

THE WORLD BANK GROUP ARCHIVES

ORAL HISTORY PROGRAM

TRANSCRIPT OF INTERVIEW WITH

LAURIE EFFRON

Interview By: John Heath

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(Transcribed from a digital sound recording)

The following is a transcript of an interview conducted for a special oral history project on the McNamara years. The project, led by John Heath from 2016-2018, was a partnership between the 1818 Society and the World Bank Group Archives to capture a social history of the experiences of staff during President Robert S. McNamara's tenure (1968-1981).

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INTERVIEW

HEATH: This is the World Bank Group Archives in Washington, D.C. Today is the 27th of March, 2017. On behalf of the special oral history project on the [Robert S.] McNamara years I'm John Heath and this is interview number 19 in the series.

I have with me today Laurie Effron, a former Lead Evaluation Officer at the World Bank who was a staff member from 1977 to 2006. A long number of years.

Laurie, I'd like to begin by taking you right back to the beginning and ask you why the World Bank, how did you come to apply to the World Bank?

EFFRON: Okay. I'm not sure what that has to do with McNamara, but -- it depends on how far back you want to go. When I was an undergraduate majoring in economics, I did a junior year abroad in Geneva, Switzerland and I took some courses at the African Institute, and I had a fabulous, inspiring professor and also a number of the students were African. So when we talked about countries and issues it was a less abstract thing than it might have been if I'd been sitting in a classroom with undergraduates in the United States. So the combination of that sort of sparked an interest in the economics of developing countries and the issues that we are faced. So that was the beginning.

Then I went on to graduate school and my area of concentration in economics was the developing countries and at the University of Michigan, there was a center for research and economic development that enabled graduate students to go abroad for their thesis work. So I lived in the Ivory Coast, Côte d'Ivoire, to do my research field work. It was a process. While I was in graduate school, I stumbled across project analysis, economic project analysis, cost benefit -- and that was something that I was aware the World Bank used, and I was intrigued by the World Bank. I wanted to do something in development and the World Bank was kind of it.

*Laurie Effron
March 27, 2017
Verbatim*

HEATH: Right.

EFFRON: So that's the long answer.

HEATH: Just to clarify, you asked what does this have to do with McNamara. The purpose of these interviews is to get a sense of what the Bank was like in the McNamara years, not specifically about McNamara. So part of that is understanding the perceptions that people brought to the Bank when they applied and what led them to apply and so forth.

So anyway, let's get the obvious question out of the way. Did you ever have a one to one meeting with Robert McNamara anytime in your career?

EFFRON: No.

HEATH: No? Did you ever see him in action in terms of a meeting or something?

EFFRON: You know, I was trying to remember. I was fairly junior for most of the remaining years of his time here. I think I saw him at the Board in action once. I was in the back row at a presentation of a loan to the Board that I had worked on. I think that he may have been there, and I saw him striding through the lobby into his elevator, you know.

HEATH: Right.

EFFRON: That was it. You know, otherwise, no, it was always at a distance.

HEATH: What impressions did you have of the man from a distance?

EFFRON: My impressions of McNamara were colored by the Vietnam years. My generation was very affected by the Vietnam War. So I could never quite forgive him for what it did to a whole generation of Americans. You know, my brother served in the Army and he fought in Vietnam and he came back fine, but still, you know, I had classmates who didn't fare as well, and so on and so forth. So that colored my view of him.

*Laurie Effron
March 27, 2017
Verbatim*

Having said that, I think he was a tremendous boon to the World Bank. I think he had an enormous and positive influence, putting it on the map, expanding its scope, trying to put some rigor into the analysis that was done. I think that was for the most part positive. So when I arrived there was a huge emphasis -- first of all, lending amounts. I mean it would -- and I think that remained throughout the time I was here there were targets to be met and so on. But, secondly, there was a huge emphasis on the economic rate of return of the projects in the sector where I worked and in other sectors as well, infrastructure and agriculture and industry, energy.

There were some obvious areas that lent themselves to economic analysis. So a fair amount of staff time was devoted to that and part of the Bank was organized around that principle. There was a central projects department whose job was to review the economic analysis. There was a - - I think it was in then the research branch -- there was a group that projected commodity prices and we used the commodity prices as the basis for the economic prices to get border prices, you know, to evaluate.

So I think that was driven by McNamara's desire to have hard numbers for things and by -- There was a prevailing paradigm when I arrived that development was a matter of having enough capital and enough investment and enough foreign exchange, and the Bank could play a key role in that. Then if it had a minimum economic rate of return all would be well. I don't know how much of that -- I think that paradigm existed without McNamara, but I think with his drive for numbers and the power of his personality and his charisma were such that it really influenced my daily life, our daily life.

I came in as an economist. You know, that's what I did, and there was a second aspect too. I did a completion report early on, you know, as a junior staff member for a rural development project that had many components, one of which were roads. I said one day, okay, we're getting in the Land Rover and we're going to drive the road and I'm going to count the traffic, I'm going to see the condition of the road, and I'm going to see --

HEATH: Do you remember which country that project was in?

*Laurie Effron
March 27, 2017
Verbatim*

EFFRON: It was Tanzania. It was a rural development in Tanzania.

HEATH: Was it Kigoma? The famous –

EFFRON: No. It wasn't Kigoma. It was in the west and I don't remember –

HEATH: Well, was it integrated rural development project? Was it one of that series of –

EFFRON: Yes. Yes, it was. It was.

HEATH: Okay.

EFFRON: The road wasn't there. It had been washed away in the last rainy season and it had never been rebuilt. We went a few kilometers, whatever, and stopped because the road was just gone. That of course affected the evaluation. It was \$17 million that was poured into this one area and there wasn't a whole lot to show for it. But the drive to even see what happened after the disbursement period I think was McNamara's as well. He created the evaluation department and insisted that the completion reports be done at the end of it. So my work program for the first I don't know how many years, three-four years, I think was dominated by elements that I thought came from McNamara's priorities.

HEATH: I believe he used to keep track of the schedule of delivery of project completion reports, which I don't think any subsequent president has even worried about.

EFFRON: Well, that may be. That would not surprise me. In all of his previous -- you read anything about him, all the previous things that he did were driven by systems and numbers. That was the approach he used.

HEATH: Laurie, let me take you back to the interview you had for the YP (Young Professionals) program. What do you remember about that?

EFFRON: Well, I had a few interviews as I recall. I don't remember much, but I do remember

that they asked me about my thesis, which was on -- at the time was called the informal sector, today it would be called micro enterprises -- and it was hot. I mean that wasn't why I did -- I didn't know it was going to be something the World Bank was interested in when I did it, it was just something that intrigued me.

HEATH: That term was invented; I think was it by ILO (International Labor Organization) or -- who invented the term the informal sector?

EFFRON: Oh, I don't remember. I don't remember where it came from.

HEATH: But as you say, I remember it was big in the '70s.

EFFRON: Yes. I do remember that I was asked some questions about what I thought some of the major issues were facing the Ivory Coast at the time. I had given some thought to that anyway. I lived there for seven or eight months.

HEATH: So you did your Ph.D. research on the informal sector on the Ivory Coast?

EFFRON: Yes. I did a survey.

HEATH: In Abidjan?

EFFRON: In Abidjan.

HEATH: Right.

EFFRON: In the popular areas, in three different industries. It so happened that the government had done the census and they actually had a list of what they thought was the population of carpenters, garages, mechanics, and tailors. So it was a boon to find that. Then based on that I drew a sample and did a survey. I pre-tested the survey and that was a whole other story. I mean the language issues, because there are about 40 different languages that are spoken by people from all over from West Africa. That was a whole other set of challenges. Very interesting. I

kept a journal aside from the surveys and the data. I kept a journal of my daily interviews. That made for far more interesting reading than the data findings I thought. But I had to use the data, such as it was. (Crosstalk)

HEATH: Now, I'm trying to remember, was there a resident mission in Abidjan at that time? Or was that maybe before?

EFFRON: I have no idea.

HEATH: Right. You didn't have any dealings with Bank staff in those days?

EFFRON: You know, there were a couple of people from the Bank who contacted me at the time I think. I remember it was Jed [John] Shilling, Brendan Horton. They worked here for years later and I can't remember whether I met them initially in Michigan. But I know there were some Bank people who contacted me at one point to find out about my research.

HEATH: Right, I see. Okay.

EFFRON: At that point I was still doing the survey. I didn't have a whole lot to say.

HEATH: Yeah, right. Do you remember who interviewed you on for the YPP?

EFFRON: No, I don't. I don't. Do you know who interviewed me?

HEATH: (Laughter) No, I don't have that information.

EFFRON: Okay. I don't -- well, you know what, I think Gene [Eugene O.] McCarthy was head of the YPP at that time.

HEATH: Yes.

EFFRON: But I don't remember whether he was one of the interviewers or not. I don't -- just

don't remember.

HEATH: Bill Stevenson, he was another chap and he was in there.

EFFRON: Don't remember.

HEATH: So you say that the project analysis, cost benefit analysis was very much in vogue at the time. Did they ask you questions about that, the methodology of –

EFFRON: I don't remember whether they did or not.

HEATH: It's all –

EFFRON: I just -- I remember talking about the Ivory Coast. That I do remember, and I think somebody spoke to me in French for 30 seconds just to see if I could manage, which I could sort of at the time.

HEATH: Now this was in 1974 -- sorry '77.

EFFRON: No. Well, I came in '77 in February or something like that, but I think the interview would have been in '76.

HEATH: Right, okay.

EFFRON: But, yes, I started in '77.

HEATH: So there would have been around 30 people total who were admitted under the program, that year I presume. Is that correct?

EFFRON: No, I think they had three separate intakes at three separate times. I think my group was either 20 or 30 people.

HEATH: I see.

EFFRON: But I think -- and I could be wrong -- I thought they had -- well, three different start times. Maybe that's -- but I thought there were about 60 of us who came at that time. But --
(Crosstalk)

HEATH: I'm just curious to know --

EFFRON: -- it's a matter of the record.

HEATH: Sure. I'm curious to know how many women you were aware of.

EFFRON: Not many.

HEATH: Right.

EFFRON: I was aware of one other woman.

HEATH: Just one other?

EFFRON: Well, I met her during the interview. She was either going in before or after me, Isabelle Tsakok.

HEATH: Sure, yes.

EFFRON: We remained friends. I kept running into her, so I think one put women in the same division. Anyway, she's the only one I remember from my pod, but there were probably others. There were probably a handful.

HEATH: Did you keep in touch with your year, so to speak, with people in your year, whether they were male or female, in the following years, or not much?

EFFRON: You know, I don't ever remember meeting specifically -- maybe they did have a YP get together, but more I remember, and I kept in touch with people that who were just recently out of the YPP that I met during my YP or my first assignment. So they were sort of my generation with give or take a couple years. Those were people -- a handful of people that I kept in touch with, so not a huge number.

HEATH: Do you remember anything about the first day on the job?

EFFRON: Not really. I was scared. I was nervous.

HEATH: (Laughter) Who wouldn't be, yes.

EFFRON: Yes, I was intimidated.

HEATH: So where were you living in those days? Which part of the town?

EFFRON: In D.C.

HEATH: You had a place in D.C.?

EFFRON: Yes. In fact, I had a little apartment in Dupont Circle.

HEATH: Right. So you walked to work or you?

EFFRON: I walked.

HEATH: Right, okay. What was D.C. like in those days?

EFFRON: It was great.

HEATH: Yes?

EFFRON: Where I lived anyway. It was interesting.

HEATH: Where were you raised? Which part of the country were you coming from?

EFFRON: Connecticut.

HEATH: Connecticut? Okay.

EFFRON: You know, I was excited to be here, I was excited to have my first real professional job ever. I'd had summer things but never something that was kind of an open-ended professional sort of job. So the whole thing was exciting. I mean DC in those days, I guess it wasn't all that long after the riots in '68. There were parts of DC that had been kind of emptied out and remained no-go areas, and just a few blocks from where I lived was like that, but I didn't go there. I knew it was there and I just avoided to go there. I thought it was great.

HEATH: So your first rotation, YP rotation was -- remind me, where was it?

EFFRON: My first six-month assignment was in West Africa agriculture. My division chief was Klaus Berg and [Robert] Picciotto was the Projects Director, I think.

HEATH: Oh, really?

EFFRON: He was the director or the assistant director. I think he was the director. I can't remember. Yes. Very intimidating.

HEATH: How would you describe the quality of the mentoring you got in that first rotation? Did you feel that there were people you could turn to?

EFFRON: There was one guy, Keith Oblitas -- who's probably still around. He's one of the guys that I was -- a recent YP graduate. I don't know how many years earlier. I kept up with him sort of over the years and, you know, not a lot. He kind of looked out for me. He was the one who supervised me, gave me assignments, reviewed the work. He was helpful.

HEATH: So were you mainly working on Côte d'Ivoire at this time or another –

EFFRON: No, I have not been back to Côte d'Ivoire since I was a graduate student. No, I went -- it was French West Africa, but we went to Cameroon and Congo, then Congo-Brazzaville it was called, were the two missions I went on.

HEATH: Did your division chief, Mr. Berg, did he have much of a hand in the sort of orienting you?

EFFRON: No, it was neutral. It wasn't -- no. I don't know whether he paid much attention or not, but I didn't have much interaction.

HEATH: I see. Okay. So your first mission, where was it to? Which country?

EFFRON: It was to the Cameroon and in those days -- how long were you in the Bank?

HEATH: I joined in 1990, I left in 2015.

EFFRON: 1990?

HEATH: Yes.

EFFRON: Oh, phew. (Laughter) Okay, in the '70s when I arrived there were still a number of British and French ex colonialists who had been -- at least in agriculture they had been plantation managers. In my division was a Frenchman named Georges Losson and he was the mission leader to the Cameroon.

It was a project to finance rubber and oil pump plantations, so we went to the plantation. He had them dig a hole that was maybe the size and shape of this table with steps leading down into it, and he climbed down into the hole -- it was maybe four feet deep or something like that; and while he was doing that he was asking questions about the rainfall and the temperature and frequency and how many days of sunshine, and when and so on.

*Laurie Effron
March 27, 2017
Verbatim*

HEATH: Dig a hole? I mean a large hole?

EFFRON: Well, he tasted the soil. He took a little bit of soil and put it on his lips and he did that in a couple of spots further down in a long -- and meanwhile asking about the climate and then he said what the yields were going to be. I just always remembered that. I have no idea whether it was right or wrong, how close he came. But he seemed to know. I guess it was the acidity of the soil or something that enabled him to tell what its composition was, whether it was going to be -- you know, what effects it was going to have on yields.

HEATH: So he was an agriculturalist who previously worked in the French -- what -- colonial service or?

EFFRON: No. Vietnam. Vietnam. He ran plantations as far as I knew. I never really asked him, but maybe somebody told me that he had run a plantation or plantations in Vietnam in the '50s. He seemed -- and of course his yields are what we used for economic analysis. We had to ask him over how many years until at what point does it start yielding and when does it reach full maturity, et cetera, and how long does it last? He had all the basic technical data that we had to use for our within-without project analysis. He was sort of a colorful character.

HEATH: So how many people went on that mission? Do you remember?

EFFRON: I don't really remember. I suspect there were about five of us. I don't know. Keith Oblitas was on the mission I know and Georges Losson. I don't remember who else. But there were a number of us.

HEATH: Were you the only woman?

EFFRON: Yes. I was the only woman for years.

HEATH: For years?

EFFRON: Yes.

*Laurie Effron
March 27, 2017
Verbatim*

HEATH: Okay. I suppose agriculture in particular tended not to attract so many women.

EFFRON: I was talking to somebody lately who said -- oh, yeah, Victoria Elliott, who told me that she was channeled into programs -- at that time it was projects and programs -- to being a loan officer. She was told because she was a woman, she had to be a loan officer. I said who told you that -- you know, that's -- excuse me -- that's ridiculous.

HEATH: Interesting.

EFFRON: Katherine Marshall made her career in projects, initial career. I had never heard that before. But interesting reception.

HEATH: Well, let me take you up on that, because somebody suggested in the previous interview that if you wanted to get ahead in the Bank you were advised to be a loan officer rather than to be in the projects. Did you have that perception at the time? Is that a fair perception or not?

EFFRON: I have no idea. I don't know.

HEATH: Right. Because if you accept McNamara imperative was the five-year lending program, pushing out money, et cetera, then somehow maybe the dynamism was greater in the regional vice presidencies than it was in projects. I don't know, perhaps I'm wrong.

EFFRON: Well, the regional vice president is head of projects. You had projects and you had programs and to me the action was in projects because that's where the loans were. At that time there were not a lot of fast disbursing loans. I'm not even sure when they first started, but I mean the name of the game was projects at that time. I mean it was infrastructure. Agriculture was probably not that glamorous, but I didn't think about it in those terms. To me projects was where you went out into the field.

HEATH: So who would decide if you became a loan officer or if you became a projects person?

How is that decision made?

EFFRON: I suppose it depended partly on your background and your proclivities. I had a Ph.D. in economics so project analysis and cost benefit and analysis of markets and prices and marketing, that was my thing. So for a while –

HEATH: But you hadn't worked on agriculture before had you?

EFFRON: Well, I had lived in a kibbutz and I had picked oranges (Laughter) and fed chickens, worked in the poultry.

HEATH: Clearly qualified.

EFFRON: Right. Well, I had an affinity. I liked seeing where stuff came from. I didn't grow up that way but I thought it was fascinating. But, no, I did not have an academic background in agricultural economics, no.

HEATH: Right. But I mean was there some sort of discussions or could you have gone into other sectors if you had said I would actually rather work on either development or something? When they selected your rotation was there a discussion about what sectors you might work in?

EFFRON: I don't know. You know, I came and was assigned. I don't remember whether I was asked.

HEATH: Because it was quite a significant choice wasn't it? Because for many years afterwards you continued to work in agriculture.

EFFRON: Yes, and I became kind of frustrated and eventually segued into finance for various reasons.

HEATH: Just add to the tape that you actually subsequently became a chartered financial analyst.

EFFRON: Yes, that was on my own time.

HEATH: That was sometime later.

EFFRON: That was some years later. Well, I began to do rural finance, which got me interested in the issues of credit and banking and subsidized credit, directed credit, et cetera. So I wanted to work more in that area and eventually managed to do that. That's I think one of the beauties of working in the Bank, was the professional development that was afforded people like me who came in right from graduate school, unlike somebody like an engineer who maybe worked for a while before coming in as a mid-level engineer. I thought there was an incredibly rich intellectual environment and learning curves everywhere.

HEATH: So are you suggesting that was particularly more true for the YPs than it was for people who entered mid-career, the professional development opportunities?

EFFRON: I don't know. I think it was more true for me. I think it was more true for people who come in younger, you know, less fixed professionally. But I don't know.

HEATH: Were you aware of yourself as being one of the elite privileged person relative to people who didn't enter as YPs?

EFFRON: No.

HEATH: No? There was no sense of sort of an esprit de corps, or whatever?

EFFRON: No. I thought it cut both ways. As a YP you come in rather unformed. Well, you know, there were people like Georges Losson who they knew what they knew. They were agriculturalists who had run plantations and engineers, maybe architects. Then there were YPs who came in behind the ears, so –

HEATH: But you didn't have the sense that the YPs were being singled out? I mean that long-term they had a lifetime career in those days, and didn't you have a sense that these were the

people who were going to be the future leaders of the Bank?

EFFRON: No, I didn't.

HEATH: No? You're very modest.

EFFRON: I really didn't -- I wasn't particularly ambitious myself when I came in. I didn't have designs to be a division chief within X amount of time. In my first assignment after the YP there was a fellow who did not come in as a YP but who told me that he planned to be a division chief within five years and a director within X amount of time. I walked in once to his office and he had one of those green spreadsheets and he was calculating what his pension was going to be in 30 years. I mean he was like 30 years old and he had a very bad end, but I was amazed that he –

HEATH: Did he achieve his ambition?

EFFRON: No. It's a very sad story.

HEATH: Okay.

EFFRON: He committed suicide.

HEATH: I'm sorry to hear that.

EFFRON: Not because he didn't become – not because he wasn't on the road, he was an extremely talented smart guy, but his wife died and he became very depressed. So it was a very sad thing. He was maybe in his 40s when things unraveled for him.

But the point I was making was that he had these plans, he had these ambitions. So he may have been more aware about the YPs and the non YPs and so on. But, no, I didn't think of myself in those terms. I was really happy with what I was doing, project analysis and taking loans to the Board and I loved doing ICR, the completion reports -- you know, I really got a kick out of them. So it just wasn't.

*Laurie Effron
March 27, 2017
Verbatim*

HEATH: Right. How did you get into -- where did your interest in rural finance come from?

EFFRON: You know, I went on a resident mission to Indonesia and years later it did occur to me -- I was told at the time that I was the first woman in the Bank to go to a resident mission.

HEATH: Sorry, when was this?

EFFRON: It was in 1982.

HEATH: Okay, after.

EFFRON: It was after the YP program. My first assignment, that was three and a half, four years. My next assignment was Indonesia.

HEATH: I see. So just to clarify, you didn't get to rural finance until after the McNamara period?

EFFRON: Yes.

HEATH: Okay. Did you have any inkling in the late -- I mean were you aware of people like J. [John] D. von Pischke who were already expressing some skepticism about lending to state owned development institutions?

EFFRON: Yes. I became aware of it -- well, it must have been in the '80s.

HEATH: I see. Okay.

EFFRON: Yes, the paradigm was shifting even when I was in agriculture in the '70s away from rural development, integrated rural development. It was becoming a thing of the past even then. I think it was on the decline.

HEATH: So I mean the Nairobi speech 1973, then there was -- I supposed it came after that,

didn't it? So you're saying it really only had a relatively limited –

EFFRON: Shelf life.

HEATH: -- heyday.

EFFRON: Well, in Africa we were still doing that, we were still appraising projects when I came in in '77-'78, but there were a lot of issues with the fact that the government was organized in silos of ministries and these integrated rural development were supposed to be cross sectoral. It wasn't working because the governments were organized vertically and rural development was a horizontal kind of development, you know, from the top down. I could see it when I did the completion report and the road was gone and hadn't been rebuilt and the schools weren't operating too well, the teacher wasn't always there, or there was no teacher, there were no books, because the minister of education wasn't in a position to coordinate with all the other ministries to provide all the recurrent costs that were needed to run the investments and maintain the investments. So it was already running into those problems, more in Tanzania than in Malawi. But the questions were coming up that maybe this just wasn't going to work given the way government was organized and the low levels of attention that were paid to operating and maintaining the initial investments. So, yes, I think it quickly peaked and faded.

HEATH: Were you were involved in helping to appraise any integrated rural development projects?

EFFRON: I think I was in one in Malawi I think in '78. But I don't remember very well.

HEATH: Who were the people in the Bank who -- there must have been some champions for this approach? Who were the champions? Any names spring to mind?

EFFRON: I don't remember, no.

HEATH: Okay.

EFFRON: I don't remember.

HEATH: Right.

EFFRON: I really don't remember. I'm sure there were.

HEATH: Right. So in this period, '77-'82, who were your primary mentors? Who were the people who really -- you mentioned already Keith Oblitas?

EFFRON: Well, he was my supervisor when I first came.

HEATH: Was there anybody else who played a big role in shaping your thinking approach?

EFFRON: Steve [Stephen] Eccles -- who I hope you get to interview -- was my first division chief. I admired him a lot. I think he had a very rigorous mind. I would say he was a sort of mentor.

HEATH: He was somebody you could sort of knock on the door and go to if you feel any --

EFFRON: Yes. He was very accessible, and he was very good and as I said, he was very rigorous, and he would -- I mean he was a mentor in a number of ways. The manner in which he would question you about your proposals for a project or your findings, whatever it was, supervision of a project, you know, you could tell by his questions that he might be skeptical about what led you to this conclusion and it would cause you to scurry out of his office and rethink everything. So it was both -- well, his management style and his intellectual rigor were impressive.

HEATH: There are few opportunities these days for new staff to be partnered on a mission by somebody more senior. Did those sorts of pairing arrangements exist in the late mid to late '70s if you were a new staff?

EFFRON: I'm not sure what you mean by pairing. I had mission leaders -- well, as I said, Keith

Oblitas kind of oversaw most of the time.

HEATH: You say he went on the same mission?

EFFRON: Yes. He was essentially my supervisor.

HEATH: Supervisor. Right, okay.

EFFRON: I went on a second mission and that was a cattle project I think in Congo Brazzaville. I don't think I was supervised on that one particularly. I can't remember much about it.

HEATH: But, generally, do you think the quality of the mentoring in those days was sufficient? You didn't perhaps need a formal set up? Perhaps you got it informally through contacts from the division chief, as you said?

EFFRON: Well, I think it varied. I was catch as catch can in a way. When I went to my first assignment in Steve Eccles' division, it was East Africa, David Lomax was my mission leader on a mission that became very contentious afterwards and that he was a great guide. Again, he provided a lot of supervision for me. But then he was moving on. I can't remember whether he left the division or what – I think he left the division and I took over the project, which was a contentious one and rather painful to see through. So it just varied. It depended on the project.

HEATH: Let me ask you about the balance of your works in terms of different parts of the project cycles. So you have the preparation, the supervision, and the completion reports. Did you have a sense that certain parts of the cycle received more attention or more resources?

EFFRON: Oh, absolutely. Appraisal, there was no question. Appraisal was it because you were bringing the project to the Board. That endured long after McNamara left, but I think that whole drive to close the deal, to negotiate it, to get it to the Board, and move on. So supervision never got the attention, certainly completion reports never got the attention. I mean they were

given to very junior staff like me when I first came in, to the division very early on. I think I did a couple of the completion reports because I was junior, and nobody cared. In retrospect I think that was how it was, and appraisal was whatever we needed. There was a lot of attention paid to every phase of it. There was a need to be a white cover, a yellow cover, green cover. It went through different phases of approval, extremely bureaucratic.

HEATH: Did you yourself take any projects to the Board in this period?

EFFRON: Yes. The grain storage project was one that I was left with.

HEATH: That was in Tanzania, wasn't it?

EFFRON: That was Tanzania.

HEATH: Right. Okay.

EFFRON: I don't remember whether it was in Malawi or not. I don't think in Lesotho. I don't think that was a project.

HEATH: Tell me something about the process for appraising one of these projects, just steps from A to Z. Take me through the different steps, the frustrations it says here there were particular moments in the cycle.

EFFRON: Are you talking specifically during the McNamara years?

HEATH: Yes. Your early experience of appraising projects.

EFFRON: Well, you know, it had to go -- it's just that it had to go through so many levels of review. There are a number of things. At that stage of my career I obviously had no say on who was going to be on the mission. In fact, it was probably my first experience appraising a project out of the YP program where I was just going along. We had a mission leader who moved to another division and then I became the de facto one leading the process through.

HEATH: This was the grain storage one?

EFFRON: That was the grain storage project. It was just a long, painful process. There were a lot of levels and at every –

HEATH: So you inherited the project concept from this chap who subsequently moved on?

EFFRON: Well, it's more complicated than that, but there was a massive preparation project that came before and it was headed by Uma Lele, who had a very big name in the Bank. When we went on our appraisal we had a different set of people with us who came to very different conclusions about everything, about the underlying grain losses, about the state of the grain storage, about what needed to be done, about the technical solutions and the economics. So that led to some conflict because she was the deputy division chief and she was overseeing the -- so that was a problem.

HEATH: So Uma was the deputy division chief?

EFFRON: We had two deputy division chiefs because it was a large division.

HEATH: I see, right.

EFFRON: So she was a deputy division chief and our appraisal team just came to almost diametrically opposite findings to her preparation team.

HEATH: So if I -- think about the issues a bit -- Uma believed in the principle of state intervention and storage and investing in facilities and you didn't?

EFFRON: The issue wasn't so much the state ownership. She actually raised questions. She was a little bit before her time. This is again the shifting of the paradigm and I think she was a bit ahead of the curve on this where she raised issues of pricing and she said that the prices were distorted and that was part of the problem and that government needed to adjust its prices.

I think she was right in retrospect, but we were at the time -- our team was more focused on the technical aspects of getting the right kind of grain storage in place and making sure that the -- and I saw this rotting grain, you know, 20 percent, 30 percent, 50 percent loss. They were crawling with bugs of the deplorable conditions. Nobody noticed that on the preparation mission. So there was this big gap in the technical aspects.

But also there were policy issues that she was addressing, and I think she was right on those. So there was that aspect to it, you know, this conflict. But, in addition, the process was just very bureaucratic, and I don't know that it's any better now. But the levels of clearance, and every level went broader and broader and broader, and it got more and more abstract until you got the central projects people coming in and asking about your shadow pricing and labor or something for the economic rate of return. So it was a long frustrating process, and on top of that this was a problem I think up until the time I left the Bank -- the number of projects that had to be presented to the Board with a president's report, which was a summary of this more detailed report and every detail in that had to be exactly the same. There could be no daylight in any element in the president's report.

HEATH: And the staff appraisal report?

EFFRON: The staff appraisal report that laid under it. But as you went through the appraisal report kept changing so you had to change the president's report and the loan documents had to -- and I can just remember sitting with the documents spread out in front of me and it was real sort of clerical work to make sure that they were all exactly the same. I thought there's something wrong with this picture that we're spending valuable time doing this.

HEATH: This was before the days of word processing, so you had to use a lot of white out.

EFFRON: We might have had Wang in those days. I don't really remember.

HEATH: Not in the late '70s, surely.

EFFRON: Maybe not. Maybe it was –

HEATH: You had a Selectric typewriter.

EFFRON: Yes, we did have Selectric typewriters in '80. That's probably true. Yes, right, Wang came a few years later -- some years later. Right. So you know.

HEATH: How did you do the economic analysis? What sort of technology did you use?

EFFRON: Well, we had these green spread sheets.

HEATH: Right, right, yes.

EFFRON: I think we had to write out every year's numbers in pencil of course.

HEATH: So you didn't have a calculator to help you?

EFFRON: I don't think so. I think that came later where we had a -- we used a mainframe.

HEATH: All right, so you had access to the mainframe.

EFFRON: We had a mainframe later –

HEATH: You had a terminal in your office or what?

EFFRON: I don't remember. Or maybe there was a special office where the terminal was and we entered the data. I can't remember the logistics of it now. But initially it was these long green pads with a kind of a graph -- I don't know if it was called accounting paper. It has name.

HEATH: I remember the type. Yes, that's right.

EFFRON: So you had your years spread out and you had your costs and you had your benefits.

HEATH: Yes, a long time ago.

EFFRON: Discounted, back to the present using a discount rate, and then you –

HEATH: Where did you get the discount rate from?

EFFRON: The discount rate was eight percent because it was based on, I think, an international interest rate. It was like a bond rate for AAA bonds or something. I don't really remember, but it was eight percent for years is what I remember, and you had to make sure that you had a net present value. You had to make sure your economic rate of return was –

HEATH: Above eight percent.

EFFRON: -- ten percent.

HEATH: Ten percent?

EFFRON: Well, ten percent was safer, better if it was higher because you had to do a sensitivity analysis and, you know, even with sensitivity analysis it had to come out higher than eight percent. So you really wanted to start with 11 or -- you know, the old joke that went around –

HEATH: Tell us for the tape.

EFFRON: I'm sure that somebody else has told this story already. But I heard it when I was a YP, that a division chief was interviewing three people for a job and he asked the accountant how much was two plus two and the accountant said well two plus two is four. Then he asked the engineer and the engineer said well two plus two is four, give or take .00053. Then he asked the economist and the economist looked around him and he got up and he shut the door and he came back and he leaned over the desk and whispered, how much do you want it to be. (Laughter) So that was the joke. There's no question but that you needed to make assumptions that were going to come out with a rate of return of 10 or 11 percent was safe. Couldn't be too high because that would be –

HEATH: Suspicious.

EFFRON: -- suspicious. Definitely couldn't be too low.

HEATH: What were you thinking in the '70s when people still believed in project appraisal and analysis and all that? Did you have any reservations about the methodology of that?

EFFRON: Well, you know, I had skepticism about these rates of return because I saw what went into them and I knew what the rules of the game were. So I still believe in rates of return with an order of magnitude. You don't want to do an investment if it's got a negative rate of return. I mean that doesn't make any sense. On the other hand, you know, it became clear that small changes in assumptions about what year the fruit trees were going to begin to produce or about what your losses in grains really were without the project, you know, assumptions on those things made all the difference and they were assumptions. So I developed a skepticism about spurious precision I would say on calculations like that.

HEATH: Some people have said that McNamara was himself a perpetrator of spurious precision because he apparently didn't like ranges, he liked per se exact numbers.

EFFRON: Well, I think that's one of his -- you know, I always felt he ran the Bank the way he ran the Vietnam War, he wanted numbers and if he had the numbers it proved that we were winning, whether it was the war in Vietnam or the war on poverty. I didn't think that was correct.

HEATH: You said at some point central projects came in and asked you about your shadow pricing and –

EFFRON: Well, I think whatever they – yes.

HEATH: I mean what did you think about that whole approach to -- did it make sense to try to figure out the shadow pricing? Did it make sense as an idea?

EFFRON: Again, you know, as a general concept I didn't have a problem with it, I just thought that it was very hard to be precise, and at some point you had to stand back and well does this pass the giggle test or does this -- you know, does this investment make sense or is it just a complete losing proposition, regardless of what particular shadow price you picked. Years later Larry Summers got into a lot of trouble for this, but he did try to introduce some rigor into environmental analysis and I think he was right, that you do need to try to think about things methodically, with some rigor, with some consistency. You need to try to put economic value and economic costs on things to a point. So I didn't think McNamara was wrong to introduce rigor, but I think he was wrong to have such a rigid faith in all the numbers.

HEATH: Some people in the DEC (Development Economics Vice Presidency) believed in the social cost benefit analysis, the idea of distributional weighting. Were you required at any point to engage with that?

EFFRON: No, I was not required to. I know that was coming in and I was not a fan of it because I thought it was going to introduce still more quantification into something that was inherently -- How much weight do you put on lower income people getting benefits versus middle income people. Can you really get into an argument about those weights? Depending on the weights you put on them it's going to turn out one way or -- so, you know, again I mean I understood the idea that somehow if you're interested in equity it's more important that you bring the bottom up, but --

HEATH: Do you remember who was championing social --

EFFRON: No. No, I really don't remember.

HEATH: Don't know if it was Lyn Squire or somebody?

EFFRON: I'd be surprised. But it might have been.

HEATH: Yeah.

EFFRON: Yeah. I don't know -- yeah -- no.

HEATH: Going back to the process of appraisal, did you have any contact with the executive directors before the actual Board meeting?

EFFRON: I didn't. I didn't.

HEATH: Would it have been appropriate to have such contact?

EFFRON: Well, the loan officer might have been and it might have depended on the project, how controversial it was likely to be, how controversial the country was likely to be and how controversial the sector was likely to be in the particular project. I don't remember the projects that I worked on in those years as needing a lot of lobbying. It was fairly straight -- there wasn't much doubt that these projects were going to go through as I recall. So I think we had questions from the Board beforehand that we had to prepare. You know, there was a tremendous amount of feeding the beast, a tremendous amount of bureaucracy. The author of, *The World's Banker* –

HEATH: Sebastian Mallaby.

EFFRON: Yes, thank you. In his book –

HEATH: Which is about Wolfensohn.

EFFRON: It's about Wolfensohn, but he makes the point that there is a fundamental problem of governance in the Bank. Well, there are number of problems, but one of them is that these projects have to be brought to the Board at all because it creates a huge amount of bureaucratic work for not really any value. I know that there was an effort to say, okay, below a certain amount you don't have to go to the Board anymore and you can go on special procedures so it's expedited, so there's not so much of that. But the whole effort to make sure that all the documents were aligned, that the documents were changing. I mean it was just such a waste of time. The whole preparation for Board presentation, you had to prepare a speech and you had to

look at all the questions, and you had to prepare your answers, and you had to review your answers with somebody. You know, it was just a lot of churning for no value added. There was no value added from having to present these projects to the Board and I was very aware of that from the outset. What are we doing? Why are we spending our time on this?

HEATH: So did you have a sense that the Board -- the executive directors weren't really adding much value to the process?

EFFRON: They added no value to the process. There was no value. I mean none. Even when they expressed a concern and you have to make sure that you monitor this carefully. Well, we know that. I saw no value, not a sense of discipline or a sense of quality control, no value in presenting these to the Board. I don't know any other bank that works this way. Maybe other development banks do, but commercial banks -- maybe if it's a very large loan that has implications for the risk profile of the bank kind of thing. But under normal circumstances you don't present every loan to your Board of Directors, they should be looking at policy.

HEATH: Interesting.

EFFRON: I think Mallaby made that point. He made it very eloquently, much more -- it was --

HEATH: So in your model the clearance would come from your division chief or somebody?

EFFRON: It would depend on the size of the loan, yes, depending -- perhaps on the country, if it was a high-risk country, depending on what it was going to do to the portfolio of the region. You know, it would depend. You could have all kinds of rules, but it seems to me that a lot of the loans at that time were garden variety kind of loans. Some of them were repeater loans. You know, when I went to work in Indonesia, post-McNamara, we did a lot of irrigation projects. You know it was irrigation 16. Hell, does it have to go to the -- you know. So, yes, I didn't see - - I mean it was perhaps some sort of education for the Board members that they should know what we were doing.

HEATH: When you took the grain project, the grain storage project to the Board do you remember anything about the specifics of that meeting?

EFFRON: No, I don't, I really don't.

HEATH: You don't remember McNamara chairing it or how he handled the meeting or anything?

EFFRON: I don't remember. I really don't.

HEATH: Okay. Fair enough.

EFFRON: Yes, I'm afraid I was at such a distance. I had no interactions.

HEATH: Somebody said the IBRD (International Bank for Reconstruction and Development) stood for international bank for drafting and redrafting or some other –

EFFRON: Right, redrafting.

HEATH: Had you heard that one before?

EFFRON: No, I hadn't heard that one before. But there was a lot of churning, a lot.

HEATH: Did you have a close relationship with the secretary who worked with you on this? She must have had a lot of work to do.

EFFRON: (Laughter) Yes, well, I had a number of secretaries over the years. She did have a lot to do, typing and retyping and retyping. That was another thing. I mean what a waste, really.

HEATH: Did you have to come into the office much on weekends to do this?

EFFRON: Not much. Once in a while, crunch time, there would be weekends in the Bank, but

not much -- It was, I don't know, once every few months there would be the deadline coming up for the white cover, the yellow cover, the green cover, the -- well, it was initially grey cover and then it became the buff colored cover.

HEATH: Right.

EFFRON: Yes. Gosh.

HEATH: I want to ask you some questions about the culture of the Bank, and one of them obviously is the work-life balance. If I may ask, were you single during this period?

EFFRON: Yes.

HEATH: The McNamara period.

EFFRON: Yes.

HEATH: Right. So was there a work-life balance issue for you or not?

EFFRON: No, it wasn't for me, because I didn't have a family. I didn't mind coming in on weekends once in a while. I don't think I would have liked it very much if it had been a steady diet of that, but I tended to work late-ish. I tended to work long days in general.

HEATH: So you'd go in at what time in the morning?

EFFRON: You know, I'm a late-night person, so I was probably in at 9:00 or 9:30 am and I tended to stay 6-6:30 pm or so.

HEATH: You'd stay until what time? 6:30. Okay.

EFFRON: Something like that.

HEATH: What was it like being a professional woman in the Bank at that time?

EFFRON: You know that's a very difficult question to answer because I don't know what it was like to be a professional man from the inside, so it's very hard to know what the counterfactual is.

HEATH: That's a good evaluator's response.

EFFRON: Well, but it's true. How should I say this? You know, I was for many years the only woman on a mission. I was not the only woman in my division, in my first professional assignment, because Uma Lele was there. She was the other woman. But I never went on mission with her. I would say it had its challenges. To be candid, I would say that on most every mission someone did something that was inappropriate. Came to my room at 11:30 at night and knocked on the door and wanted to come in, et cetera. That happened maybe not every mission, but it happened very frequently, and it was usually on a mission. So that was kind of a constant.

HEATH: Who could you go to if that happened? If you needed to go to somebody could you have gone to somebody –

EFFRON: No, it never occurred to me to go to anybody. It was just something you dealt with. I don't know what I would have said. It was just –

HEATH: Well, was there any comparing of notes between -- I suppose you didn't have many women around to compare notes with did you? Did you talk about these things with other women?

EFFRON: In later years I did, but not at the time. You're right, there wasn't anyone to talk to so, you know, it was just something that happened.

HEATH: I mean in your case perhaps you weren't seriously harassed, but were you aware of

other women around you who had been the subject of such harassment?

EFFRON: No, I don't know.

HEATH: No?

EFFRON: I don't know.

HEATH: Right. Okay.

EFFRON: It may have been -- I assume it was a common thing. I assume it happened to other women. Maybe if someone was married it didn't happen as often. I don't know. But it was, you know --

HEATH: Do you think on a professional level that your views on the mission were treated with the same respect, the same weight as those of your male counterparts? Did you ever have any sense that because you're a woman, you're taken less seriously at some points?

EFFRON: I don't know how to answer that because when I first started working I was also aware that I was the junior person. I was the most junior person until I was kind of thrust into the position of taking the project forward, and then -- I didn't really think about it. People had to listen to what I was saying because obviously I was it, I was the person handling the project, so what could they do?

HEATH: Sure. Right. Yes.

EFFRON: Yes, I think in later years there were times when I had interactions with people who did not like that I was a woman disagreeing with them. I think that happened -- there were a couple of people in particular that I think that that was true of, you know, directors or assistant directors who really didn't want to hear from me.

HEATH: What about when you were dealing with government clients in the McNamara period?

I mean what was -- did you feel uneasy at any time then?

EFFRON: No, not during that period.

HEATH: No?

EFFRON: I had lovely counterparts. I remember more in Malawi because I was mission leader there, more than I had been my first year, year and a half in Tanzania. But -- I can almost remember his name, the guy who was my counterpart in Malawi, he was just a lovely guy. No, I don't remember having issues or being aware of them, let's put it that way. That may have been different in later years when I was in North Africa. But again, it's hard to know, you know because I was a woman, because I was American, because I was a Westerner, because I was from the World Bank.

HEATH: Right, sure.

EFFRON: There's so many factors there (inaudible).

HEATH: Right, right. Again, on the cultural front, did you belong to any societies or clubs at the Bank when you -- in the late '70s?

EFFRON: No. I wasn't much of a joiner.

HEATH: You weren't much of a joiner? Okay, fair enough. Did you have many friends outside the Bank?

EFFRON: Some, yes. I had some outside the Bank, people that I had known in graduate school, people that I had met in the Ivory Coast who were Peace Corps volunteers. I didn't know a lot but, yes, I did have neighbors, I became very friendly with some neighbors.

HEATH: All right.

EFFRON: In fact, probably I would say in my early years I had more friends outside the Bank than in the Bank.

HEATH: Which perhaps is not typical? Many of the people I've interviewed described living in a sort of bubble.

EFFRON: Well, you know, I think there were a fair number of people from the University of Michigan here that I'd been in graduate school with who were at the Urban Institute or Federal Reserve Board. They were around. So -- FDC (Free State Development Corporation?) -- anyway, so I had probably more friends initially outside.

HEATH: Did you used to smoke in those days?

EFFRON: Yes, I did. I was a smoker.

HEATH: So it must have been a smoking place, was it in the Bank? The division meetings, would they be smoky places?

EFFRON: I don't remember them. I smoked so it didn't bother me. I can remember when they finally ruled it out and my division chief was French and he just kept on smoking and he once set his waste basket on fire because he really didn't care that you weren't allowed to smoke in the Bank. He was going to smoke.

HEATH: What was his name?

EFFRON: Francois Hectore. He died a few years ago.

HEATH: Right. There was another French guy, Louis Goreux, who used to work in OED, (Operations Evaluation Department) IEG (Independent Evaluation Group) who did the same thing, kept on smoking. You'd see the smoke coming out of his –

EFFRON: Oh, he was an old guy.

HEATH: That's right. He was around when you were in –

EFFRON: Oh, my gosh. Oh, I remember him.

HEATH: Yes, that's right

EFFRON: Oh, wow. Yeah.

HEATH: Who was sort of the etiquette of the weekly division meeting, what do you remember from that, you know, how it was staged and so forth? Who participated, who –

EFFRON: Everybody came, as I recall. Well, actually, no. Now that you mention it, in those years, the very earliest years, I can't remember whether the support staff were also at the division meetings or not. I just don't remember. Well, Steve Eccles ran a good division meeting. You know, he was just a character. He's got a lot of personality, so they were interesting. I looked forward to them.

HEATH: Is he English or American, Eccles?

EFFRON: He's British.

HEATH: British? Okay.

EFFRON: Quite.

HEATH: Sense of humor?

EFFRON: I think so. Very good. Yes, I think so.

HEATH: Was the Bank generally -- could you crack jokes in the Bank?

EFFRON: Oh, yes.

HEATH: Or was it a very serious sort of place?

EFFRON: No. No, no, no.

HEATH: You could?

EFFRON: Oh, yes.

HEATH: What's the funniest thing you remember from those years?

EFFRON: Oh, that's a tough question. There were jokes that went around. Steve Eccles used to tell hilarious stories about various characters and their interactions, things that happened on mission and somebody being so drunk he had to get a stretcher to carry him off, you know, arriving on mission or coming back from mission. I don't remember the details of the stories he used to tell, but I remember they were hilarious, they were worth repeating.

HEATH: That's great.

EFFRON: No, it was a great place. In spite of the bureaucracy, which I think weighed on us all, I thought it had tremendous esprit de corps and tremendous variety. Steve Eccles once said there are probably not many places to work where you could walk into almost anybody's office and have the most incredibly interesting conversation on whatever they were working on, and learn a lot in the process, and come away with huge respect for the person you'd just been talking to for the whole world of knowledge and insight and thoughtfulness.

It was a place where there were, I felt, constant debates about what was going to work and what wasn't going to work. It was constantly shifting. In the decades, every seven or eight years, our paradigm shifted. McNamara had a lot to do with that. I think the three presidents that came after him had much less to do with it, but then I think Wolfensohn also had a big impact. I think those are sort of the bookends in my time of people who had an impact on the work we did, the daily work. It was Wolfensohn who first used the word corruption out loud and the whole

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governance thing, he gave it a big push. I think the Bank was moving in that direction, but he was the one who said corruption and governance are at the heart of other development issues.

HEATH: You talked about learning. One aspect of learning is mid-course corrections during the implementation of the project. In the late '70s did you see any evidence of that flexibility? Or was all the effort going into the design of the blueprint?

EFFRON: I would have to go back and think about that. I think it depended a lot on who was supervising the project. It was something that I saw also doing completion reports in the days when you had to go through huge volumes of files and you'd get a sense of the personality of the people who were supervising a project by the kinds of reports and exchanges and memos.

HEATH: Looked like books. Right.

EFFRON: By the time you're seeing them at completion they were these big files with all kinds of telexes.

HEATH: Yeah, right, right.

EFFRON: There were people who were very flexible and problem solvers and willing to reorient a project towards something that made more sense in light of changing circumstances or some component that wasn't being used to reallocate it for something that needed it. Then there were other people who very rigid and very to the letter. You haven't done, you know, Part A of Part 1 of Part -- and so we're not disbursing and we're cancelling. It seemed to be quite personality driven. Because then they would recommend to the division chief, to the management, who generally would follow what the task manager was saying.

HEATH: So really it was the task manager not the division chief, for example, who determined the extent to which there was a mid-course correction?

EFFRON: It may have varied across the Bank, but it seemed to me that the supervising task

manager didn't have a lot to say about it.

HEATH: You mentioned earlier how appraisal was the most important thing in the cycle. Did you have a sense of the time in the '70s that oh, really, I must spend all my time appraising and not worry too much about supervision if I can avoid it, and PCRs (Project Completion Report) are not going to get me very far, and so forth?

EFFRON: Right, yes. You opened a bottle of wine or champagne or whatever after a project had gone to the Board and that was the only time. It was a celebration because, you know, it was a victory; and when I was about to go to Indonesia for the resident assignment Steve Eccles said are you sure you want to do that because they only do supervision there? I said it's okay with me. I didn't have these grand designs to get ahead, so I was happy to be close to the action and to be supervising projects. At least I thought I would be. It turned out that it wasn't that interesting for an economist to do what I was doing. I think if you were a task manager who only did supervision and completion reports you weren't going to go anywhere. I think that that became clear to me, that not only was appraisal important, but appraisal of big projects in important countries was important.

HEATH: Yes.

EFFRON: If you worked on small countries in Africa or small countries in Latin America you didn't have very high profile because your projects were going to be small. So bigger was better.

HEATH: You were in East Africa from '78 to '82, were you associated with any structural or sectoral adjustment loans at that time?

EFFRON: I wasn't. You know, I never appraised, I never worked on, I think I never went on a mission for a fast disbursing loan, actually, just as it turned out.

HEATH: As an outsider what sense did you have about the strengths and weaknesses of this approach? Early on in those days rather than in hindsight. Did you believe in the mission early

on, in the late '70s?

EFFRON: I didn't not believe. I didn't not believe in them. I was agnostic. The thing I guess -- I don't think the Bank ever drew a hard line in the sand.

HEATH: Do you remember to [Elliot] Berg Report [*Accelerated Development in Sub-Saharan Africa: A Plan for Action*], for example. Did that figure on your radar screen?

EFFRON: You know, he was one of my advisors at Michigan. I remember when it came out and it made a splash, but I can't -- I don't remember why. Did he say that these were not --

HEATH: -- focusing on getting the prices right, they need to fix the policies, the projects by themselves didn't have that policy impact that they should --

EFFRON: -- and that you needed to go with --

HEATH: Yes, change of policies.

EFFRON: Yes, with the fast disbursing. The problem with the fast disbursing loans -- and I don't remember whether I thought this at the time -- was that the Bank didn't hold the line, that they waived -- you know, I remember going through files and seeing that the Bank had all these conditions for release of a tranche, but they'd waive some of the conditions if they weren't met and they'd just go ahead and release it anyway.

HEATH: So ultimately it was a collusion between the Bank staff and the counterparts?

EFFRON: I don't know if it was an explicit --

HEATH: Appear to be successful?

EFFRON: I don't know that it was an explicit -- whether it was a wink-wink kind of thing.

HEATH: Right, right.

EFFRON: Just sign here and we'll deal with it later. Just say you intend to do it and we'll deal with it later kind of thing. I don't know that it was intentional. The one thing I think about Bank staff and operations is that they are forever and ever optimistic. You have to be -- to work on appraisal of anything you have to believe, I think, that this is going to happen and it's going to have the impact that you're saying it's going to have. So I think most Bank staff in operations are truly optimistic, are true believers. It's only after you work in evaluation for a number of years that you have a different --

HEATH: I was going to ask you about that.

EFFRON: It's just --

HEATH: You've hit the nail on the head. It's a totally different mentality, isn't it?

EFFRON: Well, if you are open to see what actually happens. So, you know, I think it must be difficult to go from being an evaluator back into operations again having seen all the things that you do see when you're evaluating what happened. But it just was -- well, this is an aside, it isn't anything with McNamara, but especially when you look at -- we did these country evaluation assessments and there were countries where time and again and again --

HEATH: This was in the 1990s wasn't it?

EFFRON: Well, in what was then OED.

HEATH: Yes, right.

EFFRON: You know, the Bank would go to the Board and say this time is different, this time we're going to deliver this lending program, or this time the country is going to revise whatever they're going to revise, they're going to reform, they're going to change the prices, this time is different. Every time you'd see they didn't meet the lending targets, the Bank didn't meet its

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Verbatim*

lending targets, the country didn't do the reforms it said it was going to do, and still 15 years later the Bank is still going to the Board and saying yes, but this time is different. You know, that's when it becomes hard. It would be hard to go back into operations and to get on the team saying this time is going to be different.

HEATH: Right.

EFFRON: Maybe this time will be, but you've got this history. But I just think I guess that was the thing about the fast disbursing loans that I came to see. Not initially, but I came to see even within operations that the government didn't always do what they said they were going to do and the Bank so wanted to disburse the tranche and to finish the loan that they would go to the Board and waive conditions. They'd have reasons, because they're going to do it in six months and we really think this time it's going to be different and they're going to do it in six months.

HEATH: Right. Now, you mentioned earlier that of course OED was set up by McNamara, did they feature on your radar screen in the late '70s when you first joined the Bank?

EFFRON: I don't think so. I was doing completion reports so I guess I was aware that they went to OED and maybe I got feedback from them, but other than that I don't remember that they were a force to be reckoned with.

HEATH: You don't remember how people perceived OED in those days?

EFFRON: You know, operations was where things were at and everybody else, the legal department and Central Operations were reviewing your stuff, and OED, they were all peripheral. They were more important if they could stop your project from going forward. If you had a pain in the neck lawyer, usually you didn't, you had lawyers who would cooperate. Or sometimes Central Projects would raise questions that were kind of like nuisance factors, like mosquitoes or something. You know, you had to deal with them but -- and OED was, you know, OED. Since they had no power to stop anything, you know, you were the front lines and I think people in operations perceived themselves that way.

HEATH: Did you have any interaction with DEC in that period, people in DEC?

EFFRON: Only to get their prices.

HEATH: I see, commodity people.

EFFRON: Commodity prices, but not in those early years. No, I don't think so.

HEATH: Did you read their stuff? I mean were some of their reports interesting or did they make a mark on you?

EFFRON: Well, later, later. Not in the first few years, but later in some of my work I was -- yes, I was reading DEC. Yes.

HEATH: Was Béla [Alexander] Balassa active in the '70s? I can't remember.

EFFRON: That name rings a bell; he must have been, but I don't --

HEATH: He was the guy who worked on the -- was it net protection and all that sort of stuff?

EFFRON: Ah, okay. Yes.

HEATH: Nominal protection coefficients, effective protection coefficients.

EFFRON: You know, we didn't use -- we calculated some of those things so I guess we were using the work. I worked with people in DEC later, actually in OED IEG on some -- I was working with them on a model to put into the evaluation.

HEATH: Laurie, is there anything else you'd like to add about the McNamara years as you recall them, as you remember?

EFFRON: No.

HEATH: I always ask people, what's the thing they least liked. You've given me a hint, but maybe it's not what –

EFFRON: Least liked about?

HEATH: Yeah, about that period, about the Bank in that period. What was it you least liked about your work in that time?

EFFRON: Well, I think it was the number of reviews and the amount of bureaucratic processing that you had to go through that really didn't add to the project. In particular the reviewers often didn't know anything about the country, they didn't necessarily know anything about the sector -- they might. So there was a tension -- it wasn't necessarily a bad tension to have to justify a project design in light of what the Bank orthodoxy was developing to be. That wasn't a bad thing because it did cause you to question some of the things you were doing. But there was a tension there between what the borrower wanted and what you had agreed with the borrower and what was Bank orthodoxy, and when they weren't the same, you know, there were issues.

HEATH: Yes.

EFFRON: But there was a lot of bureaucratic processing, people whose jobs it was to review projects, so they had to come up with pages and pages of comments that just didn't add anything to the quality of the work, I didn't think.

HEATH: Something I meant to ask you is you came to rural finance later, or finance in general, later in your career. I wonder if in hindsight, looking back to the sort of lending the Bank was doing in the McNamara period, lending to agriculture credit banks specifically and state-owned enterprises, were you aware at the time in the '70s of some of the bad things or misguided things that were going on there? I mean did you ever –

EFFRON: Oh, yes. That grain storage project, the state -- I don't remember what the name of

the bank was, but it was a state -- a Tanzanian state bank had been lending money to the grain storage organization based -- and the collateral was the grain, and it was rotten, and there were huge overdrafts. It was like 15 percent of the bank's capital that was wrapped up. I don't remember now the numbers, but it was to me it was a real eye opener that you had this entire -- not the banking system, but at least this large state bank that had as collateral something that was rotten, that didn't exist basically. It was nothing. So, yes, I was very aware of these state banks.

HEATH: They were still a key part of the lending program at that point in the late '70s? There was still a lot of money put into --

EFFRON: I don't know if it was a lot. You mean the Bank lending to state banks?

HEATH: Yes, because you can push a lot of money out that way by this --

EFFRON: Yes, late '70s --

HEATH: -- line of credit finance and all that sort of thing.

EFFRON: I'm trying to remember because you see, this is where it would have been useful for me to go back and remember. I did a review and at one point -- but the lending -- the financial sector lending really peaked during global crises. In the late '70s I don't remember -- I mean yes, there was lending to like industrial banks and rural banks to a lesser degree -- a lesser amount, but by the time I went to finance -- The one loan that I did was to private banks. Yes, that was it. That was the whole --

HEATH: So what sort of questions should people in the Bank have been asking about loans to state-owned banks in the '70s but they weren't asking?

EFFRON: Well, I think the guideline that came out -- there was an operational directive [OD] that came out -- I used to know the thing by heart -- was it 1987? I think it came out.

HEATH: That was before the [Herman] Levy Report [Task Force on Financial Sector

Operations], which came out in the early '90s.

EFFRON: Well, it followed the Levy Report.

HEATH: Oh, it followed Levy. Well, that was in –

EFFRON: It followed the Levy Report.

HEATH: The Levy Report was 1992 thereabouts.

EFFRON: No -- oh, maybe the OD was in '92 and the Levy Report was in '87? Something was in '87 I think.

HEATH: Reorganization.

EFFRON: The reorganization, right. Okay, I don't remember the dates.

HEATH: Okay, fine.

EFFRON: They may not be right. I thought -- something was missing. Anyway, yea, there was the Levy Report. But the Levy Report -- and the directives that followed, didn't say state-owned versus private, it just said here are the things you need to look at and if a bank meets these criteria, you're good. It has to have capital, it has to have good management, and this is how you measure it, it has to have liquidity. Basically you look at the CAMELS ratios, capital adequacy, assets, management, equity -- is it equity? -- and liquidity. Anyway, there were these ratios you looked at and –

HEATH: So people weren't doing that in the '70s when they were lending to –

EFFRON: Apparently not.

HEATH: I see.

EFFRON: They weren't doing it and I did a whole evaluation, they weren't doing it after the directive came out either. So I don't know how much impact it had. So they didn't harp on ownership. That wasn't the issue, the issue was how good the bank was, and it just so happened that a lot of these state banks didn't meet these criteria. You know, did they have proper accounting, were they audited by independent auditors, qualified, recognized independent auditors. There were a whole series of questions you could ask about how strong the banks were.

HEATH: I'm presuming questions about political influence in deciding who got the loans and so forth, whether they went to rich farmers rather than poor farmers, and that sort of thing. Was that an issue that you were aware of? The criteria –

EFFRON: Even at the time I think it was pretty much recognized that rural loans went to the better off farmers. They were probably more bankable. You can't have it both ways. You can't ask that a bank -- now, I think in some countries -- I suspect, I don't know, but I suspect in Vietnam they probably went to farmers who were members of the Communist Party, but I don't know. Yes, I'm sure it went to people who were cronies and friends and the really wealthy farmers as well because they had an in and it was, you know, corruptive as well. There's no question -- rural finance in particular is problematic. But lending for targeted industries was equally problematic.

The other thing I remember about the McNamara days, which was interesting, and it's just an aside, but the Bank made a loan, and it was around 1979 or so, to Vietnam and the U.S. congress went crazy. They were very upset about this and as I recall McNamara promised the congress that the Bank wouldn't make any more loans to Vietnam unless the U.S. was okay with it. Then the Board went crazy that McNamara had made that promise to congress. I found the whole sequence very interesting. Obviously McNamara had a special place for Vietnam. I think he probably wanted to start pumping out lending for Vietnam, part of his atonement.

The U.S. wasn't ready for it; and I guess that was the strongest -- to me it was the strongest signal of how politicized the Bank's lending could become. You know, I had thought well, you know,

you have this multinational Board that votes independently of political concerns, but it became clear -- after that I began noticing, or hearing that there were certain countries that wanted to protect certain borrowers. You know, Canada really wanted loans to go to Jamaica, et cetera. I mean countries just had their pets.

HEATH: Yes.

EFFRON: For France it was West Africa, their former colonies. But the issue with McNamara I guess was the first time that politics ever kind of came on my radar screen.

HEATH: Right.

EFFRON: I'm sure it was always there in different forms.

HEATH: In these years you worked both in East Africa and West Africa.

EFFRON: Yup.

HEATH: Obviously East Africa, primarily Anglophone, and West Africa primarily Francophone. Did the two sides talk to each other much, the Anglophones and the Francophones, in the Bank, the professional staff?

EFFRON: No. In those days -- no, I think they were separate regions. I think East Africa was -- they were separate regions as I recall, and they had different vice presidents. I don't think there was a lot of cross pollination.

HEATH: Was there a different culture, different approach to certain differences of priorities or understandings of what was the appropriate topics for development maybe?

EFFRON: You know, I don't know. I was only in West Africa for six months as a YP.

HEATH: Okay, fine.

EFFRON: The two projects that I went on were not rural development projects and I don't know whether there were elsewhere, but I didn't work on any and I didn't know of any.

HEATH: Okay, okay.

EFFRON: East Africa seemed to be peppered with rural development projects. They were in Tanzania, Malawi, Lesotho that I was aware of. I think Kenya might have had some too, but Kenya wasn't my division.

HEATH: Right. What about T&V [Training & Visit] extension, was that big in East Africa when you were there?

EFFRON: It was.

HEATH: Do you have any thoughts about that?

EFFRON: Well, I was always skeptical whether it was economically -- whether it had a good economic rate of return. It seemed to me that there was no evidence that yields increased as a result of this extension system. I didn't doubt that in principle it might have been a good thing but I doubted that in practice. I think I tried to do an economic rate of return extension in Malawi across the different rural development projects at some point, and it seemed to me that there was no evidence.

HEATH: Did you ever meet Danny Benor?

EFFRON: Did I meet him? I certainly have an image of what he looked like and I can almost hear his voice, so I must have. You know, he was an inspirational guy. There was no question, but he also was very charismatic and a believer.

He had worked in Israel or maybe in Kenya -- I don't know, he tried it someplace and it worked, but these countries, there are all kinds of issues with what the extension workers knew, what kind of knowledge they were imparting, the cost of their transport, you know, when we did these rural

development projects we were providing housing, and so the capital costs of this extension service were very high. Therefore, in order to have a rate of return -- I mean back to this issue -- you had to be able to show you had incremental yields that would not have existed if there had been -- so I was kind of skeptical about the efforts the Bank was putting in to expand this extension service.

Frankly these old farmers -- you know, I wasn't sure the extension guys had anything to teach these old farmers, unless it came with a hybrid, unless they came with a new seed or some new technology. I don't know.

HEATH: Okay. Was that your alarm going?

EFFRON: It was. I've got 15 minutes to get to my car and then I'm in trouble. So the extension, that was an interesting question, and it also might have been geographical. It might have been the case that in someplace like Indonesia, in Java in particular, which is much, much more densely populated, where there were hybrid seeds available and technical packages that went along with those hybrid seeds, where extension made sense. Because the extension workers were bringing a new package that the farmers didn't have and they were very densely populated, so the guy would go on his motorbike to one village and he'd see a lot of farmers, which in East Africa was a completely different setup. They're all spread out.

HEATH: In a previous interview Kevin Cleaver said these projects seemed to work during the implementation phase but they weren't fiscally sustainable, and they fell apart pretty soon afterwards.

EFFRON: I don't think it was just -- well, I don't think it was just fiscal. I think there was a base -- I just don't think the economics -- I don't think -- as I recall -- because you have to show increased yields.

HEATH: Right, right. Okay. Fine.

EFFRON: They weren't there.

HEATH: Right. Laurie, is there anything else you'd like to add?

EFFRON: I don't think so. They were interesting years. McNamara was a -- you know, only that he seemed to be an extraordinarily dynamic guy. The presidents who came after him were very pale by comparison. I mean Tom Clausen, Barber Conable, and Lew [Lewis Thompson] Preston. I know that under Conable there was a big reorganization, which there was a big uproar in the Bank, so that was a massive change sort of. But I don't think they had the -- my impression -- I wasn't here before McNamara so it's hard for me to say before and after, with and without kind of thing.

HEATH: Yes, sure.

EFFRON: But it just seemed that he had a huge impact. His presence was there, it permeated in a way that it wasn't the case for the successors.

HEATH: Right. Laurie, thank you very much.

EFFRON: Sure.

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