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**Transcript of interview with**

**K. SARWAR LATEEF**

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**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.

*K. Sarwar Lateef*  
*December 16, 1992 – Final Edited*

*[Begin Tape 1, Side A]*<sup>1</sup>

**LEWIS:** . . . was Ghana, huh.

**LATEEF:** I think, you know, that was clearly one of the most interesting, at least of the experiences I've had in the Bank. Also very enriching. It's a sort of—it was an, I think--by the standards of adjustment programs and Africa programs, I think it is very much a success story, sort of, still. And I think the reason, main reason for it, I think, is throughout the period a very strong sense of ownership of the program by the *[inaudible]* government, and a rather unique situation, which you don't have paralleled elsewhere, which is a very highly competent group of technocrats who were not politicians and who had--I guess, it comes back to government systems, I mean, who had the luxury of not worrying too much about the political consequences of what they were doing, although they did worry about it, but they were--because of the nature of the regime, dictatorial.

**LEWIS:** They had been there in the government for some time?

**LATEEF:** No, it was--[Jerry] Rawlings--you know the history of it. Rawlings was, came to power in a coup initially and then set up, you know, a democracy and elections, and that government went to pot. I mean, they were highly corrupt and, you know, so things really went badly. And so there was another Rawlings coup in '81. These guys were all Marxist and left-wing and their ideology was very curious. And so they didn't want to deal with the Bank and the Fund initially. And a lot of the things, a lot of the problems that the adjustment program encountered later were due to some of the actions they took initially. The most serious one was that they seized all bank accounts above a certain level, froze it, and so they destroyed all confidence in the banking system in one go. And then they issued a new currency.

So, but gradually they--I mean, they saw that there was no way out of their problems, and so they approached the Fund and the Bank for a program. And I think initially the timing of the program was very unfortunate, the initial timing of the program was very unfortunate because it took place in '83. It was launched in '83 when there was a very severe drought, the worst they'd had in fifty years. So you got, rather like the Indian experience you are familiar with, and so you didn't get the kind of supply response. And this huge amount of IMF *[International Monetary Fund]* funds which were put in that first year just went down the drain. I mean, they showed up in a sort of "capital not elsewhere specified" in the balance of payments.

And I think they then--that was the real test of the regime because at that point they could have just sort of basically given up because things weren't working. They had nothing to show for it, and they had these newly acquired IMF debts to be repaid on a five-year time horizon. You didn't have the new IMF facilities then that you have now. And actually one of the reasons why those facilities were set up was partly, I think, the Ghana experience.

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

And so I think that the fact that they were determined to stay the course, I think, really began to build credibility for the program.

**LEWIS:** Excuse me, could--are there some key players other than Rawlings himself that have sort of continuity through this?

**LATEEF:** Yeah, everybody's had continuity through it, practically 'til today. Prime Minister P.V. Obeng, who's called chairman of the Committee of Secretaries [*inaudible*]

**KAPUR:** Botchwey?

**LATEEF:** Botchwey.

**KAPUR:** One of your students.

**LATEEF:** Kwesi Botchwey.

**LEWIS:** I see. [both speaking at once]

**KAPUR:** [*inaudible*] her father. I taught, yeah—I was John's TA [*teaching assistant*] and she was a student.

**LATEEF:** His daughter. I see.

**WEBB:** Did anyone . .

**LATEEF:** Joe [*Joseph*] Abbey . .

**LEWIS:** Joe Abbey. I was going to ask you about him. What was his role?

**LATEEF:** Well, he was sort of---he'd had a personal crisis, you know, in the sense that his wife died, and so he didn't want to be in Ghana. He was basically based first in the U.K. and then here, but he would join every IMF negotiation and Bank negotiation and come to Washington. So he sort of advised them, really, on it, and he played a very important role, I think.

**WEBB:** I was just going to ask whether there was one person or two who were sort of key in getting the first program sort of to move. Ghana gave up its ideological inhibitions, and--but one or two people must have been pushing.

**LATEEF:** Yeah, I think it was Obeng and--who was from the private sector. He was a mechanical engineer . .

**LEWIS:** O-B-E-N-G?

**LATEEF:** O-B-E-N-G, yeah. Most of these people, the only, apart from—you know, they were technocrats, but they had been brought in because they were trusted by Rawlings, they had been to school with him or something, you know [inaudible] and they were honest. They were highly committed. And so Kwesi Botchwey, P.V. Obeng, Joe Abbey, and Tsatsu Tsikata, T-S-I-K-A-T-A. Now, he's the brother of the security chief, actually, or a cousin or a brother of the security chief, but he's sort of a lawyer. Most of these guys are lawyers rather than economists, apart from Joe Abbey.

**WEBB:** You've mentioned about four or five people. Were they a very tight group?

**LATEEF:** They were close friends, and they trusted each other and had the confidence of the chairman. And you had--unlike, say, the Uganda situation--you had a non-interfering chairman. I mean, he basically said, "Look, I don't understand any of this." He said, "I'll provide you support provided you deliver." And he was never, I think, fully convinced himself because his ideology still runs, you know, counter to that.

**KAPUR:** There was an interview in the *Financial Times* a few months back where he talked about that.

**LATEEF:** Right, correct. Distrust of foreign investment and . . .

And I think that has been one of the weaknesses that we had. I mean, I think the fact that they didn't trust the private sector very much, continue not to, to some extent would, enabled them to drastically change the incentive regime against manufacturing and in favor of agriculture. [all speaking at once] You know, it's much more difficult to do it in the Indias and the Kenyas of the world where the private sector is entrenched, and . . .

**WEBB:** Much more radical.

**LATEEF:** Much more radical, yeah. But basically I think the things that I would characterize as important for the success of the program was that they managed--their first major success was they managed to get revenues up quite substantially which . . .

**LEWIS:** By what means?

**LATEEF:** Well, a combination of exchange rate devaluation, continued high taxation of the cocoa sector, which was sort of a negative, but still a reduced but continued taxation of that sector, but you were able to provide both high incentives for cocoa while taxing it more because of the devaluation. And the third was just tightening up the administrative regime, customs and so on, giving customs enormous incentives to collect, giving, linking their pay scales to what they were collecting . . .

**LEWIS:** Right.

**LATEEF:** . . . and then setting up—there's another guy (who was again rather a left-wing person, but) [*Kwamena*] Awhoi<sup>2</sup>, who was basically a computer fanatic, and he sort of set up computers and was monitoring, just set up PCs throughout the whole customs and corporate taxation system and sort of was monitoring what was happening because he knew what the trouble spots were and focused on them.

**LEWIS:** Awhoi, you say?

**LATEEF:** Yeah. And so, you know, so there was that.

**WEBB:** H-O-Y?

**LATEEF:** A-W-H-O-I, yeah. Awhoi.

So I think you had, firstly, the revenue came. That enabled you to . . .

**WEBB:** We're talking, what, '84, '85 now? Because the first year was bad, sort of a second . . .

**LATEEF:** '84, '85, '86. I mean, in a three-year period, I think, by '87, they had sort of gone up to—I forget the numbers. You can check them. There's a good OED [*Operations Evaluation Department*] report, by the way, now. [both speaking at once]

**KAPUR:** Has it just been out?

**LATEEF:** It's out, it's out, yeah. The two first structural adjustment sections.

**KAPUR:** Oh, yes, yes. In fact, I just heard about it.

**LATEEF:** [*inaudible*]

**KAPUR:** Now, I'm curious. How, during this time, both the Bank, the Fund, the amount of money going into [*inaudible*] institutions, it's quite unparalleled in the African case, whether you look at it per capita, whether you look it as a fraction of GNP, I mean fresh money as opposed to gross disbursements. How does, how do you see that, I mean, in the sense of—it's clearly not roughly [*inaudible*]

**LATEEF:** You would—I think we had enormous confidence. We'd built up enormous confidence, I think, in the regime; we knew, we trusted the people to deliver. It was rather like dealing with the Indias of the world than dealing with your typical African country in the sense that they would argue like hell about everything, okay, but then once they agreed to doing something, then you didn't have a problem. They had committed themselves on paper, and they'd deliver, okay, which was very unusual and refreshing thing, actually, for, in the African context because the Kenyas of the world would sign

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<sup>2</sup> The then director of the office of Revenue Commissioners.

and then they would start negotiating after the event, sort of how much of it they intended to deliver.

**WEBB:** Was there one person in the Bank who was particularly responsible for that attitude?

**LATEEF:** Well, no. I think it was a very good team. [*Bilsel*] Alisbah was the country director at that time, and I think he was very sympathetic, and Ishrat Husain, the economist for Africa now, was my predecessor there. Then when he got posted to Nigeria, I became the sort of the lead economist on Ghana.

**KAPUR:** Which was in which year?

**LATEEF:** '84.

**LEWIS:** Was there a . . .

**LATEEF:** And then Vikram Nehru took over from me in '87.

**LEWIS:** Was there an overt thought of sort of making it a showcase?

**LATEEF:** No, I don't think so. I think it made itself a showcase. I mean, I don't think—look, well, let me respond to your question. I think it's an important one. I think the reason why--firstly, there was this trust factor. Secondly, Ghana had no father figures in the donor community, okay? The British didn't feel any sense of responsibility although they were somewhat better. The Canadians were probably the most sympathetic. Germans weren't interested. Japanese weren't interested. The Americans were pathologically opposed to the regime, okay, and that continued.

The first three years aid commitments globally were very low. It was just being propped up by the Bank and the Fund, okay. Only when they began to deliver and the first results came in the other donors began to see that this was a potential showcase that needed to be supported. And I think the Japanese were the first to move in a big way.

But the problem with the U.S. was always complicated by Ghana's continuing relations with Libya, okay? Rawlings was very close to our friend [*Muammar*] Qaddafi, and Libya was providing oil credits after the oil crisis. And so the—and then, I think, in one critical aid group meeting--I forget whether it was the '84 one or the '85 when we thought there might be a change in the U.S. attitude because the U.S. was--changing the U.S. was an important signal to Japan and Germany who were sort of waiting to see how the U.S. would go. And when they thought there was going to be one, the Ghanaians identified and threw out the entire CIA [*U.S. Central Intelligence Agency*] network in Ghana. They managed to find the guy who was head of the group, and actually—and then he revealed secrets to them--or she, I forget--secrets to them about their entire intelligence activity in West Africa, codes, everything. So the damage that was done was huge. So the Americans were furious!

So that was the context in which I think aid levels were--I mean, support was higher than it would have been if others had come through early enough. But once [both speaking at once]

**LEWIS:** It's interesting. Was there--did the U.S. resist the allocation to Ghana, the Bank allocation?

**LATEEF:** No, because I think the Treasury felt these guys were doing well, and there was always a division, so it was a State/Treasury. So they couldn't come and make the endorsement themselves, but they were, they saw at least that here was one country that was doing things seriously and taking action. So I think that was what caused it.

But the other--to get back to what I was, I guess, the sequence of what I was saying, was one was the revenue side was positive. The other was that this enabled an increase in public expenditures and public investment.

**WEBB:** Before you go on--I'm sorry--but one aspect of this that, since it's the Bank and the Fund, you say, alone seeing this program being born, carrying it through. What about Bank/Fund relations there? How did they work out there?

**LATEEF:** They--they were quite good actually. This was a period when the Bank was getting into structural adjustment, as you know, so there was some nervousness about it on the part of the Fund and concerns that the Bank was getting too much into macroeconomic policy and finance, and which we did, actually. And I think we played an important role in making sure that the programs were not too restrictive in Ghana. And we found ourselves doing macroeconomic work to demonstrate that the program was over-tight and then sort of back into it. But the reason why it worked well was, I think, an initiative that was taken at that time to pick four or five countries for intensified Bank/Fund collaboration, and Ghana was one of them.

**LEWIS:** Ishan Kapur has written [all speaking at once]

**KAPUR:** *[inaudible]*

**LATEEF:** I forget now. I have a feeling Sri Lanka might have been. That list should be available. It should be in the records. *[Vinod]* Dubey was—he's retired now—but he was responsible partly at our end for that department.

**LEWIS:** Ishan Kapur wrote a paper, didn't he, about--from the Fund point of view--about that program. Was he involved with that at that time, do you know?

**LATEEF:** No, fortunately. *[Laughter]*

**KAPUR:** All's well that ends well.



**LATEEF:** Yeah. No, we had very good relations with the team, and there was a very nice sort of German fellow whose name I forget now who led the work for a long time on the Fund side. What--I think the fact that there was a regular six-month monitoring of issues that were emerging in the relationship, we would each write memos about how we were doing. And we took the initiative and had when, before designing the first adjustment operation, which we sent to the Board '87--we began work on it in '85--we had a two to three day brainstorming session with the Fund on all aspects of the program and sort of--and got agreement on--the sensitive issues were cocoa pricing and exchange rate policy and monetary, the extent of monetary expansion and the size of fiscal deficit because we, on the cocoa pricing that we would be agreeing with the government on had direct impact on revenues and so therefore exchange rate policy mattered a hell of a lot to us. We were a lot more aggressive than the Fund was in terms of getting a market, in terms of exchange rates. And they were saying, "Well, why the hell are you--this is none of your area" and so on and so forth. But we nevertheless produced some papers on the subject of reform, you know, and sort of contributed to them.

**KAPUR:** A luxury which has not been done in Cote d'Ivoire.

**LATEEF:** That's right. Because of the French.

**WEBB:** And the Fund wanted, what, a higher cocoa price?

**LATEEF:** No, the Fund wanted to make sure that we didn't go and set a cocoa price which would create problems on the budget side.

**WEBB:** I'm sorry. A lower, but--they wanted more tax, in other words?

**LATEEF:** Yeah. That's right, that's right. So that would always be an issue, the cocoa price would be an issue. The other would be obviously the size of the public investment program and the allocation for health, et cetera. We were pushing for some recovery because, you know, critical to the recovery was the total breakdown of the infrastructure, and which I think, again, is unusual for adjustment programs. We did see an increase in public investment in Ghana, which has not always been the case in the other adjustment programs. And therefore—and we—and there was, I think, marginally, despite the high debt service to the Fund, some increase in per capita consumption taking place, so it wasn't really--the program wasn't hurting that much.

**WEBB:** Do you think the Fund was very happy to have the Bank financing Ghana's payments to the Fund?

**LATEEF:** I think it was an initial--not an initial, but I think from—I mean, I'm speaking now freely to you; you're writing the history--I think that the Fund went in and made a whole series of disastrous standby loans throughout Africa, I mean in support of adjustment operations. And we sort of—in many cases we just tagged along without questioning them too much and so on. But, you know, so by '84, if you look at, you'll see quite a--the amount owed is very substantially higher. And so I think that they had—had

they realized they had to come up with solutions of their own, which the S-A-F, the Structural Adjustment Facility, E-S-A-F [*Enhanced Structural Adjustment Facility*], was, but they wanted us to contribute also to, in a sense, to this. We never saw it as a contribution in the sense that, I guess--to some extent that was happening and the Fund was being repaid.

**KAPUR:** But in a way that enhanced the Bank's bargaining powers over the Fund . .

**LATEEF:** Sure, sure.

**KAPUR:** . . because the--unless you allow us to shore up on macro issues, we don't loan the money, which you don't get repaid.

**LATEEF:** But I think there was a genuine team spirit, on the whole. And I mean, I think everybody really wanted to see this success, partly because of what they're saying.

I think there was--the one thing that I'd--the episode that I do want to record for history, I think, is--which illustrates the whole ownership issue and the way they went about it is the way that we appraised the structural adjustment loan.

**LEWIS:** And you're going to get the impact on the low end in there, too? I mean the UNICEF kind of . . .

**LATEEF:** Yeah, I can talk about that, too, yeah. But the--I think . . .

**WEBB:** You said appraisal of the first SAL [*structural adjustment loan*].

**LATEEF:** Yeah, essentially the first two or three operations in Ghana were sort of low conditionality ones, sort of basically aimed at and dealing with the recovery of the productive sectors.

**LEWIS:** These were SALs?

**LATEEF:** They weren't SALs. They were quick disbursing. They weren't called SALs. They were called economic recovery loans.

**LEWIS:** Dates?

**LATEEF:** I think the first one was--'83 and '85.

**LEWIS:** Okay.

**LATEEF:** I appraised the second of those three loans. They were low conditionality ones, basically trying to get the productive sectors moving, to put money into transport, into export industries, into the infrastructure, the ports and other things, so that, you know, you were able to fuel the recovery.

We didn't feel that we were ready for a full-blown structural adjustment loan until the macroeconomic instability ended. That happened around '85, '86, when inflation substantially came down and production was beginning to grow by five percent a year and so on. And so they were then beginning to gain confidence that these guys from the Bank and the Fund knew perhaps something about what they were talking about and that this was going to result in . . .

And the Fund program was less restrictive. You saw--it was like sort of pouring water on the desert. You saw suddenly all the shops getting full again, and, you know, the people buying with what little money in hand. But, you know, so you saw the—physically you saw the recovery and the fact that, you know, they removed price controls and things and nothing came apart. You know, things didn't fall apart, you know, that sort of--goods were still available. And so they were beginning to see, "All right, you needed a market-determined exchange rate; you needed more public investment." And so all the elements we were defining . . .

**LEWIS:** And these measures they took--you were talking about ownership--they took them on their own, or were they . . .

**LATEEF:** A lot of technical work was done with us, and I think they had very little capacity there, but they basically would sort of play a big role.

And then there was one unusual thing, which I'm not sure you can record because of confidentiality. There's one person on the Bank staff who is a Ghanaian, who they would borrow and who would—who played a very key role in designing the program. But, I mean, he was doing it as a Ghanaian, and he'd never--we never dealt with him--ever. He'd go on holidays, weekends, et cetera; they'd pay for his flights and so on. So I think that was quite a crucial input.

**KAPUR:** He wasn't on leave?

**LATEEF:** He was on leave. But I mean, this person on annual leave he'd taken.

**KAPUR:** [both speaking at once]

**LATEEF:** Like you and I might do. [all speaking at once]

**KAPUR:** Right.

**LATEEF:** But he was not, you know--they knew that he was being—in fact, he was a close friend of Rawlings. He's still here, very senior in the Bank, actually.

**KAPUR:** He had only just become a director?

**LATEEF:** No.

So I think that helped because they produced a paper initially which was their paper on what they felt should be the direction of an adjustment program. And that paper took a bite at the civil service reform, which we wouldn't have dared do, as perhaps you know, saying there should be a substantial reduction in the staff and so on of the civil service.

But then, you know, once that paper was available, we used it as the basis. We did a lot of the technical work, et cetera, et cetera, and then came up with a program. Then when we went to appraise it, we were planning to appraise it in the normal sort of way: the finance ministry would be asked to comment, appointments were being made with various line ministries for the mission to go around and so on. And we had discussed most of the issues before with them.

So the one component which was always the weakest, actually, the state enterprise reform sector, didn't really work very well, was the responsibility of Mr. Obeng, the Prime Minister. So I had gone to see him about that the second day I was there.

So when I saw him, he said, "Look, I'm not interested in talking about the structure of state enterprises. I'm interested in how you intend to appraise this."

I explained what our schedule of meetings was.

He said, "Look, what you're going to do is get agreement at the technical level, and then you'll present us with a fait accompli, and then we will have the problem of selling this politically inside the government. So I think we have to reverse the process. We have to first build consensus around the policies. And then once we have consensus, then the technical work shouldn't take too long as long as this agreement is going on."

I sort of agreed but was very scared because I thought I would sort of lose control. You know, you have your timetable, the agreement to--but I had no choice. I mean, I was seeing the prime minister. Fine.

So then he set up a week-long set of meetings which, you know, would start from ten in the morning and go on until seven in the evening, where he involved everybody, the whole cabinet, the provisional defense council, the committees for the defense of the revolution, the trade unions, the national employers association, the private sector. And he invited the press, and the ground rules were that they couldn't report on what was happening, but he said, "Look, I want to make clear that there are no secrets between us and the Bank or anybody else. We are not trying to negotiate deals in private with these institutions."

And so what we did then was, we would do a kind of issues paper on the issues. They would present their position on it. They would have . .

**LEWIS:** Is this point-by-point, sort of?

**LATEEF:** Topic-by-topic, actually. Each day was devoted to a issue, and the idea was to first get agreement on the objectives and then discuss what are the ways of arriving at that objective. And he was very clever. He sort of chose chairmen who were not necessarily sympathetic to the proposal.

**LEWIS:** I see. The chair rotated, then?

**LATEEF:** Yeah. He never chaired anything himself. He sat in the audience.

And so those guys then ended up getting some ownership of areas of which they weren't necessarily sympathetic to. And then there would be a real free-for-all. And, you know, the Ghanaians can talk, outtalk anybody else. *[Laughter]* [all speaking at once]

So but in the end—I mean, we found ourselves having to be very careful that we didn't appear to be sounding ideological. We had to argue on the grounds of efficiency, and we had to demonstrate that whatever we proposed was more efficient.

**LEWIS:** In those meetings did you typically introduce orally the subject? Would they turn to you first?

**LATEEF:** Yeah, we introduced the subject, and we issued the paper which would be circulated the night before, one page. And then they would also comment on it and say these were their concerns, these were their issues, this is where they felt they were coming out. And where we had not done our homework properly—there was one sector, cocoa, where we hadn't done our homework--they had us on toast. I mean they, you know, really completely obliterated the positions we were taking. They were a very bright lot, and it was very--but at the end of this week we had considerable consensus on where, what the program had to be. We were all friends. They didn't see us as sort of monsters from outside. They saw that they had been managing; most of the discussion was between them. We were sitting and listening. And the minutes recorded the areas of consensus and agreement, and then by the end of the week we narrowed it down to two or three key issues that needed to be sorted out.

We went on a--he then organized a retreat of just 50 or 60 people, down from about 200. And those 50 or 60 people sort of virtually agreed on the rest of the program and left one or two issues to, for the final negotiations.

So I mean, I thought that—that's illustrative of the fact that they, you know, always felt that, you know, this was their program and that they had to manage it and . . .

**WEBB:** So *[William J.]* Clinton is importing technology? *[Laughter]*

**LATEEF:** I think it's very important, actually. I mean, it's more appropriate to democracies than it is to that kind of regime, but they never felt--I think they always felt the need to reach out and get the consensus even though they were a . . .

**LEWIS:** And this played quite well? Is the press reasonably free or not?

**LATEEF:** No, not all that free.

**LEWIS:** So it probably played very well in the press.

**LATEEF:** Yeah, that's right.

**WEBB:** What's the prime minister's name, again?

**LATEEF:** Obeng. But he was very good because whenever he felt--and that was one of the interesting things about the meeting--whenever he felt that the discussion was skirting over an issue or that people were afraid to raise a difficult issue, he would raise it. And he would make sure he sounded as sort of impassioned about it as anybody else.

He also prevented Rawlings from attending because he said people would always [*inaudible*] try out things and that they would be too afraid.

Rawlings was very anxious and wanted to come. He kept sending notes, saying, "Can I help?" And he sort of, you know, told him to keep him out, kept him out. So I think that was . . .

Now, on the other question, the social--I think that the--what, and this is, I think, true in the initial period--the situation was so bad in Ghana in '83-'84 that administration had broken down, no infrastructure, you were basically managing crisis. And I think there was really no capacity to focus on a broad-based development program, so it had just the broad, the key elements were attacked. And it didn't include issues, the health sector, except that we tried to maintain supplies to the health system and make sure there was enough foreign exchange for assistance.

I think UNICEF did themselves some harm with the government because they wrote a very tendentious report on the impact of structural adjustment on the poor, which came out around '84, '85 . . .

**LEWIS:** On Ghana specifically?

**LATEEF:** Yes, on Ghana, on Ghana.

. . . where they were drawing primarily on the impact of the drought in '83, very severe, and it was showing up in nutrition standards and so on and so forth. In '83 there was hardly any adjustment already taking, I mean, it was just getting round. Much of the data was from that period, '83, early '84, and they were superimposing that as a sort of--so I think they--we tried to involve them in (you know, they were very keen to be involved) we tried to involve them in, but it took a long time.

And then so it was, I think—it's a fair thing, a fair comment, criticism of the program that it was an after thought, these . .

**KAPUR:** PAMSCAD [*Programme of Actions of Mitigate the Social Costs of Adjustment*]?

**LATEEF:** PAMSCAD and things were an afterthought. But they were longer in the making . .

**LEWIS:** Who took the initiative in PAMSCAD?

**LATEEF:** We did.

**LEWIS:** You did. The Bank?

**LATEEF:** The Bank. And I think we did it much too quickly. We didn't think through the thing, and so it didn't go as well. We basically didn't focus as much on the continuing weaknesses in implementation capacity and therefore tolerated the government's desire to manage the program themselves instead of letting NGOs manage it. If the administration of an awful lot of programs had been left to NGOs, it would have had much more of an impact faster than I think it did. Donors were also slow in translating commitments into—indications into commitments and so on. So it really took a little time for the thing to get going.

**WEBB:** Are there any—is there a lot of NGO presence in Ghana?

**LATEEF:** Yes, a fair amount.

**WEBB:** Churches?

**LATEEF:** Yes, a lot of church-based NGOs.

**LEWIS:** Have you read what Frances Stuart says about this in *World Development*? She had—they had a whole issue there—I mean, a part of an issue, a retrospective on . .

**LATEEF:** Some time ago, but refresh me as to the main . . .

**LEWIS:** Well, no, she was mixed in her review. I think the thing that comes out most clearly, perhaps, is that she claims that the main beneficiaries of the income protection turn out to be civil servants. And I read some other--I can't remember now where--somebody said that tactically, politically, that was very important, that you had to keep them on board by . . .

**LATEEF:** Yeah, I think that this is the problem, actually, you know, because we focus on the social costs of adjustment. There is--I mean, this is—you know, we're facing it in Russia and so on--the people who are articulate and vocal are as much of a problem in

this business as the poor. In many cases the poor are, benefit from the lowering of inflation, from sort of greater availability of goods generally and from the increase in employment in the rural sector, you know. So there is a--I think that tends to get ignored in the analysis, and I think subsequent work by Ravi Kanbur, et cetera, confirms that, actually.

**KAPUR:** Right.

**LATEEF:** Actually, the election results are very interesting . .

**WEBB:** For Rawlings?

**KAPUR:** Right.

**LATEEF:** . . because they show that he won in the rural constituencies and lost in the cities.

**LEWIS:** Subsequent to this? [all speaking at once]

**KAPUR:** It was a few months back.

**LATEEF:** It was November. And so it exactly confirmed what the adjustment program was trying to do. I mean, you know, sort of the farmers went out and voted for him. They were the ones that were most cynical about any regime that had its ideological moorings in the [*Kwame*] Nkrumah period because Nkrumah was the one who screwed the cocoa sector and agriculture and so . . .

**KAPUR:** As you see your own role in that, it would seem that the one skill which you brought to bear which was very important was essentially playing the role of the—your diplomatic skills.

**LATEEF:** I had--that's very critical, yeah.

**KAPUR:** It's not a skill which is particularly, I mean, now when one goes and talks to people here on SALs and so forth, [*inaudible*] but here it's not been really very well recognized, has it, as the sort of staff that, you know, you have to be a good economist, technocratic skills.

**LATEEF:** You need a combination, actually. You can't--because you're out there defending the program and if you're weak on the . .

**KAPUR:** Economics.

**LATEEF:** . . on the issues, on the substance, however diplomatic you may be, you would be torn to shreds in negotiations with the Fund as well as with the government. But



I think it's--that's a very critical part, and I think they were, the government would recognize that totally. I would definitely suggest that you talk to them.

One of the things we are planning to do, and if it succeeds I'd like to involve you. I don't know what your time horizons are.

**KAPUR:** We might be going to Africa, I guess, in the fall.

**LATEEF:** Next year?

**KAPUR:** Yeah.

**LATEEF:** Fall '93. No, so your--this project is going on for some time.

**LEWIS:** Too long!

**LATEEF:** No, we have in my division we're doing a major exercise on participatory development, trying to sort of look at what are the factors that are useful to, what conditions are useful to participation, how do you do it. So one of the projects we're looking at is the Ghana structural adjustment. So what we've proposed to Obeng is that he come here for two weeks and that we give him a secretary and then he sort of just dictates how he saw this whole process in terms of, you know, who the *[inaudible]*

**LEWIS:** Is Joe Abbey still here?

**LATEEF:** Joe's still here, I think, and he'd be worth talking to, definitely, because he's a very thoughtful person, and I think particularly you should talk to him on the UNICEF poverty strategy. He got very engaged in that debate with Richard Jolly.

**LEWIS:** This question of Devesh's about diplomacy, do you have any perceptions of the degree to which the Africa region has appreciated that kind of thing? Has the perception been growing? Is the Africa region more sensitive to this kind of thing, do you think, than some other parts of the Bank?

**KAPUR:** Or maybe less.

**LATEEF:** I think initially less. Under Kim *[Edward V. K.]* Jaycox definitely more sensitive. He came--in the initial selection in '87 after the reorganization, the kind of people he picked as directors and so on, I think, were very much, took into [all speaking at once]

**WEBB:** More sensitive to what?

**LEWIS:** To the need for diplomacy. [all speaking at once]

**KAPUR:** On the style.

**LEWIS:** Yeah.

**LATEEF:** I think that Kim, for example, is extremely effective with Africans. He can get away with--he can tell them the toughest things. You can always--I mean, I've said the most impossible things to them, but once they trust you, I mean they know where you're coming from, they--there is a--you can be very frank with them. So it's--how you say it is much more important than what you say.

**LEWIS:** I've got to tell you one of my favorite stories. I think it's secondhand, actually. But one time when--about '69, I think--that L.K. Jha was just--I think he was still governor of the reserve bank--I.G. [Patel] was here. I.G. said something to the new Bank president, [Robert S.] McNamara, that sent him right up the wall. L.K. then came along--same meeting, same room, same time--said exactly the same thing, and McNamara took it beautifully.

**LATEEF:** I can believe that, yeah, yeah. Right.

**LEWIS:** It's an amazing difference.

**WEBB:** But it must be hard to judge because so much changed between the early '80s and the middle '80s, late '80s in Africa, so that you could say things in the late '80s that you couldn't have said before, so it's . . .

**LATEEF:** No, that's true.

**WEBB:** Whereas Kim's image is favored by the—it probably would have been talking anyway.

**LATEEF:** I think that the . .

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

**LATEEF:** I mean, I think a lot of us--the philosophy was that, "Look, I mean, don't for god's sake recommend something to, in Ghana which you're not going to recommend in your own country." I mean, you know, you don't sort of go for [inaudible] I mean, the Edward Heath advice that, apparently wrote a memo to the Treasury when the Ghanaian government fell asking why anyone was surprised, "Would you have given the same advice on devaluation to your own government?"

**KAPUR:** This is that book by David Denoon. Remember that [both speaking at once] *Devaluation under Pressure* which had an Indian . .

**LEWIS:** And Indonesian, also.

**KAPUR:** The--on a sort of a happy note, I guess [*inaudible*] but Ravi was saying--right before he left we met him--that one of the concerns about the program is that the response of the private sector has been much weaker than anticipated and that the work on the sort of nitty-gritty, on, say, legal, of laws and this and that, that he thought that the Bank had underestimated, was operating on sort of a more broad . . .

**LATEEF:** I think that that's true. Defining the private sector very narrowly as the organized manufacturing sector, okay? I mean, if you define the private sector to include agriculture, informal sector, et cetera, I think there has been a reform. Those people are not so worried about legal guarantees in reform. But I think as far as particularly foreign investments, I think the seizures and the abuse of political power, I think has been an issue in Ghana in various governments.

What I think, though, the central issue is that you would expect these--the adjustment program did two things. Firstly, it destroyed the incentives of the highly import-substitution-oriented industry and manufacturing. And from a very small entrepreneurial pool you were expecting those same guys whose finances were up the creek to turn around and invest in the export sector. So it's--and so they were--there were questions about how long the policies would be sustained, how long the regime would remain, you know, I mean there were coup attempts and so on. And so there's, that's one aspect.

The second is the consequences on the financial sector because, you know, the--when you have such a large, large adjustment in relative prices, the banks' assets were shattered. I mean, so most of the people they were lending to were broke, and they themselves had a money illusion. You know, they were the guys who do with 100,000 cedis were requiring 10 million cedis for their imports or whatever. Bank managers were not able to adjust. You had no competition among the banks; there were just two or three and so the financial sector has failed to mediate the shift of resources to what a better adjustment program calls for, particularly inside the organized sector. And so the big weakness in Ghana remained the institutional development, both in the public and private respects. They didn't have the management skills, and they continued to make huge investments. They are better endowed than most, but, you know, they drove most of the good people away. About two million Ghanaians live abroad.

**KAPUR:** How do you see . . .

**LATEEF:** I must go. I'm happy to continue.

*[End Tape 1, Side B]*

*[End of interview]*