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Transcript of interview with

VISVANATHAN RAJAGOPALAN

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Interview by: 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.

Visvanathan Rajagopalan
April 5, 1991 – Final Edited

*[Begin Tape 1, Side A]*¹

WEBB: . . I wasn't aware of that when I left in the 1980s. I missed that. We were rather up in the clouds in development planning.

RAJAGOPALAN: So you weren't aware, I mean, where I was or the department and in what . . .

WEBB: Well, I was curious about that particular unit.

RAJAGOPALAN: The particular unit? See, sometime towards the end of 1978, early '79 they began to--I understand that Mr. *[Robert S.]* McNamara felt that in the old C-P-S *[Central Project Staff]*, which had been established after the first reorganization or the 1971 reorganization of the Bank, that a lot of advisors, including advisors that were in the front office of the vice president, then Mr. *[Warren C.]* Baum, and Herman van der Tak was there and a number of others doing some odd jobs, a variety of jobs, you know, financial adviser, an economic advisor, a science and technology advisor, somebody dealing with the environment--they had Jim *[James A.]* Lee as the environment advisor and Gloria Scott as the women in development advisor. So a variety of new jobs were there, and there was a feeling, apparently, that, look, this place needs to be managed, and nobody was very clear as to the role of these, which was *[inaudible]* coherent policy approach to the issues, but they were all acting as free agents in doing whatever it was they were doing.

WEBB: Was there a science advisor?

RAJAGOPALAN: There was a science advisor.

WEBB: Was it a Wiener?

RAJAGOPALAN: No, it was Weiss, Chuck *[Charles]* Weiss.

WEBB: Weiss, that's right.

RAJAGOPALAN: So these people are all there. Then I was called one day and told that, "Look, we would like you"--I was at that time Assistant Director for South Asia in the projects department and dealing with everything other than agriculture in the South Asia region, and so I had functioned in that capacity under Ernie *[Ernest]* Stern when he was Vice President of South Asia, so he apparently--and he and McNamara decided that I should move to this job. So I was asked to create a department there which was initially called the Projects Advisory Staff. That was the name of the department, P-A-S, it was called, to put all these advisors into that group and then try and give some coherence to the work program of the several individuals working on different areas. So I was persuaded to take that job. I use the word "persuaded" deliberately because I myself was

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

not quite sure, you know, what was expected of that kind of an assignment. Mr. Stern said, "Look, try it and then see if this can be done."

And then my department later on became the Projects Policy Department of the Bank. We converted--we changed the name a couple of years later because there were two functions for that department. One, Mr. Stern in his capacity as the chairman of the Loan Committee, which at that time reviewed every single operation and unless the Loan Committee cleared the operation, the region could not invite the country to come to Washington for negotiations, so then you know the process, you see what's there. So on that clearance Mr. Stern as the chairman of the Loan Committee was required to *[inaudible]* the institution, and he had some personal staff in his office to help him to read all these documents, and he used me in my usual capacity as the director of PAS first and then PPD to assist him in creating the loan documents. And specifically he wanted me to certify to him that from a sector and projects point of view the proposals were acceptable and the policies that we were pursuing were--or that the loan proposal was within the policies of the Bank, conformed to the policies of the Bank, and the quality of the work in terms of economic analysis, financial analysis, technical analysis, institutional analysis, and so on, were all acceptable, and it was a high-quality project I could recommend to him. And I was also asked to make sure that the president's report, the operations report, and the loan documents and the agreements and so on--they were all in draft stage at that time--were consistent with one another. So that was the certificate that I had to give to him, and he held me personally responsible to do that in view of my career, prior experience, and so forth. And so that was the dual function: one, managing the group of advisors and so on to provide policies appropriate to the Bank, and the other one was to assist him in this Loan Committee function. That was the role that I was asked to perform at that time.

And his own staff, personal staff, would look at it from the macro point of view, with a [some loud noise blocked out part of this sentence] point of view and so on, which was not my job. So they were supposed to make sure that these—because, you know, the country strategy that would have been particularly pertinent in some situations and from a macro point of view at that point in time that particular operation in that country was appropriate. It was the--he had one or two advisors to help him with that on that side, and I did the more micro work or the more detailed work to make sure that the economic analysis was correct (no double counting, et cetera), financial analyses were acceptable and that all of the World Bank policies were being followed and things like that. And Bank policies—you know *[inaudible]* you have a variety of things that, one's contracting, the procurement arrangements and the technical soundness and sometimes we're using *[inaudible]* But all these things that had to be looked at, so that was what we were supposed to do.

Then the department itself, the PAS or *[inaudible]* PPD, Projects Policy Department, that's responsibility was to do two things: one, to help in the examination of the policies, lending policies of the Bank at that time and to make suggestions for any changes in the policies, and then prepare the revised policies, propose them to the management, *[inaudible]* process and so on, defend it and so. That was one job. And the other job was

to represent the Bank in a variety of areas and environments, for example, women in development. And then we added technical assistance; we added relationships with other U.N. organizations; and then we added a new division called Public Sector Management (it used to be called, initially, institutional development but we expanded into public sector management). So I started having more staff given to me to deal with the variety of these things. Divisions were established for each one of these things. What started out as a bunch of individual advisors [*inaudible*] became increasingly larger and larger departments with divisions. The environment, we started out with Jim Lee and one or two people, expanded to about half a dozen people as an environment unit to address all the environmental issues that we were faced with at that time.

For example, we came up with involuntary resettlement, a policy for involuntary resettlement. And we came up with: "What does the Bank mean when it says it is looking at the environmental issues? How does the Bank define environment? How does it address these issues and what should be done inside the Bank?" Those sorts of things, you know.

We came up with a policy statement on how to deal with tribal people when they deal with some of our operations and so on: "How do you deal with indigenous populations?" So these are all things that we ourselves developed, saying that there is an emerging issue there, there is a need to have a Bank policy on that so that it is [*inaudible*] policy. So that was one type of work we did, just an example.

KAPUR: So did all the O-M-S [*Operational Manual Statements*] and O-Ps [*Operational Policies*], did they originate from your office?

RAJAGOPALAN: Yes, from the green pages, as it were. But then we also had what are called O-P-Ns, which are the Operational Policy Notes, these notes being cookbooks, you know, to tell people how to do things. Those are the more detailed ones. The OMSs were shared with the Executive Directors, also. They became the sort of basic documents on which our operation systems was to be based, the policies, operational policies which were in effect. So it was my job as the director of that department to prepare all these things. And, for example, we did it on project appraisal. We did it on financial competence, for example, in Bank operations, social principles. Almost all these things, they took a big, fat book like that; all of them were issued during those years 1979 to '86, on technical assistance policies [*inaudible*] women in development and environment. This variety of things were done.

So that was the bread and butter activity of the staff of the department, number one, and we said in addition to that they were also to represent the Bank in international meetings, do training sessions [*inaudible*] training units of the Bank, participate in EDI [*Economic Development Institute*] courses and so forth, and to write, you see, about some technical requirements and [*inaudible*] and so on. And so that's the variety of the tasks that these people were asked to do. So that's what I did until 1986, and thankfully here--because, you see, every year you had 200 to 230, 240 operations, and one man sitting and reading all of them—seven years was long enough to do that. And then I became director of the

EMENA [*Europe, Middle East, and North Africa*], projects director for EMENA for a year, and then I moved to this job at the time of the reorganization. They asked me to take this job. I suppose in light of my background, dealing with, across the sectors, so many projects [*inaudible*] projects all that period, reviewing them and then certifying whether they conform to Bank policies and procedures.

WEBB: So what you're doing now has an awful lot to do with what you did before.

RAJAGOPALAN: It was very logical for me, for the Bank to consider me, to ask me to do this job. And I'll deal with all the sector departments here.

WEBB: Without all the day-to-day . . .

It's really interesting. I didn't really have a sense of this particular function in the Bank.

RAJAGOPALAN: It's a staff function, you see. Whenever you do a staff function it's not very evident except for the people inside, you see.

I had a window on the Bank that no particular usual department could have because of the location, working directly for the Senior Vice President Operations, and I then began to represent him in liaison with the Legal Department, with the Secretary's Department, with OED [*Operations Evaluation Department*] and with Finance and with everybody else. For example, you know, the kind of job that we used to do in the department was--many ad hoc issues arise, for example, in the--I have forgotten the exact date now, maybe '82, '84--because of the problems we were beginning to see in Latin America, they said, "Look, an accelerated program to accelerate disbursements to these countries is necessary to give them some financial support. How does one do it within the policies of the Bank?" So we came up with what was called a Special Action Program. So I was called, and they said, "Look, there is a problem. Do something." That's all. So you think, you know, get my guys together, sit down and talk about it, and then we came up with a Special Action Program. And I was responsible for monitoring the implementation of that program because, you know, centrally somebody had to do it, and there is no other place except my department. So I was the one with responsibility. I then ran the program for, I suppose, two years or so in which, you know, we came up with the policies to help increase disbursements to these countries.

WEBB: This was still under PPD?

RAJAGOPALAN: Yes, it was under PPD. So I was responsible for conceptualizing a program, running it, because we had to give the Board [*of Executive Directors*] a certificate that, yes, we were not just opening up the floodgates and then doing all kinds of things, you know, because a certain discipline had to be followed to assure them that, yes, things were still being done in a kosher way, these sort of things that we were doing. And at the end of two years we folded the program because what we had introduced as--you know, it was contracting, ability to borrow, more local cost financing, increasing the percentage of financing, the variety of techniques we used to accelerate disbursements,

all of them became pretty much standard operating procedures. Once you absorbed them into the operations, there was no need for a special program.

And, for example, during that period I did the procurement guidelines for the Bank. It was a very important piece. The entire procurement guidelines were expanded and made into your formal document. For the first time in the history of the Bank we came up with consultant guidelines because the consultant business was increasing. You know, "How do we manage this whole process?" These were all those days very relevant. The EDs [*Executive Directors*] and the Board were very preoccupied with these kinds of issues, procurement issues. And in procurement, as you know, the issues there are whether there should be a margin of protection or not, you know, [*inaudible*] equipment and so on. How long should one have it? Why should you have it? Which countries have it or do not have it? That's one set of issues.

The other one is competition, you know, international competition facing local competition and the other means of procurement, to define all these things very clearly, specifically, so that the rules of the game are really transparent and then to propagate it, to train it. So I had a big procurement unit—I say "big," but it was—initially it was one person and we expanded it to about half a dozen during the course of that year, that period, to do that kind of work and to train the Bank staff in actually following the procedures. That became a very important part of that period, and now it has become pretty standard. People are just doing the process. There's no need to reorganize a procurement unit--I mean, there's no need to redo the procurement guidelines. It would be a waste of time. And the consultant guidelines likewise. We did that also.

Then we introduced PPF, the Project Preparation Facility. I was asked to--they said, "Look, there is a problem that project preparation in Africa in particular—and in other countries--the preparation cycle is out of sync with the budget cycle of the country, so if a project is not included in the budget at the appropriate time, it has to wait for a year or so because there is no money to put by the project. So isn't there something that the Bank could do to help them in project preparation?" So I came up with the Project Preparation Facility, and I ran it, and I was responsible to the Board, to tell them at the end of the year, "Yes, this is what happened."

I started off--McNamara gave 5 million dollars as the commitment authority for the thing. By the time I left it was 99.5 million dollars. He expanded that facility. It became one of the success stories; it was a very, very--even today people talk of it as an important innovation that we did at that period. Then when this became so successful, I decentralized it. Initially I was asked to control it and certify even ten thousand dollars. Unless I put a signature [*inaudible*] it could not be touched. The idea behind the Project Preparation Facility is that, subject to some very minimum bureaucratic requirements (you know, a request from the government asking for the help), we will give them up to a million dollars—you know, we started increasing the amount and so on—in advance for the preparation of the project and different types, you know. We have defined it. We issued an OMS on that also. And once the project is prepared and appraised and the loan is made, this money will be folded into that loan or credit, Bank loan or credit, whatever

we give, we fold it into that. In cases where this does not materialize, then they have undertaken to pay it back in ten years, so it also comes back. So that was the preparation facility. It is a very successful one.

KAPUR: In some ways, you know, this is what was sort of supposed to be done by UNDP [*United Nations Development Program*] . . .

RAJAGOPALAN: They give grants.

KAPUR: They give grants?

RAJAGOPALAN: Yes. They are supposed to . . .

The PPF is either on IDA [*International Development Association*] terms—if it is an IDA country—or on Bank terms [*inaudible*] for a grant like that. So whereas the Asian Development Bank gives grants for preparation of projects, we didn't have a grant facility like that. Then somewhere in the middle—I don't know who it was or regarding what, but he was raised in Africa, saying, "We were not able to take this loan and repay it because the project did not come up and so on, we need to come up with a grant facility." So I came up with SPPF, as it was called, Special Project Preparation Facility, which is a grant facility, only grants are there. And there we justified it by saying that this will help countries to prepare projects, not only for the Bank but for other donors as well, so that you will have a pipeline of projects. The problem was in Africa we didn't have a pipeline of projects which potential donors could use, so to help develop that pipeline we came up with the SPPF, a limited [*inaudible*].

KAPUR: In the early part of the Bank's history, one sees references of using UNDP to identify projects for the Bank. Was there a feeling that that was not sufficient or enough and . . .

RAJAGOPALAN: Yes, this was an additional facility that was created as we were expanding our lending activities. The need for having a facility like this in the Bank was that, and so we started off with a PPF—and then, as I say, an SPPF for Africa, which was a [*inaudible*] And these are all quite successful activities. They have helped quite a lot in preparing projects, and my job was to manage the program as well as do an annual report to the Board on what's happening.

Another job I had in that particular setup was—you see, the Board approves the usual budget and then never hears about it, so we were asked to write an annual report to the Board on project implementation. So every year we wrote this, so there we would say, comment on the portfolio as a whole one year, you see. At the end of each year we would write a project implementation report—we called it an annual report on project implementation—which would comment on the projects that are being implemented in different parts of the world, and we had then developed systems for rating all these projects. We had our own systems for rating different aspects of the project to see whether it is proceeding as it was intended to proceed or whether changes are needed or

delays are occurring or whether the rates of return are going to be as predicted or worse off or better off, costs are going to be increasing, whether conditions are going to be met or not, audits are going to conform to fundamentals--those sorts of things. So the project implementation review became an important tool to inform the Board that yes, this is the status of the projects that you approved and this is what they look like in the aggregate.

For example, the report will give an aggregate picture of, say, there are roughly 300 projects today in some 100 countries with a total value of 250 billion dollars to 265 billion dollars, in which the Bank's participation is roughly a third and then co-financing so much, the rest is country's own. It gives—it will give you the aggregate, an idea as to what the portfolios are. Then it will describe in greater detail, in Asia [*inaudible*] Then it will also have a saying, in Africa it is like this and so on, saying these are the major problems encountered in implementation in this part of the world, here, there, and so on. And then it will say there are some generic problems, you know, with respect to a location and so on. These are [*inaudible*] problems are. Then it will break it down sectorally also and say in agriculture there are more problems there than you have in education or some other sector and so on. So it was a presentation of that sort, and the Board came to welcome it very much. And we tried to make it a sort of an internal auditory, because OED comes up with all these things after the disbursement period is over—which is seven years or so--whereas we were coming up with this at the end of the first year, as the projects are going on.

WEBB: When did they start these reports?

RAJAGOPALAN: Oh, 1979, something like that; I think during my stay there. I don't know--no, probably earlier. In 1976, I think they started, not '79—'76, because I started off with the third or the fourth report to the Board and then ended up with the tenth report or something like that.

KAPUR: The IR department will have this.

RAJAGOPALAN: Yes.

So that's how I think it happened. And in that period, you know one of the things that we--see, every year we learned from--that is, the first maybe two or three reports were descriptive. Then we were beginning to use the reports as a vehicle for making the policy changes or the process changes that were necessary in the institution. For example, if we found systematically that certain things were getting delayed and certain things were not done, then we will pick it up in our work program and come up with an OMS or a staff instruction, some such thing, the lessons learned. You see, that is how--in agriculture, for example, we started including in the lending operations themselves provision for a mid-course correction. You see, there is built into this project in the later years you will find a proposal that there will be an evaluation following after the second or third year--especially when they were doing those days the area development projects, the rural development projects and so on, multisector projects. We said, "Let's wait a minute. Take a look at it at the end of two or three years to see if the direction in which you're

going is the correct one or if some changes should be made." So we introduced those sorts of things at that time.

And then we also started picking up special themes that we would write, special topics. One year we will make an evaluation of technical assistance, how good is the technical assistance work at the Bank, so we started picking up on the topics like that and commenting on them. So that was also welcomed by the Board very much. That was one set of activities.

Then again picking up from that, well, the audit function is--auditing of project expenditures and so on--is not being done very well, so we set up, I remember, we set up a task force called the Audit Task Force, and we said, "These are the minimum essential things that need to be done in order to assure that the right *[inaudible]* funds, that the funds are indeed being used for the purposes for which they are intended. So, what is the minimum audit? How is it to be done in an African country where there is no institution or economists and so on? What's the minimum required audit of costs and so on?" There is--a very good audit report was written, audit task force report, which became standard in the Bank. So these were the kinds of activities that the department was doing.

KAPUR: How was it linked to the rest of CPS *[inaudible]*

RAJAGOPALAN: He became my VP *[vice president]* afterwards. You see, as I told you, I had a dual role of being administrative *[loud noise which drowned out voice]* after that to do this, but still I had to be a little independent, you see, to be able to do these things, reporting to Ernie because of the Loan Committee's linkages. So it was, you know, because we are all working for the Bank so it is not really an issue there, and they understood how these jobs had to be done.

It became a sort of a coordinating department, you know, a staff department, whereas, you see, the others had—if you look at the CPS, you had the agriculture department--I take it as an example. There were about 60 technical people there. They were providing lead advisory roles, looking at individual projects, going on missions, helping them and so forth, but then you see I would, in my job, would come and turn the green covers, you know, the Loan Committee package which had been cleared by their department already, so there will be that conflict. I know sometimes I may not agree with what they had earlier on agreed with the region, so this was somewhat of an independent—you know, this was for the chairman of the Loan Committee an assurance that yes, the policies have been followed, the procedures have been followed, and it is an acceptable piece, because we cannot reasonably talk about . . . That was the goal. So that slight arm's-length relationship with the CPS had to be maintained, in that sense, yes.

KAPUR: It will be Shahid Husain's shop?

RAJAGOPALAN: Yes, I mean, his shop meaning he is the head of the CPS.

KAPUR: He became the head.

RAJAGOPALAN: He became the head of CPS, you see; after Warren Baum, he became the head of CPS. I don't know when it was; might have been '83, '84, something like that.

WEBB: Is that function still being carried out in a similar way in the Bank?

RAJAGOPALAN: No. After the reorganization, you see [talking at the same time] it so happened I was the first and the last director, because in '86 when I--what happened was in '86, the beginnings of the reorganization, this most recent reorganization, people were--consultants were appointed and people were beginning to talk about it and so on, that there was going to be something of this nature. Since I had been asking to be relieved of that job, which was very heavy in any case, that was seen as the right time. So I went to EMENA as the projects director, and [*Hans*] Eberhard Kopp was appointed and then he was on the task force of the reorganization. So the department quietly started--because everybody knew that centralized approach was no longer going to be followed, so the departments quietly disappeared or disintegrated.

After the reorganization they set up what is called the COD, the Central Operations Department, and they set up this part of--originally PPR now PRE [*Policy, Research and External Affairs*]-and they divided the functions, that is the policy function and the research and so on we are taking care of, and the process functions the COD is taking care of. The COD is now staffed with a few people. The procurement unit they put there. And even the procurement unit, there was a debate whether they should be with me, and I was not taking any sides on that. I didn't want to. So they kept the procurement unit there, but the procurement unit now in COD performs more of an advisory policy function and not a monitoring function as it used to do in the old days. You see, in the old days the central procurement unit which they had used to clear every contract of over a particular size, you see, civil works if it was more than, I think, 25 million dollars, if the equipment was more than a million dollars. These numbers might have been increased . .

[End Tape 1, Side A]

[Begin Tape 1, Side B]

WEBB: . . [*Hans*] Wyss is now [both talking at once]

RAJAGOPALAN: Now COD is located in Moeen Qureshi's shop, and the director of the COD reports to him directly. And it performs now some staff functions for him. And he also has another group called the EAS now, Economic Advisory Staff, so he has two groups there to assist him. But the philosophy of the reorganization, since the regions are given direct responsibility for everything, even on procurement--you know, the regions have their own procurement advisors. They take care of all those activities. This group here provides advisory services, and they don't have as in the old OPS or in the old--my former department--they don't duplicate those functions that much. You see, for example, the Public Sector Management Unit [*inaudible*] together with me in the old

PPD, is now part of CEC [*Country Economics Department*] here, the development economics side of PRE. There is the Country Economics Department. In that department there is a unit under Mary Shirley which deals with public sector management and private sector development, so that has been put there.

And the environment thing has become very large, an Environment Department now. We started talking about it in those days. There is an Environment Department which does both the policy and research work as well as provide operational support.

And all the sector departments are here now. Each group is policy [*inaudible*] sector but also provide operational support. The only thing they do not do is not provide extensive operational support because of the numbers here, very few people--the old, for example, old agriculture department had some 70 or so staff; the new agriculture department has 25, 26 people. It has all been downsized absolutely so they will not be able to provide operational support to that extent.

They don't, of course, have the individual project by project review function anymore, but I do now provide to Qureshi annually a sector review, you see, of each of the sector departments is asked to review the Bank's performance in the sector during the previous year. We write a report called the sector report on agriculture, industry and education, health and these areas. We comment on the quality of the work done, the quality of the project work done, rate of work, and we comment on the sector work done, economic sector work done in that particular sector, and we raise issues, and then I provide an overview. See, these are done by the departments. Each department makes a report like that. Then I sit here and pull the pieces together and give an overview, saying these are the cross-sectoral issues that are arising, these are the sorts of things that are happening. And then Qureshi has a discussion with me on that, [*inaudible*] regions also request us to come and discuss with them our findings.

KAPUR: Is this the A-R-D-E [*Annual Review of Development Effectiveness*]?

RAJAGOPALAN: No. That is the [*inaudible*]

WEBB: Annual review of development effectiveness?

RAJAGOPALAN: Well, you see, that I prepared for the first two years. That has a different history. You see, when the reorganization report said that the sector side of the PPR should write annual sector reviews on each of the sectors and subsectors, not necessarily every year to the same depth providing extensive coverage, but at least once in five years you should cover each sector comprehensively. So they foresaw a certain percent of sector reports to be prepared by this group annually. And then they also said that we should as PPR, as was initially conceived, using the sector reports comment to the president directly in a report on development effectiveness, an annual report. So there is no precedent to that in the Bank, so when I took this job--and PPR was supposed to do that, not the sector side, but the PPR at that time did not have a vice president for development economics—Stanley Fischer came after about eight months or six months

or so, so I was the only chap available here under David Hopper. And there was this requirement, and people were monitoring our implementation of the reorganization's recommendations, so I took it upon myself to really say, "Okay, let us do this."

And so I went on, talked to the vice presidents. There was a retreat [*inaudible*] So I asked them "What do you think?" and "This is what I plan to do" and so forth. So the first report I issued to [*Barber B.*] Conable from me saying that this is what has happened in operations--a 30-page report giving him in a very concise fashion what's happened. So we also picked up on the basis of discussions with people some individual topics to comment on. So both were written up and done in a very concise fashion. This created a lot of reactions because this is not the kind of report which was provided in one draft and discussed with everybody, a consensus developing and so on. No. It was done just as a report to the President of the Bank, informing him, "Look, last year these were the lending objectives of the institution; as against this, these were the achievements; these were the areas in which we failed or we did not perform." Sort of a report card, you know, putting it in a very blunt form. That was the sort of thing that has been done. So I wrote two such reports. It was all done here, in a sense.

Now, you see, a report of that nature obviously cannot be a very well publicized consensus document because it's expressing an opinion, however carefully it says it—for example, there was an administrative retreat, first retreat that was held [*inaudible*] again, because there was no DEC [*development economics*] vice president, I was asked to talk about adjustment lending. I introduced the subject and raised half a dozen questions on adjustment lending: where we are after ten years, you know, after having spent so much money, these are the issues. They liked it, and they said, "Look, these are some real issues that the institution should work on." The follow up to that was the adjustment lending—what is it called?--RAL, Report on Adjustment Lending 1, RAL 2 and so on. They picked it up and worked on that, and that was mentioned in that first ARDE. And then balance between adjustment lending and investment lending, I raised there is an issue there that needs to be addressed, and how do we deal with trade aspects of it? How do we deal with this—a new form lending seems to be evolving without anybody realizing it which we call this hybrid lending, and what should we do? So we developed a paper on this and so on. So that was the follow-up action that . . .

Then another thing, because the commenters said that the Bank has forgotten poverty, and even in agriculture loans and even in, you know, the social sector loans and so on, it is not a [*inaudible*]. I used to read these things and we were [*inaudible*] used to insist on critical consumption, what do you do and so on. Nothing like that. It is just completely area appraisal report; there was nothing. Of course, people didn't like it, you know. They objected to that, and so I said, "Look, I'm not going to withdraw that. This is what I see." The result of that was Attila's [*Karaosmanoglu*] task force on poverty and then a *WDR* [*World Development Report*] on poverty, so now the Bank's orientation towards poverty. And with a topic like that, the report said that, look, 40 percent of the Bank's lending is going to the bankrupt DFCs [*development finance corporations*]. See these are all factors I gathered from the sector reviews done by the departments. My job was to distill them and to put it in a very narrow way, succinct, a brief report to the President, only the

highlights then would be covered. If you want details I'll give you--my people have done the sector reports; I'm picking up from there and telling you this is what is happening. That was again resisted and so on, but then, you know, people came around and appointed the [Fred] Levy Task Force and all that which has followed.

Then I said that the technical skills of the Bank are getting eroded, and I gave some facts and figures and so on. And then that was--everybody accepted that. They appointed a task force of the [inaudible] and so forth and they have come up with recommendations and now recruitment is more geared to [inaudible] technical staff's training. We have a task force that's just come up with proposals and so on.

We looked into lending to population. Attention is not being given to population, that's the criticism: that nothing has happened. Then we said that--in that report I also said that education lending, you know, accelerated education program we have realized, we have doubled lending to education, we had a world conference on education, so a big push has been given to that. So, like that the report set the agenda for the Bank. In a number of these areas [inaudible]

It's raised a number of issues for the Bank for the future, also. Exit--and I said, "Look, you can't go on adding things to the Bank. Resources are not unlimited. The Bank must have some criterion for exiting from some of these things." That was, of course, debated and nothing much happened on that. And so that was in a big debate in one of the senior retreats. But . .

WEBB: Subversive idea.

RAJAGOPALAN: Yes. The problem with that was, and it's very--although I managed to set the agenda for the institution in some of the critical areas in which it is now working [inaudible] sectoral debt. I'm not a macroeconomist, so I'm not able to comment on that. Since it had that kind of an impact--I don't know, you see. At the end of two years--after the second report--so much, it generated so much friction in Operations that the president told me, you know, "Well, let's not write reports in this fashion anymore. Let us simply pick up some topics and write." And I said, "Look, let somebody else do it," and so that's why I did it. It is not to have the--but the annual sector reviews are different, as I'm sure you understand. They are completely different.

I still use the sector reviews to inform Qureshi now, rather than the president, to tell him what is happening, what are the soft spots [inaudible] Sort of assisting him, you know, from the side track, somewhat of a more objective view than he was likely to get on a day to day basis. So that's the job.

WEBB: Fascinating story.

RAJAGOPALAN: [inaudible] job, that's why I'm doing it. It's not an easy one to do, but at least there are--when you see something coming out of it, you know, as they say

here, because without many people realizing it, if you are able to set the agenda for the institution to work on, what more--what can be more interesting than that?

WEBB: Sure. But there still remain the issue papers, certain selected topics where you do roughly the same thing but in a much more . . .

RAJAGOPALAN: No, that we still do, you see, because, for example, I've taken now--forestry is an important topic, okay? We are writing a forest policy paper because it's a very contentious issue. On the one side, you know, forests as resources, logging and things like that. On the other side are forests from an environmental point of view, global warming and things like that, and I thought, "That's interesting." I've just taken that as an issue. We are developing a forest policy paper and approaching it in a comprehensive way. We are consulting NGOs, consulting countries. You see, in the development of the policy itself, we are now approaching it in a different way.

The first example of that was the education policy paper. See, we wrote a paper on family education or basic education for sub-Saharan Africa. The way we developed that paper was to, first of all, come up with the ideas and have a document and have a workshop in Africa--we had two workshops, one in Ethiopia and one in Ivory Coast--to which we invited not only education experts from the countries (that is, from the government, from the public sector), we also invited, you know, the local opinion-makers and broadened the participation and said, "Look, this is what we think what needs to be done about basic education in sub-Saharan Africa." And a one-week seminar--*[inaudible]* there, I guess--and then we wrote these papers and then we went to--I chaired a meeting, because they were all in for a UNESCO *[United Nations Economic, Social and Cultural Organization]* meeting in Paris, you know, Bangkok is--all the 32 or 38 education ministers in Africa, and told them, "You know, this is a kind of thing we are coming up with." So they gave their input, which went to the Board. The Board gave its input. We had another meeting with the donors saying, "This is what the Bank is going to be doing in the next five years with respect to education. These are the amounts of money that you gave. Where would you donors be able to come, foundation donors and so on?" So it was a policy which was developed in a sense with the participation of the countries themselves so that there is a sense of ownership of that policy. There is a much better chance of the policy being implemented rather than the Bank sitting within Washington and writing a paper followed by *[inaudible]*, which is seen as an outside paper.

That approach we are now following in the policy work that the sector departments here are doing, the forest policy being another one. The education itself, we have done now a primary education paper like that, vocational training paper *[inaudible]* we held seminars in a number of places in the world, developing *[inaudible]* and that has been very well received by the Board. We are working on a higher education paper like that. Then we'll wrap all these things into one key statement--the education sector paper. So that's how we are developing.

WEBB: These are all forward-looking . . .

RAJAGOPALAN: These are all forward-looking. See, what we do is, yes, what are the emerging issues in the 1990s and then . . .

WEBB: I meant the audit function that was carried out by these two ARDE reports.

RAJAGOPALAN: Yeah, that we have given up. We still write these internal reports, you know, which is a sort of an audit function.

WEBB: That's what I meant.

RAJAGOPALAN: The sector reports being written; the annual sector reports are being written.

WEBB: So it's still being done in a different way.

RAJAGOPALAN: In a more subdued way. Rather than going to the president of the Bank, it is going to the senior vice president now but in a, as I say, in a slightly different fashion; it's not pulling all the pieces together, you see.

Then, in the general development effectiveness reports we were writing, we were commenting, for example, on staff skills and so on, you see. It was not only in our Operations function because at that time the administration function--you see, we were taking a much larger view of things. But now we are looking at it in a . . .

WEBB: And these are going to Qureshi?

RAJAGOPALAN: These are going to Qureshi, going to Qureshi. And policy development itself is taking place. You see, in addition to that we are doing, looking ahead and saying what are the emerging issues and what are current Bank policies, how consistent are these policies with the needs of their--are they sufficient to address these sorts of issues? What changes in policy need to be made and if so propose those changes. The forest policy is an old forest policy we have--the way we do things has changed quite significantly. Now, the new forest policy, which is being developed, as I say, by involving the different and diverse interests in that particular area, is making it a much more of a relevant policy. And we are right in the middle of it right now.

And we also have picked up a group of people here to look into energy; we are developing an energy policy for the institution, and energy conservation is becoming an important thing here. We are being attacked as an institution, that the Bank has not paid enough attention to energy end use efficiency issues, so we said, "Okay, let's take a look at our policies. Let us take a particular look at conservation and end use efficiency and so on." So that's one group working.

Water management--you see, in the 1990s if you see what will happen is population is increasing in a number of countries, land degradation has been going on in some of those

countries, so we have to produce more food. And also economic levels are increasing, consumptions are increasing. And also, you see, if people are taking a high value food source, so we need to produce more in less land to feed more people. How are we going to do that?

Second, as urbanization is taking place, you see, you are using up existing land, you know, in a number of places, and the need for domestic drinking water, you see, for example, is increasing, and the quality of the water is deteriorating. You have to go longer distances to get water, purify it, so it becomes more expensive. Now, how are you going to deal with the urban needs of drinking water, the irrigation needs, the agricultural needs of water? In some countries—if you take India, for example, the ground water table has been going down, it is now down by *[inaudible]* feet since independence from what it used to be, so that means more energy is needed to pump the water to that. And so what do we mean by sustainable development? What do we mean by sustainable agricultural development?

So you run into, head on into the issue of water management, water resources management, as a critical issue to development, especially in some countries—in the Middle Eastern countries, in Java, in Indonesia, in India, parts of India. This is more critical to economic development, to the development of the country, than any other single factor. The grand old ideas of monetized development and so on don't work. So one has to look into more sophisticated approaches to the use of water and how do you manage the use of water under these circumstances, in order to provide drinking water to more people from longer distances, improve the quality of water, and produce more food on less land.

WEBB: Everything is becoming more systemic . . .

RAJAGOPALAN: Systemic. So we are looking at—that's the water issue that is coming up, so how do we address those sorts of issues? I set up a *[inaudible]* water resources advisory *[inaudible]* gave me the responsibility and to address this issue. It is being addressed now. We are writing a paper on that.

KAPUR: Can you give us a few names of persons we could talk to on these last few issues you talked about?

RAJAGOPALAN: Yes, you could talk to—well, honestly, first you ought to talk to me because I have been totally involved on the tropical forest action plan and so on, and then you can also talk to Michel Petit (he's not in today). He's my alternate on most of these meetings and so forth. And of course the task managers themselves are Mr. *[Narendra]* Sharma and Mr. *[Raymond D. H.]* Rowe, who are writing the policy paper there.

KAPUR: Are these papers going to the Board?

RAJAGOPALAN: It is going--no. First approach paper went to the Board, and right now we have a *[inaudible]* meeting on Monday, so the next portions are going to them.

There's going to be a meeting with the NGOs on the 23rd and 24th of April, the same paper they will also be discussing. I'll be chairing that meeting.

Then, Guy Le Moigne is the guy who is the water resources advisor; he's the one charged with developing the water resources management position, and he's doing that. And Bob [Robert J.] Saunders is the guy who is dealing with energy conservation and energy efficiency issues and so on, so he's the one to talk to on the energy policies paper. These are three important things in the 1990s, and of course the Environment Department is doing a lot of work in these areas.

I've also been asking them to look into the whole question of infrastructure deterioration because I have an intuitive feeling that the infrastructure deterioration may be a major issue coming in the 1990s. Not only in the U.S. is it a problem but also in the developing countries, also.

WEBB: Certainly in my country.

RAJAGOPALAN: So that is being looked at by Louis Pouliquen's shop. He is in charge of that paper; Arturo Israel is really actually handling that paper, so that's another one which is coming out. We recently came up with a housing urban policy paper. This a very good piece, you know, what is the--because urbanization is a major issue in all countries, and it was very well received by the Board, also.

WEBB: Who wrote it?

RAJAGOPALAN: Mike [Michael] Cohen is the guy who wrote it; he's responsible for that. So housing policy is particularly an important one in Eastern Europe [inaudible] housing policy. So a lot of interesting work like that is going on.

And the agriculture sector—if you take the forestry and the water management are critically important issues. Biotechnology is another important issue. See, what is happening in the agricultural sector is the production is now gradually moving into the hands of the private sector. This used to be a major public sector function, as you know, but—I mean, providing infrastructure and things like that--but now it is moving away, and so what does that mean to the developing countries because, you see, you do get into questions of patent rights and so on because biotechnology is introducing new varieties of seed, new ways of doing things. These are all--all the R & D, the research and development in agriculture twenty years ago was done basically in the universities and the public institutions. Now this is all being done in private institutions or companies. Now, when everything was done in the universities and public institutions, all of these countries had easy access to it. Now how do they have access to it now when it is done in companies, large multinational companies? So that's an important issue that is coming. What is the role of the Bank under those conditions in the agriculture sector?

KAPUR: I—just one thing which was, we have seen a little bit, which is perhaps more--one issue that you could [inaudible] look at the Bank's policy on livestock [inaudible] but one in which you [inaudible] you or someone might be aware of.

RAJAGOPALAN: No, no, we had one. We attempted to prepare a livestock policy paper and then very quickly found out that it was region-specific so that rather than attempting to provide one paper, macro, global paper, which would by its very nature become too general and therefore not really effective, so we are now proceeding on the basis of a more regional, more focused attention to the issues. We think it is an important sector, especially since another area--there will also be a book in [inaudible] chief source of protein to people who [inaudible] Richard, one of your countrymen, [Eduardo A.] Loayza, is looking at that.

WEBB: Who is?

RAJAGOPALAN: Loayza, he's a Peruvian. [inaudible] He is developing a paper on that. There's an international research that we are supporting in that area. Irrigation and drainage, we have been supporting international research, and that's also going on very well. A lot of developing countries and developed countries have all been supporting that. Agricultural diversification is a major issue; we have written a paper on that. So . . .

WEBB: What is the number one issue for industry? You have an industrial . . .

RAJAGOPALAN: You see, in the industrial side we have written a seminal paper on two aspects of it—on competition policies and the other one is on industrial restructuring. The first one, we are saying what are the policy reforms the government [inaudible] to induce competition, and the basic thesis there is—you see, in competition people immediately think of only international competition. See, you must have internal competition, domestic competition, first to begin with—everybody involved--and a lot can be done there, and you get into the questions of exit and entry into, exit of firms and their ability to come in and go out, creating an enabling environment in which these things can happen. I would suggest that you take a look at that paper. It was also very well received. It's a very good paper. Carl Dahlman is the division chief, and he's the guy who did that work. That's a good paper.

And the one on restructuring, it's also a good paper [inaudible] We don't have an industry—you see, in industry we are approaching it only from these points of view, rather than in the old-style, someone on industrial steel. I don't have any experts in any of those fields. I have only economists dealing with these type of issues.

Technology--we are trying to work in the area of technology transfer and technology development. What sort of technology should we develop and how does one transfer technology? Carl Dahlman is again--I have asked him to take responsibility for that.

WEBB: He was a student of mine, Carl, and a very good one. Well . . .

RAJAGOPALAN: I have to meet somebody else.

WEBB: We appreciate this enormously, and you've—it has been just fascinating. We will be visiting some of your colleagues.

RAJAGOPALAN: Go ahead and visit anybody you want, ask any questions . . .

[End of Tape 1, Side B]

[End of Interview]