

THE WORLD BANK GROUP ARCHIVES

ORAL HISTORY PROGRAM

TRANSCRIPT OF INTERVIEW WITH
(in order of their tenure as Personal Assistant to Robert S. McNamara)

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St. Gilgen, Austria

September 1, 2017

[Transcribed from a digital sound recording]

The following is a transcript of a group 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: Hello. Today is September the 1st, 2017, and on behalf of the World Bank Group Archives, I'm John Heath. We're extremely privileged today to have with us the six assistants who worked with Robert McNamara between 1968 and 1981. I should explain that one of us is reaching us remotely from Berlin, and the other five are seated here around the table. This is intended to be part of a series on the McNamara years, an oral history that the Bank is putting together. So far, we've interviewed 29 people, and this will contribute to the 75th anniversary celebration which comes up in 2019; 75 years since Bretton-Woods.

So, gentlemen, let me begin by telling you the rules of the game. I shall interview each of you in the order of your tenure as personal assistant. I'll ask each of you to make some opening remarks on a topic relevant to your period of service as personal assistant, and then invite the others to reflect on the same or related topics.

So, Rainer Steckhan from Austria. I'd like to begin –

STECKHAN: Germany.

HEATH: Forgive me.

STECKHAN: There's bias in this committee. (Laughter)

HEATH: I assumed because you retired to Austria, you were -- excuse me.

STECKHAN: I retired to Paris.

HEATH: Ok. So, you were there to greet Mr. McNamara on his first day at the Bank on April 1st, 1968. According to our records, because we have lots of records, we see that you were also

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

the last person to speak to him on his last day in the Bank on June 30th, 1981. So that's quite a distinguished record.

Rainer, I'd like to begin, you were a personal assistant from 1964 to 1968, and your tenure spanned two presidencies. You began under George Woods and then you continued under President McNamara. So, I wonder if you could kick us off today by telling us about the transition that took place in terms of the Bank's strategic direction, changes in policy between the two presidents, and the sorts of difficulties that arose in negotiating that transition.

STECKHAN: The sort of difficulties that arose?

HEATH: In negotiating the transition from the one president to the other.

STECKHAN: That's it? I wasn't quite sure how to prepare myself, but since it was Robert S. McNamara, I spent four days just remembering, absorbing figures. So, I was well prepared when he was downstairs. I went downstairs, really in equilibrium when he said, "I know you're from Germany, how do you like it here?" That of course destroyed all my preparation, and I could really speak about what I wanted to talk. One thing I really wanted to find out was whether he was a kind person or rigid, bureaucratic, hard liner. I must say he was a kind person because he used twelve *étages* in the elevator to talk about Berlin and the art. He was very much interested in art. So, it helped me relax and say, "Maybe I should stay in this elevator," which I did. That was my first impression.

My second impression was clearly, you were right, I had about two and half, two years of contact with George David Woods, and so I felt I knew roughly what was expected from a personal assistant. Since I judged Mr. McNamara to be a kind person, I felt at ease.

One of the lessons, I couldn't tell at the time, but at least he behaved like a human being, friendly. I think he even asked me what he would call me. Well, that was the first I heard in the

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

Bank that somebody bothered to worry about my name. That's all I wanted to say and focus on the personal image that he gave me in whatever, three minutes or so. I was pleased. (Silence) Don't nod, this is three minutes. (Laughter)

HEATH: Okay. Anything else you'd like to add, Rainer, before I hand over to the other gentlemen.

STECKHAN: Not really. I mean I did understand what the direction would be, more for poverty alleviation, more this, more that. I did understand, and Olivier will educate us on this, that this required a major effort of restructuring, all things that I thought were quite normal.

HEATH: You went on a mission to Indonesia with McNamara in 1968; is that correct?

STECKHAN: I did not.

HEATH: You did not?

STECKHAN: I did not. I hate people that make assumptions in a thing that's very delicate.

HEATH: What was the first mission that you went on with McNamara?

STECKHAN: I think it was India, Pakistan, Afghanistan. I think he had devoted a day and a quarter to Afghanistan. Then later we went to Cairo. So, it was a mixture of all kinds of things.

HEATH: Any particular memories of that mission?

STECKHAN: Yes. It was my first, and maybe last victory over McNamara, because we came into Afghanistan airport, whatever it was. No, it was in Moscow, and he said, "Let's go to the opera." I said, "Look, we flew in these darn old machines for ages." "No, no," he said, "we're

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

going there.” We did go to the Bolshoi. I still remember some of the dancers, females, and suddenly I looked around, I was alone, he had fallen asleep. The only time in my career of two and a half years that the boss slept solidly.

No, was there anything? The Afghans were a little aloof and distant, they weren't quite sure who McNamara was, he was a fighter. The Russians ignored us until I found out that they didn't. You know, you walk, this are still communist times. You walked through the major avenue and there is this guard who just looks at the star, and when you turn around you see he makes notes. So, you were really thoroughly followed. McNamara, who had some connection with the Secret Service, had found out that the one hair he had done between the two halves of his briefcase was torn. So, he knew he wouldn't be alone. That, you know, for somebody who had never been to a communist country, was noteworthy.

HEATH: Right. And anything other, the other gentlemen, anything that comes to mind in this respect in terms of missions maybe you did with McNamara, or any anecdotes? Olivier.

LAFOURCADE: Rainer, let's try to remember the time when Bob came on board. How many people were there in the Bank, about 2,000 or less?

STECKHAN: I think a little less.

LAFOURCADE: Less than that.

STECKHAN: I would say 1,000, 1,200, but I don't –

LAFOURCADE: You had spent a good two years with the predecessor.

STECKHAN: Yes

LAFOURCADE: You knew all of the senior management.

STECKHAN: Yes.

LAFOURCADE: There were outstanding personalities right there at the time.

STECKHAN: With only one objection.

LAFOURCADE: That's precisely my question. What was the sense that you got, their reactions to McNamara coming on board? Do you remember talking to some of them, other vice presidents?

STECKHAN: They remember talking to me. They came all the time, saying "What do you think he would say if I said that?" So, there was a very frequent taking context, seeking advice. Yes, they were very interested. The one -- this is off the record. The one who really worried about everything was [Siem] Aldewereld.

He came in once a day and then said, "I now have a pattern of questions and targets. I think the President will like this." And I said, "Of course he will."

HEATH: Sorry, this is Oliver who? I'm sorry, who was this?

STECKHAN: Aldewereld.

HEATH: Aldewereld, yes indeed. One of the vice presidents. Head of projects.

BURMESTER: Shall I just speak up?

HEATH: Please do, yes.

BURMESTER: Robert McNamara came from a very tough background - 1968 was perhaps the toughest year in his life. The question whether he should go along with [Robert] Bobby Kennedy, perhaps become the vice president of the United States, and so forth. So instead he ended up in the World Bank, of which he probably didn't know very much.

Did you sense any relief getting out of the U.S. policy environment? Or the opposite, where he could have thought, "My god, why did I do this?"

STECKHAN: At that time, not. But we had lunch at your place when he suddenly opened up and he said, "My god, I still don't know whether I was fired or not." There was, I think -- what's the name of the female editor of the *Washington Post*?

HEATH: Katharine Graham.

STECKHAN: Katharine. She said, loud, "Bob, you know you were fired." So, this had been something on his mind, but it didn't come out on that occasion, on the occasion of my first visit. No, he wasn't tense. I think the fact that he talked about Berlin gave him like a Berlin Wall, no? He could talk about something very neutrally and didn't have to say, "Wasn't it terrible what so and so did in such and such a year?"

HEATH: Would any of the others like –

LAFOURCADE: Yeah.

HEATH: Caio, yes.

KOCH-WESER: Rainer, I have a question. McNamara was not always comfortable, and in fact somewhat reluctant to meet informally with small groups of people in a formal way that was

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

not highly structured; and was reluctant actually to make the rounds in the Bank to talk to staff. We might come back to that. It's important to understand his personality was sometimes even a bit shy. How did he introduce himself to staff at large beyond the president's council and immediate senior management in his early days when he arrived?

STECKHAN: I was half deaf. I never heard him say, "Siem, I'm Robert." He just took this for a normal thing first time around the table. In that sense, I think he was, well, maybe defensive, but he said, "Look, I pay these guys."

There was another occasion, the last one, he left in June, no, and disappeared. He did all kinds of things, but he wasn't walking around the cafeteria and asking for a glass of water. He just wasn't there. Then, who was it, Nancy Birdsall, invited a lot of people in a small room to talk about poverty, occupation, and things like that. He was there. Anybody was in that meeting?

LAFOURCADE: I was there.

STECKHAN: Okay. Then Nancy gave a few introductory words and he said, "Yeah," I can't remember the figures, "But don't you remember Footnote 36 on Page 2 of that thing?" I don't know what's in there. Then he recited exactly what was in there. So, it started out as a professional thing, and then she said, "Well, let's have a few questions." There was a slight hesitation, and then somebody got up, and that was Warren Baum. He said, "Bob, it's nice to see you again." The people stood up and applauded. Do you remember? It was touching; and he must have been touched. Then there was normal meeting, but it was an introduction that I certainly had not counted on. Probably does not answer your question.

HEATH: No, it's very relevant. I'd like to turn now to Leif Christoffersen.

STECKHAN: I'll take a certain distance, because we disagree on –

HEATH: Leif, and I know I have this right, you're from Norway?

CHRISTOFFERSEN: Yes

HEATH: You were personal assistant from 1964, sorry, 1969 to '71.

CHRISTOFFERSEN: Right.

HEATH: As we know, your career at the Bank centered on agriculture and rural development. So, I wonder if you could tell us what changes the Bank introduced in these areas in the entirety of the McNamara period, from '68 to '81. What were the big things that had a long-term impact in terms of those areas of rural development and agriculture?

CHRISTOFFERSEN: I think there are several things. I think the Consultative Group of International Agricultural Research [CGIAR] was one that he was very much instrumental in helping to create. That was, after discussions with the Rockefeller Foundation and some of the other foundations up in New York, when they discovered that science could actually bring about great improvement in the agricultural sector through intensive research. Particularly the IRRI [International Rice Research Institute] in the Philippines and the CIMMYT [International Maize and Wheat Improvement Center] in Mexico. The thought was this, that so far this had been run by the philanthropic foundations. He was asked, wouldn't it be interesting, and wouldn't it be appropriate to then have the World Bank and the UN [United Nations] more directly involved in sponsoring this system, an international system for agricultural research? He took a lead in that. I remember many meetings he had in his office, with the head of the Foundations. I remember the UNPD [United Nations Development Program] head coming down to talk to him. I remember the FAO [Food and Agriculture Organization of the UN] Director General [Addeke Hendrik] Boerma, from Holland, came to visit with him. All of this created then the beginning of what today is the Consultative Group for International Agriculture Research. Fifteen centers all around the world, have a budget of \$1 billion a year, and involving over 8,000 scientists.

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

That is almost, what, 40 years later you have this testimony to something that Bob created and was instrumental in structuring and getting it accepted in the official arena of multilateral and bilateral finance. I think that's one legacy.

The other legacy that I think he brought to the Bank, and also had affect outside the Bank, is his belief that agriculture was an important economic sector in the economy of most of the developing countries. In a way, it might be seen obvious because most developing countries then, and even today, the agricultural sector is the dominant one in terms of, at least in terms of employment. He was very much interested in trying to sort of see how that could become a much more forceful dynamo, if you will, of economic development. Using science and technology, including from the CGIAR system, into the national and local level, was something that he really was very much committed to, and where he created an awareness of the importance of agricultural sector that few at the point in time when he started discussing this, had that feeling. In fact, many of the international leaders were dealing with a modernization of the economies through industrialization, through urbanization. Then, and even today, agriculture is not always appreciated in the national policy context. But he certainly made it important in the multilateral scene and the bilateral scene, and I think he created an awareness of the importance of agriculture that is still today very much appropriate for international development.

Within the agriculture, he was also convinced, after some hesitation, that the normal process of economic development would not benefit the small and the poor. He had powerful interchanges with Mahbub ul-Haq from Pakistan, with Hollis Chenery from Harvard University, with [Montague] Monty Yudelman, originally from South Africa, who then put together, at his time, an idea that the productivity of the small farmers have been not really focused on, and there has been very little attention given to the small farmer in agricultural sector development.

I think that, that was something that was relatively new. I remember the meeting with, even after I left McNamara, that many international agencies still were uncertain as to whether small farmers really could be productive. But it was the productivity of the small farmer that he felt

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

should be exploited. Not that all small farmers would be economically successful, but it was a potential for economic development that if you ignored it, you ignored a very important source of development.

I think that the focus on small farmers was something that he made, he made people aware of it, he lobbied for it, he argued that that was an untapped potential in most of the developing countries, and that's why he felt that that was part of something that would be important beyond his own term, but also into the future. I think he is right today. Even today in many of the developing countries you can see much more emphasis on agriculture, but still a lot of hesitation as to whether agriculture really deserves to get that much attention. So, I think it is a lasting thing that he helped to create and is still relevant today.

HEATH: Thank you, Leif. May I ask the others to comment on this theme?

LJUNGH: Just to continue, you were there so much longer, and I know that you worked on these types of projects for many years, so you are a real expert.

[Break. Ljungh's microphone is fixed by technical team.]

HEATH: Take it from the top, Anders, start again, please.

LJUNGH: Leif, you worked not just for McNamara, but you worked several years, many years, in agriculture and rural development. I agree with everything you say, it has had an enormous impact. The Bank has taken intellectual leadership in this and has continued to do so. But also, it always comes out that these types of projects for small farmers and integrated, so called integrated rural projects are very difficult to do. Do you think that a large part of them have been, shall we say, economically successful and actually contributed to growth? Or have they been mainly to help these farmers affected raise their incomes and come into the monetary economy?

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

CHRISTOFFERSEN: I think that this is a very important question. I mean how do you formulate the project for poverty? And you could do it through simple operations, within the agricultural sector, and within the agricultural sector and sub-sector, like credit or extension or what not. But keep in mind that integrated rural development was something the Bank never argued for. It was never the major focus of agriculture. In the policy paper on rural development, it was never once mentioned as an important policy – I mean a program line.

In fact, McNamara was not sure himself whether the integrated rural development would succeed. So he said, “Let’s set up one unit in the Bank to test it and experiment before the lessons could go to others.” So that’s a long story about that because I think it created a lot in a way, animosity within the Bank that it was a favored division, and some people at the Bank felt that they maybe they weren’t as much favored as we were. But that’s not the important point. The important point is that most of the poverty projects, we’re talking about poverty and small farmers, were not through integrated rural development.

I wrote an article for *Finance and Development*, which we can refer to at some later time; and it was in terms of integrated rural development being including beyond agricultural sectors, other sectors like education, health, transportation, utilities, rural industries. There were relatively few of that kind, and I listed that over a five-year period in the 70s.

But what confused things I think was that the integrated rural development concept became popular. It became popular among other donors. Many donors came to us and said, “Can we help to finance, co-finance, with you and the World Bank integrated, because we like that concept.” So, I think that going back to where’s the significance of this is not through the integrated complex project as it is to which extent, we were able to address poverty, poor people. What we had then hit up against was the policy environment. Because even if you had simple projects, in extension, in credit, in infrastructure, you were still dealing with policy environment in most developing countries that did not favor agriculture.

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

LAFOURCADE: If I may add, the question which Anders is asking is extremely relevant, of course, but the answer goes beyond the time when you were working with Bob as his personal assistant. What I'm very much intrigued by and concerned about is precisely that period where Leif was working with Bob.

In a nutshell, after Rainer had left, Bob had been in the Bank for about a year. From everything that I remember, or at least know, that he was coming to the Bank with a very much new idea of a pro-growth approach. That's very much where he started working and pushing the Bank, you know, "We need to have more growth." Then it took him four years, until 1972, to finally ask the question, the growth not so much for what, but for whom? With the idea observing the trickle-down effect didn't work, and there my question to you, you already mentioned.

First, it took a long time. It's not a matter of overnight that he decided to move from still pro-growth, but with a different type of vehicle. With the idea of who should be benefitting from the growth. There you mentioned Mahbub ul-Haq and Hollis Chenery, who in my books, those two are absolutely essential.

Incidentally, in the papers John sent to us there is this magnificent interview of Mahbub ul-Haq precisely on that point, explaining that he had the biggest battle that he could expect with Bob McNamara on that subject. Because McNamara was not convinced at the beginning that you could make the poor farmers more productive. The answer by Mahbub was to say yes, they can be more productive. What did he do? He brought in Monty Yudelman, and that's when Monty Yudelman came on board. But Monty had the wherewithal to –

CHRISTOFFERSEN: He had the empirical experience.

LAFOURCADE: Absolutely. There I think it's the most beautiful tribute to Bob McNamara that I've seen from a guy who was hard was Mahbub ul-Haq. I'd say I respect this guy, but

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

McNamara, he changed his mind. He was not convinced at the beginning, and this is the most remarkable achievement, but finally Bob went to the idea, “Yes, you can make them more productive.” Hence your division in 1974. You know, that was essentially. But it took him five years since the day when he joined to get to that. Am I correct, Leif?

CHRISTOFFERSEN: I think so. As you said, the three people that I mentioned, Hollis Chenery, Mahbub ul-Haq, and Monty Yudelman, were giants in their fields. But of the three, what really made, I think, the final topping of the cake, so to speak, was the fact that Hollis Chenery, as a famous Harvard professor, came out with this book about distribution with growth, growth with distribution, excuse me; and in it he got the academic endorsement for something he felt would be important for the Bank to adapt and to utilize the knowledge of Mahbub ul-Haq from Pakistan, and the empirical fieldwork of Monty Yudelman in Africa, and put together this package, or the thrust, the program thrust to try to deal with productivity for the poor, and try to utilize the economic potential of the small farmers.

LAFOURCADE: Caio, you have some views on that? Am I on the right track?

KOCH-WESER: Well my question actually is more implementation. Leif, you were in the Central Rural Development Unit. I worked also for some of your projects, mainly on health components, but also with many of the regions in those early years. My question is whether the lessons of implementation of what worked, did not work, and why, were sufficiently learned, or fast enough learned, in infancy of what the many regions did.

Or was there a bit of unhealthy incentive to now fall in line, do these projects, go for large amounts that you could get for all these components and others, and as a result the institutional learning was not sufficient early on. McNamara, of course, by often going for growth of lending, and the institution’s growth might not have looked hard enough or supported strongly enough those who wanted to learn these lessons, and sometimes say, “Well, we will not make that, do that project yet, the time is not right yet, or it shouldn’t be much smaller.” Was there such a

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

tension between particularly the central units where you learned these lessons and how the Bank at large, after all the regions for most of the lending, also for agriculture, learned?

CHRISTOFFERSEN: Yeah. I think that's a very important question, Caio. I would say that the learning process was not as good as it should have been; and I would start with me as being partly responsible for that.

It was very hard to draw the lessons on the broader scale when you hit project implementation problems with the project, because there were so many things that had to be tackled at the same time. As we learned lessons, it was also clear that the outside world was still pushing very strongly for this, particularly IDA [International Development Association] replenishment, for example. They wanted to have more agriculture and rural development. Many of the lessons we had, certainly from Africa, suggested that there were serious problems in implementation. But it was also, I think it was more than just us and the Bank. I think the whole international development community was really very, very gung-ho on moving in the field of agricultural rural development with relatively large amounts of money. In retrospect, we probably tried to put in too much money too soon, and we should have been more step-by-step approach. I think that that's one of the learning processes that we didn't really take seriously enough.

HEATH: Olivier.

LAFOURCADE: If I may, I think we are mixing things here. You know, the question was what was your role and what you remember from the times when you were personal assistant. Now the questions you are asking on the impact and the results, should be asked either to Anders, to Sven or to me at the time ten years later, which is a different story and I totally agree.

But the question that was very much related to your time with Bob McNamara as personal assistant was this incredible shift of paradigm in the way the Bank was being directed, which was no longer exclusively growth for growth, but it was growth for the benefit of whom. This

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

you observed because you were in it. I mean after all, he wouldn't have named you Director of the Rural Development Division if it had not been the result of this change in his mind.

So my question, in fact, going back to that period, is that must have been a tremendous change in the Bank at the time. It was '72, we all remember the speech in the Nairobi in 1973. I mean this is a benchmark for the international community at large. This was a change of paradigm period. So, I'm curious on what your recollection. You were in Nairobi were you not?

CHRISTOFFERSEN: No, I didn't, I wasn't there.

LAFOURCADE: I'm sorry, Anders was in Nairobi. But you know that thing takes the magnitude that I'm not sure everybody realizes what it meant for the international community. Am I correct there?

CHRISTOFFERSEN: No, I think that's right. We were not the first, the Bank was not the first to deal with rural development, bilaterally had been done by many other agencies. But we were the first to deal with it at a very large and global level.

LAFOURCADE: Yes.

CHRISTOFFERSEN: Organizations such as SIDA Sweden [Swedish International Development Cooperation Agency] had done excellent work in experimenting with rural development in Ethiopia. The British had done this in Malawi, and so on and so forth. But they were more sort of isolated experiments, and the Bank tried to bring all of that together.

LAFOURCADE: That's it.

CHRISTOFFERSEN: That was, I think, the excitement of the days when he introduced those policies. I think that I shouldn't really go on that point, but when it comes to the project focus, I

think that we'd very quickly ran up against the policy.

LAFOURCADE: That's a different one.

CHRISTOFFERSEN: And that I'm sure we'll discuss a lot about that later.

HEATH: I'd like to follow up on Olivier's question and go back to you, Rainer, because Olivier was saying that when McNamara came on board poverty was not really on his radar screen, he was a growth focused person like most of the economics profession. Was that your perception, that poverty was not really his number one priority?

STECKHAN: I think he was a very coordinated guy, and he thought what he first emphasized was probably the thing that he had to emphasize, and then to go on. When we talk about high values of investment, and it's not just jokingly, I would worry and see what the President of the United States would do when you hear this is a very strong movement that you should support.

HEATH: Okay. I'd now like to turn to Anders.

[Interruption technical issues being resolved]

HEATH: Anders, you're really letting your side down.

LAFOURCADE: He's the nicest guy on our group.

STECKHAN: Was, was.

LJUNGH: You have to spend a great number of years in the Bank to be heard.

HEATH: Rainer, I'm so sorry I got your nationality wrong. I really - -

STECKHAN: That is serious, very serious.

HEATH: That is serious.

STECKHAN: If I tell my children, I'm not sure what my new relationship would be. I'm the only non-American in the family. Everybody else is an American.

HEATH: Right. I see.

STECKHAN: Through birth, the mother, etcetera.

HEATH: I see.

STECKHAN: So, I don't go there very often.

HEATH: Okay. If you could just continue.

STECKHAN: You have to do all that? [referring to the resolution of the technical issue]

HEATH: Sure. Now, Anders, it's your turn. You were personal assistant from 1971 to '74. You are from Sweden.

Now your tenure coincided with probably, as Olivier said, one of the most defining moments in the presidency of McNamara, which of course was his address to the Board of Governors in Nairobi in 1973.

So, I wonder if you could tell us something about the background of that. Now as we remember, the focus of that speech was very much elimination of absolute poverty. I think it's true to say

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

that this was the first time the Bank had declared that as an objective. So, what do you remember about the background of that speech, and maybe areas of resistance inside and outside the Bank to that reorientation on absolute poverty?

LJUNGH: Well I think on your very last point others can speak better, but I'll give some of my impressions of that, which is now 40 years ago, and I spent six years in the Bank, very interesting, very informative, but it's some time ago.

But the speech obviously was momentous. It contained two things; everybody can read it. It reported on the enormous volume increase that the Bank had achieved in the first five years. Lending more money than it had done in its previous life. That was no small thing.

Secondly, it was launching a focus on poverty. My conclusion from where that came from is basically that Bob McNamara had studied now for a few years now while traveling for the Bank so he'd seen a lot, much more than in his previous life, of what poverty really means on the ground.

Since he was a moral person and a person with feelings, he was highly disturbed by this and said, "This is, damn it, something I'm going to do something about." Now that he achieved, or was on track for volume growth, which also makes the Bank more important, transfers more money to developing countries. In a sense, if he had any doubts that that was difficult, which he may have, doing projects that Leif has so eloquently described, he said, "Well, we can probably afford that."

So that initiative, it focused on poverty, it launched new types of projects, at least for the Bank. Nothing of this, as Leif said, nothing of this is entirely new. Intelligent academics, all kinds of people had been working on it, but of course the Bank is a big institution, and McNamara has this enormous analytical power and he's got this base to stand on.

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

I think he was influenced by some people in the Bank, Mahbub, his discussions with Mahbub. He was influenced by Barbara Ward, who was a friend of his, whom he admired greatly, a UK academic. His wife, Margaret, who was a very compassionate person, and who launched programs against poverty herself in the US. The Ford Foundation work which he continued and his experience.

So, he formulated these new types of projects. He started measuring poverty, saying, "This is how we should measure poverty." Absolute poverty, people making X amount, how many of these people in the world, 40 percent of the population of the developing world makes 800 million at the time. These measures have actually lived on until today. Now people follow up statistics on poverty, and they claim, yes, you know, periods of great economic growth have lifted everybody. The percentage of absolutely poor people today in the developing world is less than it was at that time.

He also implicitly started measuring the distribution of income and wealth, saying, "Here are the rich people, here are the poor people. Here's the rich nations, here's the poor nations." Doing that rigidly has also survived. In fact, it is a highly topical issue today. I mean the differences in income within countries. I mean, hell, the nasty U.S. political situation is partly due to huge income differences, people who have gained, and people who have stagnated in the last upturn and recovery.

Was this controversial? Of course. There were economists who didn't agree with him, who still believed in growth and trickle-down theories. There were staff who didn't want to be taken out of their comfort zone or who felt that they intellectually could say that this is wrong. There were governments, and I was shocked in my time then how selfish many governments are. Then most of Congress, at least the influential people there looked at U.S. interests. Several presidents also looked at you purely at U.S. interest. Does this serve U.S. principles? Okay, we'll support the Bank. If not, we don't want to give any amount of money. Now some countries, some European countries, were a little bit above that. They said, we do this because we think it's the right thing

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

to do. Bank funding sources, of course, some of them would say, do we lend money to this institution that's going to lend money to poor farmers who can't repay? So, what happened?

Well Gene [Eugene] Rotberg had to defend the Bank's progress even with a focus on poverty, to the funding sources, be they in the U.S. or elsewhere, and that is a long chapter after, but it has succeeded all along. It succeeded then, the Bank retained its triple A rating, has always been able to borrow money, has borrowed very different parts of the world, and has been able to sustain its growth by borrowing in capital markets.

As an aside, somebody who wrote a book recently about the Bank claimed that Bob McNamara and Gene Rotberg were poorly prepared for working in the Bank, particularly in financial matters.

HEATH: This isn't the [Patrick Allan] Sharma's book is it?

LJUNGH: No names mentioned by me. But these two people were extremely well prepared to do this, and they did it well. Both were first in financial markets, enough. and financial markets, today they're rocket science. At that time, they were not rocket science.

HEATH: Anders, can I ask you to tell us something about your role in the run up to Nairobi? What was your job as personal assistant in relation to that?

LJUNGH: I don't want to overplay that. I participated in helping write the speech. I did some work or requested work to be done in the Bank, analytical work, say, okay, find out these figures and put together these statistics as a statistic base for the reasoning.

HEATH: And what do you remember of the mission itself to Nairobi?

LJUNGH: Very little. I think I'll pass on that. I remember the reaction, but that's on the

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

record. I don't want to take too much time, but I'd like to say that, you know, the policy of advice, I mean beginning with technical assistance to institution building to policy advice which later developed into structural adjustment lending or so, made the Bank, with McNamara's impetus in terms of strictly analytical and to try to give policy advice in a structured manner, has survived to today.

I mean take an example of what's happening. A country in Europe, Greece, who is down in the dumps, had borrowed too much money due to extremely poor economic management, and the Bank's willing to lend it money. They're getting now policy advice. What kind of policy advice? Too conservative, because Germany and other conservative Europeans, the IMF [International Monetary Fund], which has basically taken over the World Bank's role here being an international institution, says, we will not participate in any restructuring of Greece's debt unless there is a write-off of debt, which is rational. So they are, in a sense, doing something more sensible than the rest of the banking community when it comes to this; and this has appeared over the years. I'm talking because I've observed the Bank from the outside most of the time, not the inside.

I'd like to say a few things about McNamara's character and person to work for, if I may. He, of course, was extremely analytical, quantitative analysis, quantitative goals. What today would be called key performance indicators. How do you observe, progress or not is, that, of course, was his forte. But equally, he was very much value based. He was a moral person who cared, he was compassionate to individuals, to categories of people, and he hated to see poverty and disadvantaged people. So those things motivated him.

He was, contrary to what many people think, he, like most intelligent people, he was an intuitive decision maker. He gathered lots of information but then of course he came up with, okay, this is what we're going to do. Then he dressed it all up in figures. He was a master of that, nobody could beat him at the game. The Congress couldn't, the Bank's Board couldn't, the owners of the Bank couldn't either. Of course, that was his forte, and it irked people a lot. But he was very

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

strong in that.

He was fearless in wanting to institute change and he didn't, never shirked from trying to achieve his goals. He was distant, and he seemed cold. But he was a very, as others have said, a very warm person. You could see it on a one-to-one basis, you could see it in the interaction with his wife, who was a wonderful person; and of course, this scared people. There were very few in the Bank, even very smart people, who really dared to stand up to him.

One of the people I really loved was Peter Cargill, because he was an old ICS man from the India Civil Service. He was old at the time I was there, and he was the only who could say, "Oh, Bob, you don't understand the first thing about India. Now listen to me." (Laughter) And that was good. Another wonderful thing I thought, when we were working on something very hard and he was going to sell it, and he said, "Anders, you have to remember something, not too much zeal." I said, "Oh, I see." And I smiled a little bit. He understood what I meant, he smiled back. If there was a zealot, it was him.

HEATH: Did he have a sense of humor, Mr. McNamara?

LJUNGH: He did. But he didn't expose it very much, and he went about his work too seriously to joke about anything, but he joked very much in private.

HEATH: Caio, you want to add something?

KOCH-WESER: Not at this point.

HEATH: Okay. That's all right.

LJUNGH: I just had another incident. I don't think he was really that good at judging people and their character and capabilities. It was not his strongest point. So he gave me a very funny

assignment. He said, "Could you give me, take the top 30 people in the Bank and give me your personal assessment of these people." I did, in handwriting, not typed out or anything.

He said – and there was a comment about Ernie Stern. "What do you mean by this about Ernie Stern sometimes acting as if he were running the Bank and not you?" Well, you know, people get that impression. He's also a very smart and forceful person. So, I'm sitting in his office and he picks up the phone, and he says -- he has a red hotline to Ernie. He says "Who's the number two in the Bank? Ernie, if you think you're running this Bank, you got another guess coming. If anybody's leaving this place it's you." Bang. (Laughter) Ernie comes running into my office and says, "The boss just called me. What was this?" I said, "I haven't the faintest idea."

A final episode. A messenger arrives in the office after a long and arduous IDA negotiations. He says, "I have a letter here for Mr. McNamara." It was an envelope, just this small size. I said, "Well he's sort of busy, can I sign for it?" "Of course, you can." Okay. So, I signed and took it. He said, "Thank you very much," and he left. I opened it and it was a check from the U.S. Government for \$960 million. That was the IDA money coming in. Finished.

HEATH: Thank you, Anders. Caio, yes.

KOCH-WESER: Anders, I listened to your story on ranking people, and now I understand why you left the World Bank relatively early. (Laughter)

HEATH: I wonder if your notes are still in the Archives. They weren't typewritten, but maybe they're still somewhere.

LJUNGH: You're welcome to look for them. I don't think you'll find them.

HEATH: Thank you very much, Anders. Let's now turn to Sven. Yes? Olivier, yes, please.

LAFOURCADE: I had one question which you didn't allude to. At the time, you when you were working with Bob, the most important issue was the speech in Nairobi. But there was very much related to that, a little before that, a major reorganization of the Bank. You were with Bob at the time. Do you have any recollection? The reason I'm asking is that in the history of the Bank you always had the pendulum going between going to programs or going to projects. I'm not sure what it looked like, I was not in the Bank at the time, I should turn to Rainer. I had no question with the reorganization of 1972, at least no perception he was giving more power to the programs people, meaning departments, departments of programs versus the departments of projects. Do you remember anything about A, the rationale at the time, and B, the reactions from some people in the institution? I joined the Bank later on, as Caio did.

LJUNGH: No, I don't have much wisdom to add. My impression, my vague recollection is that this reorganization, as reorganizations should be done, was done fairly quickly. Anybody who thinks that reorganizations should be negotiated and introduced gradually and all that, is, in my managerial view, wrong. From that point of view, it was very clear what this was about. I know this discussions and sometimes very deep dissatisfaction of certain people in the Bank, and so on. It is so much an internal Bank matter; the outside world is not at all interested in that. I'm sure if the Bank writes its own history, it is.

HEATH: But, in fairness, Anders, it has consequences, doesn't it?

LJUNGH: Of course, it does.

HEATH: A program or a project focus as Olivier says.

LJUNGH: Absolutely. I have no wisdom to add on that, frankly.

HEATH: Does anybody else want to comment on that?

CHRISTOFFERSEN: I'd like to comment a little bit on that. It seemed to me that when I worked with McNamara, he felt that the project people emphasized excessively the quality of projects. They felt that the quality of Bank projects being sort of isolated islands in the big sea, namely the national economy, that you could easily afford to reduce the quality and still have a good impact in economic development by broadening, by making it more a broad scale and thereby giving it more of a program focus than just leaving it in the hands of the project people to make the final decisions about.

LAFOURCADE: Yes. I would argue along this line, going into the program as the reorganization of 1972, in my view, seems to demonstrate is the tendency to go closer to the countries and to be slightly more attuned to some realities beyond the technical aspects, which was the political environment, the institutional environment. Which if I'm correct, is very interesting because today, in retrospect, there are some people who accused Bob McNamara of not having been sufficiently sensitive to the political realities of so many of the countries. Now the reorganization of 1972, in my view, goes counter to that argument.

BURMESTER: He was attuned to the political reality.

LAFOURCADE: Yes, but you have many people who don't believe that.

BURMESTER: I mean if there's something different about him, looking at all the World Bank presidents, it's he came in, he was a man who could become President of the United States, where all these bankers and whatever who followed him were small guys in comparison.

LAFOURCADE: I understand.

BURMESTER: He had access at the highest level in whatever country without question, which his successors did not.

HEATH: Anders.

LJUNGH: Maybe wisdom, hindsight, but I don't know when country program papers came about.

HEATH: 1968.

LJUNGH: So, if you believe you put in place country program papers, must mean that you want to do the best thing for that country. Therefore, you want to select where you intervene, big project, small project, whatever, which is a more rational way of doing it than picking and looking for lots of nice projects that you can define as self-contained entities and see what it all adds up to. So, from that point of view, it would seem like a very rational approach to have the country programming as the overriding consideration when you choose where to go.

CHRISTOFFERSEN: I'd like to add just one quick thing about this project versus program. I recall vividly McNamara asking me to check on a project that was ready to go to the Board in the spring. The staff of the Bank did not present it, and it was going to be postponed into the next fiscal year.

McNamara, I think, had the great understanding that sometimes you needed time to develop a good project, and therefore waiting is a good thing. But this was a case when it was not a good thing. Because I could report back to him the following. The reason why this project, I think it was a port project in Latin America, why it is not being moved, is that for the next six months we cannot get the world's foremost port expert. He is busy in Australia and New Zealand, and he's only available in September. Therefore, we have to wait for this project to make sure that the world's best specialist gets to that; and McNamara said, "Oh, my god. If this is the tyranny of the project people, then we need to do something about it."

LAFOURCADE: I mention this because interestingly enough Mr. [Jim Yong] Kim, the current

president, went through a reorganization of the Bank recently which is exactly the opposite of putting everything back into the project people.

BURMESTER: He would always do that.

HEATH: Actually, Caio, I'll ask if you have any views on this tension between the projects and the programs.

KOCH-WESER: Absolutely, and later I will say a word on that when I talk about China. But I think it was basically overcome and the lessons were learned when we much later created country departments. We ran the China program early on, actually under McNamara moving more or less along those lines. But you had one country director ideally placed and located in the field who had projects and programs in the old sense below him. So, I think it was very often an unhealthy tension. Not always, but it was overcome again, I think we learned that lesson later by country departments.

HEATH: Thank you. So, Sven, I'd like to turn to you now if that's possible. You're Danish. You were personal assistant from 1975 to 1977. Now of course these were years when it was shortly after the first energy crisis. We'd seen the rise of OPEC [Organization of the Petroleum Exporting Countries] and there began to be talk of something called a New International Economic Order, which was associated more with the United Nations and UNCTAD [United Nations Conference on Trade and Development] than it was with the Bank. But I believe that McNamara perceived this as, you know, a challenge that needed to be addressed. There was all sorts of talk about, you know, about redefining the relationship between the South, as it was called, and the North; and in particular, challenging the idea that the North would take the lead. So, as we know, McNamara's response was to approach, ultimately, Willy Brandt, and ask him to head this Commission, the Brandt Commission.

I wonder if you could tell us something about the background of that and more generally, the

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

issue of the New International Economic Order, and maybe what happened to that whole focus.

BURMESTER: Well it was a tense situation between the rich and the poor, between the North and the South. The G77 had more influence than ever before in the sense you mentioned the OPEC, that apparently you could take a commodity and decide the price on it and make it a good benefit for yourself. Whether that was realistic or not, in the end it was not realistic. Around the same time, and maybe we should get into that subject at a later stage, Vietnam had shown that a developing country could defeat the most powerful country in world.

Now this got all stuck, and McNamara, who most of we're talking about all these various concerns he had. I actually think his most important concern was money, wanted resources. It was a constant fight, particularly with the U.S., on IDA to get money. So how about here maybe we could find a way to get the Arabs to pay much more than they had done until now. So, we had a meeting in McNamara's office with Burke Knapp, [Peter] Cargill was there, [Hollis] Chenery was there, William Clark in particular, our External Relations Vice President was there.

McNamara said, "You know, you remember we did this Pearson Committee in 1968 on partners in development, and then I thought that was important. Now we better have another report like that, and I think we need one of these Nobel Prize winners. How about Henry?" It was a bit of silence around the table and then William Clark said, "Bob, I don't think Henry Kissinger is a good possibility here." "Well, who else?" "Well what about Willy Brandt?" "Good. Let's get a hold of Brandt, let's write a telex to him and tell him why I would ask, would I have his permission to pronounce that we now have a Brandt Commission." So, we prepared this telex, it went off and there was no answer. It took a month or two, and then William Clark, frantically, because McNamara was asking about it. "What's happening to Willy Brandt?" William then got a meeting for Willy Brandt with McNamara. Ten o'clock in the morning on something in January or February 1975, it must have been. No, no, no, no, no, we're talking about 1976, 1977.

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

I was standing down on 19th Street greeting the former Chancellor of Germany, and he arrived with his personal assistant, smelling of gin at 10:00 o'clock, not the personal assistant, but Mr. Brandt. We got to McNamara's office and in McNamara's office there was William Clark, myself, and McNamara. We had an awkward meeting for an hour or so and then Willy Brandt said he was not committing himself, he said, "I understand this issue better than before, and I'll think about it." So, he left the office and McNamara said "William, Sven, just a moment. What the hell went wrong?" William said, "I don't think we got the pecking order established." McNamara said, "Well there's no doubt about that." We walked out of the office and I turned to William and said, "Did you figure out the pecking order?" William said, "No, I don't know what he meant by that either." So, I think McNamara met his equal in Brandt.

Why was Brandt hesitant? Well he actually, in the report, if I remember right, he writes about that in the preface, saying "I don't know a thing about development so how could I honor a commission like that?"

But the second problem he had, I think, which he did not put in writing, was that should the Bank really be running these things? What about the United Nations? Now there was a particular problem with the United Nations in those days. The man who was Secretary General is the one that later became president of this country where we are sitting, Mr. [Kurt] Waldheim; and Brandt probably had felt some reluctance to get too much in touch with him. In any event, he finally decided, yes, he would do it, and he did that at the Bank, at the Annual Meeting speech in 1977. Now did it work out? Well, Caio may have more to say about that. The report came out in 1979 I think it was, at least, actually up to 1980 they were.

HEATH: 1980 yes.

BURMESTER: One problem, I think, with the Commission was that it was called an Independent International Commission. Fine. But the two big clients were not represented, the Soviet Union and China. Now why was that? They were not members of the Bank, but the

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

whole point was this shouldn't just be a Bank report, it should be an international report.

In any event the recommendations failed, one must say, by and large, the major recommendation, the one McNamara I think was looking for was on resources. The Commission suggested that the 0.7 target for aid, which never was fulfilled, it was about 0.3, 0.4 at that time, should become 0.7 by 19 something, and 1 percent by the end of the century. Now at the end of the century it was something 0.2 and so there was no basis for that. That's not Brandt's fault, but it was maybe naïve to suggest that.

There were all kinds of interesting suggestions on taxes, on money transfers, on weapons, on environmental damage, that should be, and internationally collected funds. There was actually, and McNamara probably didn't like that part of the recommendation, but a World Development Fund should be created. Well what should that World Development Fund do beyond what the Bank and the IMF perhaps would be doing?

There was trade. In fact, what became the major sort of finance in the following years was trade. But the whole UNCTAD ideology and the developing countries went away from free trade. Buffer stocks should be created for commodities, stabilizing prices and so forth.

So, all in all the Brandt Commission wasn't an incentive to get the world -- it was a pretty dramatic way it started. McNamara probably again just thinking we should have resources. Brandt talked about poverty and war, and the way to avoid war would be to eliminate poverty in the world, among other things, but and there came then, well, part of that is resources and we're making a recommendation. So I would think that McNamara probably was disappointed, but maybe Caio would have something to say about that.

HEATH: Before you get to that, you mentioned resources, and there was some issue about setting up a third window, wasn't there?

BURMESTER: Yes.

HEATH: Using the recycling of the petro-money.

BURMESTER: Right.

HEATH: Do you want to add something about that?

BURMESTER: Not much. I think again, it was established and there were some third window operations, but it all petered out and McNamara left the Bank. There was the Cancun Conference there where world leaders got together.

HEATH: '81

BURMESTER: They talked and talked and made all kinds of beautiful statements, but again, the resource flow, as we could see from the figures on that, did not increase. It may be also it led up to -- there was a pretty strong feeling that this thing was wrong, that the Bank should be running these things, should be UN. People who talked about that was Olof Palme, who was a member of the Commission. Relationship between Mr. Palme and Mr. McNamara, you could say something about that, Anders, but I don't think they were very warm.

Jan Pronk, the Minister of Development of the Netherlands was very strong on this point. It's not the World Bank that's the center of the universe, it is the UN that is the center of the universe, and they should be running it. McNamara's reaction to it "But they can't." Well, maybe he was right on that.

HEATH: Anders.

LJUNGH: Well one of the contexts, which one shouldn't forget, was that the capital cost to

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

development countries, the Bank, at some periods probably, was doing half of all the capital closing. In other periods it was conveying less than 10 percent because of the development.

It started with these so-called recycling facilities, but actually it was a development of the international banking market of huge amounts of liquidity which circled around, and which for a period lending far too much to developing countries, which caused major problems, as we all know.

But the Bank, at least from the outside, that meant that the Bank was more or less important during different periods because its leverage was less when there was plenty of capital around, investment and lending capital. But to me the saving grace is the Bank, by that time, had established itself as an intellectual leader, and produced reports, like it started, after my time, producing the World Development Report, which is still extremely authoritative and is quoted by press, by all kinds of people. Very important, regardless of the climate of capital close to and from it from developing countries.

HEATH: But isn't it true to say that even if the Bank, at times, didn't transfer so many resources, it was implicated in the crisis that resulted in 1982 because it provided a seal of housekeeping approval on economies, which was taken by the private banks as a signal that, yes, they could lend to developing countries. So, in a sense, the Bank was implicated in the buildup of debt following the recycling of petrodollars.

LJUNGH: Absolutely. I mean it's a contentious and very sensitive subject.

HEATH: Rainer, you had a point you wanted to make.

STECKHAN: Well, I just counted all the names that came up and up and up again. One didn't, and that's the private sector that is IFC [International Finance Corporation], and I want to know why. Do we keep them low and they make profits and we're happy and get a better pension? Or

are we missing out on a particular option?

HEATH: Okay. Any other comments, gentlemen, on Sven's intervention?

Caio?

KOCH-WESER: Well, perhaps on the Brandt Report. I think with hindsight now, clearly it was tactically the right move by McNamara to create that very competently staffed Commission. Brandt was sometimes a bit lukewarm on his role also in the way he portrayed it, politically in Germany.

But many new ideas, I don't want to repeat what Sven already said, came there from that Commission. But I think to be fair, the impact was not that profound. Mainly because of the external circumstances where [Ronald] Reagan arrived, where we had the debt crisis, and where we had basically the storms of the last decades, the '80s, because of the energy crisis, the debt crisis ahead of it. So, I think, unfortunately, it was not the success that McNamara envisioned. But I see it tactically it was from the Bank and on his part, a very smart move to create that Commission. The tension between the World Bank and the UN was never fully resolved in that context, that was already mentioned. I think it's good that we had that Commission. But it was a bit of a missed opportunity in terms of managing impacts.

HEATH: Thank you, Caio. Olivier, you had a question.

BURMESTER: (Raises his hand.)

HEATH: Yes, please.

BURMESTER: You said we could do, no, no, no. (Waving hand) This means stop?

HEATH: Yes. No, of course. Just keep the cameras rolling, the gentlemen would like to have

a break.

BURMESTER: Just tell me what in the confusion what Caio said, and whether there was a question for me in that.

HEATH: No, I didn't think there it was a question.

BURMESTER: Was it just a statement?

HEATH: He was reemphasizing, in a sense, what you were saying. There was no question to you directly.

BURMESTER: Okay. Good. Continue.

LJUNGH: What Caio added was that perhaps that after all it was a good tactical move.

BURMESTER: The Brandt Commission.

LJUNGH: Yes. Good tactical move. I assume what you mean, Caio, is that it removed the pressure of this great debate about the New International Economic Order.

HEATH: Yes, Olivier. Yes, go ahead.

LAFORCADE: Anyway, if I may make a suggestion and I would be interested in your reactions. Two points during the time when you were with Bob McNamara that to me stand out for their implications later on, and some seeds were being planted at the time when you were there.

The first one is the energy. Energy dimension because of the energy crisis of 1973. It took some

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

time. You just mentioned that the ways so many things reacted to it. It seems to me that is the start of a strategy and in the mind of Bob McNamara, energy is essential; and you see that much, much later. I may have something to say.

BURMESTER: You're saying the energy project?

LAFOURCADE: Energy in general as being so critical, you know, because of the oil crisis energy impact on developing countries.

BURMESTER: We were not going to finance power plants for that reason, were we?

LAFOURCADE: No, no. But it's the importance of energy as a development strategy.

BURMESTER: As a concept? Okay.

LAFOURCADE: Second point is that, and the two were related. During that period, 1974-1975, during the time when those two elements really started coming, and they matured to the point of the energy crisis later on, a few years later, the second energy crisis. The debt situation of 1982, as Caio was mentioning, to me the starting point was very much at the time when you were working with Bob. Is that reasonably –

BURMESTER: Of course, there was concern about that, but I don't sense it in the office, so to speak, as much as you would say or –

LAFOURCADE: No, I'm not suggesting, and that's precisely why I'm asking the question, is that it's easier in hindsight to recognize that these emerged at about that time.

The third element, which is also part of the same thing, is structural adjustment, you know, because of all the hurdles that were being accumulated that eventually had to yield at the

beginning of the '80s. Does that make sense?

BURMESTER: No. I mean the issues were different.

HEATH: All right. Anders, you had a point?

LJUNGH: Well it's a different subject, but one thing that McNamara never much directed his attention to was the degree of corruption in the developing countries. He had a funny thing that when we went visiting and met heads of state or ministers. He would always look at their watches, and if they were wearing a Gold Rolex, he would say "This guy is not to be trusted. He probably has his own interest in mind or his elite rather than the people." But that's as far as it went in my time, and the focus of the Bank, which deals with corruption, and I think today explicitly refuses to do much in countries which are too corrupt. I'm not sure. But it never did, not much was done in McNamara's time. Anybody comment on that?

KOCH-WESER: He became, in my time, he became more sensitized to corruption. Let me mention one instance. We were in Manila, and he was to meet with Ferdinand Marcos. We knew about corruption; we knew about the extent that hindered development. A small breakfast was arranged, Ferdinand Marcos himself and me as a note taker, because he said to me, "I have to talk to him alone. If his wife, Imelda, is there, there's no way I can talk that openly to him about it because we know how she and the family is behind much of that." We walked in in the morning and sat down. The door opened and Imelda Marcos came in, and he just said to me, "Damn it, I mean again I cannot talk about corruption the way I would like to." So, he had it very much on his mind and was more vocal about it in the years I experienced.

HEATH: Just a question to you all. There was a famous mission described by William Clark, where McNamara went to Central African Republic and met [Jean-Bédél] Bokassa. Did any of you go on that mission?

STECKHAN: Yes.

HEATH: Tell us about it, please, Rainer.

STECKHAN: Well the first impression, I'm a horseman, was that the IMF had been there and said, "All the horses of the Presidential Guard have to leave." That, I think, was the end of that part.

A big discussion with the whole cabinet I do not recall. But I do recall that two or three ministers just disappeared, and so he had, as usual, a reaction. As usual a brutal reaction, and I'm sure four or five months later everything was like it was because he was the largest sinner.

LJUNGH: I was there too because it was during my time as PA, and Rainer's.

STECKHAN: You wanted to protect the horses, I remember.

LJUNGH: No, no, but I tried to prepare the mission by saying that the Mercedes 600 should probably stay in the garage. But of course, that was the pride of President and later Emperor Bokassa, and so it was used. We got to ride in it, that was very nice.

HEATH: Gentlemen, I think we'll take a break for a few minutes.

BURMESTER: Okay. That's a good idea.

HEATH: Keep the cameras rolling and simply edit this bit out of the tape. But if you would like to relieve yourselves, please, now is the time to do so.

(Recess)

(BREAK – Lots of chatter among personal assistants)

HEATH: So now, Caio, we turn to you. Very glad you were able to join us on the phone. Now you are, you're half German, half Brazilian if I understand correctly.

KOCH-WESER: Yes.

HEATH: You were personal assistant from 1977 to 1980. Now of course at this time the Bank began to give serious thought to lending first to Vietnam and then even more consequential to China. So, I wonder if you could tell us something about what you recollect of those negotiations and maybe the resistance that was expressed perhaps by the United States, and, you know, issues along those lines.

KOCH-WESER: Okay. Well, I'm glad you asked me, particularly about China. Because I think the government's commitment and performance was at its best among our clients.

The World Bank, the way it started in China, was at its best, and later in delivering; and McNamara's leadership was actually at its best in the last year, year and a half of his tenure at the World Bank. With hindsight, almost four decades later, one can say that the World Bank-China relationship is one of the greatest success stories of the Bank. So, let me briefly elaborate a few points.

First, on McNamara's leadership. One should not forget that this was started by and built on McNamara's bold leadership, when the Chinese, totally unexpectedly, came to the Bank in early 1980, inviting him to China, and asking for renewed membership. It was his vision of adding a quarter of mankind to the Bank's constituency if China came in. That also drove his bold leadership. Bold, why? Because he seized this opportunity immediately, traveled to China only weeks later, meeting Deng Xiaoping at that time. It was against a quite hostile U.S. political environment, particularly in Congress, with Taiwan lobbying at IDA appropriations committees,

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

and others who tried to dissuade him. Many of the secretaries in the McNamara were more friendly government.

He took also high risks. We knew nothing about China, but we knew that it was still a very volatile political course that this new leadership and the opening up policy steered in China, often interrupted by big questions of whether to go forward or backwards.

Now that this was a great success story is very much recognized by now in the economic literature, economic historians, particularly the role of the Bank's system reform advice and analysis. It is much more ignored by those writing about McNamara, and I think [Patrick Allen] Sharma is one example, who completely leaves out that whole story. But most importantly, it is very much recognized by the Chinese leadership and government themselves, even three decades later when, for example, the now Prime Minister Li Keqiang, after 30 years in liberation of World Bank-China relationship, went out of his way in pointing to the critical impact the World Bank relationship had in these early days of system reform. In economic analysis, in training, in policy advice, in the catalytical role playing, bringing the best economic and development experience around the world to China, which was then totally ignorant about the rest of the world, and in a sense helped linked China back into the global economy in many different ways.

Now without this early leadership by McNamara, traveling and putting this on the right track, and his historic meeting with Deng Xiaoping, I believe this would not have happened and the Bank would have reacted in a much more cautious, perhaps even bureaucratic way.

Second point is Deng Xiaoping himself, the blessing he gave to this partnership at that historic meeting, and in the following months. It would not have been possible, obviously, in a system that was very closed, where everything was still state secrets, to even have the access to data and to institutions and to partnerships within the system, without Deng basically saying, "Let's trust them," after that meeting. "Let's have an open partnership, and let's build on that." This happened, again, after the McNamara meeting, and we benefited from that enormously whenever

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

there was the reaction, “No, you cannot have that data, you cannot go to that region.” It went back up to, in a sense, Deng Xiaoping, or the Prime Minister, and the door opens and the books open. So, there was the counterpart to McNamara’s bold leadership was the vision and also leadership of Deng Xiaoping.

Third point, I think it was the Bank at its best as this relationship then developed in terms of how we performed. We were able to bring the best global expertise. McNamara allocated a huge budget right away, which I had then become the China division chief, could use in a very flexible way, internally and externally, to bring the best people and expertise without bureaucratic hindrance to the task, on macro, on sectors, on projects, also on tools. They didn’t know what cross-benefit analysis was. They didn’t know western national accounts, didn’t know international competitive bidding. We really started from zero in many of these areas, and particularly we moved very fast. China moved even faster in implementing than we had expected. But that was I think on both sides, also a very remarkable performance.

We had, we already touched on that subject, but driven by this drive, a very integrated macro, sector and projects approach. I would even argue for scheduling a bit the country departments of later. We had this large flexible budget, we had shareholder coalition building. Everybody in the world was then interested in what the World Bank knew about China, which was skillfully built from Japan to Europe and other countries; and we had early local presence, but presence with authority in the field.

Maybe even most importantly, we immediately mounted a huge training effort where more than 1,000, in the early years, of Chinese technical people and mid-level officials would be trained by EDI [Economic Development Institute] also locally later. We used the approach of very collaborative teams. None of the chapters of China 2000 report, which was path breaking for their own reforms, and was distributed to all students in Chinese when we had published it, was done just by World Bank teams. These were integrated teams, the Academy of Social Sciences and others. So, on all those points I think it was also the Bank performance at its best.

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

Now obstacles, of course, my fourth point, many. McNamara had to deal with the IDA and IBRD issue. They claimed, rightly, that they were as poor as India, why wouldn't they get an equal share of IDA. That took a lot of convincing. But in the end, it was very much that the IBRD money was acceptable because what they valued even much more was our policy advice. We sometimes joke that most countries say, how much policy advice of the Bank do we have to accept to have maximum access to Bank financial resources, particularly IDA? China was almost the other way around. They said, "How much IBRD money we have to take to get the full scale of Bank policy advice and involvement."

There were clearly system reform conflicts in the leadership. Our programs in the very early years were often stopped mid-track. We didn't hear for weeks, and we knew another fight between party or state council, or vice premiers was going on. So, it had its obstacles obviously, but of a different nature.

Finally, the Chinese absorbed its capacity, of course. You had implementation capacity, you had motivation, you had a command structure that directed that. This was unprecedented that it was done, and of course, also very good, old, simple disciplined work.

Now McNamara laid that foundation in 1980, '81. This meeting with Deng Xiaoping, his vision of adding a quarter of mankind, the green light he gave to the Bank to operate differently and very fast, I think was very instrumental. His successor, for example, if he had been in the Chair when China came, I'm sure would have listened to Taiwan lobby, to many other constraints, and not moved that fast.

After 1990 China, of course, after the first decade of this, almost marriage in heaven, as the Chinese one time said between the Bank and China, our involvement became much less significant. China had learned so fast, by now of course the private sector and many other programs were available. Understandably, the World Bank's role declined, was still meaningful

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

and good, but was much less critical than in the sense “Golden Years” of the relationship through the 1980s.

I believe, however, that with more leadership à la McNamara, also after 1990, after Tiananmen and so on, and the relationship carried with Tiananmen Square because it was so strong on all sides. With more decisive leadership and the visionary leadership, also in the Bank in the ‘90s, there would have been new frontiers and new opportunities to continue, not that decisive role, but certainly a bigger role than the Bank played in the following decades.

HEATH: Caio, I just have to ask you one question. That is, the policies that the Bank was suggesting to China under McNamara, were there any areas of resistance where the Chinese said, “I’m sorry, we can’t go there?”

KOCH-WESER: Well, partly the answer is in the way these proposals were developed. Obviously, privatization was not on. Obviously, it was difficult in many areas to bring more private sector in at that time. That came later with [inaudible] in the ‘90s. But the way the program was developed we never ran into confrontation of that sort because they were always seriously considering our proposals and it did not result in conflict or closed doors.

I think the way you put the question in the notes we got is a bit misleading. I mean it’s not true that these countries, Vietnam and China, developed very well despite contrary to usual Bank advice. I think the Bank itself learned as much as the Chinese learned in the process, and it was not that we had contradicting advice. We all learned on both sides.

HEATH: But can the Bank really claim significant contribution to the massive reduction of poverty that’s taken place in China?

KOCH-WESER: I would be modest enough to say we cannot say that was because of the Bank. But it is true that very early on in Gansu, one of the poorest provinces -- utter poverty,

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

and even cold climate, I mean what I've seen in these last plateau caves where people basically lived, was Africa.

The World Bank very early on had projects that built basically on what they knew already had to be done, but then of course was the money, the organization, the extension services, etcetera, that we brought in. These projects were then multiplied by the Chinese. There are many other areas where they quickly multiplied.

Education, the first loan was education, they multiplied what we did. One area we could not get involved, was the poor areas of Shanghai, 2,000 people per hectare lived in incredible conditions, even in central Shanghai then. But given the Gang of Four and given the history of Shanghai, Shanghai didn't open up for us. We had many discussions with the Mayor of Shanghai, [inaudible – possibly Chen Guodong]. He wanted to come in, but it was a no until the early '90s.

So, I think it was part and parcel of our involvement from the beginning; also health projects, environmental concerns, well done resettlement projects. But it would go too far to say that's why they succeeded.

HEATH: Thank you very much, Caio. Gentlemen, would you like to comment on Caio's comments?

BURMESTER: The deaf people here. I have to apologize, Caio, if I say something that you already said. That's always pretty awkward when that would happen.

But that first education project, I was actually division chief for education projects in East Asia at that point. There was an issue where we didn't disagree strongly with the Chinese. What was that? That was the implementation period. You know, you put into the Bank's projects, this is going to be implemented in six years, was kind of the standard. The Chinese had negotiations, and said, "Oh, six months?" "No, no, no, no, no, six years." We went back and forth on that,

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

and I can't remember what we got down to, but I can certainly remember that the Chinese did it about twice as fast as we had foreseen.

HEATH: Okay. Finally, it's the turn of Olivier Lafourcade, personal assistant from 1980 to 1982, from France. Olivier, you were present during the handover from Mr. McNamara to Mr. [Alden] Clausen. What can you tell us about the changing direction of the Bank as the 1980s approached? Including, of course, the shift to structural adjustment and maybe the temporary de-emphasis of poverty reduction at that time.

LAFOURCADE: Let me first put it in proper context. When I started my job following on Caio, Bob McNamara has already announced that he would be leaving. So, I joined that office with the perfect knowledge that at the end of June of 1981, he would be gone.

Now the first reaction that you obviously, you know, why does he announce a year earlier. The guy is going to be a lame duck, so my job is a non-job. I have to be there. He had explained to me very clearly when I was interviewed that the reason I had been selected was because of my experience in rural development. His idea was, whoever is going to come over after me, it's more than likely that that person won't have any experience in agricultural and rural development. Which proved to be true. So he said, "I would like you to be part, to help my successor and to try to help whoever that is." At that time, we didn't know, in one area, which was absolutely of paramount importance to him. Now this I could buy.

It didn't take me very, very long, if you remember the year 1980 and beginning of 1981, lots of events that took place and that had a huge, huge impact on Mr. Bob McNamara. First, in the elections, when Mr. [Ronald] Reagan took over at the end elections last Thursday, whatever, of November of 1980. I remember the day after the elections when he came over to the office, as usual, climbing the 12 steps two at a time, 12 stories, two at a time. Got into his office and slammed the door, which was not always -- and Blanche, his secretary, telling me, "You know what, Olivier, he's got a hangover from the election." Which was absolutely true. He looked a

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

little haggard, if I may say. So, I'm sure he must have had a double dose of whiskey on the previous evening.

So, the Reagan administration comes in. Not on the same level, huge, of course, events. There were a few months later the death of his wife. Then the idea of the succession. Then the challenges, so there was no lame duck.

I found out very, very quickly, he had an agenda by the time then. I'm sure Caio knows as much as I do on this. With something like 20 items that were on the agenda of things that he wanted accomplished before leaving. There's a point of a little suspicion of anyone who wants to leave and making sure that you have bolted so many things that you leave little leeway for your successor. I find that perfectly legitimate, and that's exactly what he started working on.

Now what were some of those issues? Number one was the energy issue. I mentioned it, and some of you remember that the idea was there so much impact of the energy crisis on the oil importing countries that he was very, very strong on trying to push the energy affiliate. So very much linked to this was the access to resources as usual. I mean that was a constant in Bob McNamara. "Where do I get the resources for the IBRD, IDA replenishment?"

Then you had the idea of the new challenges of the '80s. The beginning of getting lessons of experience from the '70s that were accumulating. It's the debt issues that are accumulating. Some of the results of the micro approach of the '70s, project focus, rural development, urban development. The idea that the macroeconomic framework in many countries was just not up to snuff. So, you put all that together and he had the idea the '80s will be a decade of adjustment. We cannot continue with what we have been doing in previous decades.

So, then it takes the approach of structural adjustment, fine. But it goes way, way beyond this, is that we have projects in agriculture and rural development that were absolute beauties, but in an environment of macro policies that didn't make sense because of the debt situation and because

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

of the energy crisis. So, it doesn't take very long, I mean I respect the genius of Mr. McNamara. He just put two and two together and it made four. He says, "We need to adjust."

At the time when he was beginning to promote this idea of adjustment, he realized you don't adjust overnight for next Monday. I remember him saying, "Olivier, it's time for me to go because whoever is coming after me should have two terms. Because they will have to meet the challenges of the '80s." Now history says it didn't turn out exactly the way he anticipated, but it made so much sense to me.

So, I've got to show you this, there was a race against the clock until June 30, 1981, for him to try to move one step at a time on all those various items on the agenda. Quite frankly, the structural adjustment there was one very important issue where you look back, and I wish he had put a little more emphasis on what would have been the cost of not adjusting. We had the evidence already of not adjusting in places like Egypt, that you remember, we had the riots and everything. The riots in Venezuela, in Caracas, because most countries had not been adjusting. I'm not sure we made sufficient use of that argument at the time, and we still don't make it today.

The story of June 30 comes in. I look back for him, he didn't accomplish all of those, of course. You know, the biggest failure for him was the energy crisis and the energy affiliate. I remember being in Libreville with him where he addressed the Development Committee Meeting; and it was to him the biggest blow when it came to the realization, thanks to a good number of good friends like Venezuela, Saudi Arabia, so many other, no, they didn't want the energy affiliate, and that was the end of it. So that's my little piece.

HEATH: Thank you, Olivier. Any other comments from you gentlemen?

STECKHAN: This was very enlightening.

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

HEATH: I'd like to end by asking all of you to reflect on something which, Caio, you said in 1992. There was a previous group interview which almost all of you were there, but unfortunately, Anders, you weren't there, and, Rainer, you weren't there. But in that '92 interview you said, Caio, that the Bank today, 1992, is still McNamara's Bank. So, my question to you all is if we look at the World Bank of today, is it still the Bank of Bob McNamara, or is it significantly different?

KOCH-WESER: Shall I update on my view now?

HEATH: Please do, yes.

KOCH-WESER: That has changed, but not to the better. We had a sequence of bad decisions by the U.S. in terms of appointing leaders to the World Bank who were failures, one can say. We have, of course now, a culture where that commitment, almost missionary zeal, of staff that had its problems with low turnover issues, but we believed not only in our mission but also the institution. And that's gone. People come for a few years, that's how the world has developed, of course, also around us. So, I think in terms of staff commitment morale, in terms of leadership at the top, and frankly, performance of the place, particularly of course also under this present president, it is a very different place. I'm very sorry to say that, but it is not the Bank of McNamara anymore, and not the Bank of 1992.

Let's not forget there were other great players. I would like to mention Ernie Stern, also Moeen Qureshi and others. I don't see the same caliber of leadership also in the second and third tiers. That's a terrible sweeping statement, and one should be very careful of course, with such broad statements. But my answer to you is no, it's not.

HEATH: So, gentlemen, let me ask the rest of you. Do you agree with Caio or do you take a different position?

LAFOURCADE: I think I agree, but perhaps we could add a few things. There is, in my view, a permanent legacy that even with the state of affairs as being described by Caio, which I totally agree with, still remains. This focus on poverty reduction. In fact, perhaps this argument has been pushed a little too far. Perhaps we should be a little more considerate on the idea of what does it mean to the poverty level. But the mission of Bank on that score remains, and I find that rather encouraging.

The point that Caio says is the leadership that the Bank enjoyed many years ago, the Bank is one of many today. In those days, there were no competitors. So I find that there is a challenge for the institution which, under the right leadership, the Bank, could do extremely well, which would be to be much more of a partner, equal among others, when the days that we were all together in the Bank, there was just no competition. Period. So, you have a slightly easier time, if I may put it that way. So that's my two bits.

HEATH: Okay. Thank you. Sven.

BURMESTER: Well, what do I know about the World Bank today? That, of course, and this is certainly not the inner workings of it. But you see, the staff morale being lower than apparently ever in history, and the leadership is -- I come back to what I said earlier, namely that no one, in my view, compares with McNamara, perhaps Wolfensohn. But he had his great, great personal force as well. So the Bank is not what it was. It may be old men talking nostalgically about this, but it doesn't feel the way it did.

HEATH: Anders.

LJUNGH: Just briefly, I think from an outsider's point of view, and I'm even more of an outsider than the rest of you. The Bank still holds a lot of legacy in terms of being someone who produces good, can produce good economic analysis in policy, shall we say development, or development policies for various situations and participating in the world debate about how to

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

deal with major problems. Under the right leadership it is a fantastic base that you could start with. Sometimes, you know, starting with something which is demoralized and perhaps has had lower ratings, could improve it. So, I think with some unique leadership, which as you see here from us, I certainly think McNamara was, it could be resuscitated, and be a partner participant in solving huge problems in the world.

HEATH: Leif.

CHRISTOFFERSEN: I think basically I agree. I don't think the Bank today has the same respect as it had before. I would say that apart from leadership, which obviously is a major reason for maybe why that respect isn't as high as it should be, is the fact that the Bank, in the early days, not just under McNamara, but also before, combined a sense of empirical field knowledge with high intellectual analytical capability. By marrying the two, understanding the micro issues from the field, and understanding the policy, the analytical framework within wherein projects were formed and should be seen, that there was that capacity that enabled the Bank to become very respected. Because what they talked about was not theoretical knowledge. It wasn't the best and the brightest from the best universities in the world coming in for two or three years and then leave. But because they had people in the Bank that could marry those. You always need fresh blood in any organization. But the great virtue to people that I knew in the Bank was that we could work together from different backgrounds. The people with a lot of field experience could work with people who have great analytical ability, and the two things merged together and created the Bank that was highly respected in many of the areas that they worked.

HEATH: Thank you. Rainer?

STECKHAN: I haven't been to China for a while, but my impression from listening to you is maybe that the Golden Days are over anyhow, technically speaking; and that China, that seriously thinks about military adventures and keeping certain powers out and so on, can no

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

longer accept advice from institutions that talk peace, more or less.

The last point that was mentioned, corruption. If we're really serious about corruption, we can't give up; and if we can't give up, I think we are in the soup. That's technically speaking.

HEATH: Rainer, Leif, Anders, Sven, Caio, and Olivier, it's been a privilege to talk to all of you. Thank you on behalf of the World Bank Group Archives, and above all, thank you all for your service to international development.

BURMESTER: This is Chinese, you know, in China you always applaud yourself. (Laughter)

HEATH: Thank you, Caio.

KOCH-WESER: Olivier?

LAFOURCADE: Yes.

KOCH-WESER: I just wanted to say that stopped -- I'm sorry, that's for other discussions my friends will have. I would really like to suggest that we consider seriously not a rebuttal but a *réplique*, an elegant *réplique* to what we read in Sharma's book. I thought the note by Leif and Olivier was absolutely excellent. I sent you all yesterday a note just complimenting that a bit and making some additional points.

But I think as a group we could be credible covering these entire years to respond. Again, not as a rebuttal, but enriching or complimenting what is known about him and the Bank in those years. So, my encouragement would simply be whether you might want to discuss that further. It's of course a question who will publish, who will be interested at all.

HEATH: I can assure you, Caio, there will be enormous interest in the archives, and we will do

*Former Assistants to President McNamara
September 1, 2017
Verbatim*

all we can to facilitate what you are suggesting. So, thank you very much.

LAFOURCADE: Okay. Thanks, Caio, we keep in touch.

KOCH-WESER: Yes, thank you, have fun.

LAFOURCADE: Best of luck to Maritta [Koch-Weser].

KOCH-WESER: Thank you.