WORLD BANK HISTORY PROJECT

Brookings Institution

Transcript of interview with

MAHMUD BURNEY

Date: May 10, 1991
Washington, D.C.

By: Richard Webb, Devesh Kapur

FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century,* Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

Mahmud Burney
May 10, 1991 - Verbatim

[Begin Tape 1, Side A][1]

BURNEY: . . for people that work in this very selective kind of field. The question of--it's a very vague thing, but very important for me--is who is the staff working for? Are they working for--we all work for ourselves to some extent, but there is also an overarching commitment, I believe, in an institution like this which is really development to a cause, but is it--are we working within the Bank's defined goals or are we stretching those boundaries or are we really manipulating the Bank for our own promotion and ambition and so on? So this is really another, I think--and then, of course, the product of the Bank which has been changing, you know, practically from day one to now and both the pros and the cons of it. We learn from experience, but who's paying for the experience, you know?

Surely--especially let's take the newest product we have, which is structural adjustment, although we are shying away a little bit or at least are cautious about--and take a country, any country, but like Nigeria, probably one of the worst examples one can take. Nigeria, Zambia, Ghana, Tanzania: we have been involved in these countries right from practically when they became independent, and in the beginning we did not try to influence the policies, even sector policies. We did not because we say we are an apolitical institution; we should not really try to influence, question the government on its policies that have political connotations.

For instance, I remember when I used to work on Ethiopia. We were doing, I think, a cultural project there--this is in the '60s--and we really were not able to use the word openly with the government, especially when we were talking with politicians- not technocrats, but politicians—"land reform". We said "landlord-tenant relationship" is as far as we went and tried to explain why it is important to have it. We are not doing it in theory; we are doing it because this project can only stand if there was an ownership of land and clear demarcation from the communal holding to an individual holding on the basis of which credit can be extended. And we again have found out other ways of dealing with the landless farmer, but not too many. But in some countries it has been successful; in others it has not been.

But what I'm really saying is that we've come a long way from we saying we are an apolitical institution to now saying is--that, you know, there should be a democracy before we will lend. It's not quite gone that far but almost. You've seen the paper, I'm sure, that Mr. *[Ibrahim F.I.]* Shihata has written to the Board *[of Executive Directors]*, and you may have seen the paper that came out in this development conference from Landon Mills *[phonetic]* and Sadruddin *[Aga Khan]*.

KAPUR: *[inaudible]*

BURNEY: Outsiders. But the question now, the point I was making was we have learned a lot, which--thank goodness that we have! We have learned that brick and mortar projects do not produce development, that we really have gotten away a little bit from the engineeringly perfect project to more so-called--at that time we used to call them risky projects. Social sector was risky project: "NGOs *[non-governmental*

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

organizations] should do it, foundations should do, but what do we have to do with education? What do we have to do with, you know, with nutrition or even family planning, health and family planning? This was something that UNESCO *[United Nations Economic, Social, and Cultural Organization]*, WHO *[World Health Organization]*, foundations should do. We will just provide them with the engine of growth," which really was roads, ports.

And I must say, you know, I was one of them. Our vision was very limited. We were insecure financially. There was, in the fairly early stages of the Bank, and we worried about getting involved in social-political issues in countries. And our incentives at that time were also not necessarily well defined. And we were very much, as I said earlier, led by technocrats in the engineering sense and financial sense, conservative financial analysis.

But the mistakes we have made there, to me, really are not as heavy as those mistakes--if we made a mistake in a project design--as they are today when we are dealing with structural adjustment where we really not only influence (influence is the right thing) but when we determine the policies of the country and when things go wrong say, "Now we have learned. We'll do now something else. Last year we gave you 100 million dollars for structural adjustment. Now that did not work well. This year or next year we'll give you 300 million dollars." So it is in a way enticing the country to really continue to be dragged with the Bank without really questioning their own, you know, what is their own commitment and participation in the changing, in the process.

It is not a secret at all that Nigeria, for instance, as I was beginning to say--what was the oil revenue in Nigeria at one time, 17 billion dollars, I think, a year? I think it was 17 billion. Now, today . . .

KAPUR: In '79-'80.

BURNEY: Yes, '79-'80. It's an IDA *[International Development Association]* country today, not only IDA country, but we're lending IDA money.

I was having a conversation--I won't give you a name of the person--I was stationed in Zimbabwe. I was the Bank resident. My last job was as the res rep in Zimbabwe for five years. What I'd been toeing the line with the Bank that, "Don't push Zimbabwe. You know, it's something they have to go through, a process of really both political-technical, political commitment and technical analysis and, you know, vice versa, but both things should work hand in hand," because politicians really cannot be convinced until you really, they begin to see what is the cost of their making wrong decisions and why should they change the policies of subsidizing on the parastatal side or on cutting down public finance. That really has to be done through an internal analysis. We can bring external examples from countries, what has happened in other countries.

So in this conversation in the Bank's house in Zimbabwe with a gentleman who was from Nigeria, res rep in Nigeria (now you can locate him), who asked me point-blank, saying, "How much is the Bank lending in Zimbabwe?"

I said, “Oh, 70, 80 million dollars a year.”

“Oh, I have a program in Nigeria of 1.5 billion dollars.”

So the conversation went on, and I couldn't really contain myself, and I said, “Look, you know, Zimbabwe, I think, is wiser not to be running after the Bank. And they are going through a very difficult process of really deciding what their future policies ought to be, and they have a backlog of problems they have inherited. They're beginning to sort out their social problems in education and health, which was neglected in the past, but they are also really not going the Zambian route or the Nigerian route; they want to take time to decide what is good for them.” And I said, “This is a much healthier position for a country to be in. I think we should encourage them, so 80 million, 90 million dollars is really all they want from the Bank. But they're using the Bank's analytical work, beginning to use the analytical sector work. We've invested a hell of a lot of money in sector analysis, macroeconomics.” Michael Walton was the economist, luckily enough, who now is with--I think you should include him in your--Michael Walton. He is now the economic advisor to Larry *[Lawrence H.]* Summers on the operations side. He’s recently moved there.

WEBB: Your position is a bit unusual for a Bank official, wasn't it?

BURNEY: Sorry?

WEBB: Your position, your line . .

BURNEY: It was, by the way, not only unusual.

WEBB: . . not pushing them on policy or trying to push more money on them?

BURNEY: I was told in many meetings when I used to come from Zimbabwe that you are wasting too much money on Zimbabwe, because Zimbabwe was not listening to us. So I said, “I'm sorry. Zimbabwe is listening to us. But if what you're saying is Zimbabwe is not doing everything that we asked them to do, then you're right.”

Because they used to say at the same time, “Zambia is listening to us.”

This is why forty years ago I almost had a fistfight with one of my colleagues, who was a division chief under which both countries came, and he said, “I’m shifting the resources from Zimbabwe to Zambia because Zambia is listening and Zimbabwe is not listening.”

I said, “Look, you know, if you think that Zambia is listening to us,” I said, “they have lost the capacity to listen a long time ago. They are in a big hole, and if you dangle a snake, a live snake, they will hold onto it to get out of it. That's not listening. Zimbabwe is listening, but they're not saying, ‘We agree 100 percent with you’ because they have their own thoughts on it, and they are very cautious people.”

I think finally this--I must say *[Edward V.K.]* Jaycox, although he didn't like it, but he supported me on that. Sven Sandstrom, by the way, fully supported me.

So we had a—we spent three years in doing a lot of analytical work which the government at the beginning didn't like it, but then after they realized how useful that work was for them--we, by the way, had the government people participate in the analytical work. This was one criterion. And now, you know--I don't know if you have followed that, but I think this is one--I personally think that it will be one of the success stories in the Bank on structural adjustment, where now we've had a CG *[consultative group]* on Zimbabwe. They have a program, a framework paper, which was done really about 70 percent by the government with quite a bit of help from the Bank, but done in a collegial manner, working with the government. There is a resident economist in Harare which--again I had a battle to get him because, you know, there were already too many man-years assigned to Zimbabwe and "they were not listening," quote unquote. But our lending program is still very small. But we will have the first mission that is going out there on structural adjustment lending leaving next week. And we had a CG meeting, which was a very successful CG meeting, on this policy framework paper and the Bank's support for it. You know, they really asked for 700 million dollars for the first year, and they've got a commitment of 700 million dollars.

WEBB: 700 million dollars?

BURNEY: Yeah. I'm afraid of that. I hope they will not go to the road of saying, "Now we can borrow money" because I'm still concerned about their fiscal discipline. You know, they have a current account—well, the current account deficit is all right, but their fiscal deficit of about 9 percent of the GDP which is very, very, very high, but there are all kinds of reasons for it.

So the point really was that we have learned a lot from day one to now. The question is, "Who pays for the learning process?" And I think this is where we ought to be more modest, that when we are learning, unless we are sure of something and it is in the sinews of the developing countries themselves, not only the minister of finance or the permanent secretary of finance, but really a much larger crowd that is in involved in that, which is a very difficult thing for us to do because we are essentially a central institution operating out of Washington, basically, although the resident missions are getting more and more responsibility, especially if you look at India or Indonesia or even--you know, some of the countries.

WEBB: Duncan--is that his name, Duncan, who succeeded you?

BURNEY: No, the person is Poortman, Chris *[Christiaan J.]* Poortman.

WEBB: Oh. *[inaudible]* that we talked to?

KAPUR: We spoke of Mr. *[John M.]* Malone.

BURNEY: Oh, Malone. In Malawi.

KAPUR: He mentioned your name. Oh, that's right, he is Malawi, and he said that we should talk to you.

BURNEY: I see.

KAPUR: I guess he--and maybe Robert Calderisi. Do you know Robert Calderisi?

BURNEY: Yes, I know him.

KAPUR: I was just wondering, since you have mentioned the word "learning responsibility," in your experience the institution—I mean, who is the institution responsible to, in the largest sense, especially for its mistakes? Poor advice affects those who can least afford to suffer. And in that sense how do you see your own views having evolved or the institution, has it really learned in that sense, you think?

BURNEY: Oh, I think the institution has learned, but after all what you're really saying is, you know, "What is the institution?" Because one thing is the institutional memory; the other thing is the living memory of the institution, and that moves with the passing of time; and the third thing really is--there are two more things. One is since the creation of the OED *[Operations Evaluation Department]* in the Bank, although it does not pinpoint the mistakes, which is not the point, we don't--the question is not to take individually individuals and say they have made a mistake--but the question whether the Bank's process is thorough enough to not go prematurely in taking certain decisions that affect both the Bank but more so—because our product is there, really, in the developing countries, and I think OED has played an important role. And then, finally, (I'm sure there are other reasons) is the countries themselves are beginning to say, "Hold on. We just can't do it." But, unfortunately, only those countries that are still standing on their feet or have political clout for one reason or another are the countries that can say that. The countries that are in trouble--Nigeria can sign on the dotted line--because they're done it several times--but they know when they're signing that they're not going to stand by it. We know it, too. They know it, too, that they don't mean it. We know that they're not going to do it, but we do that. And it's a question of really what--I would say is really OED is an important addition to the Bank.

Other than that I'm afraid there is no--there's always, it's very easy to say, "Well, you know, the country didn't do that." It's always the case. It was less easy for a brick and mortar project. It's a lot more easy on policy-based lending because you've got, first of all, three scenarios: high, low, and middle, and in each one of them there are 25 variables. Now, if you mix all of them up, you know, it's just impossible to say who is to be blamed. And who writes the evaluation report--other than OED, which is independent, but they're not there on day-to-day operations--it's the people that have made the mistakes. They're the ones who write the reports. And that all goes, by the way, doesn't go to the developing countries. No one checks with them, although we do project completion. We do that, but that is really still a very secretive kind of a thing. I would like to see the countries themselves--and, by the way, they will hide their sins, too, because, after all, what is a country come back to the same thing? They are the bureaucrats who are partners in decisions, whether by twisting the arm or by consent, so it is very easy. And by the time--our product takes five or six years--sometimes now it is quicker because of the quick disbursing of loans--but by that time the person who--let's assume there was a person who made the mistake or a group of people who made the mistake--after five years they're not there anymore, and it's catalogued why things went wrong, if they were catalogued at all. Then the other people come. They're not going to really go to a person and fight with him who's now a vice-president.

And so I think the incentive system is, well--to answer your question, I really don't think we have like in the private sector, although all private sectors don't have it but I think private sector has it more of an accountability. Or national governments have it, a lot more accountability. But international staff--fortunately, perhaps--really does not have accountability. Their accountability: how can they get away with it, and how can they please their bosses?

WEBB: It's reducing as you move from projects to the degree of accountability, it becomes more difficult.

BURNEY: I think what we should have had in the past is a slightly different thing. What we missed in the past was to really--we should have been more imaginative, we should have built our capacity in analytical work, but we did projects of sector work, but we brought in the policy issues, wanted to be sure that the policy framework is right for these projects to get, you know, the maximum return out of that.

But to turn the other way around, that now let's forget about the project. We will set the macro scene perfectly; then everything will work all right. Now look at what is really happening in Africa. Of course, projects were having problems, but if you look at the policy framework it is--with all the money that has gone into Africa--there are very few countries really where it has made an impact. Success story is Ghana.

KAPUR: The amount of money that Ghana has gotten . . .

BURNEY: Well, not only that; it is a question of how much external funding is coming, not only to finance their capital investment, but also their current expenditure. Now, that is a success story. It really is--who will carry this bag for eternity?

WEBB: It's terrible to think that so much rides on one success story which is fragile. I mean they're always fragile.

BURNEY: Zambia was quoted for years to me as a success story, and now it is—now we've somehow or other pushed them back on the rail with, you know, the bilateral sources really funding our external debt of the Bank and the IMF *[International Monetary Fund]* and we are being financed by bilaterals. I'm not saying what the Bank should, say, abandon these countries, but really our goals and this is where I go to--perhaps where *[Robert S.]* McNamara gave us the ambition or the level of lending to a point where we cannot think modestly or cannot think in terms of the gestation period.

There is in my vocabulary no shortcut to development. And I'm afraid in Africa was a late starters, and if we thought we were going to find shortcuts to development, I think it was a big, costly mistake for us and particularly for Africa where we, you know--not we, but everyone--said that bilateral sources were bad because of colonial past. NGOs said it because they had, you know, the bleeding heart liberals. The World Bank, because we were going to experiment on rural development and find shortcuts to the African problem because we had learned it from other countries, which is fine. I think there's nothing wrong with that, but to really find a shortcut to development has been very expensive with the result that the Africans are looking now to the outside world. I mean, many of them kind of abandoned their responsibility of managing. And now what we're saying is, “You know, you need to have capacity building.” In many ways we really have undermined that capacity building. I mean, if you take Ghana, if you take Sudan, if you take Egypt . . .

KAPUR: Côte d'Ivoire.

BURNEY: Sorry?

KAPUR: Côte d'Ivoire was a Bank *[inaudible]* in the late ‘70s.

BURNEY: Yes, yes. You know these were the countries that had very good public service. You know, the railways--I used to work in Sudan in the early ‘60s. The railways worked, you know, just like--well, not quite as nice working as Swiss, but on time, and their efficiency was--they ran it. Their power station ran well. I'm not saying the Bank is the cause for that, but I really think that we went a little bit too quickly. Some of these people, of course, were retiring. They were part of the old civil service and getting disillusioned, and the political setup, of course, did not help, because they were told what to do. And many of them resigned and they left the country and went other places. But more importantly we came up with solutions, much too complicated solutions, to the problems that were relatively simple, with the result that we developed the complex in some of these civil servants to the point that they started to look to us and the outsiders for solutions to problems.

It's little different than in, let's say, in India, where we had the Harvard group, we had Ernie *[Ernest]* Stern. Wasn't Ernie Stern part of the Harvard group?

WEBB: Yes, sure. [all talking at once]

KAPUR: No, there was no Harvard group in India. *[inaudible]* part of the Harvard Group in Pakistan. Ernie Stern was with John Lewis in AID *[U.S. Agency for International Development]*.

BURNEY: Uh huh. I see; that’s right. There you also have an example of external input, but I think India was more ready than many of the African countries to absorb some of that, and I think these people had a different--they were not giving a shortcut to the--they were really training people to--they left a cadre of trained people in the planning in India and to some extent--Mahbub ul-Haq, Moeen Qureshi, they're the product of the Harvard group, Bajpai and so on.

I think in Africa we really--the speed with which we went left whatever there was, and it was not as mature in many other parts of the--you know, Latin America or probably Asia. And I think now of course we are coming up with new solutions to the problem. This ACBI *[African Capacity Building Initiative]*--have you heard of it?

KAPUR: Capacity building.

BURNEY: Capacity building, [all talking at once] which I think is an excellent idea, but it has to be run by the Africans. Not only do Africans look black but, you know, the Africans who really are—who are not necessarily speaking the Bank language and who are very influential in the--they may be even negative about the Bank. I think we have got to open the--we have to get away from the feeling that we have to do things quickly, and the only way we can do it is the people who will do what we say, or . . .

I first--the other day on Nigeria the question when Nigeria is not, we are almost at a standstill with Nigeria now. I don't know if you know it, but at the moment they have refused to have anything to do with the Bank. So when I said, “Look, we were planning on one and a half billion dollars a year” to that gentleman, I said, “What now?”

And do you know what the answer was? “Oh, we're not lending any more to Nigeria.” As if we had really, you know . . .

WEBB: Big solution!

BURNEY: Big solution. What about the 2.3 billion that we've lent in the last two and a half years, and the burden of that--all quick disbursing loans, by the way. Where that's gone is, you know, no idea. So, I don't know—coming back to accountability--I really think there's a big gap, and I don't this is only with the World Bank. It’s all international organizations.

KAPUR: Isn’t there an irony that *[inaudible]* wondering what you might feel about it--which is that the institution, especially in the ‘80s, the word “incentives” has been central to its message, “get the incentive structure right”. And I have always been curious about the incentive system within the institution itself that, for example, the incentive system for people who go out in the field, to be in the res rep missions, to be actually on the ground, the incentive, as you said, of accountability and responsibility, who if anyone has ever got fired for this problem, you know . . . I mean, do you ever—do you think that has any validity? Is there sort of an irony in that?

BURNEY: Well, again, I really think—I hate to say we're a very specialized agency, a very special, unique agency, because every agency thinks that they are unique, but I think we have a problem as far as to judge us by what we produce because we are a long gestation product and we have really a small role to play and talking typically of the Bank, a typical Bank project, but I think it's also true even in the quick disbursing in the policy-based lending. I really think something has happened to the institution over the years, and of course size has to do with it, and we are a part the changing world. It is happening in the corporate world everywhere that individual ambition is becoming more important. We have no more--the World Bank is no more one plus one plus one, you know; there is not the aggregate of the staff. It is--there are people that go beyond the boundaries of the Bank.

KAPUR: Sort of minus ones.

BURNEY: Yes. And I really think that one cannot look to the personnel department of the Bank to decide the incentive system. Of course, it's already an incentive system of salaries and promotions and field assignments. I would say it really is left to the managers, especially since the reorganization, which really has added to the problem, as far as I'm concerned, because it has--we are now compartmentalized in the Bank, where you remember in 1987 everyone was fired in the Bank except for the president. And then we were hired and then the person finally selected his own people. I think that has done, to me, a lasting damage to the feeling of the individuals that they are working for an institution. We are working for individuals, so the incentive system really comes to individuals now. It depends on how I can please my boss.

And if I am—especially, I think it's true--I will now take the side of the engineers, but they feel they know the technical elements of a project, but they are being told by--if I may say--young professionals who are now managers, as to how that project fits into his time schedule which is very important for his flow of funds and his image and his evaluation, not the Bank or the country. And these technical people really are--I'm sure you will talk to some of these technical people, you have--they feel very insecure. And they are willing, some of them, quite a few of them, are willing to go and have sleepless nights but agree during the day with the bosses that everything is fine, we'll go ahead with it. So it is not only the policy-based lending operation but even some of the brick and mortar . .

[End Tape 1, Side A]
[Begin Tape 1, Side B]

BURNEY: . . and if you are very ambitious, a question of promotion. I am not giving you the answer of how it can be, how that can be improved. I think it can be improved by the management, by top management--who, by the way, I'm sure they must know what's going on; they're not naive—but they have to, someone there really has to say, "Look what is happening to the institution? Our credibility is at stake. Our--even our financial reliability may be in jeopardy if we really look at just the cash flow or we look at the lending levels."

The push is on, you know, not only lending. The push is on disbursement, also. In Pakistan alone I think we have something like, the last figure I heard was something like nine billion dollar--I think it's more than that--undisbursed money. As we are . .

KAPUR: In India . .

BURNEY: I'm sure it's more than that, because the lending program in India is much bigger. And we're committing, I think, about 500 or 600 million dollars a year additional. Now, the question that is asked is, you know, Mr. Qureshi or whoever would say, "Well, look. Get this money out."

Now the person who's been asked to have the money out, his very interest lies in the fact that he will go and tell these people, "My god. Take the money!" and especially if it is not connected with a physical project where, you know, it would be difficult to push because there has to be some certification of physical job done or--you know, more difficulties, even there.

WEBB: Is the pipeline getting clogged up with more and more issues like women and ecology and all these other considerations that are coming in?

BURNEY: I think in Pakistan it is partly--it is bureaucracy. Secondly, it is also mis-procurement, a word I'm sure you've heard here, which is that the government is going in for beyond ICB, international competitive bidding, because of the suppliers' pressure, especially Japan, which is a--they own Pakistan right now. And they quite often come and say to the government, "Surely you have a loan from the World Bank, but we will fund this thing. We have the best locomotives and the best transmission lines or whatever. And we'll give you at 3 percent interest or 1-1/2 of 1 percent interest," but it's in a lump sum, so you never know what the cost of the money is. [redacted]

Now, what the Bank should do is to really sort out those things. If the Bank money is not being used, influence the government that they should--they're not following the ICB, which is to their advantage. And secondly, if they have done that, we should cancel their funds. But that would look bad on the balance sheet.

WEBB: Now, when you say be being jammed by bureaucracy, you mean the borrower's, presumably. You don't see a problem here?

BURNEY: I think there is a problem here, too, but I think we are a lot more flexible. Yes, there is, there is, because when we get the verification, for instance, of various tenders to be evaluated there is less and less project staff. There is a lot of work, overloading of these few people who have the supervision, who do the appraisal, who also look at the contracts. And the Bank really has to approve practically every single contract, you know, that goes through, so there is a--some of that thing is being transferred to the field now, you know. There is an implementation officer now in more and more resident missions to follow the implementation closely, but the approval still comes to headquarters, and that's the centralized nature of the Bank. So I think that's been the problem of bureaucracy in the Bank, also.

WEBB: More with projects?

BURNEY: I don't think you have any problem with the quick disbursing unless there comes a crisis like with Nigeria. Now if Nigeria says, "The hell with you," then we say, "Look, we're not going to give you the next tranche," which is 300 million dollars or 400 million dollars. That's a different kind of thing. But if we are not seeing eye to eye, but if we haven't come to that break point, we disburse money on a list of imported items and we say we are financing 20 percent of the imports that come through, whether it's cement or—and the disbursement, on quick disbursing loans, unless we have a crisis, I really don't think that there is a problem in disbursing. And that's why there is so much emphasis in the Bank now on, you know, for the purposes of . . .

KAPUR: Hasn't one of the reasons that--at least in South Asia--for the increasing part of undisbursed portfolio been the fact that local currencies have been depreciating very strongly, and as a result of the commitments, which were original *[inaudible]* the difference between the disbursement profile because of the local currency and a decision is that all this leftover money in the Bank isn't really . . .

BURNEY: I think you're talking about sophisticated countries who are looking at the actual cost of Bank borrowing, which is exchange rate risk, the question of all the changes goes to borrower. So is interest rate. We have this variable interest rate now that's fixed now but reviewed every six months. All those costs are going to the borrower, and they're really shopping around. And maybe Japanese, if they know what they want, maybe financial terms are better through a supplier's credit then, if they know what they're buying. So I'm sure that is part of the reason, also, that . . .

What is the strength of the Bank financial structure is that we don't take any risk. That's why we have a, one reason why we have Triple A rating, but then . . .

KAPUR: But again the risks are taken by those who again have the least wherewithal to--I mean, pass it on to Burundi?

BURNEY: I'm afraid, you know, this is where I would agree. If you say, "Well, this is really a Bank rather than a development institution," I go back to what McNamara quoted. But I think McNamara, even he had to succumb to the quote unquote "health of the Bank portfolio" and financial structure because it's very important—we can argue--it's very important for developing countries, because otherwise we won't be able to borrow at a Triple A rating, as we do, which is, you know, which is--one cannot deny that.

But yes, the cost of--but one can say, "How come IDA *[International Development Association]* money is not--why is IDA money blocked?" I think this is where different things will apply to the Bank side and to IDA, and IDA is bureaucracy on both sides and also suppliers' pressures.

KAPUR: I guess I was more referring to the case of, say, IDA, is the question that the loan was, say, for 100 SDRs *[special drawing rights]*, 100 million SDRs. By the time the disbursement profile comes and the local cost part--because that hundred million SDRs was equal to a 100 million rupees, but by that time the rupee has depreciated so much against the SDR that it has swollen to 1500 million, and they have to come up with 500 million more if they are to get that entire amount. But of course there are local fiscal problems; the project has to be changed and so on and so forth. So there are all these new additional problems created which can cause a mismatch between the commitment amount and the disbursement amount because of local currency.

BURNEY: Yes. I think that is true. I think that would be true partly in spite of the fact that a large part of IDA resources really are geared to finance local currency costs. It does not become a serious problem on the repayment side, because IDA repayment is long and there is no interest on it . . .

KAPUR: It's more the project's structure.

BURNEY: Yeah, sharing of the cost, the resources to complete the project, yes. But what is the alternative to that? I mean, is there any better, that the government does it without borrowing from IDA? I mean, what would be the alternative? Where will the government--if that project was a high-priority project and that is a problem, how would the government fund that project?

KAPUR: So actually what's happening is that you have now, of the 100 million dollars to complete the project, only 80 million dollars was used because that is equivalent to the number of rupees at the new exchange rate, so there is 20 million dollars left, and there is this whole thing that begins to add up.

BURNEY: Yes, okay. I'm sorry. I missed the point. I agree with you, but really that really means adjusting the project or doing more things to serve the nucleus of that project or cancel it.

KAPUR: Right. Which is why the delays apparently are increasing.

BURNEY: Yes, I would think that that would be one of the factors.

I think I'll have to--I have a 2:30 meeting, and I have to walk to the EDI *[Economic Development Institute]*. And I'll, you know, I'll be very happy to continue if you think it's useful. And I think also . . .

WEBB: I think we could spend hours.

BURNEY: No, don't do that. But I'll be very happy . . .

[End Tape 1, Side B]
[End of Interview]