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Transcript of interview with

MOEEN QURESHI

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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.

Moeen Qureshi
April 5, 1991 – Final Edited

[Begin Tape 1, Side A][1]

LEWIS: . . . interested in what you think we really should do in this exercise. It is formidable in the sense that there is--we have access to such a vast amount of material. We have to be very, very selective and decide what we're going to use, principles of selection, and we're still struggling with that, we're trying to find a story line and at the same time sort out a set of themes, sectoral or other themes, that we will try to examine in some depth. As you know, *[Edward S.]* Mason-*[Robert E.]* Asher had that kind of an organization.

And you've been around this establishment a long time, and so I think just a sort of general conversation is what we're after at this point. When did you start in the Bank?

QURESHI: Well, in the Bank proper I started in 1970, beginning of 1970, January 5, 1970, but I was in the IMF *[International Monetary Fund]* before that. I joined the IMF on February 5, 1958, so I have been in these institutions for a pretty long time--almost 32 and a half years *[inaudible]*

LEWIS: You had been a civil servant in Pakistan before that?

QURESHI: Yes.

LEWIS: Not for very long, surely.

QURESHI: About five years. So, you know, that's a pretty extended career. I'm also perhaps one of the very few people--I don't know of anyone else--who has served in literally all parts of the Bretton Woods institutions. I served in the Fund, served in IFC *[International Finance Corporation]*, and then of course in IDA *[International Development Association]*, and I don't think there are too many people who have—I mean, there may be a case here or there where someone has been in all institutions--but, you know, I have had the distinction of being in these institutions for an extended period and it has been, all in all, an extremely satisfying period for me and one that gives me a great measure of personal pleasure.

LEWIS: I did not remember that you had been at the Fund. Does that give you any particular perspectives on relations between the two institutions? Have you seen those evolving in important ways in recent years?

QURESHI: Very much so. I think I considered myself very much of a Fund person at the time that I transferred to the Bank, to IFC. And I had quite a tussle with the Fund management, with Pierre-Paul Schweitzer at that time, in terms of my transferring to IFC,

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

but I think—but it certainly has given me a perspective of the changing relationship between the two institutions and the changing approaches of the two institutions to their work and to the outside world. And in some ways this is a very simplistic way of putting it, but I think increasingly over the period Lord Keynes' maxim has been proved in reality, at least partially proved in reality, you know, that he thought of the Bank as the Fund and the Fund as the Bank. And the Fund has increasingly become more like the Bank over the period, and the Bank has increasingly taken on some of the functions and approaches of the Fund over this long period of time, so that looking like, with the benefit of hindsight, one could almost ask the question as to whether it may not have been a more sensible thing to have one institution right at the very beginning. I still think it probably is right the way it came out, but nonetheless I think it's a more debatable issue today, looking at what the Bank does and what the Fund does, as to how they have in a sense taken over each other's functions and activities to a certain degree.

You see, let me make that a little bit more concrete in the sense that the Fund has always been an institution that jumps into a crisis situation, and it jumps into a crisis situation in terms of providing balance of payments support. It was also seen as a very short-term crisis-support institution by the founders. You look at the original Articles of Agreement of the Fund. They aimed at the balance of payments support being repaid over a three- to five-year period, and this was to be done with essentially concessionary resources in the early period. By contrast the Bank was seen to be a long-term institution and clearly not a crisis institution. It was seen as an institution that would provide support for long-term projects and programs and it would not look at its results in a short- or medium-term context when Bank programs involved long-term measures as well. What has happened on the other hand is that the Bank is now very much involved in crisis situations. In a sense the Bank has recognized that you cannot plan for the long term without to some extent taking care of crisis situations and so it does provide balance of payments support to a significant extent today, and many countries have seen the stabilization function as a very important threshold to moving towards a longer-term program of structural adjustment. And it joins with the Fund in providing that type of balance of payments support through its program lending, and through its adjustment lending program, which was very much the function of the Fund before. By contrast the Fund now does provide medium-term lending. They've even included some concessionary assistance which is provided for longer periods of time, the so-called SAF (Structural Adjustment Facility) and ESAF (Extended Structural Adjustment Facility) and so on and so forth, and it is beginning to worry about the supply response. It is beginning to worry about issues like the environment, and issues such as structural adjustment are now very favored phrases at the Fund.

I was a little amused—if you look at the Berlin meeting and look at the speech of Mr. *[Michel]* Camdessus at the Berlin meeting, annual meeting of the Fund and the Bank, you will notice that he never used in his entire speech the word "stabilization" even once. But he used the word "development" many times. Okay? If you look at the previous speeches, say of my mentor, Per Jacobsson, who was the head of the Fund, and after him Pierre-Paul Schweitzer, I mean their speeches are replete with issues of stabilization, and the word "stabilization" came up in almost every paragraph. So in that sense, I mean, you know, both institutions have had a bit of a reorientation.

LEWIS: So I take it that in terms of the future relations of the institutions that there is a sort of debate, I guess, as to whether they should continue to sort of overlap and merge or whether there should be an effort to have a clean redrawing of the division of labor between the two of them. You would sort of incline toward the first, either as more likely or, I mean, more appropriate?

QURESHI: I think--not only do I think the first one is the more appropriate relationship, to my mind it's the only practical relationship. I think redrawing in any precise fashion is just totally an impractical idea by people do not know the institutions, they do not know the nature of the economic problem that confronts these two institutions.

Trying to resolve a country's economic crisis is not an issue of resolving some problems partially. You are not going to resolve the crisis that--take the debt situation, for example, in South America or in some other countries which are heavily indebted. The debt problem in a sense is the tip of an iceberg, the iceberg being a whole range of economic policies and economic management issues that have accumulated over a long period of time which resulted in a crisis that was precipitated by the debt problem. But beneath the debt problem are real fundamental economic management issues, economic management issues which have to do with the degree of financial discipline that was exercised and the way in which resources were allocated and utilized, the role of the public sector vis-à-vis the private sector, the excessive, in fact, reliance on the public sector, et cetera, that resulted in waste and inefficiency that came about in many countries. So in that sense merely going ahead and trying to eke out the short-term balance of payments equilibrium, even if it could be achieved, is not going to be sustainable. Similarly, if you were to merely think in terms of trying to resolve the longer-term issues of where is this economy going to be ten years from now, you're not going to be able to do it because the inflationary environment that you're dealing with doesn't allow for any rational decisions to be made. It doesn't allow for rational economic projects to take place.

So for all of those reasons to my mind if one were to say, "You stick, Fund, very clearly to this, this, this, this, and don't do it in the context of this, that and the other which is in the Bank's role" is going to make the Fund totally impotent and vice versa. The same thing is true of the Bank. So just in terms of doing the job effectively, we have to recognize that even though we may give primacy to the other institution, let's say in terms of exchange rates where the Fund has very clear jurisdictional role established by its Articles of Agreement, nevertheless I really cannot program a particular activity or a particular loan in a country unless I know that the policy that is going to be followed is one that is consistent with what I regard as a sensible approach to its economic management. Hence the initial comment.

LEWIS: Yeah, let me try a counter argument on you which would be, I guess, that there's a cultural difference between the two institutions, that the Fund is much more homogeneous, that it indoctrinates people to be sort of interchangeable parts, it's tighter, it's smaller, and it's effective as a--the world needs kind of a tough cop that will go in and straighten out, lay down the law to people about stabilization problems, but the Bank as a development institution is more pluralistic intellectually and less adversarial, should be, in its approach to clients. Is there anything to that?

QURESHI: I think that the earlier part of what you said is absolutely correct. There is a lot of cultural difference. I think the conclusion you drew from that I would not go along with, that is to say that as a consequence of this therefore the Bank should be less adversarial. Firstly, the cultural difference is precisely what you have indicated, plus a few other things which are very important. The homogeneity of the Fund derives essentially from three components, first, from the fact that most people in the Fund are economists and so that, by its very nature, brings about a much more homogeneous culture. The second reason for the homogeneity of the Fund is the fact that its character is very much more a European character and that derives from the fact that the head of the Fund has always been a European. And, if you look at it in proportionate terms as well, the number of people who come to the Fund who come from financial institutions and in particular from central banks is much greater, and central banks tend to have a very homogeneous culture all over the world, you know, even to the issue of whether you take wine at lunch or don't take wine with lunch, you know. There is a very special homogeneity to that particular culture. The third thing about the Fund is, which has resulted in that homogeneity, is the fact that you're dealing with a relatively or had been historically dealing with a relatively narrow problem which could be solved in more or less the same or similar fashion. Now, the people in the Fund will deny that, but see, this happened to be the reason why I left the Fund. I certainly believed that was the case.

You see, it is perfectly intellectually possible to go to Morocco and go to Pakistan, the country, and say to both of them, you know, "Here's your budget deficit. This is what you've done wrong with your credit policy and so forth, and therefore there is an imbalance between overall monetary demand and the supply side of resources, and therefore this imbalance must be cured by making sure that you cut your cloth to the resources that you have. And therefore do this, cut this, cut this, cut this, bring this into balance, and hopefully—and we'll give you some temporary support for it and over a three-year period your balance of payments position is going to be okay." I'm admittedly putting a very simplistic version of what the Fund does, but in its earlier history the Fund did something very much along these lines. Now it's trying to get a little bit more sophisticated, a little bit more like the Bank with its longer-term structural adjustments, this, that and the other, but the essence of it remains the same.

So the reason why I left the Fund--and I don't want this to be particularly in your history or be quoted--is because I was bored. I was bored in doing the same thing again and again even though I went into different countries, and I have led 23 missions for the Fund, and I don't know how many stand-by arrangements I have negotiated for the Fund. So I was a very active member in high regard with the management, very close to the management in the Fund, but I was bored. I was really intellectually bored. And the reason I came to IFC was I thought, "Here is a new way. I learn a different trade, almost," because IFC even more than the Bank seemed much more different to me than the Fund was. So, you know, that was the reason I left the Fund. That is what the homogeneity of the Fund is.

Now, what you call the "pluralities" that might find expression, the reality is not that nice. It is true that the Bank is not as homogeneous, but not always for good reasons. First, to compare it stylistically, the Bank has been headed by essentially Wall Street types for most of its history until *[Robert S.]* McNamara came, okay? And those people had a tremendous impact on the culture of the Bank, firstly, unlike the central bank governors who always deal with their boards in a certain kind of a way, these people tended to be much more autocratic, much more authoritarian, much more believers in centralized management, you know, "buck stops here" kind of a philosophy. And they brought, even in cultural terms, the culture of major commercial banking institutions and later on to some extent investment banking institutions from New York to the Bank. In other words, to give you an example, yes, it is perfectly appropriate, you could have a glass of sherry, but you must never drink wine at lunch. It was never done, you know. And so that was the kind of a culture they brought. And they also brought this very centralized and, you know, management is the responsibility of the president. Even the titles reflect both the cultures of the place: president of the Bank, managing director of the Fund. You know, this word, he's a director, but he's a manager, you know, the chief manager; the president is the president. He's the president of the staff and the chairman of the Board of Executive Directors. And make no mistake about it: *[Eugene R.]* Black and *[George D.]* Woods in particular and McNamara in his own way were very, very effective, in a sense, heads of the institution and dealt with the Boards in a way that did not make the Board unhappy but did not allow a lot of power to rest with the Boards, so that certainly is . . .

LEWIS: We've heard that distinction, that the Board, particularly the Bank Board, has not since *[John J.]* McCloy, I guess, had very much initiative; it hasn't been able to take initiatives. Is that right?

QURESHI: That's not--yes and no. I mean, it's a--let me put it, if you talk to a Board member, the Board member will say, "You know, this is really terrible. The Bank Board is really much less effective than the Fund Board is." That is probably true, but in a very different kind of a way from what was intended. In the Bank, the Articles of Agreement give all the authority on spending money to the Board and all the authority on policy formulation to the Board. Nothing can be spent without the Board's approval, and nothing can be approved of a policy nature than the Board. Where the Board is less powerful is that in the Fund they do get into appointments--and even of division chiefs and so forth--which go to the Board for information or approval or in various ways. In the Bank that was always seen as a separate preserve of the head of the staff, who was the president, and therefore he may, when he wants to appoint a--originally when there were no senior vice presidents, there were only vice presidents in the Bank--when he wanted to appoint a vice president he would inform the Board, but, you know, that was it.

I'll give you my own case. When I was appointed executive vice president, which is the chief operating officer of IFC, when I was appointed that, McNamara (I was vice president at that time in IFC) called me at 11 o'clock . .

LEWIS: Morning or night?

QURESHI: Morning. Called me at 11 o'clock in the morning and said, "Moeen, Ladislaus von Hoffmann (my predecessor) has resigned, and I want to offer you the executive vice president position. Do you accept?"

And there was some discussion about this and I said, "Yes, I accept, but I have a condition." We'll come back to that in a moment, but the point is--so after acceptance he called the Board at 2:30 to a special session and informed them he had decided to nominate me as the next executive vice president; Ladislaus von Hoffman had resigned at that point. He did not even want to send a note to the Board in advance to give them time to think because he didn't want people to come around and tell him who was their favorite candidate to become the next executive vice president and so on.

That says something for the relationships with the Board on that issue, but if it was a question of the budget, I tell you, Bob would have, you know, the British Executive Director having lunch with him or breakfast with him or something or the other weeks in advance, and he would be massaging him and telling him what the problems were and how he wanted to do it and the same with the French one and so on and so forth and by the time the budget came round he'd got everybody, you know, pretty keyed up. And, you know, he was very good at exploiting both their strengths and weaknesses, and he would say, "Do you have a problem with London on this thing? I can easily call the Chancellor, I'll call him if you want me to, so that you can relax." And so no Executive Director wants the chancellor to be called, you know, to be given a set of instructions. So, you know, he was extremely effective in that type of thing. And of course he had made sure that he knew the chancellors and everyone else very well in this sort of a thing, but what I'm saying is that he made a clear distinction in the way he handled that, between that kind of issue and this kind of a, what he consider to be purely an internal management issue in which the Board had nothing to do with it.

LEWIS: Does the Board have any more de facto voice in policy, in decision making since McNamara?

QURESHI: Oh, absolutely. Oh, yes. Oh, absolutely. I think that the Board has a great deal of not only voice but authority. The trouble is that since you have these two Boards, you have in the Bank Board to a much greater extent a polarity between, a polarization between two groups which you have to a much lesser extent in the Fund. In the Bank Board you have a group of borrowers and a group of people who are not borrowers but are not by themselves creditors either. Some of their markets are available for the Bank to borrow in, but they're essentially sitting there representing their governments in the nature more or less of armchair critics of what the borrowers are doing.

In the case of the Fund you have a more homogeneous Board by virtue of the nature of the business of the Fund. You don't have borrowers and armchair critics. You have every country that comes in for review. The U.K. comes in for an Article IV consultation, so does the United States, and so every director has an opportunity to expatiate on all of the problems that exist. And in the context of the United States the director from Zambia can say, "Well, you know, why aren't they relaxing their textile quotas and so forth. Why this there that and the other?" So there is this feeling of participation, even if it is only to some extent cosmetic, but it is there, and a sense of equality.

On the Bank Board, as I said, you've got borrowers, and all the projects and programs that come before the Board have to do with the borrowers. They, of course, are keenly interested in those projects and programs, whereas you know the Americans and the British and the French and everyone sits there and says, "Now shouldn't you be harder on these guys before you put in this thing or that thing?" So that results in a certain polarization to begin with. And therefore you have the endless debates in the Bank Board these days as to how far should we go in discussion of lending strategy and discussion of this strategy and that strategy, and it comes from the asymmetry that exists between different interests in the Bank's Board.

So in the Bank's Board now the Part I directors would like nothing better than if they would convert themselves into, quote, "the Fund Board," discussing policies all the time and, you know, telling everybody what to do. The only problem is that then you'll be discussing only the policies of one group of countries, and the other group of countries is very reluctant to entertain that kind of process, as in the Fund's Board, because they feel it is just directed at them, and they don't have any opportunity to do the other side on this issue. So that's one part of it. You know, the Board feels, ah, particularly the Part I countries, that the Board isn't really as effective in the Bank as it should be, okay?

Now the management has a difficult role here. The management doesn't mind at all if you discuss policies because the management has to work on policies anyway. But on the other hand it doesn't want to tilt so far in the direction of Part I countries that it is identified as merely projecting their point of view. So the Bank is in the difficult role of balancing these aspects.

Now, there's a second thing. The second thing is that, you know, irrespective of where they are from, all directors would like to have little bit of a . .

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

QURESHI: . . the management has tried to keep Part II countries also somewhat at bay. In the case of the Fund when somebody asks whether you will have a program in the United States (there's only been one transaction in the United States), the Fund has no difficulty in saying, "Well, you know, yes, we are discussing this with the United States because the United States has asked for it" because it is a crisis-oriented institution and then when there is a crisis everybody knows that they are doing this. The Bank works on a continuing basis, whether there is a crisis or not a crisis. I have a program every year in over a hundred countries, you know, and that program may be less or lower or higher, but there is a program going on. There is therefore a very strong tendency on the part of Part I directors, just like Part II directors--the borrowers, in other words--who want to know what are they going to get and to have specific interest in individual projects.

Now, we are very reluctant, therefore, to discuss with the Board--because we can't just discuss with one group of directors and not discuss it with another group of directors--specific lending programs in particular countries. We will tell them what our aggregate expectations are or orders of the magnitude, what our priorities are, what our main thrust is, what our policy emphasis is: all of that is fine. But if it comes to saying, “Would I do 250 million dollars of lending in Zambia which will go to a highway project or a structural adjustment loan or whatever?” then I am not quite prepared to go and discuss this specifically with the Board because I don't want to get into a situation where individual directors are pushing me on individual projects which they would like to see come up or individual programs they would like to see come up in their own countries, you see, because that would clearly be a conflict of interest situation.

This situation doesn't exist in the Fund, so this kind of a reticence also gives some directors the excuse to say, "Ah, but we're not getting into it in as much detail as the Fund is getting into it." But the Fund doesn't get into these kinds of issues except in a crisis situation, and then of course the crisis has to be discussed with the Board anyway. So there are several of these very fundamental reasons for differences between the Bank Board, and I think a simple statement that they are less effective than the Fund Board is really not correct. This is not true. It may be the perception of some directors, but it is certainly not my perception.

WEBB: What would you see as the Bank Board's principal contribution?

QURESHI: Principal contribution? They are the people who approve all policies, and, you know, they adapt, they mold, they approve, they change policies of the Board.

WEBB: They do?

QURESHI: Oh, yes. Absolutely. Now, under the . .

WEBB: Passively, largely?

QURESHI: Not passively, I tell you, not passively at all. I think, in fact, too intrusively for my taste. The word "passive" is--you've almost provoked me by saying that word. You know, particularly the larger shareholders, they really throw their weight around, far more than they ever did before, far more than they ever did before. That doesn't necessarily mean that we just kow-tow to them and merely say, "Yes, yes, yes," but they can use occasions to put on an enormous amount of pressure.

You see, the management of any institution obviously wants some flexibility and some support. That is natural. But in the case of the World Bank where you have always had American presidents it is particularly important for an American president not to be seen and not to be perceived as merely an extension of U.S. policy. It is important for his own independence. It doesn't matter that in the large majority of cases it may very well be that we would come to the same conclusions that the U.S. would come to anyway. And all studies have shown that in the large majority of cases that is the case. That is true. That, you know, the U.S. Treasury did a study a few years ago which came precisely to this conclusion. It was done by the U.S. Treasury for the U.S. administration on lending.

LEWIS: When *[Ronald W.]* Reagan Administration came in.

QURESHI: Exactly. That’s right. And they put the study, and it came to the conclusion--the conclusion was that over the whole period of the Bank what the Bank had been doing was very much in the U.S. interest, not against the U.S. interest. It could hardly identify one instance which had, in the long perspective of the Bank, had proved to be fundamentally against the U.S. interest. There was not one. There were incidents where there was a disagreement between the U.S. and the Bank, several instances of that, but they have not found that over the, with the benefit of hindsight, that the positions that the Bank took have proved to be fundamentally against the U.S. interest.

Now, but it is important, I started out by saying that there should be that clear distinction between--what was the question? I'm sorry; I've lost my chain of thought.

LEWIS: You were provoked by the word "passive."

QURESHI: Oh, yes, yes, yes, yes! Thank you, thank you, thank you. I was provoked by the word “passive” because, you know, the U.S. has a tendency, particularly the U.S. because it is the largest shareholder to begin with, and it has a tendency sometimes to throw its weight around. And I think it is very important that while we must do things which we think are right that they not—that they be seen to be done because we think that they are right, not because the U.S. throws its weight around.

I'll give you an example of this, which is a current example. The U.S. is taking a very strong line in terms of all kinds of changes and adjustments and so forth that the Bank should make in order to promote private sector development. Now, there can be no question whatsoever that private sector development is an emerging priority for the next decades in developing countries for a variety of reasons--if you want to talk about it, I would be glad to talk about it because I have a lot of background on this particular issue. I can tell you from my own experience, though, that you couldn't have someone who was more pro-private sector development than I am. I have spent so many years of my life, eleven and a half in IFC, heading the IFC for four and a half years, you know, that I clearly couldn't be more in that camp. But nonetheless when I think of what it is the Bank should appropriately do, I am not going to merely go by what is great and would look great or sound great for the U.S. if it wants to go and push for IFC's capital increase. I have to make sure that what the Bank does is, number one, consistent with its own

Articles of Agreement, and the Articles of Agreement do indicate certain criteria that have to be kept in mind. I also have to make sure that the Bank is not perceived as being, as pushing this on grounds of ideology but does so because there are grounds of efficiency and increased productivity that are being pursued. Thirdly, promoting private sector development, mostly indirectly, such as by creating enabling environments, building financial institutions and access to capital, such as making sure that divestiture and privatization programs are supported and the effective increases in public sector are somehow or the other staffed and restructured and so on and so forth, parastatal reforms take place. All of those kinds of things have to be approached in an institutional way. And so, you know, the U.S. has a tendency to suddenly come up and say, "Well, you must do this or you don't get capital increases, you don't get that and you don't get this."

Now, in all fairness I must also say that the U.S. doesn’t do this shooting from the hip because it loves to shoot from the hip. It does this because it is very concerned about Congressional reaction to a possible IFC capital increase and concerned about how it can reinforce its case and make it look more sexy and things of that nature. But nevertheless my principal objective as the head of operations of the World Bank is not to satisfy the U.S. Congress. My principal objective is to make sure that the operations of the World Bank achieve the objectives that we have set for ourselves as our goals, long-term goals.

LEWIS: It's a minor point in a way, but when the U.S. throws its weight around like this, I take it it doesn't do it primarily via its own ED. It does it by telephone calls from Treasury, doesn't it? No?

QURESHI: Anything that they think might be effective. But all of these things therefore--certainly ED is nothing else, after all, than the representative of the U.S. on our Board, and he is obviously the person who must frequently be day-to-day the spokesman for the Treasury, but if they feel that more pressure is needed, then they will do it directly and they will go up the ladder if necessary and so forth.

But this is not confined to the U.S. I mean, other countries will do that, too, from time to time.

LEWIS: And they also will communicate directly from capitols sometimes?

QURESHI: Sure, absolutely. This will happen, too, but you see, there are two or three reasons why the U.S. tends to be somewhat more of a problem in this case than other countries. First, of course, it's the largest shareholder, and, you know, you have to have a certain amount of weight and gravitas if you are the largest shareholder, and I must take that seriously, too. The fact that they have 18 percent of the capital of the Bank means something to me. You know, I'm not oblivious to that particular fact. And therefore, they have some reason for being concerned about the institution behind which they are putting their support to that extent, the capital of the institution and the guaranteed capital of the institution.

The second thing, however, is that we are located in Washington. So, you know, if we were located in London I can tell you the British government would be much more sensitive to certain perceptions and so forth. And there are all kinds of rational and irrational perceptions that do emerge because of our location in Washington. One obvious one is the fact that here you've got a group of "highly-paid," you know, within quotation marks, people, wogs, many of them from the outside who are being paid all that much more than people in the U.S. administration and why? Are they that much more competent? Or is their work? All kinds of problems arise because of that, and that has--and this is my point here in giving that example--that all of that feeds into the conflicts. And since the institution is very heavily dependent on U.S. support—and make no mistake about it, that we are very conscious of that particular point, that we must have the U.S. support. Without it this would be a very weak institution. That makes this kind of a pressure group much more potent than would otherwise be the case.

Now, finally there is another aspect of U.S., a thing that makes it more troublesome, and that is the U.S. government is such a large, such a sort of an enormous thing, you know, with its left hand not always knowing what its right hand is doing, and the Treasury having one position and State having another position and someone else having a third position and the Congress all on its own, that your dealing with this whole apparatus is a much more time-consuming and difficult thing than dealing with a simple parliamentary government where Mr. *[John]* Major tells you this is what the British government thinks and you know you can forget about everything else. You can't forget about that in the case of the U.S.

LEWIS: It's a good point. I don't know how much time you've . . .

QURESHI: I think we almost can have another five minutes.

LEWIS: Okay. Let me just ask you, I think when we talk another time we want to talk more about IFC, but am I right in thinking that McNamara somewhat diminished the role or the prospects of IFC?

QURESHI: Not at all.

LEWIS: That's not right.

QURESHI: Absolutely not. In fact, you know, I was very proud of the fact that during my period when I was head of IFC the activities of IFC measured by the volume increased by nearly three times during those four and a half years, and it could not have been done without the encouragement of McNamara and without his support because McNamara was a very, very, in many ways a very authoritarian head of the Bank. But McNamara in some respects is the kind of a person who divides people into groups and categories, and, you know, there are people he trusts who can be expected to do the right thing and people who don't have his trust. And if you manage to have his confidence and his trust, then you, you know, you can do even sometimes silly things and get away with it. He will not—he will be supportive of you. And so he's a little bit like that, and I was one of, quote, McNamara's protégés at that time.

The second thing about McNamara was that—you see, IFC is even now a very small institution compared to the Bank. Secondly, the kinds of issues that McNamara was principally interested in cannot effectively be pursued through IFC. Issues of equity, issues of poverty alleviation, issues of bringing social sector development, you know, to vast segments of people in the developing world are not effectively pursued through IFC, okay? So basically McNamara left me alone as long as I--and I very rigorously and punctiliously did that--provided him with a monthly report on everything that I did and went to him on any issue where there could be any deviation from the policy that had been established. I made sure that I gave him that. You see, McNamara is in some respects a very good manager and in other respects he's really quite difficult to deal with but to deal with McNamara you have to be very systematic. You have to have a plan of activities, both a physical one and a financial one. And, mind you, you have to have that for the next one year, for the next six months, you've got to have it for the next five years, you've got to have it even for the next twenty years.

Secondly, McNamara operates with figures, not because he necessarily believes that those figures are right. I mean, he has really himself a very sensible attitude to this thing. What he says is, "If you are able to give me your figures, even if they are very rough and so on, you are much better in quantifying it and quantifying your own instincts or even impressions than I would be as your manager. If you put it down for me, then I have a much better judgment as to what I should be doing because I have called out your capacity and your recommendations and I can then decide upon that particular issue." And then he, you know, if you tell him on those kinds of things and he trusts you that you're not finagling this or that or the other, then he leaves you alone. Now, he wouldn't leave me alone in the Bank because with him the Bank was everything, but the IFC was a sideshow, and so: "Here is Qureshi. I trust Qureshi. I like Qureshi. I know he delivers what I want delivered, and so I'm not going to—you know, I'm going to support him. But I'm not going to go and worry about what's happening in IFC." This was his attitude towards me. But that didn't mean that I could do anything that was inconsistent with what McNamara—what I had discussed with McNamara and agreed with McNamara. And I can tell you he would read every table, every page, every little thing--even a footnote--that I would send to him. So with McNamara you can take absolutely—I mean, he's right on top of everything that you're doing, even to the prices of burlap sacks and gunny bags and, you know, things like that. There're some very interesting stories about that, but anyway he is a person that I really admire very much for his strengths and so forth.

I'll give you one little story before you go, which in a sense typifies McNamara on this issue of quantifications. I was in IFC, and at that time I was sort of head of the economic side and head of the capital market department of IFC. And Bob McNamara asked Bill *[William S.]* Gaud, who was then the head of IFC, that he wanted--he wasn't satisfied with what the Bank was doing in the industrial sector. He wanted an industrial sector report to be written, what the Bank should do, the whole Bank group should do in, what the management of the Bank should aim at doing in this sector over the next five years. So I was asked to write that report. After struggle with all kinds of people in the Bank I eventually managed to write this report, and I sent it to Bob. And I suddenly found that in order to send that report I had to say--this is basically a five-year program--and I had to write how many staff weeks would be spent on the lending work, how many staff weeks would be spent on supervision during this five-year period. In other words, he would know how many people would be deployed and, you know, what kind of an effort would be made. So I made some very rough calculations based on the degree, the size of the program that I thought would be appropriate, and so forth. On the lending program I said so much would be required, and where there was supervision I said clearly, "Very difficult to estimate this, so I have not made that estimate," and I wrote a little note to Bob that I hadn't done that because clearly this was pure guesswork, and I could really see no point in doing it.

Well, back came my report after he had read it, and he had clearly read every page of that thing, and on front of that he had written, "Please do it!" So I did it. You know, I just took a figure and so forth and did it! At that time I was still in great awe. I was fairly junior, I was the head of a department, and wasn't, you know, vice president or senior vice president, executive vice president of IFC.

But eventually when I did become executive vice president of IFC and I was really—you know, I had very good friendly relations with Bob--so one of these days I was a little relaxed I said, "Bob, I never could understand why you asked me to do that. I didn't really do anything. When you said to me, 'Do it!' I just put a figure in." And then he explained to me, "I don't remember that incident, but I think I do that because your instinctive judgment after you've worked on that thing is probably better than mine would be, and this gives me a certain order of magnitude as to what should be done."

The problem with this whole approach was, it was fine for McNamara. The trouble is that that figure that I had put in, three years later I suddenly found the thing repeated as if it was some very important, you know factual statement, that must be observed and the institution must go by it, and things of that nature. So for McNamara this was all right, but what it did then to the rest of the institution's perceptions about some of those things, you know, was totally excessive.

LEWIS: That's very good!

QURESHI: But he was a very bright, inspirational guy to work with.

LEWIS: He is.

[End of Tape 1, Side B]
[End of interview]