

THE WORLD BANK GROUP ARCHIVES

ORAL HISTORY PROGRAM

TRANSCRIPT OF INTERVIEW WITH

**NILS FOSTVEDT**

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 7<sup>th</sup> of April, 2017. On behalf of the Special Oral History Project on the McNamara years, I'm John Heath, and this is interview number 22 in the series. I have with me today Nils Fostvedt, a former Senior Advisor to the Director General, Evaluation, at the World Bank, who was a staff member from 1973 to 2008.

Nils, it's a pleasure to have you with us. I'm going to take you right back to the beginning. You said that it was an unpleasant day when you started work?

**FOSTVEDT:** Otherwise, yes. (Laughter)

**HEATH:** Let's take you back even before that to ask you why you decided to apply to the Bank?

**FOSTVEDT:** I wanted to be away from Norway for a few years. I wanted to do a bit of traveling for a few years. Even though I wasn't aware that the Bank traveled first class until I actually showed up, (Laughter) and somebody said, traveling first class? And I said, oh, really? Of course, was the answer.

**HEATH:** So, you applied for the Young Professionals?

**FOSTVEDT:** The Young Professionals Program. Actually, I applied twice. I applied first in '71 maybe. Basically, at that time I knew I didn't have enough to get it, but I hoped for a free trip to Paris, and I got it.

**HEATH:** Very good.

**FOSTVEDT:** I achieved my first goal, which was the free trip.

**HEATH:** All right. Okay.

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**FOSTVEDT:** The second time I applied when I was in University of Minnesota.

**HEATH:** You were interviewed in Washington for a second time?

**FOSTVEDT:** For a second time, yeah.

**HEATH:** Right. Do you remember who interviewed you for the Young Professional Program?

**FOSTVEDT:** First time the one name I remember was [Francisco] Aguirre-Sacasa. The rest I don't know about. He's the one I remember. The second time, two guys -- well, you had the series of interviews.

**HEATH:** Yeah, sure.

**FOSTVEDT:** I'm afraid I've forgotten their names.

**HEATH:** That's alright. Okay.

**FOSTVEDT:** The main interview was with two guys who apparently seemed to like me, yeah. Surprisingly.

**HEATH:** Now, when you were at the University of Minnesota what did you study?

**FOSTVEDT:** Operations Research. Nothing to do with the Bank; never used it ever again.

**HEATH:** Right. You did a master's or a Ph.D.?

**FOSTVEDT:** Master's. Second master's, I had one from Norway already.

**HEATH:** Your first master's was in what subject?

**FOSTVEDT:** It was at the Norwegian Business School, the Norwegian School of Economics

and Business Administration. It was 50/50 management topics and economics.

**HEATH:** So, you weren't an Economist. How did they see you fitting into the Bank? What sort of work did they envisage you doing?

**FOSTVEDT:** At the interviews? I have no idea. The first job I got as a YP was in transport. Maybe because before I went to Minnesota, I worked for one year in a Norwegian Ministry of Commerce specializing in shipping. Actually, international shipping politics - policies and politics.

**HEATH:** Were you in any sense of the word a systems analyst, when you – [cross talk]

**FOSTVEDT:** What is a systems analyst?

**HEATH:** I don't know, but I'm --

**FOSTVEDT:** Neither do I.

**HEATH:** -- I'm thinking of the type of technocrat that somebody like McNamara might have been trying to recruit to the Bank, because he had his background in systems analysis and these things. Anyway, that wasn't the case, obviously.

**FOSTVEDT:** I don't.

**HEATH:** What do you think they saw in you that led them to offer you the job?

**FOSTVEDT:** Well, I must have been a very interesting fellow generally. I really don't know. In those days of course, they hired quite a number of YPs [Young Professionals]. My understanding is across a broader spectrum than these days, if they still hire YPs. I was vaguely involved in the YP selection program 10 years ago. I was astonished at how much effort they at that time were putting into the interviews, which I thought was diminishing returns, and how narrow at that time the candidates were coming out. Basically hiring a bunch of PhDs in

economics, of which the Bank has far too many.

**HEATH:** Now, when you joined the YP program had you had any previous experience in the so-called third-world countries?

**FOSTVEDT:** None whatsoever.

**HEATH:** None whatsoever. Were you asked about that in your interview about --

**FOSTVEDT:** I had read a bit of development literature, and I think it was probably enough just to pass by initial interviews. I had read up [Gunnar] Myrdal, whom I never was impressed with.

**HEATH:** *Asian Drama* [*Asian Drama: An Inquiry into the Poverty of Nations*].

**FOSTVEDT:** Well, *Asian Drama* is basically history books. There are lots of wrong ends, and by the benefit of hindsight lots of wrong conclusions. I had also read some others.

**HEATH:** Some who?

**FOSTVEDT:** Some [Albert O.] Hirschman, Ega, and (inaudible), and probably a few other whom I don't remember. In a sense, I had read up and was prepared. Also, because it was interesting, and not very sophisticated.

**HEATH:** Did they ask you anything during the interview about project appraisal techniques, cost benefit analysis?

**FOSTVEDT:** Cost benefit analysis, probably a bit. There I also was prepared for quite different reasons. My father who worked at the Norwegian Business School, among other things arranged an annual conference. He had at one point brought in a British economist come something. What was his name? [Alfred] Marshall, who had written about cost benefit analysis quite a bit. Before my studies even, purely for interest, I read up a bit on that. So I had a fairly decent understanding of it, but it only touched briefly.

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**HEATH:** I see. Now, I presume there would've been about 30 people in your YP promotion that year. Well, first of all, were there any women among the group?

**FOSTVEDT:** Of the guys?

**HEATH:** Of the YPs.

**FOSTVEDT:** I was thinking. First of all, I don't think we ever had a meeting of the selected YPs as a group.

**HEATH:** Oh, I see.

**FOSTVEDT:** Because you had about six months to show up, and I showed up on the very last day.

**HEATH:** (Laughter) That speaks of your enthusiasm for the job.

**FOSTVEDT:** No, it spoke about my enthusiasm, after studies in Minnesota, for having a bit of vacation back home. So the only guys I really knew from my cohort in that sense were the three guys who showed up on the same day. Including the two, yeah; three plus me. One that I do remember was Caio Koch Weser, who made a good career, and etcetera, etcetera. The other two I think left fairly quickly. They left after a few years.

**HEATH:** Yeah, I see. Okay.

**FOSTVEDT:** Both British, actually. There was in the Bank at the time a voluntary discussion group called the 5:30 discussion group of YPs. I attended some of those meetings. That was probably also the only time I actually got to sit in the same room with McNamara. Except for one or two Board meetings, which was interesting. I thought the discussions at the 5:30 discussion group were not so interesting. Largely people who liked the sound of their own voice. Of course, we have quite a number of people like that the Bank.

**HEATH:** Do you remember if there were any women in the room?

**FOSTVEDT:** In the 5:30 discussion group? I can't say that there weren't, but I don't remember any. Certainly, the vocal people were all men.

**HEATH:** What did McNamara come to talk to you about on that occasion?

**FOSTVEDT:** That was basically an interview process. We divided up in a prior meeting who was going to talk, ask about what, and McNamara answered. There was no specific topic. But clearly, McNamara certainly had answers to every single question, and there was never a bit of hesitation.

**HEATH:** Do you remember any of the questions?

**FOSTVEDT:** No, not at this juncture.

**HEATH:** Okay. Fair enough. Do you have any impression of his performance at that meeting?

**FOSTVEDT:** Intense. On top of his subjects. Clearly believing in the Bank's mission, in going forward. Optimistic about the Bank's role, but very much in the project mode, which of course, the Bank was at the time, a project heavy institution. In terms of those things that later came up, where we take responsibility or co-responsibility for development more broadly? No. A fair number of questions, I'll just call it along the lines of [Eugene] Rothberg, can he mobilize the money. Although, he was, McNamara, clearly was more comfortable at the Bank, could mobilize the money. Whereas, if you listen to Rothberg in his speeches, it was always, can we, can we, can we. That hesitation was --

**HEATH:** This is Eugene Rothberg who was the Bank's what Treasurer, was it? Or what was his position exactly?

**FOSTVEDT:** I guess it was Treasurer. His real role was to mobilize resources.

**HEATH:** Yes.

**FOSTVEDT:** He did a good job in that. But that was his concern, and he was sort of I never want to guarantee that you will.

**HEATH:** Right.

**FOSTVEDT:** McNamara was confident.

**HEATH:** Did you go to these 5:30 meetings regularly?

**FOSTVEDT:** No, I went to some, but not regularly.

**HEATH:** All right. I'm trying to get a sense of the tenor of the meetings. Were they critical or were they cheerleading the Bank. What was the general theme? Were they really probing deeply at the Bank's mission and so forth or?

**FOSTVEDT:** No, but it did try to touch upon specific topics. Although, I've forgotten what those topics were. They probably were colored quite a bit by what the leading individuals were working on at the time.

**HEATH:** Right.

**FOSTVEDT:** There was a bit of the, let's call it the philosophy of development, but not excessively so. So, it was sort of a bunch of people who saw the future in the Bank going up, and familiarizing themselves with the group and institution, and the issues that most of us clearly were not familiar with when we came to the Bank. Even those with much more theoretical education in economics or whatever, had probably never studied development to any significant extent. We were all learning.

**HEATH:** Right. Do you remember the names of any other people who attended the meetings that you went to?

**FOSTVEDT:** Not at this age. I have a feeling that Armeane Choksi may have been there.

**HEATH:** Armeane Choksi yes.

**FOSTVEDT:** Otherwise, I wouldn't remember anybody.

**HEATH:** Fair enough. Okay. Before we go on, just remind me, so, you joined in '73. What were the first two rotations you did as a YP?

**FOSTVEDT:** First, East Africa transport. Then, in what was the name at the time? Planning and Budgeting Department?

**HEATH:** Yes.

**FOSTVEDT:** Where I worked on the CPPs, the Country Program Papers. For very personal reasons, I really didn't want to travel at that particular time. And the guy who asked me to join was one of the two guys who interviewed me. So, I thought why not?

**HEATH:** You graduated from the YP program in '74?

**FOSTVEDT:** Yes.

**HEATH:** Then what did you do?

**FOSTVEDT:** Then, in those days YPs had lots of opportunities.

**HEATH:** Right.

**FOSTVEDT:** I went then to South Asia, and the division at the time, South Asia projects. The division at the time was an agricultural credit I think it was, and DFCs, Development Finance Companies. So, I worked on the DFC side.

**HEATH:** How many years did you spend in that division?

**FOSTVEDT:** Five years, I left in '79.

**HEATH:** '79, okay. Then from '79 through to '81 where would you have been?

**FOSTVEDT:** Then I was in Latin America DFCs. Then I went to petroleum.

**HEATH:** All right. Very good. Thanks. So, let's start with your first mission. Where was the first mission you did?

**FOSTVEDT:** My first mission -- actually the very first mission was to Finland. The Bank had a big project planned, which I think never materialized in Malawi, called the Viphya Forestry Project [Transport Engineering and Services Project]. The plan, or the idea, was to build an urban paper plant in Malawi. Our job from the transport division was to look at the transport aspects from off the road from Malawi to the coast, etcetera. There was a big report by Jaakko Pöyry company which is still is a famous well-known Finish consulting firm in forestry and related areas and those days. So, we went to Helsinki to discuss the transport aspects. By the first three mission the developing countries was later that year to Tanzania, where I got a stomach problem, which I carried with me all through my skiing vacation.

**HEATH:** Okay. All right. Were there any women on that mission?

**FOSTVEDT:** Yes, one woman. She was Frida Johansen. Danish descent but Argentinian. She was then the general economist. Part of my role was to go help her in writing the economic aspects of this project, which was a project for highway maintenance in Tanzania.

**HEATH:** As a Young Professional, did you feel you got the mentoring you needed, or as much as you wanted or --

**FOSTVEDT:** It varied very much with individuals. Apart from the mission, I worked quite a bit with a senior Dutch transport economist, who was very helpful. For him I produced two

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handbooks of transport statistics for East African countries. He was a guy you could ask. Some of the others you really felt that you had to sort of use your elbows to get assistance. The mission itself was, for various reasons including probably the mission leader, was not the high point of my traveling career.

**HEATH:** Could you go into details? Explain why you didn't enjoy it so much.

**FOSTVEDT:** It was because in those days the YPs out there was additional. They probably didn't really need me that much. One or two of them showed it. Maybe I should've been even more aggressive in terms of saying I want a role, but there was an issue of U.S. superfluous through requirements. It was a very strange project in any case.

**HEATH:** When you went on to the second rotation -- well, I guess you didn't do any traveling at that time.

**FOSTVEDT:** No.

**HEATH:** You were out in the budgeting the department. Okay.

**FOSTVEDT:** Well, but working on the CPP was of course, in a sense very interesting.

**HEATH:** No, of course. Yes, indeed. I want to talk to you about that.

**FOSTVEDT:** This was a McNamara innovation.

**HEATH:** That was one of his big contributions to the Bank, setting up a program in the budgeting department. I think if I'm not mistaken what is now IEG [Independent Evaluation Group] was originally as like a unit within that, wasn't it? And then it became --

**FOSTVEDT:** Although, I didn't notice it at the time, I think when Chris [Christopher R.] Willoughby was the first person. I think it started out inside the Bank, and probably inside that department. Then it became independent a few years later.

**HEATH:** So, tell me about your impression of this new department that McNamara set up, how it was. Why did it come into being and how was it operating when you were there?

**FOSTVEDT:** I guess why it came into being because McNamara was a numbers man, and McNamara wanted control of what was going on; knowledge and control.

**HEATH:** It's hard for me to understand why you didn't have such a unit previously. I mean how was budgeting handled before?

**FOSTVEDT:** Okay. That I cannot tell you.

**HEATH:** Okay. Fair enough.

**FOSTVEDT:** I didn't go into the history. What I can say was, as far as I could tell, that department played a very useful role at the time. Now, it had several aspects. I worked primarily on the CPPs, which was a way in a sense to get a handle on planned operations. But there were other guys, including I think one or two guys that McNamara had brought in, who were real numbers people. It was also there that they started the first time recording.

**HEATH:** Yes.

**FOSTVEDT:** I think John Ducker, who was the guy I knew, probably worked or had worked also out of that particular department. I must admit, at the time, I didn't quite see the point of this time recording. Later on, I highly came to appreciate it. I noticed it also when I was working as a consultant a few years ago in ADB (Asian Development Bank), where they didn't have proper time recording, and you noticed the gap in knowledge.

**HEATH:** Gap in knowledge?

**FOSTVEDT:** Of what's happening.

**HEATH:** I see, right. So, you're saying you needed this in order to keep track of the different

activities people were spending their time on?

**FOSTVEDT:** What activities cost money out of the admin budget. In those days of course, you didn't have dollar budgeting. That came much later. Actually, it came when I was back in the then budgeting department for a few years in the mid-90's.

**HEATH:** Yes, so it's just staff weeks in the old days?

**FOSTVEDT:** In those days after all if you were a person in operations, you didn't really have much of a budget, because you had the positions. The positions did not, by my understanding, imply money. You have control over the positions, so that your actual money that you could play with, whether for hiring consultants, which we didn't do much of, or travel or whatever was very limited. You had no fungibility between for instance, staff and consultant. Or very little fungibility, at least.

**HEATH:** There has to be some sort of administrative spending that wasn't subsumed within the salaries--

**FOSTVEDT:** Yes, well travel, yes.

**HEATH:** Travel, right. Yes.

**FOSTVEDT:** Most people didn't travel that much.

**HEATH:** I see.

**FOSTVEDT:** Once you traveled, you might have traveled for a long period.

**HEATH:** Right, right.

**FOSTVEDT:** This, in out, quickly, out again that you have had in the recent years didn't happen. Most trips were long. You had of course quite a bit of free time before and after. You

had two stop offs, and most people I think in those days used them. I stopped using them quite a bit later, after I got married, then it was in, out.

**HEATH:** Yes, right. Okay. I see. Tell me about this Country Program Papers. Which countries did you work on?

**FOSTVEDT:** Well, I worked on quite a number, but I took primary responsibility for five or six. Including one I remember because I really was surprised at what the Bank was doing, was Swaziland, which in those days was a bit of a grower upcoming star in development. I think that has changed since. So, our job -- we didn't write them. Our job was in a sense the secondary role was to make sure that the paper contained the right things in the right items and that the tables were in the right order, so McNamara knew exactly where to find them, because McNamara read every one of them. The more important role was, in a sense we were the only guys, until they got up to very senior level, who could ask questions and raise a bit of difficulty. My job was to be, politely, a bit difficult.

**HEATH:** Who were you being difficult to?

**FOSTVEDT:** The guys writing it.

**HEATH:** The guys writing it. The guys writing it were from where?

**FOSTVEDT:** They were from the project divisions, relevant project. You know, the Bank in those days we had the Programs and Project, which was not an ideal organization. I think it created lots of unnecessary tension and irritation, because you had lots of people with negative power. So I guess these papers were written by the programs people.

**HEATH:** By the programs people not the projects people?

**FOSTVEDT:** Well, the project -- that depended. As far as I could gather, it varied a bit actually who were the main authors. But certainly for the main countries it was the programs people,

who then had pulled together from the various project people what they wanted to do in the next few weeks. It wasn't automatic.

**HEATH:** Okay.

**FOSTVEDT:** In any case, they were the ones who had written it. They were the ones who were planning it. We sat in at the review meetings, at the working level, which was typically what the YP did. Then at the Senior Vice-Presidential meeting, where the Director from the department and other people came and I sat in the back.

**HEATH:** What were the sort of difficult questions you were encouraged to ask?

**FOSTVEDT:** Well, I'm not sure I was encouraged to ask any specific questions. In a sense, it was my job to ask-- What are weaknesses? What, based upon what we could find of the files, and of course there were files in those days were really skimpy in many ways, should they do different things? Could they do different things? Since we didn't have any experience with past projects, no IEG evaluation or self-evaluation or anything. Clearly the basis for asking questions was very limited. I think occasionally I asked some good questions, nevertheless. But do you think I remember that? No. Old men forget.

**HEATH:** Would it be fair enough to say that the Country Program Papers were introduced as an adjunct to the five-year lending program? Because that was a McNamara innovation wasn't it?

**FOSTVEDT:** My feeling is that there may have been an adjunct. I can't really tell. But they were the first attempt to actually have programs for the individual countries.

**HEATH:** It's like an early forerunner of the country assistance strategy?

**FOSTVEDT:** A very early pale forerunner, because they were based upon projects.

**HEATH:** Right.

**FOSTVEDT:** The analysis of the country issues was limited, and project based limited. First I don't think there was ever any discussion of ongoing operations and what was happening to those. It was this was what you had done, and this is what we are planning to do. It was clearly based upon, among other things, in transport we have so many people available. So, where can we do transport?

**HEATH:** Right.

**FOSTVEDT:** Now, I also worked --

**HEATH:** So, it was very much a supply driven prerogative.

**FOSTVEDT:** Yes, but, let's say going back to the first point on transport; there we also developed, and I don't know whether that was systematic across the Bank, or for that particular division. They developed a country strategy papers for the transport sector in some of the individual countries in East Africa.

I do know, by accident, that the paper I wrote on Malawi -- was it? Yes, must've been Malawi, was actually used seven years later, because somebody came and told me that they had seen my name on this paper that they had been using. I think those papers also were pretty -- they went into more detail. They were not bound by what transport specialists the Bank had. In a sense it was as a desk review. A pretty decent review of what are the issues in the transport sector in the that country.

**HEATH:** Right.

**FOSTVEDT:** I believe that they are the same for some other countries. That, although I looked only at one of them as a model, yes, I think they were pretty decent efforts.

**HEATH:** Referring to the Country Program Papers, did the client governments have any input into them at all?

**FOSTVEDT:** None. No.

**HEATH:** None at all.

**FOSTVEDT:** These were Bank-centric.

**HEATH:** Were in the public domain? They were private documents?

**FOSTVEDT:** Whether they were ever released after Board discussion, I have no idea. I don't think so. To me, these were internal Bank planning documents. They could be occasionally quite open in their judgements on the countries, but not dramatically so.

**HEATH:** Right, I see. Okay.

**FOSTVEDT:** They took the weaknesses of the various countries as given.

**HEATH:** Right. In the year before you joined the Bank, in 1972, there was a major -- the first big real organization of the Bank. Were you aware of that just having happened when you joined the Bank?

**FOSTVEDT:** Oh yes. Everybody talked about that.

**HEATH:** All right. Tell me what your recollections about that.

**FOSTVEDT:** My recollection is it had been, from what I heard, quite a painless process. A bit complicated, but in terms of the individuals, a painless certainly compared to later re-organizations.

**HEATH:** Nobody lost their job?

**FOSTVEDT:** Nobody lost their job. The Bank was growing rapidly. Most people -- I think everybody I spoke to, that spoke to me about their experiences, thought it was a good idea. That

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the previous system where, as they described it, you could work in Brazil one day and in Philippines another was not -- it could be interesting at personal level but clearly didn't work, wasn't efficient, Didn't give also sufficient stability in country learning. Very broad agreement that this was a good idea. Broad agreement, or understanding with the whole -- the new structure, but certainly, among the project people where I sat, unhappiness with the dichotomy country programs, country projects, and the lack of a common boss until far up in the hierarchy where you couldn't go. You got into conflicts that you really couldn't resolve, except by either persuasion, or who was a stronger character.

**HEATH:** Part of this new organization, if I understand, was that you had on the country programs side you had the loan officers. On the project side you had the sector specialists. Were the loan officers invented as a breed with this organization? Where were they before? Or perhaps, they didn't exist?

**FOSTVEDT:** They must've existed before, because I frankly could see more justification for them before, when the project people could sort of move all over the world in their tasks. What their role really was except for creating problems for us in projects, that's a somewhat parochial view, I don't really know. I could never figure out what the role was. For instance, when you even negotiating a project, we had prepared everything. They came in and should be the negotiators. At least in certain points in time, they were the ones who were presenting it to the Board. I don't think that was systematic, but it certainly happened at times.

And why? We had done it. We knew the people. We knew the projects. Why should they do it? It was, certainly partly, you got the sense that there was a question of having a position and you needed to fill it. It was a very interesting fight, this was later in the period between Ernie [Ernest] Stern, who at that time was vice president, South Asia. This was towards the tail end of my time in South Asia, and Shahid Hussain, who was another upcoming star, vice presidential. Someone had started a discussion, I don't know what, and Shahid had written what I thought was a quite convincing paper; why the loan officer function, get rid of it. And Ernie wrote again – [cross talk]

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**HEATH:** What period was this? Sorry.

**FOSTVEDT:** This was late in my time in South Asia, so around '78, '79.

**HEATH:** Yes.

**FOSTVEDT:** And Ernie wrote a short, and I thought very unconvincing, paper; that the role of the loan officer is loans. He became then number two in the Bank; perhaps, based upon that. I don't know. Although, he had lots of qualities.

**HEATH:** All right.

**FOSTVEDT:** So, McNamara clearly did not want to see any changes.

**HEATH:** At some point in your young professional rotations, you must've been faced with a decision maybe. Do I become a loan officer, or do I become a project person? Did not [interrupted with cross talk]? That was never presented to you as an option?

**FOSTVEDT:** I would not have become a loan officer; then I would rather have left the Bank.

**HEATH:** But I mean it was never -- so nobody suggested to you, do you want to become a loan officer, Mr. Fostvedt?

**FOSTVEDT:** No, when I was finished with my assignment, two assignments, again you had the YP Administrator who was the one who then identified for you --

**HEATH:** Do you remember the name of that person?

**FOSTVEDT:** Tom.

**HEATH:** Tom Tsui?

**FOSTVEDT:** No, Tom Tsui was at the beginning, not at the end. At the end it was somebody else, and I've forgotten who that was.

**HEATH:** Okay. Fair enough.

**FOSTVEDT:** I think. In any case, they came with three or four options. I picked the one in South Asia, because it had to do with— Well, for instance, one of the options was do you want to become financial analyst for power in Latin America? Now, I didn't speak Spanish. Of course, I could be a financial analyst. That was no problem, but I had no idea of the power sector. This was apparently a great option. I thought that working on development finance companies in an English-speaking country was better for me, so I took that.

**HEATH:** If you -- maybe you were, but if you were highly ambitious YP graduate, would you choose to go with the country programs route, or would you go with the projects route? What was perceived to be the most -- the quickest way of ascent?

**FOSTVEDT:** First of all, I was not highly ambitious, not in terms of up in the hierarchy. I was much more ambitious in terms of feeling that I did something useful and I was learning. I don't think at that time, so, during my YP career that there was a clear sense, and it was because most YPs didn't really talk to other YPs about their ambitions. You could sense them, and they probably thought about them, but I don't think that was something we sat and discussed. A few years later I probably would've thought, because I saw somewhat the trajectories, that going to the right country program might have been better purely in terms of advancement.

**HEATH:** Okay. Fair enough. What do you think generally about the status of the YP program and the Bank? Has it been a positive or a negative force? Or both maybe? Has it been divisive, for example? Did it lead to lots of conflict between the YPs and the non-YPs, who maybe felt a bit jealous perhaps of the better career prospects of the YPs?

**FOSTVEDT:** That must've been, because you see, quite a number of YPs who have risen to very high levels in the Bank. I think the YP program at the time made clearly no sense, even if I

shouldn't exclude the fact that it brought the opportunity to hire me. Whether it has been equally useful later, I have no idea. But I think at that time, it certainly made a great deal of sense, because you got people who were first of all, willing to work hard and very ambitious and were not yet cynical. It did, in a sense, add in some ways to the diversity of the organization. Even perhaps in terms of country of origin, but much more in terms of a bunch of sectors, engineers and other specialists in certain things. You added people who were not specialists already. So, I thought it was a good thing. Well, this was my view at that time.

**HEATH:** But you said that when you entered the Bank you didn't have strong sense of who else was in your year's promotion. Was there nevertheless a sense of fraternity you felt with YPs general, or --

**FOSTVEDT:** No.

**HEATH:** Not really.

**FOSTVEDT:** I wouldn't say that. During my time in the YP program I must have known the faces.

**HEATH:** Right.

**FOSTVEDT:** That's pretty much it. Because you did attend a number of introduction sessions, although not exclusively YPs. There were other people there as well. I remember for instance, vividly who's now President of Liberia. What's her name?

**HEATH:** I forget.

**FOSTVEDT:** [Ellen] Johnson Sirleaf, she was there at the time. She was not a YP I'm sure because she was quite a bit older. I did run across a few other people later who had been in the same sessions but clearly were not YPs.

**HEATH:** Right.

**FOSTVEDT:** So, there was no really strong corporate spirit as YPs as such, from my experience.

**HEATH:** Going back to the terms of the reorganization; some of the project staff were located in the regions and some were in the center in the central project staff, is that right? Was there a sense of where it was better to be?

**FOSTVEDT:** I think in that time -- I didn't get that much sense from my sixteen months in transport as to that. I looked at it in terms of the DFC [Development Finance Companies] operations, where you had very small central department with a very strong leader, [William] Bill Diamond, but just a few, a handful of people. I certainly wouldn't have wanted to work in that central unit.

**HEATH:** What was their job at central units? What did they do?

**FOSTVEDT:** They attended pretty much every single, I guess, I'm not sure what they called them in those days. Now you would call them decision meetings on projects. Sometimes they ask very good questions, and very often they just ask questions.

**HEATH:** Were they seen as an irritant by the other project staff?

**FOSTVEDT:** Yes, in that particular case, most of them, yes.

**HEATH:** So they weren't people you went to for advice about things?

**FOSTVEDT:** Oh no.

**HEATH:** They were people who came to you and made your life difficult?

**FOSTVEDT:** I've worked with some very good people, including a dear person who then became division chief when we split. I don't think there were ever questions that I felt that I needed to go elsewhere for. I'm not sure they would have appreciated it either. The sort of

going behind your back. They didn't have specific technical expertise that we didn't have in unit. But this is, of course, a somewhat limited area. It could be different in power, for instance. I would imagine it ought to be different.

**HEATH:** All right. Do you think that McNamara would've wanted to have these people there for quality control purposes?

**FOSTVEDT:** I didn't get any sense that that was it. It was more a question of, somebody needs to tell me what we are doing in power generally, for instance. So, you need a central unit to collect information, could use its general statistics on a sector. There wasn't that much policy development in those days.

**HEATH:** Right. Now, is it true that central projects disappeared in the 1987 reorganization?

**FOSTVEDT:** No, they didn't disappear. In fact, they were enlarged; but they were different.

**HEATH:** They were different.

**FOSTVEDT:** Then after '87, you had in a sense two central. You had project staff in the country department, in the region, and you had one central. You could go to both to get specialists; and you did.

**HEATH:** Tell me something about -- you say you worked for these development -- DFCs?

**FOSTVEDT:** DFCs, yeah.

**HEATH:** I haven't spoken to anyone so far who has had anything to do with these. Tell me something about -- what is a DFC really?

**FOSTVEDT:** In those days, the theory was, if I should generalize, you should have -- in a country you should have specialized financial institutions for development lending, long-term lending. These were the DFCs.

**HEATH:** It's a state-owned development bank.

**FOSTVEDT:** Private or state.

**HEATH:** Okay.

**FOSTVEDT:** In some countries like Pakistan, certainly the one with the Bank had worked with for a long time was private but was then de facto nationalized. In other countries, they were private. ICICI [Industrial Credit and Investment Corporation of India] in India was probably our star, and that has always been private or significant state ownership indirectly. And it's still one of the -- you see ICICI bank. It has survived to this day. Survived and prospered to this day, although changing significantly. A number of other places like Africa, they probably were a waste. I became pretty quickly dis-enthusiastic about the model. I thought after a while that the model had much more limited functionality than the theories had.

**HEATH:** Can you say a little about the model, please?

**FOSTVEDT:** Well, the model was you have one specialized institution doing long-term lending based upon project appraisals like the Bank was appraising its projects.

**HEATH:** Would they be sector-specific or cover several sectors?

**FOSTVEDT:** They would lend for industries; mining and whatever else. They probably never touched agriculture. The Bank had separate institutions for dealing with agricultural finance, typically I think a waste of money. It was sort of the modern sector. That could be anything. It could be a transport. It could be whatever they could lend for. My view was firstly that I didn't know; even when you worked with quality institutions, how much could you trust the appraisals, when you work in highly corrupt and/or informal environments. Secondly, how could an institution only lending in term lending get its money back unless the clients wanted new loans for term lending and reverted some countries where the clients didn't go into new term lending. So, they didn't get their money back.

**HEATH:** They just took the money, and knowing, I'm not going to come back so I'm not going to pay the money back?

**FOSTVEDT:** Well, at least that's what -- they may have planned to pay it back when they borrowed, but then things changed, and they didn't. In Pakistan where I worked for quite a bit of time, they had enormous problems getting their money back. But then you found some very small institutions that actually worked very well.

**HEATH:** Which countries would they be under?

**FOSTVEDT:** Well, the one I knew best, and really liked to work with, was the DFCC [Development Finance Corporation of Ceylon] in Sri Lanka. This was -- we started -- the Bank had worked for them from back in the '60's.

**HEATH:** What was the DFCC?

**FOSTVEDT:** DFCC, Development Finance Corporation of Ceylon.

**HEATH:** Yes, yes.

**FOSTVEDT:** They kept the name Ceylon even though Sri Lanka had changed its name. The Bank had done several small loans with them before. This was under the bundle of American Government, which did very good work on, in a sense, equality, education. They had some social indicators that almost were like Portugal or Italy, but the economy was utterly stagnant. Even then, this corporation was able to lend and get the money back and lend and get the money back and doing good work.

Then when Sri Lanka for a while started to take off, in a sense I was present at the creation to sort of -- because I was able to push. Well, we had a big fight. They were going to give them a loan. They had worked with ADB [Asian Development Bank]. We had joint mission with ADB, also wanted to lend them money. It shows you the different dimensions. I wanted to lend

them 10 million dollars. The people in the Bank, including and the central unit, thought that six million should be it. I was able to get them up to eight, 10 or more would've been the right number.

**HEATH:** Did the DFC's typically lend at highly subsidized interest rates?

**FOSTVEDT:** Not subsidized in terms of getting the money. Not subsidized in terms of not being able to pay their way. Lower probably than most other sources, of at least formal finance, and presumably much lower than informal sources of finance.

**HEATH:** Right.

**FOSTVEDT:** So, below what you might consider market rate, probably. But they were often the only institution willing to lend formally for three, five, 10 years.

**HEATH:** Yes, right. So there wasn't any discussion at that time about the crowding out effect of these institutions, in terms of private sector then?

**FOSTVEDT:** No, there were discussions, in particular towards the end of my time with these institutions, about -- could there be distortions, one of the favorite topics of economists from time to time, by doing this type of lending. Crowding out? I don't think that word--.

**HEATH:** How would these distortions arise?

**FOSTVEDT:** The hypothetical; interest, cost of money in the country might be higher than what these guys were lending for. Therefore, there was a distortion. I have a very cynical view of distortions; within normal ranges I don't care. That in real subsidized it poses whether it be in Indian type of subsidizing everything even if he can't deliver it? Yes, but you lend a few percentage points below what perhaps a market clearing range would be, so what.

**HEATH:** Did you have the sense that many of the loans that were made were not really made against solid business plans but rather went to political favorites?

**FOSTVEDT:** Not in those that I dealt with. ICICI only did a little bit of -- there I was never in charge. They clearly really are very solid institution, supporting and being paid back by the Tata's and all those, dealing with the serious industrial need in India. The FCC in Sri Lanka? No, they were the one problem you could raise with the benefit of hindsight when you pushed a little at a time was, did they do enough in the Tamil areas. But none of us really saw --

**HEATH:** In the Tamil areas?

**FOSTVEDT:** Tamil areas, but you never saw the real -- we saw that there were problems. We didn't see how bad the problems were going to be.

I worked on one institution in Bolivia, Banco Industrial. They actually made the money from building and they presumably had some privileges building their building. Now, it was so big that the managing director had a floor on his own. What they lent for, they were very conservative. Quite a bit of it was for mining, dealing with at least one guy, who later became president and they actually made a movie [*Our Brand is Crisis*] of him, Goni [Gonzalo Sánchez de Lozada]. The guy before the current regime. But they were conservative for very good reasons. Bolivia is a highly uncertain environment, but everybody paid back.

**HEATH:** Right, okay.

**FOSTVEDT:** Pakistan, I would be less sure, but not so much political. In fact, there was one bank that was clearly state owned, and another one that had been private but had become almost state owned because of nationalizations of other banks. How could you operate in Pakistan with a strong state and a fairly weak private sector without the state looking upon you with a bit of favor? But I personally never came across anything obvious.

**HEATH:** So it wasn't your sense that the privately owned DFCs were necessarily better more efficient than the state-run DFCs?

**FOSTVEDT:** Well, those that I mentioned, ICICI was private, and even after the state began

through nationalizations of others got a significant shareholding, they were private. There's no doubt about it. BISA [Banco BISA S.A] in Bolivia was private. The FCC was private. Could they have done less work being state-owned? I wouldn't exclude that.

**HEATH:** Okay. I see. What was the first project you took to the Board?

**FOSTVEDT:** That was this the DFCC operation.

**HEATH:** Right. That was in what year?

**FOSTVEDT:** '76 maybe?

**HEATH:** Sorry, remind me of the country again?

**FOSTVEDT:** Sri Lanka.

**HEATH:** Sri Lanka, right. Okay. What do you remember about the whole process of identifying, preparing, appraising that project?

**FOSTVEDT:** Quite smooth. I knew the place. I had already been over there on several missions, on various missions. I knew the place. I trusted the people there and I was right. Actually, interesting. They were good at delivering the material that we needed. There were some internal issues in the Bank, which I would describe more as harassment than anything else; but fine.

**HEATH:** Can you describe the sorts of obstacles that developed within the Bank that were a bit of a headache?

**FOSTVEDT:** Well, the then director of the DFCC department --

**HEATH:** So, central projects?

**FOSTVEDT:** Central projects, yeah.

**HEATH:** Right.

**FOSTVEDT:** I don't think he had pushed any ideas. He just didn't like some of my arguments. He was fairly unconstructive but blunt about my arguments. I'm never all that good at – I always come up with the arguments 10 minutes after a meeting is over. It was a bit of a pain. This whole internal process, which didn't involve him. This was sort of the director of the country, program department, the division chief of the country program department, who we're not going to mention because he was a real pill, and endless discussions as to this six, eight, or 10 million dollars. I had to produce lots of extra justification for why the 10 million was the right amount. Obviously, I wasn't persuasive enough but at least I got him up to eight. I found out very quickly that that was -- we should've given more. But it was a bureaucratic hassle. That kind of stuff you always run across in one way or another. There were no special hurdles. And the Board was very supportive, because the Board in those days was under McNamara's thumb.

**HEATH:** Was a what? Sorry?

**FOSTVEDT:** Under McNamara's thumb. Board did what McNamara wanted, much more than any senior President in my limited experience.

**HEATH:** Did you have any contact with the Board before the meeting?

**FOSTVEDT:** No.

**HEATH:** None at all.

**FOSTVEDT:** None of this prior meetings or discussions. You surveyed the document, you went to the Board. You got some questions in that case very easy to handle and approved; simple.

**HEATH:** What, I mean perhaps it's a strain on the memory but, I guess, can you remember how

McNamara handled this meeting where you had your first project taken to the board?

**FOSTVEDT:** I can't even remember whether it was McNamara himself or the other guy would've been then in those days Burke Knapp.

**HEATH:** Yes.

**FOSTVEDT:** Whom I didn't have much to do with, but in a sense was -- he was a gentleman.

**HEATH:** Yes, right.

**FOSTVEDT:** I can't remember who would've chaired that meeting. -- There was nothing for the president to intervene in a sense.

**HEATH:** Was the board in those days in any sense a force to be reckoned with or not really?

**FOSTVEDT:** I am not the best person to ask, because I was so far down in the pecking order. My strong sense was no. That being on the Board in those days must have been dead boring, because there were so few issues, and McNamara was the boss. There must have been some issues but that didn't come across my desk.

**HEATH:** Did you have, at any point in your career, a one to one meeting with McNamara?

**FOSTVEDT:** (Laughter)

**HEATH:** No? Not even a handshake across the globe after your 10 year --

**FOSTVEDT:** Nah, I never went to those.

**HEATH:** You never went?

**FOSTVEDT:** But 10 years could've been after McNamara had left I think.

**HEATH:** Okay. I see.

**FOSTVEDT:** In any case, I had never gone to any of those.

**HEATH:** Okay. Fair enough. –You saw him in action from a distance, should we say?

**FOSTVEDT:** Yeah, I was in the same -- apart from Board meetings, I was in the same room with him once.

**HEATH:** Okay. What do you remember about that meeting?

**FOSTVEDT:** Well, that was the several discussion group I mentioned to you.

**HEATH:** Yes, right. So, it is. Fair enough. What about the other sort of senior figures around McNamara? You mentioned Burke Knapp. Were there any other big players who left a mark on you?

**FOSTVEDT:** No. Well, I had one or two meetings with, for some peculiar reason, with Hollis Chenery, Chief Economist, who was probably a very decent fellow. I don't think he was the world's sharpest economist, and he was a good friend of McNamara.

**HEATH:** This was about one of your projects or not?

**FOSTVEDT:** No, it was purely -- In one case he came to us and just wanted to listen to some junior people talking about some issues of economics or pertaining to economic development.

**HEATH:** I see.

**FOSTVEDT:** Essentially, picking our brains a bit, in a very modest, polite way. I think I attended one or two other meetings with him, where I sat in the back. The only guy that everybody noticed was [I. P. M. "Peter"] Cargill.

**HEATH:** Who?

**FOSTVEDT:** I.P.M. Cargill.

**HEATH:** Cargill, Peter Cargill.

**FOSTVEDT:** Peter Cargill.

**HEATH:** English guy.

**FOSTVEDT:** English. I think he had been either Chief Secretary, or Financial of Secretary of Sindh province before independence.

**HEATH:** He's one of the colonial old guard?

**FOSTVEDT:** Yes, and he was – again. I told you about these meetings in the central program papers.

**HEATH:** Yes.

**FOSTVEDT:** When he had his vice-presidential meetings on the program papers, I was not permitted to participate. He only wanted principals. The way it was told to me was that he went around the table, and if you started out well, next. But all the stories about Peter Cargill were, in a sense, told in admiration.

**HEATH:** Admiration.

**FOSTVEDT:** Absolutely.

**HEATH:** I see.

**FOSTVEDT:** He probably had very liquid lunches. People said that he had no known sense of

numbers, but he was at one-point vice-president of finance. He had very good ability to pick people and let them get on with it. He told McNamara, according to stories, the truth. He was perhaps the only guy, who at least in public meetings, who could tell McNamara the truth and get away with it. He was a real character, and there are some stories that I can tell you if you want to know.

**HEATH:** Please do.

**FOSTVEDT:** Okay. This was told to me later by a guy who had been with Peter Cargill during McNamara's first visit to India. McNamara was going to a big meeting in the Ministry of Agriculture. My source, and let me tell you it in the first person but it wasn't me, said (inaudible) I'm going to sleep. She didn't want to join McNamara. So, McNamara went to the meeting in the Ministry of Agriculture, and they had overhead projectors and they really -- and they gave McNamara a big spiel of what they were doing. McNamara had this little black book and he took notes and asked questions and was really keen.

Then they come back to the Oberoi [hotel] in Delhi and Cargill was coming out of the elevator heading for the bar. Peter, Peter you should have been there. Listen to it and opened the black book and telling and telling. And [Cargill said] you Bob believed all that. (Laughter)

According to my source, McNamara went white. He realized that he had been, to a significant extent, snowed by the Indians. He didn't want to go to the dinner that evening with Indira Gandhi, and his staff basically had to push him out the door.

**HEATH:** (Laughter) That's funny.

**FOSTVEDT:** The other story, one of the other stories about Cargill was, you know, in those days staff never saw the president. McNamara always walked up to his floor, so that people who walked the same elevator -- stairway up and down hoping to meet McNamara. At one meeting somebody had said, maybe McNamara should expose himself more to the staff. Yes, yes. Expose himself? I thought that was what dirty old men did on the London subway? (Laughter)

He handled all of Asia as vice president. When he left that regional job, they split Asia in two. At one point he had three jobs, I think. He was vice president of finance, he was in charge of the early IDA negotiations, and I think he even had a third job. He just picked very good people and let them do it.

Oh yes, in '73 McNamara had a big Nairobi speech, which was an important speech, etcetera, and rural development. So, Cargill sat and with quite a number of people who were working with traditional agriculture. They were all concerned; but what had happened to them? Now with all these new initiatives? Don't take the man from Ford so seriously.

**HEATH:** (Laughter) Right. Why do you think the traditional agriculturists were concerned about this Nairobi speech?

**FOSTVEDT:** Bank staff scare easily. That's my experience. It was simply my experience in '87, even though it was after McNamara's time.

**HEATH:** But McNamara was raising the profile of agriculture and rural development. Surely, they would've been happy about that, wouldn't they?

**FOSTVEDT:** Perhaps, they should've been, but if you are a traditional agriculturalist, then all your stuff has been on, whatever agricultural plantations – [cross talk] education and conservation, and etcetera and what they do --

**HEATH:** Don't think about the poor, perhaps.

**FOSTVEDT:** Yes, don't think about the poor. Don't think about the general aspects of it. Don't think about families and education-- But I think the general experience is we in the Bank knew, or they in the Bank know, scare easily. That was certainly the case in '87.

**HEATH:** Were you, I mean, you said that Cargill was an example of the old guard. Were you aware of a lot of staff who were sort of former members of the colonial service in different

European countries, and --

**FOSTVEDT:** Sure, UK and France.

**HEATH:** UK and France. Dutch maybe? The Belgians?

**FOSTVEDT:** The only guys I came across, who for one reason or another, I either knew or they told me that they had experience, were UK and France.

**HEATH:** Right.

**FOSTVEDT:** Yeah, there were quite a number of them, yes.

**HEATH:** Did their mindset tend to be different from that of people like yourself, who maybe were up and coming new guys? Different view of development, perhaps?

**FOSTVEDT:** Probably a more limited view of finance. It's hard to generalize, but if I should try, probably a more limited view of development. A much more cynical view of the prospects for development. Well, but that also is age. After all, you've worked on something for quite a while, and you do become a bit simple, present company excepted. So, yes, they were probably influenced by their experience.

**HEATH:** How did they tend to view McNamara?

**FOSTVEDT:** A bit naive but I think first of all, they all liked him in many ways. They liked what he was doing. They respected him. He was sharp, and there was no doubt that he was sharp. There was not a dislike that there had been seen here with some later presidents. But they probably looked upon him as a bit a naïve. Too optimistic as to what could be done. Not having dirt under his fingernails, sort of like that.

I must admit I very rarely heard people talking negatively about McNamara, and seldom in relation to his obvious failures during Vietnam, except occasional remarks. You know, he's

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trying to do good because he failed earlier, but more in sorrow than in anger. McNamara was respected. The joke when McNamara was traveling, “management is out of town today”; he was the boss. He had the brains and the character and the presence of mind to show that he was the boss. Highly, highly respected, I would say, in my circles.

**HEATH:** One of the things he’s famous for is of course, the five-year lending program, and the ramping up of the amount of money the Bank lent and explosive growth in this respect. Was there in your sense any tradeoff between quantity of lending and the quality of lending?

**FOSTVEDT:** There must’ve been. Certainly, a number of the things that I either worked on, or sort of touched upon, were things that, even then you could wonder about, and with the benefit of hindsight, you could wonder much more like the whole DFCC, DFC model, which could be good in limitation but was clearly used on a number of very inappropriate circumstances, and with not enough critical eye. But that could’ve happened even if the Bank was stagnant in lending volumes, so I don’t think that --

**HEATH:** Just to be clear, the DFC model proceeded McNamara.

**FOSTVEDT:** Yes.

**HEATH:** Or maybe it was expanded under --

**FOSTVEDT:** Yes, everything expanded under McNamara. Yes, the model must’ve existed before McNamara. Certainly in a few cases; ICICI, (inaudible) and Pakistan have been working on it for a long time. The model wasn’t new with McNamara.

We in the Bank are never quite as sharp as we’d like to think we are. We are never quite as ripe as we think we are. What I do remember, vividly, we had in one case; it was DFCC in Sri Lanka. There was a big internal fight on the Board. We certainly all knew which horse we wanted to win, but our influence over those horses was obviously very limited. I think we stayed within the bounds of decency and reasonability. I met a guy in India? Malaysia? Who

had been working on that Board as an external representative some ten years earlier, something like that. His view as to what the Bank could do; you just bang the table. You just tell them, if you don't shape up, if you're not able to tell them, you don't lend them money. That may, and I would underline may, have been what the occasionally did 10 years earlier.

**HEATH:** I see.

**FOSTVEDT:** But we certainly didn't do anymore, at least not on those things that I worked on.

**HEATH:** Yes, I see.

**FOSTVEDT:** Perhaps the Bank could've been more forceful on things where you saw problems.

**HEATH:** Right.

**FOSTVEDT:** We could take our Board and go home more easily than we could in a period when we wanted to ramp up money, but I am speculating here. I'm generalizing from very limited number of observations.

**HEATH:** You obviously heard of the [Willi A.] Wapenhans Report [*Effective Implementation : Key to Development Impact*] and his reference to the approval culture. Did that ring a bell with you in hindsight? Were you aware of that in the early '70s when you joined the Bank?

**FOSTVEDT:** Of course, Wapenhans was much later.

**HEATH:** Yes, '92; but he was describing something that went back in time, to probably the McNamara period.

**FOSTVEDT:** Yes, probably.

**HEATH:** A corollary of that was the tendency was to give more focus to the lending than to

supervision.

**FOSTVEDT:** Well, but that, in a sense was how the Bank worked from the beginning, I think. The Bank lent money. Supervision was a much more; perhaps, not casual, but a much more limited affair. Of course, you never did serious exposed assessments. All of the probably rare more informal learning than you may give them credit for. In terms of formal assessments as to what went wrong, what did we do right, what should be learned, what should we do different; that hardly existed in my experience.

**HEATH:** Was there much scope for, in the course of supervision, mid-course corrections to correct a faulty design of the project? Did that ever happen in your experience?

**FOSTVEDT:** DFC operations, lines of credit, are probably not the best example. I would have thought that such midterm corrections could be much more obvious in the power project or in a transport project or something. Given that, if I should generalize, I see much more, the supervision these days is much more implementation support. In those days, it was a supervision. You supervised--- you prepared it at the present and you supervised it. It was going to go on as you had planned in the present stage.

**HEATH:** It was much more hands on in those days?

**FOSTVEDT:** No, but much more --

**HEATH:** Following the rule?

**FOSTVEDT:** -- you have a direction --

**HEATH:** Right.

**FOSTVEDT:** -- and is it reasonably happening as you expected?

**HEATH:** Right.

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**FOSTVEDT:** You didn't have really much resources to effect course corrections. You had no formal steps, except for the supervision reports, and whatever letter went out from the Bank. You didn't share drafts with the people in the field. There were people who said although I don't disagree but I'm, you know, never lived up to that; that they shouldn't tell them anything about what they found until you had met back with your management in Washington. I certainly told them, but they didn't have formal *aide-memoires*, for instance. That came towards the end. In the beginning, it didn't have an *aide-memoire*. We had a wrap up meeting and said thank you very much. This was very interesting. It gave them a few oral pointers, and then you wrote your supervision report when you're back in Washington. Much more civilized.

**HEATH:** So, there's no aide memoire?

**FOSTVEDT:** In the beginning? No.

**HEATH:** I see.

**FOSTVEDT:** --You had *aide memoires*, when you had an appraisal mission. You wrote an *aide memoire* to them. With all sorts of caveats. But aide memories on the regular missions, to the best of my recollection, came late in the years. Probably made, maybe towards the end of the '70s we started to with aide memoires. Partly because, of course, you didn't travel with secretaries, unless you had big missions. None of us could type. The ability to get people to type for you was very limited. When we worked on -- so the one thing we did when we worked on these DFCCs was their updated information projections. As you know, financial projections before spreadsheet meant lots of paper, and you never did them with ink, but only with pencil so you could start with the note. It took a long time to prepare these filings.

**HEATH:** Yes, right. When did you -- when did Excel, when was that created, the Excel spreadsheet? Was that in the '80s? It must have been somewhere in late '80s.

**FOSTVEDT:** Later '80s. I never traveled with a computer, until I started working on Eastern Europe and that was '87.

**HEATH:** '87.

**FOSTVEDT:** In those days before '87 I was always able to borrow a typewriter from somebody, but this was in the '80s. My style was one page ready, one glass of scotch.

**HEATH:** (Laughter) Okay.

**FOSTVEDT:** So, these aide memoires were not very long.

**HEATH:** Office technology, did you have an adding machine on your desk? How did you get -  
- did you use a slide rule?

**FOSTVEDT:** Oh, yeah. If you had, I mean, in the office? Yes, we had some adding machine, calculators.

**HEATH:** Not handheld.

**FOSTVEDT:** I certainly got the handheld machine only in the '80s.

**HEATH:** Right, right. Yes.

**FOSTVEDT:** You had something called MTST [Magnetic Tape Selectric Typewriter] or something, so that when you had written down your -- all your drafts were handwritten. Then you got a secretary to type it, I think. Let's say an appraisal. Then you took it down to this office in the basement, and they put it into some sort of system. You got it back and you correct it. -- So the final reports were actually assembled through some sort of very early word processor.

**HEATH:** Early word processor. I see.

**FOSTVEDT:** They could make changes based upon your handwritten corrections.

**HEATH:** Did you ever have any cause to use the mainframe computer in the Bank?

**FOSTVEDT:** No.

**HEATH:** No, I see.

**FOSTVEDT:** Never.

**HEATH:** Calculating rates –of return, how did you do that, before the days of the HP12C calculator? How did you --?

**FOSTVEDT:** You had spreadsheets.

**HEATH:** Spreadsheets.

**FOSTVEDT:** You calculated.

**HEATH:** I see.

**FOSTVEDT:** That really wasn't too much of a problem. I can't say I felt a need for these things until they actually showed up.

**HEATH:** (Laughter) Okay. Fair enough. Let me talk a little bit about work life balance. In the late '70s, when you were going on mission, how many days a year would you travel, typically?

**FOSTVEDT:** Travel increased much more in the '80s. In the '70s, I probably had three missions a year.

**HEATH:** Which would add up to how many weeks?

**FOSTVEDT:** Well, that depended on where you were going. If it were a question of just doing a supervision mission to Sri Lanka, it was two weeks in the field. You know, so as many days as you wanted to spend en route.

**HEATH:** Right.

**FOSTVEDT:** Later when I started to add up, I had missions of seven weeks. I was not married at the time. Well, I found these long missions -- because in Pakistan they tell me to work on two institution at the same time. We spend about five weeks in Pakistan. Five weeks in Karachi was not exciting, but it was always the last week that was bad, because that's when you started to; in three days I'm leaving. In two days, I'm leaving. Tomorrow at last I'm getting out of --

**HEATH:** Right, right. I see. Could I ask what year did you get married?

**FOSTVEDT:** '79.

**HEATH:** '79. Did your work routine change in any way after you were married? The work life balance. The number of hours you spent in the office, the number of hours you spent on mission, these sorts of things?

**FOSTVEDT:** Not really, no. I've always taken work seriously. In those days of course, you couldn't work from home. There was very little you could do from home. The big travel load came about 10 years later really. Even when I worked in petroleum I didn't have -- yes, I had quite a number of missions, but some of them were much shorter, but more strenuous. On Eastern Europe, I was away for one third of the year.

**HEATH:** For how long?

**FOSTVEDT:** One-third of the year.

**HEATH:** One-third of the year. This is in the '80s.

**FOSTVEDT:** Right, this was late '80s.

**HEATH:** Right, okay.

**FOSTVEDT:** It was more civilized then. You just traveled to Hungary and places like that.

**HEATH:** Was there any convention, either in the '70s or the '80s about how many -- was there a maximum number of days you were supposed to spend on mission?

**FOSTVEDT:** There was no maximum, but there was a period when somebody introduced that you needed approval from your line manager for traveling more than "X". I always thought that was utter nonsense. If I ever felt that I was traveling too much, I was big enough to say no. I said I am fully ready to go even though I've exceeded whatever limit was there. It was pro forma. I don't know anybody in my unit who took them seriously, but he could say no. I'm not sure I ever did, but he could. That would not have been held against him.

**HEATH:** Either before or after you were married, did you work -- come into the office at the weekends?

**FOSTVEDT:** Oh, yes.

**HEATH:** Yes.

**FOSTVEDT:** All the time; when I was working it went periodic.

**HEATH:** Sure.

**FOSTVEDT:** Again, it was -- Eastern Europe was very heavy duty, but also partly because you felt you were doing important work.

**HEATH:** Right.

**FOSTVEDT:** With the benefits of hindsight we were.

**HEATH:** This is again in the '80s rather than the '70s.

**FOSTVEDT:** Late '80s, yeah. In the '70s, before I was married I had quite an interesting rhythm, because I liked also to go running. In those days people took their workday seriously. Rather, they didn't take the morning seriously. I remember the second day in the Bank when I was going to be taken around, and this was East Asia, East Africa project. Show up at nine o'clock which was in those days it was 9:00 to 5:30. I showed up at 9:00. My division chief came at five past 9:00 and wanted to take me around to the offices and there was nobody there. They showed up showed at 9:15, 9:30, but at 5:30 they were out very quickly. Then fortunately they came with variable schedule, and I always picked 8:00 to 4:30.

**HEATH:** Right.

**FOSTVEDT:** Also, because I lived in Georgetown, could walk in no problem. Left at 4:30 sharp. Went home, went running, had my bachelor dinner, could drive back to the Bank. Then I sat sometimes until 1 or 2:00 in the morning, because there was nobody there especially doing spreadsheets and stuff. The air conditioning didn't work but I figured a way. This was in the old building that doesn't exist anymore, you could open a window.

**HEATH:** When you say the air conditioning didn't work, they shut it down at night or they --

**FOSTVEDT:** Probably, yes.

**HEATH:** I see.

**FOSTVEDT:** Nightly or reduced it.

**HEATH:** Yeah, yeah. Sure.

**FOSTVEDT:** I needed two sets of screwdrivers. I needed a regular and a Phillips. I needed a Phillips to unscrew the cover. Then the regular to stand up and, on the windowsill, and turn right, and then push window but not so far that you actually followed it out yourself.

**HEATH:** (Laughter)

**FOSTVEDT:** Then sometimes also, as we got more familiar, and if I was writing an appraisal report or something, I wrote it in 1:00, 2:00 in the morning, and left it for my secretary to write up and I came in at 11:00. But you needed to be familiar, the people needed to respect your work output for you to do that.

**HEATH:** Before you were married did you have much of a life outside the Bank in terms of social life?

**FOSTVEDT:** Yes, reasonably yeah.

**HEATH:** Did you have people who didn't work for the World Bank?

**FOSTVEDT:** That was more no. Your circle of acquaintances tended to be around the Bank. Well, I started living in a townhouse in Georgetown with two other guys from the Bank, with no air conditioning. We had 120 people on the 4<sup>th</sup> of July, without air conditioning. There, of course, were quite a number of people also from outside the Bank. In reality, your social life, at least unless you are very outgoing, tended to be Bank or related to Bank.

**HEATH:** Apart from the 5:30 club, did you belong to any other clubs or societies in the Bank in the '70s?

**FOSTVEDT:** Well, I started with the Hash House Harriers, and there of course, I met a number of people who are not Bank. I ran with them until I got married.

**HEATH:** Who organized that?

**FOSTVEDT:** Some Brits from the Bank.

**HEATH:** From the Bank?

**FOSTVEDT:** Because you know the hash started in Singapore before the war and so they must have brought it to Washington. I think they brought it there two years maybe before I joined.

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**HEATH:** Right. Okay.

**FOSTVEDT:** It was great fun.

**HEATH:** Did you --

**FOSTVEDT:** I also ran with the D.C. Roadrunners, which had nothing to do with the Bank, but that was purely running. You didn't really socialize with them.

**HEATH:** Right. Okay. Did you join the Bretton Woods Club at any point?

**FOSTVEDT:** No.

**HEATH:** Because?

**FOSTVEDT:** I had no interest in it, and I certainly didn't play golf and I didn't play tennis, so why should I bother?

**HEATH:** Right. Okay. I'm thinking about, you know, the general feel of the Bank in those days, late '70s. Was it a fun place to be, or was it a very grey place?

**FOSTVEDT:** It was a good place to be.

**HEATH:** A good place. Was there much of a sense of humor about the place? Did people crack jokes?

**FOSTVEDT:** Yes, but that was very much on an individual basis.

**HEATH:** Right.

**FOSTVEDT:** We certainly had people who could be very entertaining, and others who were not. Let's put it this way, as an illustration. The Bank used to have this big Christmas party,

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black tie up at the Shoreham, I think it's the name. Everybody came.

**HEATH:** Shoreham Hotel?

**FOSTVEDT:** Yes.

**HEATH:** Yes.

**FOSTVEDT:** By coincidence, at the last of these --

**HEATH:** Which was?

**FOSTVEDT:** One or two years after I joined. McNamara then canned it, because they felt it was bad public relations. The same way he canned the tourism department.

**HEATH:** The same way he did what was it?

**FOSTVEDT:** Tourism.

**HEATH:** Tourism, oh yes. Yes, I see.

**FOSTVEDT:** He felt it wasn't in the spirit. So, the last time I had just come back from mission. I, therefore, came after dinner, still continued to early morning, but fortunately I had not eaten the dinner because apparently lots of people got food poisoning. I don't think McNamara canned it for that reason. That was fun. Then it started with office parties for your office. Ugh.  
(Laughter)

**FOSTVEDT:** That was no fun.

**HEATH:** Why do you think it was no fun?

**FOSTVEDT:** Because you knew these people. First of all, it's a fairly small group, so you

didn't have any way of cross-fertilization, let's call it that. There were none of the possibilities for having fun and meeting in a sense within that group, other people and whatever.

**HEATH:** Sure, sure.

**FOSTVEDT:** That's including the big party.

**HEATH:** Right. Was there much social interaction between the support staff and the professional staff in these parties, or in the general work routine? How would you describe the relationship between them?

**FOSTVEDT:** Well, you have males and females, and of course, most females were support and most males were not. Inevitably there would be some social interaction. Apart from that, we took them out for secretary's day or whatever it was called. I called it always the be kind to secretaries day, when we had a lunch. Pretty boring stuff. Had more interesting interactions with some of the people, or with support staff.

**HEATH:** Do you think support staff were frequently bullied by the professional staff? Or treated without sufficient respect? What was the tenure of the relationship?

**FOSTVEDT:** I didn't come across it. I didn't see it. I'm sure it happened. A few stories I heard were quite innocent. That it happened in such a large organization? Sure.

**HEATH:** Were you aware of any cases of sexual harassment?

**FOSTVEDT:** No. I was member of the staff association. I was sort of our representative to the staff association for a while. The big topic with some secretaries, or other types of support staff who were at that staff association, was the word professionals and others. Professionals and non professionals; we are all professionals. If that was the big topic, then there can't have been all that much. That is a fairly innocuous issue, if you really get hung up on that, but I really don't know. Clearly, it was not a topic that people talked about. So, I don't know.

**HEATH:** Were there any times in your early career in the Bank under McNamara that you felt uncomfortable about the way that your boss, or anybody else, was treating you?

**FOSTVEDT:** No. We had disagreements. I could perhaps say that there were occasions when I thought they overreacted, but within bounds. I had no serious problems. If I went back and looked for a can to kick out of frustration, it was professional. It was not personal.

**HEATH:** What do you remember of the annual process of performance review, where you had to account for yourself in the previous years. How did that work out?

**FOSTVEDT:** Not particularly useful. It was if we had issues, we had already discussed them a long time ago; not particularly difficult or intrusive. It was a formality. You know they always felt we need something on paper. Inevitably, there will be times when you do have some issues, or they have some issues, but sorted them out beforehand at the time when the issues came up. In an informal discussion behind closed doors. That was that. Was I very lucky with the people? I think they were quite normal people who took leadership responsibility, or management responsibilities, reasonably seriously. – They didn't have too many sharp edges. Some probably, but not that many.

**HEATH:** Was there somebody who particularly, a division chief or a peer, who you particularly looked up to and learned from in those McNamara years?

**FOSTVEDT:** Most of that time I had the same division chief.

**HEATH:** Who was?

**FOSTVEDT:** Malcolm Rowat was his name.

**HEATH:** What nationality was he?

**FOSTVEDT:** Brit; a Canadian. Sorry.

**HEATH:** Malcolm Rowat?

**FOSTVEDT:** Rowat, R-O-W-A-T.

**HEATH:** Yes.

**FOSTVEDT:** He was, in a sense you can call it, sort of an informal unit leader from '74 to either '75 or '76, when we were split. Then he was my division chief until I left South Asia. We had good relations. He knew his stuff. He didn't really want to talk about the limitations of the model because he had worked on that model for longer than I.

**HEATH:** This is the DFC model?

**FOSTVEDT:** The DFC model and so I raised it occasionally and noticed that he didn't really want to talk about it, so I didn't. I would say all people I worked for until one time in the late '80s were decent people, with limitations but more strengths than weaknesses. As long as you adapt to them, you can have a serious life, a serious professional life.

**HEATH:** Were there other parts of the Bank outside your division that you had particular interactions with? At least your research department, did you look at their stuff at all? Were you aware of OED [Operations Evaluations Department] in its early days?

**FOSTVEDT:** OED; I never paid attention to. I knew they existed, and I didn't take them seriously at all.

**HEATH:** Why was that?

**FOSTVEDT:** It was a graveyard. That was where people went so, they were furious before retirement. They didn't market themselves, which they probably should have; explain why they were useful, or could be useful. Also, I think frankly that until [Robert] Bob Picciotto, OED wasn't a very useful organization. It was a very limited operation, doing very limited work, which was needed more for reputational reasons than for substantive reasons. I think that Bob,

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had changed it. Though I had worked with Bob in South Asia. He was a terror. Fortunately, I had --

**HEATH:** When was that? Sorry.

**FOSTVEDT:** '74 to '79. He was the Assistant Director, and then I think he became director of the project department. Fortunately, it was always my division chief who had primarily to deal with him, and I just sat there. But Bob could be difficult. So, when I came back to OED, and people were very nervous about Bob, I said, compared to the early days he is a pussycat.

**HEATH:** (Laughter)

**FOSTVEDT:** People didn't quite believe me.

**HEATH:** In the '70s how did he -- what was the? Why was he difficult? What was difficult about him?

**FOSTVEDT:** He was intense.

**HEATH:** Intellectually intense?

**FOSTVEDT:** Intellectually very intense. I noticed, even the people who were well above me in the pecking order; you really had to fight to get a word in edgewise when Bob first got cracking. So, I had forgotten the other people, but -- there were two Assistant Directors, I think. The other guy, a guy named (inaudible), and I much prefer to deal with him because he was patient, reasonable, and saw your point of view, and that. Bob saw his own point of view. Very often, especially with the benefit of hindsight, he was right. To try to argue with Bob, other people failed. I fortunately didn't have to try. I just listened.

**HEATH:** Right. Is there anything else you'd like to add about the McNamara years as you saw them? Was there anything you really didn't like about the McNamara time?

**FOSTVEDT:** Well, I didn't like, in a sense back to what we talked about, that the DFC model was so accepted without criticism, because I pretty quickly came to realize there were severe limitations.

**HEATH:** Let me just take you up on that. When did it get out -- when did it finally vanish, or go out of fashion?

**FOSTVEDT:** Well, I vanished from it. I actually worked on it also in Latin America for a few years before I was recruited into petroleum, which was much more interesting.

**HEATH:** By the late '80s, had it fallen off?

**FOSTVEDT:** I really didn't pay attention thereafter, but I presume it gradually fell into disrepute.

**HEATH:** While you were working on these models, were you aware of other people in the Bank who had similar misgivings as you, and maybe were more vocal, perhaps, in their opposition to it?

**FOSTVEDT:** If they existed, we didn't talk to each other.

**HEATH:** I see.

**FOSTVEDT:** There were some exceptions. For some reason, some of the people in that small central until --

**HEATH:** What about this chap, J.D. Von Pischke, wasn't he already a skeptic at that point?

**FOSTVEDT:** I had nothing to do with him. I thought he was agriculture, wasn't he?

**HEATH:** Well, yes that's true. Finance I suppose.

**FOSTVEDT:** I don't think we ever came across that. But they had one guy over there. They were wedded to the debt equity ratio for development finance institutions. He came up with a paper that I frankly was able to demolish, because if you accepted his assumptions, then all DFCs would sink into irrelevance given that you had inflation. I should have circulated my paper much more widely. I was too modest, because it actually was a very good paper. The few people who read it all came and said, you were right, why didn't I write it. Or boast about it. They were very limited.

There was clearly segmentation. People on that business didn't talk to those people. I had some crossovers with some people in transport, not because I worked on it, but because they wanted to use somebody's DFCs as a modest vehicle for a project component and things like that. The one other thing that really surprised me, because we had some -- since we dealt with finance, we had some interactions with IFC [International Finance Corporation]. IFC in those days, from my parochial perspective, was person; was a non-entity.

**HEATH:** A non-entity?

**FOSTVEDT:** There was one year, I think that was either '78 or '79, where they had, in the whole of the Asia region, they had one new operation. They had some capital increases, rights issues, things like that, but one new operation. In countries like India, Malaysia, Philippines, what the heck were they doing? They thought of themselves as Wall Streeters. Not being paid Wall Street salaries, but that's where they belonged. They did so little, and they were so -- those that I dealt with, once again was a limited circle, were-- I frankly couldn't figure out why IFC existed in those days.

Since then, IFC has come -- It was clear also in those days that it was in a sense a harder institution. While this happened in the mid-'80s, a former colleague, who went to IFC, late '80s maybe. There did something wrong, but nothing particularly wrong, something that served a little slap on the finger, took it very badly. Apparently, he walked around for weeks looking like a drowning man. Nobody did anything to help him and he committed suicide. I don't think that would've happened as easily in the Bank. If you see a drowning man, you did throw him -- not

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that I have concrete experience, but I think people would have paid some attention. Thrown him a rope. Over there, they did nothing, based upon what a number of people told me, not from personal experience.

**HEATH:** Were you aware of a lot of breakups of marriages as a consequence of the rigors of working the World Bank?

**FOSTVEDT:** I was aware of a number of breakups, even though probably gained more in the '80s, maybe because the people I knew then had been with the Bank for long enough to break up; get married and break up.

**HEATH:** Right. I see.

**FOSTVEDT:** I don't know whether I could say that it was because of the Bank.

**HEATH:** No, right. Exactly. It's hard to know if it's greater in the general population, or if the mortality rate is greater in the general population than it is in -- I often wonder that. Do you wonder what your life expectancy is, as a retiree is? How it compares with the general population?

**FOSTVEDT:** I have no idea.

**HEATH:** No, indeed.

**FOSTVEDT:** But by the way, also, there were some Bank publications for staff.

**HEATH:** Yes.

**FOSTVEDT:** You read some of them, and I remember reading one or two --

**HEATH:** These are the Bank Notes, International Bank Notes?

**FOSTVEDT:** Maybe. It was for Bank staff. Maybe it was called Bank Notes.

**HEATH:** Yes, that's right. Yes.

**FOSTVEDT:** Occasionally there would be a few or some jokes that you wouldn't tell these days, at least not in public.

**HEATH:** What's sort of -- give me an example of a joke.

**FOSTVEDT:** What was the joke? Somebody is in on a mission and asks for -- I've forgotten exact wording, but anyway it was they wanted a punt and they send two secretaries. You can see the --

**HEATH:** Yeah, right. Right, I understand.

**FOSTVEDT:** So, you could have seen that. There were some articles written by stay-at-home spouses.

**HEATH:** Yes.

**FOSTVEDT:** Both of them, if I remember two, were sort of wee little us. We are totally helpless when our men were away, and ta ta ta, we don't know anything. What the heck is this? You are adults, aren't you? That would've been my reaction.

**HEATH:** Right.

**FOSTVEDT:** Clearly there were women who -- spouses of any staff traveling who sort of felt lost when their husbands --

**HEATH:** Right.

**FOSTVEDT:** I was going to say their lords and masters were way. I don't think any spouse,

male or female would've written that today.

**HEATH:** Very right. Yeah, that's interesting. Yeah.

**FOSTVEDT:** I think that is pretty much --

**HEATH:** Yeah, well it's been very helpful. I really appreciate it. It's been a pleasure talking to you.

**FOSTVEDT:** Thank you.

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