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**WORLD BANK HISTORY PROJECT**

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**Transcript of interview with**

**MERVYN L. WEINER**

**April 30, 1993**
**Washington, D.C.**

**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.

***Mervyn L. Weiner***
***April 30, 1993 - Verbatim***

**[Note: Tape 1 blank]**
**[Begin Tape 2, Side A]**

**WEINER:** . . engaged in the fashioning of the strategy and all of the interaction with the staff and all of the problems. As I had mentioned to you over the telephone, unless my memory has gone completely bad--and I certainly don't rely on it completely--this is the first time I ever recall seeing this memo that you attached from Burke [Knapp].

**WEBB:** This was a memo that went out under Burke's name and [Herman G.] van der Tak signed off. Baum—Warren--when he saw this, he said he was quite surprised to see that it was not he who had signed off.

**WEINER:** So he may not have seen it, either. Wow! That's even worse.

**WEBB:** He thought maybe he had been on a trip or something. Normally . .

**WEINER:** I see. That means he doesn't remember it, right?

**WEBB:** Burke didn't remember it.

**LEWIS:** Burke does or doesn't?

**WEBB:** Doesn't.

**WEINER:** Well, I can perfectly well imagine what happened. I mean, this came to [I. Peter M.] Cargill, and Peter being the: grrrrf. And that was the end of it. It may not have been, but in any event, I don't remember seeing it because at that time I was the Asia projects director, so I would have seen it. At least I don't remember seeing it.

But that's not the point. For me the interesting thing is, about this memo, is it reminds me of all of the reasons that people rationalize their particular postures with when challenged: "Why aren't you doing more of this or something like that?" These are the things that came out, and this paper simply says, "But you're wrong." And I think it's a response to a non-issue, myself.

And it raises a much more interesting issue, which is the kind of thing that your letter posed to me, having to do with the larger culture within the Bank and what the Nairobi statement represented and what happened thereafter. My own feeling—always in defense of those who have criticized [Robert S.] McNamara for putting the Bank in the iron constraint of being driven by numbers and by targets and by rigid programs, a very, very effective command and control system, it is true--I always say, "Yes, that's right and the criticism is valid, but I think it's wrong to dump on him because he--my sense was that he always expected his managers, indeed, to stand up to that rather than to amplify it as and when it was necessary." And I've had personal experience to confirm that.

But more to the point, he sought by the speech and internal discussion and the institution of the central path-finding departments to open a way to new styles of doing business. And here, I think, is where this note falls into context and where some very interesting dilemmas take place. And I come at this having been at that time recently—that is, before the Asia department was put together and they had all that ’72 reorganization—I was for a number of years director of the public utilities projects department. And that was the area of activity that suddenly fell into public disfavor. And I found myself during that year, during that period, but especially after the Nairobi thing, before I was put in this other role, having to respond to well-meaning criticisms from all over the place: “The president is talking this way, and we think that’s marvelous, and you guys are doing that, and we think that’s terrible. Nobody listens to you, and nobody respects you. You’re all a bunch of people mired in the past, thinking of doing only easy things.” All of the rest.

And I can still bear in mind clear visions of meetings I’ve had in the boardroom with outsiders, large groups of outsiders, saying, “Wait a minute. Wait a minute, now. What are you responding to?” And guess what they were responding to? They were responding to the things in the Annual Report that said last year we had X percent of this class of projects and this year we had X plus whatever it is percent, and that’s a pretty miserable response, given the nature of things and so on and so forth. In other words, the institution’s not responsive, and the indicator were these numbers. The same things were happening outside that were happening inside.

As you have no doubt seen elsewhere, one of the responses that all of this engendered was to simply change the definitions in order to change the profiles. It’s not serious, but it’s a behavior that was invited by the way the beans were counted.

The other response, to set up the central departments, was from one perspective the right thing to do because these people would be unconstrained by country programs and they could be free to develop all of the new things that might otherwise be constrained by these perceptions that are mentioned in Burke’s memo. But I recall very clearly a deep, deep resentment by the people in the projects departments that I was involved with every day, saying, “You know, this is operating on what has often been described as the assembly line approach to Bank work, idiot-proofing the Bank. The only people who are capable and intelligent and sufficiently independent and able to be responsive to these things are people who they stick in a separate box isolated from the rest of the institution. And the other guys will go ahead churning out what the lending machine demands.” And the people who were there were saying, “This is ridiculous: (A) it’s denigrating our competence to respond; it is cutting off these activities from the country knowledge where, if you’re going to have people doing things in particular countries, where do you find, where are you likely to find the most innovative, the people know the circumstances, the local people and their responsiveness, and we’re not involved with this at all.” I mention that simply to give you a flavor of the atmosphere. The best of the people said, “We should be held accountable for this. If the Bank seriously wants to do this, ask us. Don’t ask them and leave us out of the loop.”

And out of that grew tensions, which were very unfortunate, and at least in my recollections contributed significantly to ultimately doing away with the central departments and passing those responsibilities on to--internalizing them in the regions. Some of the debates, I think, would not be reflective of good things but of bad things, that people who were really close-minded and saying, “What do we need this for” and so on. But not all. So there was this internal tension which is revealed and which may have contributed to this and to other problems.

**LEWIS:** Excuse me. This, what you're describing is after McNamara's arrival, before the '72 reorganization, is that right?

**WEINER:** I don't remember when they did away with the central departments.

**LEWIS:** Didn't the central departments get dispersed in '72?

**KAPUR:** In '72.

**WEINER:** Okay, well, in that case I'm describing that. But those things don't change from one day to the next, as you can imagine.

**WEBB:** I was confused because around, between '72 and '73 the rural—two, a rural and an urban central projects departments, were created, and they lasted through the '70s.

**WEINER:** Okay, well, whenever that was.

**LEWIS:** No, that was because the agriculture was distributed to the—but the rural development unit under Monte [Montague Yudelman] was kept central, right?

**WEBB:** They were really transformed so that there was--a central function was kept, and a sectoral thing was . . .

**LEWIS:** The rural, agricultural work, straight agriculture, was parked out to the regions, and they kept their sort of residual—I forget the rationale for it—but a rural development unit under Yudelman.

**WEINER:** And you must have read already—and if you haven't, you should—the review of that experience done by OED [Operations Evaluation Department] a number of years ago which raises all of these issues about reclassification as well as the experience.

**LEWIS:** Yes, yes, yes, and the sort of bean-counting kind of thing that is very much . . .

**WEINER:** That's right, so there's . .

**KAPUR:** I'm sorry. I got a bit interested—I thought when you were talking of the tensions it was after the '72 reorganization when, although ag and so on were dispersed within the regions, but you had two central units, which is Monte's shop and the urban is Kim [Edward V.K.] Jaycox, which actually became the vehicles, intellectual and otherwise, for a lot of what or what was seen as tension between what McNamara's people were implementing . .

**WEINER:** I don't remember the dates. All I'm—the only point I want to make (and you can sort out the dates) is that the decision to what I would say assign the responsibility for innovation to people who did not have the responsibility for doing the country programs was the source of all of this. And it was in the first instance the special projects department which--and then that disappeared, so there was a lot of groping. And you may say—and probably all institutional change goes this way—the initiative was well-intentioned. At the time it may well have been perceived to be the right thing to do. All of these consequences follow. And in the end it all did get internalized. But I'm just simply trying to describe that transition process.

But I would make another point which we haven't talked about and that is for me the much more important one. And that is: As appropriate as the effort was to redefine the development debate, for which I think McNamara deserves enormous credit, to redefine the terms of the discourse and to focus people on the issue of poverty and all of its implications, and notwithstanding these peculiar debates that I found myself engaged in, in which people said all infrastructure was passé and didn't belong in the Bank anymore and I would say, "Well, but you know that's ridiculous, because certainly establishing superhighways may not have been the Bank's business and there was a question as to whether or not we were doing this anymore, but highways also included rural development roads to open up areas where the poorest people lived and where you didn't find anything else and without access to markets and to inputs and so on, talking about rural development is an abstraction. And that is labeled under highways, so look closely before you begin to misunderstand that." And similarly with energy infrastructure and so on, so the debate, that debate itself was, I thought, mis-defined by the bean-counters.

But having said that, I remain concerned with another issue, and that is changing the culture in the Bank on these issues, however effectively it's done, doesn't change anything in the countries. And in the end, if that connection isn't made, this becomes an interesting but not significant exercise. I would go further and say that except for small countries where the influence of the Bank is predominant, even having effective and successful poverty-oriented projects in the country portfolio doesn't mean--may not mean much. "Doesn't" is wrong; "may not" mean much. If nothing else changes in the country, we have always talked about having learned that project management units are the wrong way to approach development assistance because they tend to be insulated from the local institutions and the projects finish and the management institution disappears and you are back where you started from. I would raise for discussion the same proposition about a particular classification of the portfolio, and having, changing the mix of the Bank's portfolio may or may not—you can't tell from that evidence alone—may or may not be something significant in terms of addressing poverty in particular countries.

I had that argument--I recall very clearly--with a group of visiting parliamentarians from Scandinavia very early on who were, as you may expect, criticizing the Bank for not being responsive to Nairobi and all that, not being responsive--certainly not reflecting the Scandinavian view of what development assistance should be all about. And again they looked at the sector mix of the Bank's portfolio, and they said, you know, "This is substantively what it's always been and this simply proves the Bank is not supporting it" and all that.

And I remember saying, "Don't focus on the portfolio mix. In the spectrum, over a range of one to a hundred, the Bank operates over a range of one to five or one to six or one to ten in a particular country, and that little piece of the portfolio can be changed completely. But what happens in the rest, which is the real reality in the country? And you're asking the wrong question. You're asking what's happened to the Bank's portfolio, but if you're seriously interested in the poverty issues in the country, you've got to ask what's happening to the rest and the impact of that on the rest." And that question was rarely discussed. And these things in Burke's memo don't discuss that.

And that's a much more difficult issue, and of course that leads on to a much wider set of concerns, some of which are questions that the Bank has never and probably could never get involved in, like land tenure and all kinds of other issues that you can speak to better.

**WEBB:** The composition of the whole public investment program would be the first thing you'd look at, I guess.

**WEINER:** Of course. Of course.

Now, having said that, the argument on the other side would be, "But this is precisely"–excuse me for interrupting you, just to finish the thought—"this is precisely why one should look at the country program and test it not against whether we're having the right mix or the right kind of projects in the Bank's portfolio but rather whether whatever mix we have in the Bank's portfolio are addressing the right questions effectively in the country." And that is the way the Bank has subsequently evolved, and I think evolved all to the good. But this period, I think, we're only groping that way, in that direction and the issue was much more how many green projects and how many pink projects does one have. And you get into all of the bean counting issues that were not only unfortunate—unfortunate in terms of the Bank's image—but unfortunate in terms of where the emphasis, where the pressure points developed inside the Bank and the cynicism that was engendered which you find reflected in that OED review and in the kinds of arguments that came up periodically.

One last comment and then I'll stop. I had an interesting window into this, because during the period when the Bank was pressing so hard to change its own portfolio mix, I observed that the *ex ante* plans, which sought to de-emphasize infrastructure and shift the balance to these more appropriate things, often bore no resemblance *ex poste* because of all of the complications, some reflecting the concerns in this memorandum and some others, all of the complications in developing acceptable projects, so that in the end the infrastructure people were asked at the last moment to do big loans because they were vehicles for large amounts, because they had agencies at the other end that were engaged in big programs from which you could extract large projects with fairly short notice since the Bank had had long experience with them, and, therefore, the infrastructure lending capacity turned out to be used--certainly for a period--much more intensively than was planned in order to meet aggregate lending volumes when new types of projects couldn't be developed as rapidly as they could or the objectives couldn't be agreed with the countries. And that, too, was a fact that generated, I would say, negative vibrations in the Bank, generated cynicism and cynicism about how lending goals in the aggregate were being reconciled with the change in the lending mix.

Much later, when I was sitting where [Robert] Picciotto sits now, I remember reading one of the early reviews of a country program, the Bank relations with a country, in which the point was made that something like 80 percent of each year's actual commitments were not on the preceding year's lending program in the country, as a measure of this, which is an interesting commentary on the whole CPP [country program paper] process all by itself.

But having said that, I don't end up as cynic and a critic, as you've probably gathered. I think these were part and parcel of a long, difficult evolutionary process which went in a direction which I think is the right direction. You can argue, always argue as to whether it should have been managed differently and so on, but that's a different question.

None of which is responsive to your letter, but there it is. This is what . .

**WEBB:** It helps. It helps. One of the things—I come back to questions of culture and how people saw things. One of the things that really fascinated me when I was looking at dates is that a full five years went by between McNamara's arrival and Nairobi, though almost from the day he was in the Bank, he was announcing the poverty direction. And his speeches came across every year, one after, stronger and more detailed, in terms of a diagnosis, talking about rural priority, so that the rhetoric coming from him, if you just look at the speeches, some of the initiatives seem to be very strong. But whenever anyone talks about when the Bank started poverty, they always refer to Nairobi. And I wonder, "Well, what on earth happened? Why did it take so long for him to get the Bank rolling, as it were, and the Bank feeling that, well, it finally started?" My easy answer to that, I guess—it's the [inaudible] answer as well--he knew he wanted to go that way, but he didn't know what to do concretely. Over a lot of that period ('69, '70, '71, '72) he was looking for ways to make it concrete, looking for things the Bank could do. And he finally found something that looked very plausible with the small farmer and integrated rural development.

**WEINER:** Most people talk about Nairobi. I go the other way. And I say that it's really unfair to trace the beginning from Nairobi. My own sense is that the real beginning goes back to George Woods, and he said there's no reason why the Bank should continue to be so marginal in the field of agriculture. And that's when the big—I had another perspective on it at the time, but my sense is that that's where things really began to change.

Indeed, I recall one interesting exchange between Woods and [Antonio] Ortiz Mena, who was then the president of IDB [Inter-American Development Bank], in the Latin American caucus at an Annual Meeting in which Woods proposed, in development of that thought, that these institutions in a sense specialize, agree to become complementary in their sector emphasis in Latin America. I don't recall at this moment whether Woods was saying, "We'll do agriculture; you do infrastructure," or the reverse, but it really doesn't matter. I thought it was a very sensible position. Ortiz Mena stood up right in front of fifty-odd people there, saying very politely, in his very soft-spoken way, that he didn't think that was a very good idea. Of course that was the end of it. And I can understand that, because no doubt from that perspective it had the risk of marginalizing IDB—or could have been, could have had that effect.

**WEBB:** They did carry the water and sanitation forward, quite ahead of the Bank.

**WEINER:** Yes.

**WEBB:** In Latin America it sort of specialized on that. I mean, they didn't limit themselves. They went a long way, early on.

**WEINER:** That's right. But the difference being, if I recall correctly, that they went—they anticipated all of the Nairobi thing in the sense of focusing on what they call the social projects, which meant that even in infrastructure, the small-scale infrastructure for municipalities and villages, spread all over the place. The Bank's engagement in the region in those activities—which was substantial--we fixed that; massive water transfer projects in, up and down the hemisphere, where you're talking very large amounts of money, very large engineering works, and very different institutions than the municipal approach to it. It was only later, if I'm not mistaken, that the Bank followed IDB in using second tier institutions to work through for national programs in municipal water and sewerage and things of this kind.

**LEWIS:** Let me develop for a minute what you said about George Woods. We also have felt that he was very important in kicking off the agricultural push. And it reminds me of a basic issue about McNamara, which was the extent to which he was sort of self-consciously or unavoidably a new broom. I have a sense that McNamara did not have much of a rearview mirror when he came into an organization; he felt that he was a reformer and by god he was going to fix it. And how he felt, how he dealt with the incumbents—you were one—a good example, I think, would be Dick [Richard H.] Demuth. I'm confused about that relationship; I don't have much of a fix on it. I had the notion that he was sort of pushed—Demuth had been a very critical player all through the '50s and '60s.

**WEINER:** Very far-sighted.

**LEWIS:** Very far-sighted. One of the--we find more anticipatory stuff coming from Demuth way back in the early '50s than anybody else. I had thought he got pushed aside. Now you read some of the files of the President's Council, and Demuth keeps getting critical assignments in through the early '70s. But he's one case. Now, Burke, obviously, or apparently, made the transition. But also the new faces seem very prominent in the story: Hollis [Chenery], Mahbub [ul-Haq], Monty Yudelman. These are--sort of come in as a new wave. You were here as a senior old hand watching this. What can you say about that?

**WEINER:** I wasn't in those circles in the early days. Remember that I began to get some perspective on these things only when I became a department director, and that was after McNamara came. Before that I had--Gerry [Gerald M. Alter] was my boss and others before him working in Latin America in various capacities. So it was a different perspective and it was not an operational perspective before I transferred. I was then doing economic work in the region. So I'm not sure that my view is adequate. I was looking through different windows. All that you say about Dick I knew about, I heard about, but I didn't see.

The only comment I would make about the new people like Hollis and Mahbub was that they were brought in by McNamara for self-evident reasons, but there was an insulation of ideas and influence between the side of the Bank in which they operated and the side of the Bank where the Bank's day-to-day business was being done. Unfortunate, but I think it was real. And one of the eternal criticisms that faces the Bank was not related to the quality of its work—although I have heard criticism from academics about that, which took the form of, "For the kind of money the Bank spends on that, we could do ten times better" or ten times more, but that's a different criticism.

But the serious criticism for me was that their audience was outside the Bank, their real audience was outside the Bank not inside the Bank. And whether that was intentional or an unintended result, that's the way it came, the way it ended up. And that's a great pity, I think. Everybody lost.

But that, too, is a point that you may say was in evolution. Look today at where things are and you can draw a line that moves, I think, in a direction of seeking ever more to consolidate, to do the equivalent for research that the invention of country departments had done for the projects programs groups. That took a long, long time.

But what McNamara expected of these people, I can't say. I didn't see it. He may well have expected just that, that he wanted to change the Bank's image and therefore nature of its support. And there's nothing wrong with that if that's what he was expecting. I can't speak to that. I simply don't know.

As far as Demuth is concerned, I really have no comment. On matters of this kind I always ask myself that, beyond all of the logic, what was the chemistry between the people. And . . .

**LEWIS:** Another case would be Gerry Alter, I guess.

**WEINER:** Another case would be Gerry, and there I also don't know what the story is. All I know that is one fine day he was out. I heard gossip having to do with the fact that he was out in response to complaints by some member governments that Gerry was brilliant but digressive and was pressing too hard on issues that were too sensitive and not sufficiently flexible and responsive and able to move softly on difficult issues. Whether that's a fair criticism or not, I really can't say because by then I was out and working elsewhere.

**KAPUR:** You said that in the post-Nairobi, one of the things which you said was really people were focusing on the Bank's mix of its own portfolio not what the country's portfolio was. In some of these tensions when you went to South Asia, how did it sort of play out there and how did you grapple with these difficulties?

**WEINER:** Well, we did our thing, as everybody did, but you will be amused to hear that—excuse me; I'm just looking at my watch because I'm supposed to be somewhere at 12 o'clock and I just want to make sure I don't miss it--that the first trip I took to the region as the regional vice president I summarized for McNamara in ways that he may not have appreciated. After disposing of all of the details, I said, "Thinking about everything, I came back with the impression," I told him, "that the view of the Bank from there was an institution that was pushing made-in-Washington answers to defined-in-Washington questions."

**LEWIS:** That's a great line.

**WEINER:** It may not have been the words, but it captures the sense of what we were talking about.

I recall discussions in India which didn't quite take that form, but . .

**LEWIS:** What year was this?

**WEINER:** This was in the mid-'70s, '75, '76, something like that.

. . where senior people accused the Bank of being—well, some people I met thought that the Bank's policy concerns were too academic, too much expressions of textbooks and too disrespectful (which they were)--of the Bank's Soviet-style policy management arrangements.

More frustrating to me was a sense, in key places, of people wanting first to hear what the Bank expected of India and then say, "But tell me what the Indian view of these problems were." Again, these may have just been aberrations of individuals.

**LEWIS:** Was that during the Emergency with [Chidambaram] Subramaniam, the Finance Minister **. . .**

**WEINER:** I don't think so. I don't recall. I don't think so.

The one exchange I recall most clearly was with the then prime minister in Sri Lanka, Mrs. [Sirimavo] Bandaranaike, who took the occasion of our meeting in a very small group to really berate the Bank very, very heavily for not being responsive to the president: "After all, the president made this marvelous speech in Nairobi concerned with the poor, and you people are doing everything to undercut the president. You're not being responsive to him at all." You might be surprised to hear that that was her response to a discussion about the contradictions between the Sri Lankan's splendid concerns for transfers, income transfers to the poor, to tree farmers and to consumers of rice and all of those other things. We were saying, "That's splendid, but the economy simply can't support it." And shades of Washington. And merely to ask those questions was construed—I think quite deliberately—but was construed as not being in sympathy with the larger social programs of the government and so on. And it illustrated perfectly this larger point that I'm talking about.

As I recall other discussions with a minister in Indonesia—that was before, that was when I was the projects director—on the issue of water charges for irrigation water. He said, "It's none of your business!" He said, "It's our job to build the infrastructure, to build the water collection and water distribution facilities, and it's the Treasury's job to worry about that. It's not our business. We are the providers of the bricks and mortar in this area."

And I said to him, "Well, how can you say it's none of your business? If the government ends up not being able to finance it, you can't expect the Bank to pay full costs for these things. It's a perfectly reasonable question for the Bank to be concerned with the larger . ."

I don't have to develop the self-evident argument, but either by design for this discussion or by conviction he had a curtain in his brain and that was the end of it.

Again, relevant to all of this, it was perfectly appropriate and indeed had long been the intent of the Bank, as you know, to use projects as instruments to leverage change in sector policies, which is one of the reasons why I was never sympathetic to Stanley Please's over-exaggeration of the issue. I mean, the policy concern is very valid, and the sense that projects have no place in that dialogue is, I thought, completely misplaced.

But all of these things for me represent this issue of the portfolio's impact on the country as distinct from the shape of the portfolio in response to Nairobi or [inaudible]. And there the CPPs are obviously a very important effort to institutionalize that—to begin to institutionalize that linkage. But when push came to shove, certainly in those early days, I think one had to, one would have to conclude that the results were spotty and that there were some parts of the Bank that sought very aggressively to make those links, Gerry being most prominent among them because he was doing that long before . .

**LEWIS:** Yeah, he was doing this program of projects . .

**WEINER:** Sure. Yes, exactly. And there were other parts of the Bank where it took much longer to happen.

**LEWIS:** But he says he couldn't avoid it with inflation such a problem. It could destroy any discrete project--I mean, if they weren't worried about it.

**WEINER:** That's right. That's right.

**WEBB:** I mean, part of this is the macro indications of the whole government investment program.

**WEINER:** Part of it's government; part of it's sector.

**WEBB:** Part is composition, yes.

**WEINER:** Part of it's sector--by sector I mean concern for poverty and social issues as well.

**WEBB:** Ben [Benjamin B.] King reminded me of a, well, pointed out a paragraph in the 1950 (I think it was) annual report of the Bank. Was it 1950?

**KAPUR:** 1950. I think so, yeah.

**WEBB:** And it directly asked the question: What do Bank investments really do in a country? Do they really change anything? And I think it uses the term "fungibility" and asked the question in a really frank manner.

**WEINER:** Yes.

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

**WEBB:** And, in a way, putting aside the question of fungibility--I suppose because it's unanswerable--it's always struck me how the Bank is always trying, is always seen to be pressuring. Just to put it aside, we use the expression "We do our own thing," the Bank has to do what it can do, and we can't really be asking too many questions because there's not much else we can do, anyway. You can't answer the question; one doesn't really know. It's so hard to get at facts. Is this something that you remember discussions on, worries, brought up frequently?

**WEINER:** Always, of course, having spent so many years working with Gerry that I never felt that it was appropriate, as some people argued, to say, well, "The Bank is financing marginal projects because these things the Bank has been engaged in would have be done anyway and therefore nothing has been accomplished." I never agreed with that, not because the fungibility argument isn't right but because at least my recollection of most of the operations that I was connected with—I mean, the ones that I observed as well as—is that they sought to effect change. It may have been very circumscribed change in a particular institution. It may have been larger patterns of change in a country and in some cases it may have even addressed macro issues.

So while you could say—for example, just to put it in the starkest way—the biggest lending by the Bank in the '50s and '60s in terms of single chunks (I think I'm right in recalling) was to the Mexican power company. Every two years there was a big chunk of lending on the order of a hundred million dollars or so, which in those days was a lot. And it was a slice of this very large and continuing power program. Now, looked at retrospectively, this was the most convenient way for the Mexican government to tap the Bank for foreign exchange. Much easier than doing whatever else they might have wanted to do or what we wanted them to do. So in that sense you could say, if that's all there was to say, "Oh, that's nothing. It's a sham." And indeed in the 1980s the Mexican government had to take over CFE [Comision Federal de Electricidad]'s debt because indeed they—long after the Bank stopped lending to the Mexican power sector, the Mexican government used this as the window to borrow abroad in amounts that were used for government purposes, not for CFE purposes. And CFE ended up turning--not to be able to service this debt, and so the Mexican government had to take it over as part of the rationalization of the sector.

But critical conclusion doesn't follow from that because indeed all during this period the Bank was engaged—and I remember this, having been involved on the lending side not on the project side, the country side, in Mexico in those days—to reshape the power sector (reshape the power sector in the sense of collapsing into one, consolidating overlapping institutions which had enormous costs to the country), consolidating, therefore, sector planning and to say nothing about introducing price policies that would begin to take the power sector off the budget's back to the degree that it was. So these were big issues, and indeed in terms of the sector change they were successful. In terms of the fiscal impact, it was another story for self-evident reasons. The six year presidential cycle sometimes caused inappropriate utility tariffs to be extended too long for the health of either the utility or the budget, which had to make up the shortfall. But that's another story.

So, in my view there are two sides to these fungibility issues. Sure, we can never resolve the fungibility issues, but I'm not sure that the conclusions that are often drawn are the right ones. They may be appropriate for some things the Bank did, but certainly not appropriate to all.

**WEBB:** But what is true—what you were saying before, I guess--that the portfolio mix is not the interesting question.

**WEINER:** That would be my view. It becomes a necessary thing, if you wish, for the survival of the institution. If everybody is going to be the [inaudible], the Bank is going to go out of business. But if you're talking about the substance of the development relationship, I would say no.

**LEWIS:** You said that you had to have some expertise in the sector that you're doing business in.

**WEINER:** No question. No question. And the activity in the, if you wish, the desired sectors have to be at least of sufficient magnitude, not only to give credibility to the Bank's expertise but also to be meaningful in terms of, shall we say, developing new models for the countries to replicate. But it doesn't follow from that that the emphasis needs to be reflected in the proportions. That would be my only point.

**KAPUR:** How do you see the argument that sort of says that look, you know, although in any particular sector in the Bank's own portfolio—it might be large, it might be very small with respect to the country's overall investment in that sector—but when the Bank increases its lending, say, in agriculture in the '70s, there are people who argue that because the Bank has a higher profile—it's coming from outside, you know, you meet high officials--it sort of begins to change their focus, it begins to affect them, simply the process of dialogue, of constant meeting and so on and so forth, which may be affecting their own views in that sector.

**WEINER:** If you write "may" in bold, I would agree with you. [Laughter] But only that way. I think we tend to overstate that. That the anecdotal--I mean the aids were anecdotes but they were sometimes . .

**LEWIS:** Don't we all.

**WEINER:** . . but sometimes illuminating. I recall a discussion with a regional agricultural development manager in, it may have been Tunisia, one of the North African countries, in which the Bank had a significant role, and we were operating in the field of transport and the field of small irrigation and the field of agricultural credit and who knows what else. And I remember asking him his views about just this question: "What's the significance of the Bank's involvement other than the money that you happen to get?" And I got two answers: one, that "the people sometimes come full of very strong views about what the Bank thinks should be done, what the Bank wants, and they spend their time pressing those solutions on us, and they don't listen enough to whether or not they make sense or indeed are the most appropriate solutions, but above all they don't give us any credit for knowing our country better and having relevant experience, and--much more important--for having people just as competent as the Bank's people" (this engineer is the graduate of this engineering school in Paris and so on and so forth; same kind of people).

The other comment that was to be expected and I think it's--and the other one is for me more interesting—he said, "Staff come and we do our business and so on and so forth, but I make it a point of always asking them to stay one day beyond the conclusion of their business and then we put them in a room, I bring all of my senior people together, and then we don't talk about their agenda. We ask them about things that are on our mind, and we ask them about what they have to say about that in light of their knowledge of similar things elsewhere in the world. For us the most valuable thing in terms of influence is what these people carry with them in terms of comparative international experience. This is the only way we can get hold of that in a useful way. And for us this seems very valuable. And somebody may say, may be able to say, 'Well, you're doing this this way but in Indonesia they've done that and in Peru they've done this and so on.' And it's some of those meetings were not, I'm sure, useful but some were extraordinarily valuable."

And I found that interesting. It confirmed something that I've always thought, that it's this transmission of comparative experience is one of the unique features of this institution. It's a unique asset which is not often been sufficiently appreciated and which in a sense has been infinitely more difficult to sustain as the Bank has become reorganized into ever more fragmented things. So today it probably doesn't exist anymore, simply because the people don't know what's happening elsewhere.

**LEWIS:** Yeah, there's a tension here, isn't there, between knowledge in depth of the country, of the region, and that kind of specialization and immersion, and cross-cutting sectoral technical kinds of information so that in Tunisia you hear about what's been going on in Peru on something.

**WEINER:** That's right. And today you can't do that anymore. And everybody I've spoken to has said that, "Well, at least an effort is now going to be made to address that with these new thematic vice presidencies." Whether or not they will be able to provide that kind of regional support effectively is an interesting question.

That's been an interesting evolution of the Bank which—that defines a cost of the evolution of the Bank, the loss of that capacity. I'm not sure that it could have been retained, but there it is.

So that's a long answer to your question. I think one has to be very circumspect in pressing that. There are no doubt cases where that is true, but I would think it today with the Bank being as old as it is and in fact generations of country managers in all of these various levels are now in place who have been exposed to the kind of public discourse on development problems as well as the training that now exists, and add to that the fact that the generation of carriers of this knowledge in the early years of the Bank, the ex-colonial managers and so on who tended to populate—all of that's gone now. So there's a very nice question as to whether the people traveling back and forth from the Bank have very special things to carry to the countries. They do have--I would answer they do have things to carry, but they're different--different things. They bring an outside view, and that's always, always valuable, a neutral view that, although some question the neutrality if they see the Bank as having an ideology to press or a preconception to press, but absent those things, an arms-length view is useful. My view is there's no question about that. But that's a very different thing from saying that the manager of rural development in Indonesia has, can be assumed to have an enormous amount to learn from some guy coming out of that discipline there, and similarly for organization of municipal water supplies or whatever.

Indeed, you can go further—and you know this better—India, if I'm not mistaken, has a long history of experimental approaches towards reaching the poorest of the poor, long before the Bank even began to talk about these things. I encountered it only peripherally. I remember Samar Sen, who was the then Executive Director of India, had been long involved in those things, speaking about them. And so in one sense you might say we were learning from India.

**LEWIS:** There's been quite a lot of that.

**KAPUR:** Maybe that's why the Bank didn't . .

**LEWIS:** Didn't do so well? [Laughter]

**KAPUR:** . . do so well, leaving it to the Indians.

**WEINER:** They've just given us the key to our history.

**KAPUR:** Now we know why neither have we nor the Bank done . .

**WEINER:** To be charitable to both, maybe the problems are more difficult than anybody was prepared to admit.

**LEWIS:** Cross-infection. [Laughter]

**KAPUR:** Well, it was ratchetting up or ratchetting down.

**LEWIS:** Well, this is really fine.

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