 the Planning Commission had sent him some awful lot of papers on the drug industry and pharmaceuticals and this and that. And he wrote a letter to V.T. [*Krishnamachari*], “My dear V.T., I have gone through the papers and [*inaudible*] very carefully” and so on and so forth “and I would suggest that for penicillin we have collaborations with the Russians and not have the discussions with companies who's going to make more profits.” I mean, the whole drug policy later on I found is based on that one perception of--and the IDPL [*Indian Drugs and Pharmaceuticals Ltd.*] was set up. So I mean he found time to go through the junk that they sent out. And not only that. He found it important to write back, saying that we should have this kind of policy. So in many letters you would find in the six or seven volumes of letters to people he mentions that . .

WEBB: Are they published?

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BAJAJ: Yes, yes, they are now published--that he had discussions with such and such foreign delegation, such and such mission. "Now the Bank mission is coming, and I have no time, and I have to discuss the second plan with them." So I suppose things have changed on both sides. It's not as if . . .

LEWIS: That's right. Well, thank you very much.

[End Tape 1, Side B]

[End of interview]