

**WORLD BANK HISTORY PROJECT****Brookings Institution****Transcript of interview with****KAZI FAZLUR RAHMAN****Date: November 20, 1991  
Dhaka, Bangladesh****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.

*Kazi Fazlur Rahman*  
*November 20, 1991 - Verbatim*

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

**LEWIS:** . . . What I wanted to ask you was something that I asserted in another conversation this morning. It had to do with the coordination of aid donors here. As I remember it, I got the impression that ERD [*Economic Relations Division*] was doing, either from that visit in '82 or from talking to Maurice [*Strong*] when he came to Paris or maybe both, that ERD did a very active job of aid coordination, and it's unusual in that the recipient government really took a kind of lead in holding meetings on a sectoral, subsectoral basis. Was that true?

**RAHMAN:** The formal sort of, on government's side, ERD is the agency, the coordinating agency. Some time or other everything has to go through ERD. And from the donors' side the mechanism is the local LCG [*local consultative group*], local--and you must know about LCG--and there are also some sectoral sub-LCG sort of thing.

**LEWIS:** Yeah, the local coordinating . . .

**RAHMAN:** The local consultative group, and they have that one big consultative group, and they have this sector LCG also where--not all donors are interested in everything--for water development or for human development. And ERD is really to provide the secretariat, focal point for the government. But, well, the question always remains how effectively they do it; I mean, this is number one. And number two is at what stage this coordination is really--there is a perception here, frankly (I was there) is that they simply push things along. I mean, this is not really--they are not--how much critical judgment or effort they bring in from the government's side . .

**LEWIS:** From the government's side?

**RAHMAN:** . . . from the capability. Some possibly would say that they are simply become a part of the process, a good promoter, some in the . .

**LEWIS:** The different governmental participants, you mean?

**RAHMAN:** Now, if somebody comes along with an idea, they push it along. They pushed the Halford [*phonetic*] group when they developed, which ends up in the shape of an agreement for a . .

My next assignment when I came back from Manila, I was a member of the Planning Commission, and what you might call the senior member. I was in charge of what was known as programming. Also, some of the sectors, particularly what is known as the socio-economic infrastructure, this is really sectoral part, but overall I was also responsible for programming. That's really deciding who gets--which project or program gets what.

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

**LEWIS:** Would that involve a judgment--let's say you're working in the education field--with the comparative advantages of different donors?

**RAHMAN:** Oh, yes. It does. This is because—and also that had the rather unpleasant task of--one big problem in Bangladesh is scarcity of local currency, and I think the most difficult part in working as a member of programming in the Planning Commission is to come to some kind of a decision or recommendation who gets what, and that naturally involves a judgment.

**LEWIS:** Sure.

**RAHMAN:** A cross-sectoral judgment, inter-sectoral judgment, even judgment amongst the donors. Every donor wanted money for, local currency support for his own project. Every ministry wanted money for their own projects but the kitty was small. And worse still, every year, unfortunately, in my days, halfway through there would have been a big cyclone or a flood. And then you have to divert a lot of resources to the emergency rehabilitation or relief, and then that means still you have to pare down allocations for the—that's the way it is. So that's how my--possibly I had much more interaction and occasion to pass, right or wrong, qualitative judgment in respect of sectors, in respect of projects and programs, and in respect of donors than ERD.

I've been a secretary ERD. Secretary ERD's job is much more of a getting things along, I mean, the expediting the processing of a project. I mean, this is--the donors go to them. The ministry goes to them, "Do you want something arranged to get the resources for us?" "We want to have an airport," somebody says, "and get us money for the airport."

Or some donor comes and says, "We want to set up a new fertilizer plant." I mean, do your bit. I don't think in the working of the ERD much of a judgment is involved.

**LEWIS:** I see.

**RAHMAN:** It is really doing a good, efficient job in processing things.

**WEBB:** You have--just to clarify--you have ERD. You have the Planning Commission, the programming area. Do you also have a budget office?

**RAHMAN:** Programming area acts as the budget office for the development projects. They allocate the money.

**WEBB:** For public investment?

**RAHMAN:** For public investment. You see, our process actually—I must explain. Now, what you call the annual development plan, money comes from mainly the foreign exchange. Most of it comes, almost all of it comes, from donor financing. The local currency requirement, again, some of it is really counterpart funds generated by different

donors from ODTA [*official development technical assistance*] support including IPCs [*import program credits*] at different times. The World Bank's import pay program in the days when they were--in the early '80s and mid-'80s when they are involved. And the other part is what is known as the revenue surplus. That's government's own revenue, what is left after spending all the--and increasingly government revenue surplus become a more and more scarce thing.

But, however, nominally, at least to begin with, we had not--now it's the responsibility of the programming division to divvy up this money amongst different projects. And there are a number of projects which are really totally locally financed for the local projects. Now, this is something which many times the World Bank had very serious objections. You cut down on your list of local projects, your locally financed projects, because the aided projects are being starved of the supporting counterpart funds because you are spending too much on local projects, many of which may not be that productive.

But now it is really a constant struggle. Budgeting takes place there. The kitty is there. The finance ministry tells me that this is how much you will be getting as revenue surplus to go towards ADP [*annual development program*]. ERD tells me that this is how much you can expect to get as counterpart funds, generated by food aid or other commodity assistance. And it's the job of the programming division to distribute this amongst different claimants, local claimants, foreign aided project demands, and also acting as a kind of screening process for any new project ideas. I mean, the initial screening of every new project idea is through the programming division.

So this is how I think I had possibly much more interaction and much more occasion to sit on judgments in a sense on the quality of projects, on the need of these projects, and on the relative . .

**LEWIS:** And you'd have a lot of direct dealings with donor representatives at that time?

**RAHMAN:** Fairly extensively. Mostly when--for two things. Number one is when not adequate support for that project in terms of the local currencies available, I would be the one to . .

**LEWIS:** They [*inaudible*] weight on you.

**RAHMAN:** This is number one. Number two, if some of the projects really got stuck in the process, I had to say, "No, thank you. We cannot afford it."

On many, many other of the occasions where particularly bilateral donors, even Bank, they would possibly find me obstructing the way. I mean, they would try to convince me that it's a good one. And part is particularly in the operation of the UN system agencies, the UNDP [*United Nations Development Program*], their technical assistance program in UNDP I more or less coordinate, try to work out some kind of balance in the total technical assistance program, and even how the--the Bank's projects' technical assistance part was funded by UNDP funds--how much money. These are the sort of areas.

And, of course, I was a regular participant in the annual ritual in Paris. I mean, this is both as member of the Planning Commission, as secretary ERD.

And so this is the--well, possibly--it is subjective, but it left me with a fairly good idea, I believe, about the quality and about the complexities, about the problems and also the advantages, disadvantages of different approaches by different donors.

The World Bank, of course, is in a unique position as a donor. It is not only one of the major providers of resources, but also in a sense it's the leader of the donor community, particularly the--they set the tone in many cases.

**LEWIS:** Right.

**RAHMAN:** It doesn't mean that all the bilateral donors in particular always take the cue. Many of them tend to sort of plow their own furrows, particularly, say, Japan or France. They have their own favorite projects, favorite sectors, and not many of them unfortunately is necessarily desirable. I mean . . .

*[Interruption; Lewis leaves]*

**KAPUR:** The way you describe the—it seems so much of it is sort of supply-driven . .

**RAHMAN:** Much of it is supply-driven.

**KAPUR:** . . rather than demand-driven.

**RAHMAN:** Much of it is supply-driven, but let me be very candid. *[inaudible]* facility too much for our own good, particularly bilateral aid, much of it is supply-driven, and that really queers distortion in terms of priority, distortions in terms of desirability. And I would say even some of the multilateral donors' projects are not really free from this, much less in case of multilateral donors like ADB *[Asian Development Bank]* or World Bank--this is much less. But in the case of bilateral donors, much of it is supply-driven. And the bigger is the sort of a, the harder is the persuasive, persuasion, the stronger is the persuasion that you can relate directly to the quality of the—the worse is the quality of the offer.

**KAPUR:** Is the persuasion related to the amount of money they give overall?

**RAHMAN:** No, it more relates to what is being tried to be sold.

**KAPUR:** I see. So the more shoddy the products, the more the hard sell.

**RAHMAN:** The more the hard sell. The more important becomes the local group who is really in a sense, frankly, I mean, it may sound harsh, but I have told it to many bilateral donors, and I think I can, I should--some of the bilateral funding is really

perpetrating a fraud on the taxpayer of the donor country and on who is the recipient in the country, the poor people of my country in whose name the money is being funded. I mean, I'm sure the taxpayers of the donor countries didn't provide the money, didn't pay the tax, for some supplier to be selling off some shoddy product to Bangladesh.

And this is the part of the sort of, I think, the dark side of the entire aid game. I mean, I can reel off the names of projects, frankly--I mean, which we should have been much better off without those. And apparently this is a bad project but they create departments, a source of drainage of the regular—you see, it's not a one-time operation. You do a bad deal and you lose money and that's all: you close it down. It's not that.

*[Lewis returns]*

**RAHMAN:** What I'm saying about the donors, he asked me a question: are most of these *[inaudible]* projects supply-driven rather than demand? My response is yes, and the sort of stronger is the persuasion to receive a project, you can almost assume the poorer is the quality of these projects.

**LEWIS:** I didn't get the last bit.

**RAHMAN:** The hard-sell always comes with the bad project.

**KAPUR:** The worse the quality of the project the Bank pushed, the more [both speaking at once]

**LEWIS:** Oh, yes. I understand.

**RAHMAN:** And this is really in many ways particularly in case of some bilateral donors—I don't say all--is really an unholy alliance between some supplier in the donor country and some middlemen, some what we call rent-seekers in my country.

**KAPUR:** Who are the ones which you've had the worst experience with?

**RAHMAN:** All of them. I mean, I don't know whether it would be--Japan is for one, frankly, I'm [drowned out] The French.

**LEWIS:** The French, yeah.

**RAHMAN:** *[inaudible]* Well, almost there can be--I think in this respect the Americans, frankly, USAID [*U.S. Agency for International Development*], is possibly the most ideologically correct. I mean, they do it, practice it, and they push projects that are more out of ideological considerations than out of pure commercial motivation, private commercial motivation. I mean, trade of cars and Japan are really the--and also some of the countries like China. China has a fairly important role this century in Bangladesh.

**LEWIS:** Does it really?

**RAHMAN:** Oh, yes, in terms of supplies. You don't really see them in ODA [*official development assistance*], possibly [*inaudible*] in ODA, but they are fairly active. They were fairly active. I do not know how things will be right now.

Even countries like Pakistan.

**LEWIS:** Really?

**RAHMAN:** I mean, this is a really interesting game. I mean, this is the selling of a--providing suppliers credit to buy a ship which we don't require, possibly; to sugar mills which is absolutely--our existing sugar mills are, could be, some of them should—it's time we wind up, close down some of them. But the money would be coming for a couple of sugar mills from Pakistan.

But these are—and sometimes they are the most difficult ones to resist.

**KAPUR:** Why is it difficult for, or what are the reasons that make it difficult for the government of Bangladesh to say no?

**RAHMAN:** Part of it is political--I'm not including necessarily any financial motivation--political in the sense . .

**LEWIS:** You're not excluding that?

**RAHMAN:** No, I'm not excluding that, but part of it is political, political in the sense of China is our good friend, the president visits China, they have a good meeting with the Chinese top leaders, and somebody said, "What about getting something, buying something?"

Once I received an instruction saying that, "We are buying 17 ships, vessels, ocean-going vessels, from China. You arrange to pay 700 million taka as down payment for—it's the supplier's credit. And, oh, well, the president of Bangladesh and Chinese prime minister, they agreed that it's a good idea."

**LEWIS:** Seventeen ships, huh?

**RAHMAN:** Seventeen ships. I tried to ask the question, "What are you going to do with all these ships?" Number one is, even with China you don't have an agreement of ship sharing. Do you have a ship plan? I mean, this is a--do you know [*inaudible*] and these are going to fly? And these are all general-purpose ships. You cannot take--many ports in the world—now, I am not a shipping expert, but even then I have the--at last possibly we worked out kind of a compromise deal. I mean, some president of Bangladesh gave a word, and, well, I say, "Okay, buy two ships, one now, one maybe after a couple of years. Meanwhile, work out a ship plan, and we'll see about it in the future." But these are extreme examples.



And there can be also supply-driven projects from the Bank. And that supply-driven project is really more of a--I wouldn't say it is a matter of Bank policy, frankly, but it's more motivated, more influenced by Bank's staff interests. I remember . .

**KAPUR:** Personal interests?

**RAHMAN:** It may not be personal. Everybody wants to expand his own empire. I mean, see the man working in infrastructure, he wants more infrastructure roles. I'm not saying that he will be getting money out of it, but his job becomes secure. His empire expands. I mean, possibly the consultants and the other people working with him get longer tenure when they--but it's pure money, sort of. Money under the table doesn't really . .

**KAPUR:** Doesn't possibly come into the picture.

**RAHMAN:** . . doesn't possibly come into the picture, but it's more really is empire-building. It goes on even within the Bank. The infrastructure men wants to push more infrastructure projects.

**KAPUR:** Can you think of some examples of such like things?

**RAHMAN:** Oh, well, how can I say it? Overall Bank works with what they call, they try to prepare every year a five-year tentative lending program. You must have seen those. And it contains a lot of things. And the very first step in getting lending program development is really taking ideas from different departments in different sectors. And I think that's really first stage where some of the projects which may be somewhat marginal gets into this. Once they find place there, it becomes really who can do. The resources are limited. Funding amount is limited. Now, who can push what? And this is—I'm not really trying to frankly pass a judgment on the--in any bureaucracy, big bureaucracy, these things happen. These things happen within the government.

Within the government, also, each ministry, when I was secretary of different sector ministries, I tried to push, maximize my own. And in theory, all of these pressures should really bring about some kind of an equilibrium provided there is a good judgment at the policy level. So I would not really or suggest, just reel off the name of a particular project, but if you look at the lending program overall in Bangladesh, where the Bank money went to, despite all Mr. [Barber B.] Conable has been saying about doing more for education, for health, for poverty alleviation, where actually the money--even when Mr. [Robert S.] McNamara began to talk about doing something for the poor--most of the Bank projects in Bangladesh really have gone into hard sectors where a lot of . .

**LEWIS:** Including irrigation?

**RAHMAN:** Including irrigation, where the—that irrigation, who benefited from the irrigation? The big so-called FCDI projects, Flood Control and Drainage and Irrigation

projects, the total contribution of the FCDI project to irrigation is possibly less than five percent. The major expansion in irrigation took place in Bangladesh through small irrigation initiatives. Lowly farms, cultivators, they are the main vehicles for expansion of irrigation in Bangladesh, not these big massive and the FCDI projects. I think their contribution--I can't say exactly--I should estimate less than 10 percent I'm sure. And they are--well, contractors benefit from it. The entrenched bureaucracy within Bangladesh grew big; you need a big bureaucracy in the ministries for it. External consultants and contractors benefit from it. And it's still—there is still there a push to have more and more of those. How much went into . . .

I had a very interesting experience a couple of years ago when Mr. Conable, Mr. [Attila] Karaosmanoglu, and Mr. [Sinji] Asanuma, they all visited Bangladesh.

**LEWIS:** Who did you say?

**KAPUR:** He was the director for Bangladesh.

**RAHMAN:** Director for South Asia. And Mr. Karaosmanoglu was the vice president, and Mr. Conable also came. And they are talking about poverty alleviation, women in development, doing more for social sector, for education, for health. I couldn't help pointing out to them that here I have just received the next five years' tentative lending program, and I picked up part of the tentative figures for this so-called priority sector of the Bank. It came to less than 10 percent.

**WEBB:** What was the reaction?

**RAHMAN:** And the worst part in Bangladesh is, our development efforts are 100 percent dependent on foreign aid.

**LEWIS:** Yes, I know.

**RAHMAN:** Even whatever limited local resources are available, first claim on that one is the aided projects. We have very little left to do anything on our own in these areas after meeting the counterpart requirement of the aided projects. This harms us in two ways. Number one, the aid money is going to the--all these so-called priority sectors aren't receiving any aid money. Number two, whatever local money I could have diverted to these areas are now being in a way preempted. So this is a--these things take time to change. I am not really . .

**LEWIS:** That's my question. The reason for this 90 percent to the nonpriority, it isn't the case--and it sounds to me quite right--but it's probably not the case that the Bank people making those decisions are getting personal financial benefit out of it. It's a kind of a momentum [both speaking at once]

**RAHMAN:** There are two things. It's a kind a momentum, and it's very difficult to change regardless of what Mr. Conable or Mr. [Lewis T.] Preston says in the annual

meeting. It is very difficult to change the momentum of the bureaucracy. In the Bank, never. I am a bureaucrat. I have worked in bureaucracy all my life, and I think the Bank is really the supreme bureaucratic organization. No, no. And the people are, sometimes do not realize bureaucracy is also a function of size. And the bureaucracy has its own compulsions, own momentum. The presidents may come and go. I'm not doubting their—they may reorganize it to death, but bureaucracies, they will continue to the momentum. The inertia of bureaucracy remains.

Number two, on many occasions one project follows another project. You'll be seeing numbers, number one, and one project follows another project. There are consultants already working there. Bank staff is already working all of those, and in a country like Bangladesh you can justify taking in isolation anything. Any road is a good road.

**LEWIS:** Oh, yeah.

**RAHMAN:** But where so many things are lacking you can, taken on its own, you can justify almost any investment.

The second part is the, I think, compulsion in a sense or at least perception among the Bank staff that money needs to be moved. And moving money is much easier if you are funding a big power project or a big fertilizer project or a big—even a dam or an irrigation project. Moving money is very difficult, very difficult, in social sector. Even to design an approach is—I mean I have worked in all these areas. I was Secretary and Minister of Energy. I was Secretary, also Minister of Education at one time. Trying to put together a five million dollar poverty alleviation project can be more difficult. It can require, absorb more staff time, more staffing ingenuity and patience than a five hundred million dollar fertilizer plant. And if there is some kind of at least judgment that money needs to be pushed, and the Bank staff's efficiency or his promotion or his future is decided by how much money he was able to push, you are really creating an incentive for everybody to work on. I think the brighter people tend to move in areas where this can be done. Number one, putting together a small poverty alleviation project, a project for the women, a project for rural credit and rural employment can be fairly messy. There is no sort of models that you can really follow immediately. A lot of trial and error is involved. And in fact you have to do a lot of staff planning. And it's much easier, much simpler, and for any Bank bureaucrat to do an agriculture project or a fertilizer project or a major irrigation, I mean, flood control project.

**KAPUR:** I was just wondering, when you pointed out this fact to Conable and Karaosmanoglu when they visited on the 90 percent, what was the reaction?

**RAHMAN:** The reaction was, frankly, I mean I think—I felt that they were also taken by surprise because, after all, think of it. It's not really for Mr. Conable to—when you look at 90 or 150 borrowers, it is not what is happening in every country. And I think, and number two, I would just say that we have visited the areas, new areas. We are trying to develop our own expertise in these areas, and in parting they say, “You should demand for it”.

**LEWIS:** You should demand?

**RAHMAN:** And we are right. But even for these things you don't have that kind of vested lobby, political sort of a lobby, to demand. I mean, this doesn't give you big commissions. These are not big contracts to be awarded. And I reiterate I'm not imputing any motive on the part of anybody, but this is really part of the momentum, the way people are used to do things, part of it is one follows from the other, part of it is the difficulty in working in social sectors, in soft sectors, and there has to be a conscious effort on the part of the Bank management and conscious effort at rewarding people. There is no problem in this sector.

I worked with the Bank for seven years. I came in at the Bank back in early '87. From '87 to the last day I left the office when I joined the interim government as a member of the caretaker government, I had been struggling with the Bank for putting together a small what they call a poverty alleviation project. This has been there almost--they started in 1982 or '83. Ultimately we couldn't come to any agreement with the Bank.

**LEWIS:** Television [*inaudible*]

**RAHMAN:** Small poverty alleviation programs for . .

**LEWIS:** Poverty alleviation. I misunderstood.

**RAHMAN:** . . poverty alleviation, rural employment generation, rural credit program.

**LEWIS:** Was this the Foundation?

**RAHMAN:** Yes, the Foundation. It's actually the—I, with all modesty, I can claim to be the author of the Foundation.

**LEWIS:** I see.

**RAHMAN:** The Foundation right now functioning without any Bank money, with 100 percent government, scarce government resource. Every little word in that charter was written by me in longhand. And as a matter of--it was really as a matter of, in a sense, getting . .

**LEWIS:** This is the Polli Foundation [*Polli Karma-Sahayak Foundation*]?

**RAHMAN:** The Polli Foundation, yes, Polli Foundation. It was really Bank's contribution to this process was that they figured it out. Without the Bank's interest possibly I or nobody else in Bangladesh would have taken it up. But the problem with the Bank was--I mean, if you really want to talk about that one . .

**LEWIS:** Oh, yes. I must tell you that we are very interested to talk about it because we heard about it at some length from Mr. *[Christopher R.] Willoughby*, the Bank representative, who came here just as things were blowing up in the end, and then we heard a vivid account of it from *[Muhammad] Yunus* yesterday.

**RAHMAN:** Oh, Yunus actually, Yunus helped me a great deal, but I would like to say once that from whatever source or whatever went wrong or right, in fact I was the--I felt really sort of vindicated when both the ministers in my government really roundly abused me in the cabinet meeting, and Bank staff abused me on the other . .

**LEWIS:** You couldn't do everything right.

**RAHMAN:** Well, that means I have done something right. *[Laughter]* No, this is the--what I'm saying, this should be a case study.

**LEWIS:** Yes, yes.

**RAHMAN:** Somebody should do a case study on this one, and I must have some of these papers still with me as how it originated. The word "Foundation" was coined by the Bank, but ultimately the Foundation as it is functioning today, has nothing to do with the Bank. In fact, it is in a sense a defiance of the Bank. In fact, it is one of the projects the Bank was very keen to sell. But the package they wanted to sell, I for one considered that package is not worth buying and this would lend us into more difficulty then, and the concept is if you really wanted--number one, first I came across this in the shape of a small pilot project. What amazed me was in that project, if I can recall correctly, more than 50 percent of the project cost was consultants. A project for the poor. And I simply asked a question, "Where on earth are you going to get expert here consultants to work with the--on credit programs for the poorest of the poor in this country? To the best of my knowledge, if that expertise is available anywhere, it is in Bangladesh."

**LEWIS:** Yes, right.

**RAHMAN:** I mean, whatever little that is now.

The next time they came, they came up with a good, brilliant idea that the project could have things like--I'm just trying to recall from the motive--like an appropriate technology institute where the skill development packages for the poor would be developed. And that is an appropriate institute of--my figures may be wrong, somewhat off--that is an integral part of the poverty alleviation project. That institute would have a campus of something like 40 acres with 50 Ph.D.s working there. To me that was absolutely unacceptable. I mean, here skill development is necessary, but what kind of skill will you develop? To me, the issue was we have already enough so-called technical training centers in this country, some funded by the Bank. Try to reorient them so that they are--try to use them for providing appropriate skill training wherever necessary to this poor, not create another big institute.

Now, this is one problem I found working with not only World Bank but also with ADB and other organizations. Each project must create its own superstructure. I mean, it suits local bureaucracy. It suits local consultants. And it suits external bureaucracy, external consultants and suppliers and contractors. But does it suit the so-called target group? I mean, instead of trying to use whatever is already on the ground, some funded by the Bank--and they are really, most of them are absolutely of no use to anybody now--you won't try to create new organizations.

Ultimately, when we put together this Foundation concept, Bank came up as a final gesture with an offer for 80 million dollar credit. In fact, now, that becomes very interesting. ERD's motivation is, "Get the money. There is money." And at least Finance Ministry's motivation is, "Get the money. If not anything else, that's the balance of payments support immediately."

And part of this is one instance when we said that--and that for which I was really roundly abused--I mean, this is said, "Thank you, we don't want the money now. Number one: as soon as we agree, sign on it, loan for 80 million dollars, every three months the Bank's supervision missions will start descending on us. They say, 'Why money is not being disbursed? Money has to be pushed.'" If, to ruin any such initiative, the best way is to give them too much money and push the money too hard.

The first part of this certain institution is to help them do the job. There is no set formula for it. There is no model to copy. You have to learn as you go along and then use the lessons you have learned to--you can kill any such initiative by giving them too much money. Then money becomes the driving force. And then Bank came along. Along with the money, of course, the other things like eligibility criteria for the borrower. This is something we have to learn through working. But I don't claim anyone has the—anyone can claim it is the science of the knowledge that what to stipulate, either sitting in Dhaka or sitting in Washington, that what should be the eligibility criteria for the participants in such a program unless you really work with me. And so these are the kinds of things actually which partly I persuaded the government to tell, "Thank you. We don't need the money right now. Let us make our own mistakes."

**LEWIS:** This is when you were on the Planning Commission, right?

**RAHMAN:** Planning Commission. "Let us make our own mistakes. Let us try to learn how to do it. Then of course money would be welcome."

**LEWIS:** Didn't they also want their positions on the board of the Foundation?

**RAHMAN:** Yes, and they . .

**LEWIS:** They wanted the chairman or the managing director, I guess, to come from the government, is that right?

**RAHMAN:** Oh, the managing director is from the government now. But we--that is the minimum that the--it's a very interesting concept. Managing director is from the government, but he's not really. This is a company.

**LEWIS:** A private company?

**RAHMAN:** Private company. Under Companies Act in Bangladesh there is a provision for--in fact, I spent many a day and nights trying to work out the appropriate institutional arrangements for this Foundation because, number one, it has to be backed by government but not controlled by the government.

**LEWIS:** Right.

**RAHMAN:** Number two, at the same time, it is also to accommodate NGOs, private sector, and the beneficiaries. Now, there is an interesting mechanism I found in the Companies Act. There is a provision in the Companies Act for what is known as nonprofit companies, for companies, pure companies but not working for profit, and this is the provision under which this has been set up. This board has—we introduced a concept of what is called, the terminology is “partner organizations.”

**LEWIS:** Partner organizations.

**RAHMAN:** Now, what is a partner organization? People organize--it's not really lending money to the, running the credit operation and lending money to the individuals on its own. Put it down to something like a poor man's DFI, a development financing institution. What they do? Somebody comes up with a project. “I want to set up an industry. Here is a feasibility report. Here is my credentials. Give us the money.” It is something like a poor man's DFI. Some people get together. It can be formal NGO. It may be a group of individuals who have gotten together to pursue some program with the objective of poverty alleviation, employment generation for its members. It may be headed by local councilmen, local government representative. It may be—it doesn't have to be registered NGO. It may be even a cooperative. But they come to this Foundation, say, “Here is our idea. Here is our program. There is no set formula. Would you provide, would you back us?” And if the Foundation thinks, they become then the partner organizations.

And the partner organizations also have the representation on the board. Initially when the board was set up, those places were kept vacant. As soon as partner organizations started, operations started, you have a number of partner organizations, and their representatives also find place on the board now. By this time, after one year of operation or so, there should be now—I do not really aware; I've not kept myself abreast of the developments—now there should be also on the board representatives of the partner organizations.

**LEWIS:** These on there for a term only? Or . . .

**RAHMAN:** Oh, yes, terms, but given terms, two years or three years, and they develop their own money.

**WEBB:** The partner is the borrower?

**RAHMAN:** The partner is the borrower, not individual borrowers but the institutional borrowers.

**WEBB:** That in turn sublend?

**RAHMAN:** Sublend.

**WEBB:** So in effect it's your borrowers, the Foundation's borrowers.

**RAHMAN:** Yes, the Foundation borrowers are partners.

**WEBB:** They become partners.

**RAHMAN:** They become partners.

**LEWIS:** Do they become part of the government [drowned out]

**RAHMAN:** And the managing director is appointed by the government. He works on a board which is almost entirely composed of the representatives of partner organizations or interested individuals who are non-government.

*[End Tape 1, Side A]*

*[Begin Tape 1, Side B]*

**RAHMAN:** . . has a compulsion to do things on a big scale.

**LEWIS:** Well, in this particular case apparently they were being driven to move that 80 million dollars this year and not . .

**RAHMAN:** This year and, in fact, I don't think they are ready for it. We are not ready for it anyway. And the temptation was, as I say, "Wouldn't be government also--why not take the money?"

**LEWIS:** Yeah, yeah.

**RAHMAN:** I mean, this is a rare case indeed when government of Bangladesh said that . .

**LEWIS:** You weren't on the negotiating team that went to Washington?



**RAHMAN:** No, I was not in negotiating team, but I sent signals to them saying, “No, you don't do it.” And I had a good minister at that time who backed me.

**WEBB:** How did the Bank behave about all this?

**RAHMAN:** They were obviously upset, extremely upset.

**LEWIS:** Karaosmanoglu particularly.

**RAHMAN:** No, I mean Karaosmanoglu was extremely upset with me. Asanuma was livid. In fact, I think, all I can say, I'm not going to get any consultancy offer in the Bank! *[Laughter]* We've burned all bridges. No, but this is a--I frankly feel that this is a now . . .

**LEWIS:** It's a pity, really, you know, because their intentions were very good.

**RAHMAN:** No, no, in fact, they figured out the whole idea. *[all speaking at once]*

**KAPUR:** There's a sadness about the whole thing.

**RAHMAN:** They figured out the whole idea. This compulsion to do big things, move big money, I should say this should be a lesson somehow. I do not know how to really reach it to the Bank's policy or management level. Sometimes in this kinds of areas doing small things, learning from them, and then move on to big things, this is a very natural process. It's not placing an order and floating an ICB *[international competitive bidding]* for a power plant. I mean, each one has to be customer-designed.

So this is a--the intentions were fine. The president said, “Do something in poverty alleviation.” The vice president says, “Do something.” Staff was under pressure to do something. And here's 80 million dollars that could be shown against, in the annual report, that we have already projects, poverty alleviation projects, for so many million dollars that are already signed, sealed, delivered. But I am absolutely sure this would have ended in disaster. Bank has an excellent post-evaluation mechanism. I have seen many of the Bank's PPRs *[project performance report]*. Unfortunately, by time those evaluation takes place, the people who designed the project, who worked on the project, they must have been either out of the Bank or promoted two steps above beyond all—this becomes an academic exercise.

**LEWIS:** And a promotion depends upon moving the money.

**RAHMAN:** Moving the money. I am sorry for the poor staff people who have been working on the project. I'm sure they are in trouble. I mean, this is a--but maybe Bank could really try to work out something of a separate window or sort of thing who can really deal with these kinds of pilot, experimental programs which have the potentialities to be, particularly in soft areas.

**LEWIS:** The separate window idea is quite a good one because partly what drives this sort of thing a good deal is the pressure from the supply side, the political pressure from donor parliaments with respect to IDA [*International Development Association*] money, and in a sense the pressures from the market to [*inaudible*] to go to borrow more and you don't have a lot . .

**RAHMAN:** No, no. And if you have to go for the next replenishment you have to show that you have used the money and how much you have used so you can show that you've used so many million dollars for [drowned out] That becomes a good selling point.

So I think perhaps--and the staff--you see, I'm sorry; I'm talking of things that really aren't on the agenda—say, take popularity of SALs, structural adjustment loans. I have a little suspicion the current popularity of SAL within the Bank management and staff is not hundred percent policy related. Some of it is that it moves money very easily, more faster project identification, project preparation, project pre-appraisal, project appraisal, subjecting those appraisals and pre-appraisals to massive project implementation. Then this is really money which can be very easily, big money, can be very easily moved.

And again, Bangladesh, we started out mostly with project loans. In early '80s we moved on to what is known as the IPC, import program credits, some of which really is structural credits, then moved on to sector loans with a lot of sector conditionalities, sector reform issues, and ultimately to structural adjustment loans. I sometimes really wonder, frankly, whether these structural adjustment loans have been all that good for us. It sometimes--I'm talking as a former national bureaucrat--it provides, possibly helps government, political system in the government, to avoid taking hard decisions. The foreign exchange support, its balance of payments support, is available. The budgetary support is available, and we can--the hard decisions that are, need to be taken in respect of these foreign exchange, resource mobilization, in respect of more, I mean, persons, or more better judgments in the use of foreign exchange reserves, that kind of decisions are frankly by, yes, idea is all right, policy orientation has to be brought about with a kind of a price. "You do this, we give you so much money." But by giving so much money, aren't you sometimes just enabling these political decision makers to avoid taking the hard decisions?

**LEWIS:** Yeah.

**KAPUR:** Are you, in that sense, do you think that the conditionalities in the SALs are too soft?

**RAHMAN:** Conditionalities may be as strong as possible, but right now this, just the money is being available. I have a balance of payments problem. This SAL money comes as a bonanza, as a manna from heaven. I have a budgetary problem. We are not doing enough on the budget side. You may put anything on the conditionalities, but the fact is money is available right now. And now it's more a question of how much money and when.

**KAPUR:** Right, right.

**RAHMAN:** And I, frankly, I have--working at the fairly top level of the government  
[inaudible]

**LEWIS:** That sort of question can be asked about almost any foreign aid, can't it?

**RAHMAN:** No, but it's more really--at least some project-related foreign aid, at least has an the immediate purpose. This is money you can use for any purpose.

**LEWIS:** Well, let's see. If you do local cost financing, you get foreign exchange  
[inaudible]

**RAHMAN:** Yes, yes. This is it. In fact, if you--I'm giving my purely personal sort of opinion now--Bank has been preaching, and rightly so, the discipline of market mechanisms and the testing by the market. Bank's projects are not subject to the test.

**LEWIS:** Well, in the market, the pure private market, there are no gifts.

**RAHMAN:** No, that's what I'm trying--whether it's a fertilizer project or a power project, even if the project is poorly designed, poorly identified, poorly implemented, Bank gives out the money. It may be concessional loan. But when a private bank lends money for the private sector, a poorly-designed, poorly-conceived, poorly-implemented project fails. The lender also takes some risk. Market proves whether the project was a good one or a bad one. In case of Bank's funded project, whether this is funded by OCR [overhead cost recovery] or by--what I'm saying, what Bank isn't preaching for everybody . .

**LEWIS:** The Bank takes no risk in it.

**RAHMAN:** Well, World Bank projects are not subject to that kind of a market test. I mean, this is--I do not know if anybody, why these questions are never raised by anybody, why it has not been raised by anybody. Now this is a—and also, mind you, these loans are really very intensively supervised. Yes, after five years or ten years there may be a PPR; there maybe OED [Operations Evaluation Department] will do a study and say that the project was poorly designed, poorly conceived and so on and so forth. But that is no consolation to the borrower, and that is no Bank . .

**LEWIS:** You're saying the commercial banks supervise the loans more . .

**RAHMAN:** Not that intensively. Every three months, I mean, we get [both speaking at once]

**LEWIS:** Okay, I thought you were just saying that the Bank can supervise [inaudible]

**RAHMAN:** The Bank is supervisor; Bank is designer. Whatever you might say in theory, the government initiates the project. Government designs the project. Projects are designed, and 90 percent of its content comes from Bank's identification missions, Bank's preparatory missions, pre-appraisal missions, appraisal missions, and then when supervision. You've prescribed a medicine for me. In a medicine there must be also some market test. The professional, the doctor gives the wrong professional advice, he can be sued. If a lawyer gives me wrong professional advice, he can be sued. But Bank is immune to any such--and I would like to see, frankly, a little more market--Bank being subjected, Bank projects being subjected to a little more market testing, testing the market, which it does so rightly proclaim to be desirable.

Now, this is one way--again, this may sound unorthodox. I do not believe that even for a poor country like Bangladesh, such projects which are in a sense commercial in nature, a power project, a fertilizer project, should be on concessional terms. By doing this we are simply making these projects unviable.

**LEWIS:** Well, the old line theory is, of course, you go for two-step financing.

**RAHMAN:** You transfer money to the government. You are providing government support. But the implementing agency or the corporation or the agency which is running the project, they think that it is cheap money. We also think it's cheap money and that therefore we are not subject to that kind of accountability. You see, yes, for social sector projects, for investment in education, investment in health, investment in specific projects for rural employment generation, for development of women, yes, I would say that even that should be 100 percent grant. But for projects which are, by its very nature, commercial, they should be treated as, taken as commercial projects. If you want to provide support, provide the government, providing *[inaudible]* but not concessional lending for a project. You see, every project they all calculate--they are excellent, most competent economists Bank employs, the professional competence of the Bank's staff is of the highest standard. They get the best in the world, the brightest of the university graduates from Harvard, Oxford or Cambridge or Chicago. And you will find every project EIRR [*economic internal rate of return*], 25; FIRR [*financial internal rate of return*], 25. Has anybody asked the question ever, in how many of these, at the conclusion of the project, these figures, these are really—these figures came anything near . . .

**LEWIS:** Well, OED does look at these.

**RAHMAN:** They look at individual projects. I would like to see a collective study.

**LEWIS:** We've been trying to pull some of that together.

**RAHMAN:** And why?

**WEBB:** There's very little. There is just beginning to be . .

**RAHMAN:** I would like to see a cross-sectoral, cross-country study. Why andnd what actually happens, and if there is actually something wrong. My say, in flood-control projects in Bangladesh, that's an area I know very little; only direct exposure to it was as a member of programming I had to provide money because 10 percent or more than 10 percent of the total ADB fund goes into flood control projects. The second thing is my last assignment in the government as minister or advisor in the interim government, one of my portfolios there was flood control. I was appalled; I was really--what I saw. Half of them possibly caused more damage than good. [both speaking at once]

**LEWIS:** These projects [drowned out] flood control.

**RAHMAN:** You see, after all these flood control projects, after spending the largest single chunk, we spend much more—more than education and health combined--on flood control projects. The end result is *[inaudible]* Of course, floods have to be there. In fact, I don't find anything wrong with floods. Bangladesh is a country created with floods, sustained with floods, floods will soon be there, but how to manage floods. They want to restrict floods, stop floods, not manage floods, number one. Number two is look at what has happened to--today in Bangladesh the availability of fish is less than, between 60 to 70 percent of what it was 20 years ago, a direct impact, directly as a result of flood control projects. No one knows, no one has ever calculated. And that fish is poor men's protein. It's the common protein.

**KAPUR:** Right.

**RAHMAN:** And no one has ever bothered to ask the question, no appraisal report, no--what is going to happen to it. Now I'm very glad there is some awareness, some consciousness. People are talking about it.

**KAPUR:** On a more perhaps sensitive subject, one of the things of structural adjustment loans is that the money is fungible.

**RAHMAN:** Very. Extremely fungible.

**KAPUR:** How has that affected, you think, the defense expenditure in Bangladesh?

**RAHMAN:** Defense expenditure, yes? Again, that's a very interesting thing. In all these years I've been dealing with the Bank, every year we have a country economic, country team comes, country economic memorandums are prepared. Paris meeting takes place. Defense expenditure was a tabled subject. You don't mention this. You don't--this is something I always wondered. As a national civil servant I have my own limitations. The Bank is not particularly bothered about national sovereignty when it talks about what import regime you're going to have, what foreign exchange regime you're going to have, money, or what succession regime you're going to have, but when it came to defense expenditure, Bank, there was nary a word. Now, was it because of the political addition of the Bank? The major partners in the Bank, it suited their purpose that some of these people, when some of these is going along at the time. It's only about

two years now when first time [*inaudible*] being started, people started mentioning that it's not a good thing, taking away resource system, the good development projects. [The noise in this section is deafening.] happening all the time. I'm not talking particularly about Bangladesh.

**KAPUR:** Or South Asia.

**RAHMAN:** Or South Asia.

**LEWIS:** One thing did happen that may have affected the Bank's practice with regard to India in the . .

**RAHMAN:** India, Pakistan [both speaking at once]

**LEWIS:** I know, but in the big deal done between Bernie [*Bernard R.*] Bell and George Woods that led up to the devaluation in India, there was a specific reference by Woods to defense spending, and the Indians went right up the wall. They were . .

**RAHMAN:** Okay, okay. If you can . .

**LEWIS:** And the Bank sort of got burned. [both speaking at once]

**RAHMAN:** I know, but if you can tell us that you have to do your taxation, all the conditionalities, each one of them are . .

**LEWIS:** I don't mean it's logical, but [both speaking at once]

**RAHMAN:** No, I would—perhaps I may be wrong, but I think, I have a feeling that it's for the--in the days of the cold war, when the first wind started blowing from, when the fresh wind started blowing from the east, it suited the purpose of the major partners in the Bank to have these import/exports. I mean, starting a [drowned out] money and spending some money and having their own--and this is a--I may be mistaken--but now it is no longer necessary; therefore, it's more of a political decision.

In Bangladesh in terms of defense expenditure--in fact we have one of the lowest; I mean, this is compared to whole of South Asia--but even here I think they--but now references are being made. We are being told that you can spend less on there. This could have been said. And as I say, they're also hesitant. There is no money. The problem of infringing on the sovereignty never stopped Bank from telling us what to do with the special, how to tax our people, how to spend our money, how to . .

**KAPUR:** Do everything else.

**RAHMAN:** . . do everything else. So that is to welcome, and I would say that free money--money who is absolutely fungible—does take you, does help you in deferring hard decisions. It's the kind of advice, I think: “You be good boys and promise to do this,

you'll get your money.” There is--I'm not saying this is all that's happening, there up to a point when and how, it's a very, very . . .

And again, in terms of conforming to the conditionalities, Bangladesh may not rate A. I think it will at least rate B, a grade of B. What has happened? Every time when we read that after you do all these, things are going to improve. The end product is we are much more dependent on foreign aid now. Things are *[inaudible]* money. I do not know whether things have improved or not. We've taken the medicine, all right, and medicine is sugar-coated by giving the money, but has really been . . .

The one problem . .

**LEWIS:** Could you do a counterfactual and imagine what things would be like if there had been no foreign aid for the last 20 years?

**RAHMAN:** Beg pardon?

**LEWIS:** Suppose there had been no foreign aid for the last 20 years.

**RAHMAN:** Bangladesh, I think, we would have problems for some reasons. Number one is, of course, the creation of the Bangladesh. It was created through a process, very destructive process. A lot of capital and money investment were destroyed. Even in Europe, that needed foreign aid to . . .

The numbered thing is the unfortunate, the *[inaudible]* shocks, major *[inaudible]* shocks, and the natural disasters. But it's only for those occasions, yes, foreign aid was necessary, and foreign aid was justified, but we couldn't do without it. In fact, possibly the room would have been dark now but for the Bank money that went into power generation, transmission, distribution. The water you are drinking is because of a Bank project in Dhaka water supply. I am not discounting what benefit is derived from this, but taken in totality all that we are hoping that conforming to the conditionalities of being the good boys, getting all the foreign aid, will usher in a new era of economic upturn, that hasn't happened. Here *[inaudible]* every time the Bank staff tends to be too optimistic. At least they try to--they tend to give too optimistic a picture: “You do all these things, things will be great.”

**LEWIS:** Is there any way that you can say how much and when the Bank presses these conditions that are at least very demanding in terms of speed? To what extent does the government sort of agree with its tongue in its cheek?

**RAHMAN:** I can tell you some conditions as a national civil servant. I welcome some conditions. Certain hard realities of life which have really made my political bosses to see and act rationally, some of these I could really take recourse to the Bank's conditionalities and tell them at the last argument, “If you don't do this, you don't get this money.” Frankly, there have been many occasions where I was happy to see, happy to take recourse to the Bank's conditionalities for making my political bosses behave

rationally. I mean, this is something I can now say--because I am no longer a civil servant, I can say this.

But it doesn't mean that everything there was essential or necessary. Number one, conditionalities must be, frankly, more focused. They wanted to do maybe everything to everybody. And this is really—and that makes you--I have come across instances where Bank staff put in project conditionalities something which they knew--I told them, "You know we have already done it," or "We are going to do it. Why do you put it here?" It's the kind of earning a brownie point that going and telling the management, "We have put it in the conditionalities here, and then really government has to accept it," knowing full well—I knew and they knew--that either we have done it already or we will do it on our own. I mean, the problems with conditionalities were trying to be all things to all men, do everything as if by one single loan conditionality you can reform the entire many social, economic, political malaises. They can be good. They can be useful. They can be effective provided they are really focused and also not too much claim is made for what they are going to do.

**KAPUR:** A bit more humble.

**RAHMAN:** A little humility. I mean, this is a—I mean, a little, after all, you are an economist; I'm not an economist. I think I guess you are all economists. The wonderful thing about economics as a science is that no two economists agree--no two economists. And they can always justify why their prediction didn't work. This is a—and they're--but when Bank economists come and tell us, as if there is the . .

**KAPUR:** Deal.

**RAHMAN:** . . deal [*inaudible*] If you do it, and you are good, this will happen. A little more--I think that's not very professional like that. I mean, other things will not remain the same. The floods and cyclones intervene. Political upheavals take place. Therefore, a little more--after all, if the personal competence could be of such an order, there would have been no recession in America. They have all the economists in the world they can buy. All the business school graduates are there, all the bright business school graduates are there, but still they have their own problems, recession, unemployment. So therefore when Bank missions come up with conditionalities and economic reports, a little more humility, a little more . . .

And, see, the other thing, frankly, I could say, Bangladesh is one of the poorest countries in the world. I hate the word, euphemism, "developing." It's a backward country. It's a poor country. I really believe that if we start really telling things as they are, ours is a poor, backward country. "Developing" is a euphemism which I really think we should get rid of. I mean, that really creates an impression.

Now, but not everybody in this country is "developing." This is a--the men working from the bank or Mr. [*Ghulam*] Kibria or I or [*M.*] Syeduzzaman have been through the same process, same mill, as the best professional in the Bank.



**LEWIS:** Sure.

**RAHMAN:** And it's sometimes really easy when a fresh graduate, when he comes and tells me, "Well, this is what you need to do for education sector in Bangladesh," certainly, I mean I find it difficult to--and he is speaking for Mr. Preston and Mr. Conable. Sorry, this is a . . .

**LEWIS:** No, no, no.

**KAPUR:** That's very important because it's the manner in which [both speaking at once]

**RAHMAN:** It's very unfortunate. In fact, I would say--I work for Asian Development Bank also. ADB has a frankly better image in this area, in this respect.

**LEWIS:** In terms of the manners that they . . .

**RAHMAN:** In terms of manners, in terms of--the problem with the World Bank, another problem is really it has become too big. Even in ADB you can now pick up a telephone and talk to somebody who can give you some advice on a problem. And in the Bank it's almost impossible to locate a single point where I can or someone from--this is--and all these every three year reorganizations do not help.

**LEWIS:** That's right.

**RAHMAN:** We do not even know sometimes who is the man to--this is one thing. ADB has frankly--not because I work for ADB--I think more accessible, the image of more accessibility, and the image of being more perceptive or more receptive to the . . .

And for the Bank also another problem is we have in our national government too fast rotation of professionals. That's one reason why people are not accountable. If you work for the project fairly well, there should be some accountability. If you design a wrong project, sell a wrong project--I mean this is a--I'm not saying his promotion should be held up, but . . .

And the other point, actually, what I strongly feel is that Bank's leadership role as a leader of the aid community is in some sectors is quite effective, but on the whole it is not working that well as Bank management would like to think. It doesn't stop Country A or Country B or Country C pushing their favorite projects and by that upsetting the entire apple cart. The Bank's leadership role comes more prominent when you want to impose conditions and restrictions but not really--on the borrower--but not really trying to really coordinate.

**LEWIS:** I think very often the Bank in those cases doesn't like to be inhibited by too much advice from its colleagues, the other donors [*inaudible*]

**RAHMAN:** And this is also another thing, perhaps.

**KAPUR:** I mean, it's easier, I think, for the Bank to push on the borrower than the other lenders.

**RAHMAN:** The lenders, who are also really creating problems.

**LEWIS:** They play a negative and a positive role on [both speaking at once]

**RAHMAN:** And so this is something which I do not know. I know there are political realities. I know that those, they are also owners of the Bank. But nonetheless I think this issue should be discussed, at least. There could be really some kind of sensitization or some kind of an education.

I'm sorry. I think I have really taken [all speaking at once] not having much to do. I mean, Escabria [*phonetic*] was on the telephone inquiring on my latest novel. This is my now . . .

**LEWIS:** You're reading or writing it?

**RAHMAN:** I'm writing it! This is my--I am what you might call a minor literary figure, fiction writer, in Bangladesh.

**LEWIS:** Do you write in Bengali?

**RAHMAN:** In Bengali, yeah. This is perhaps—these are also—I say my logic is sort of . . .

**[Tape seems to have been turned off here]**

**RAHMAN:** . . . and then also organization-wise I think that really some rethinking were really necessary. I do not know. I was reading somewhere that the new president is going to, is thinking now in terms of three managing directors, what is--I think that kind of a system . .

**LEWIS:** It might work.

**RAHMAN:** . . would definitely. I would welcome this. I mean, the Bank has been preaching to all of us, I mean, the delegation, with specific charter, responsibility, and more decentralization. The Bank is not a decentralized organization.

**LEWIS:** I know that.

**RAHMAN:** It is a wrong to assume--as I said, as a professional bureaucrat, I find the Bank is really the epitome of bureaucracy. I mean, this is a . . .

And also a little more thought on these soft areas which the Bank now is trying to block out. Don't push money. Work more on experimental pilot projects which can be later scaled up. Learn. And also give staff more freedom, more leeway to work in those areas. Don't penalize. Working on a *[inaudible]* recent project, if a staff member may not produce anything in two years, don't penalize him for that one. I mean, this is a-- acknowledge, accept that this is an area which requires a great deal of--it's not an area where you can buy a package. I do not know whether this can be done, these things can be done.

And also something what we are doing now, I mean, this is—an individual like me: I no longer work for government. I no longer work for the bank. I do not work for anybody. I have no stake in anything, but I have seen it from all these sides. My perception may be wrong, but even a wrong perception from someone like me should be given some weight.

**LEWIS:** Oh, absolutely.

**RAHMAN:** Thank you so much. It has been a pleasure.

*[End Tape 1, Side B]*

*[End of interview]*