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Transcript of interview with

Siem Aldewereld

Oral History Research Office

Columbia University

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PREFACE

This memoir is the result of a tape-recorded interview conducted by Professor Robert Oliver with Siem Aldewereld in Washington, D.C., in July, 1961, as part of the World Bank Project, transcribed by the Oral History Research Office of Columbia University.

Mr. Aldewereld has read the transcript and has made corrections (and deletions), but the reader is enjoined to bear in mind that he is reading a transcript of the spoken rather than the written word.

The transcript includes material on past experience of Mr. Aldewereld; early forecast of bonds needed; early policy formulation and supervision of end-use of funds; development of project appraisal and management practices; projects in France, Chile, Lebanon, India, Iran, Colombia; increase of lending pace; comparison of program lending; other financing organizations; staffing of technical operations department and reorganization of entire World Bank.

Interview with Siem Aldewereld

July 13, 1961

Q: Now, will you tell us who you are?

Aldewereld: I am Siem Aldewereld. I've been at the Bank since the fall of 1946.

Q: Under what circumstances did you come to the Bank?

Aldewereld: At the end of the war, I worked for the Dutch government in Europe. My then chief, Mr. Crena de Iongh, was first appointed alternative executive director for the Netherlands and shortly thereafter, it was approximately in October, '46, he was asked by the then president of the Bank, Mr. Eugene Meyer, that he ought to become the next treasurer. I worked for Mr. Crena de Iongh. I had planned at that time to return to government services, but Mr. Crena de Iongh asked me to join him in the Bank and to work for him as his assistant. This I did, and I have been at the Bank ever since.

Q: Did Mr. Meyer know Mr. de Iongh even before this?

Aldewereld: I don't think so. I don't think so. I joined the Bank, as I said, in October, and the first assignment was to make a forecast of the amount of bonds we needed to have on the basis of the projected scale of lending. Unfortunately, I don't have the papers any more, but I can assure you that the forecast I made for bonds was about five times as high as the actual bonds.

Q: Was this mainly because of the large anticipated borrowing requirements of the members?

Aldewereld: Yes. I think that's right. I think that's right.

Q: But I take it you came up with a figure something like maybe 10 or 15 billion dollars?

Aldewereld: No, I came up with a figure of let's say, I think it was 2 billion dollars in five years. This was a very interesting mental exercise. Maybe the most interesting part of my early career in the Bank was my work with others, many of whom are still with the Bank, in trying to work out certain policies for the Bank's operations. We did that, so to speak, in a vacuum, because we had few loan applications. Then, I think it was in December, '46, Mr. Eugene Meyer resigned, and especially in the next few months, from December say until April, we did practically nothing but talking and thinking about how we would administer, what kind of loans we would make, and how we would administer those loans.

Q: Had discussions like this not been underway before Mr. Meyer resigned?

Aldewereld: To a certain extent, yes, but I think they were intensified by his resignation. And it was then, say the first six months of '47, that certain basic principles were established from

which the Bank has never departed: (a) tying our disbursements to specific groups of materials; (b) the realization that no matter whether we made general purpose loans, as we planned to do for the reconstruction of Europe, or subsequently project loans, that we would supervise the use to which the goods and services provided by the Bank would be put.

Now, much has changed in the Bank since then. We did not have at that time, as we have nowadays, specific ideas as to how to go about appraising projects. We have in the course of time refined our efforts, broadened our sphere, but the basic principle of supervising disbursements, supervising the end-use, is something from which we have never drawn back.

Q: Was there a good deal of controversy about questions like this in the early days?

Aldewereld: No controversy, but the acceptance of this supervision caused a great deal of trouble vis-a-vis our prospective borrowers. It's a very interesting anecdote that I can tell about how this supervision became such a standard expression. We knew from our articles, of course, that there were some provisions in the articles to the effect that the Bank should make arrangements to insure that the goods and services procured with the Bank's money would be put to productive use, or words to that effect. Now, when we negotiated our first loan, in April, May, 1947, first loan to the Credit National of France, we of course at the proper time started to draft the text of

our first loan, and I still recall that we had in one draft words that were kind of based on the wording of the articles. This first draft was presented to the main French negotiator, Mr. Baumgartner, then president of the Credit National, later governor of the Bank of France and now Minister of Finance of France, who took one look at it and rejected this provision out of hand. So we asked why. He said, "Well, an agreement like this has to be translated into French, and if this text were translated, nobody in France would ever understand what it means. But I have a suggestion for you. The people in France since the end of the war until now are accustomed to a lend-lease term called "end-use" and if you put in your loan something to the effect that the borrower can make information available to the Bank about the end-use of the goods and services, financed by the Bank, then everybody in France will understand it.

We accepted it, and that's why this word has now become one of the Bank's standard expressions. That's let's say an amusing anecdote. The more important thing I think is that of course trying to establish this supervision was not very easy in the beginning. It is in the nature of things, in the nature of human beings, that people don't like other people to look into their affairs, and it was rather difficult in the beginning to convince our borrowers that what we are interested in should be exactly the same as any manager of any efficient organization should be interested in the conduct of its own affairs. Now, it is now 15 years later, and if I look say at the trouble we have had, the difficulties we have had about establishing this system of supervision, and compare it with the fact that no borrower, old or new, at the

moment raises questions (or really questions) about supervision, then I can say that the Bank has progressed very considerably in establishing in the minds of our customers that what we want is not interference but just for the common good.

It's interesting to see that in many cases, where the Bank has no actual supervision function any more, that our borrowers have extended the system of supervision to operations not financed by the Bank. In Mexico for instance I know for sure that the Federal Power Commission, the management of the Federal Power Commission, is using our system to keep its fingers on all its nation-wide operations. The same is true in Finland, in Chile, and many other places. That is one thing.

Q: I've even heard that some American business organizations have come to the Bank to find out how the Bank does this.

Aldewereld: Oh yes. Oh yes. I'm preaching the gospel of close supervision to American, non-American. You notice in the United States, the last few years especially, the United States businessman goes more and more abroad to subsidiaries, and they are getting more interested in close supervision for the purpose of the efficiency of their activities. This is not only true for businessmen, but for instance the Inter-American Development Bank has inquired as to what we do to supervise projects, even the Export-Import Bank, and the US government has from time to time inquired, although of course in the case of a national government is not as easy to do, to carry out this supervision, as for us, because we are in effect an international

cooperative; the member country being supervised is a member of the Bank. This cannot be said unilaterally.

Q: I wonder if it would be interesting to tell about the step by step way in which you did your supervision in the case of the French loan.

Aldewereld: In the case of the French loan and the Dutch loan and the Danish loan and the Luxembourg loan, it was a different type of supervision than we have nowadays. There it was a rather simple question: to establish how the goods were used that were financed by the Bank. Starting with the fifth loan that the Bank made, the loan for Chile, we had worked out a system that is designed to give the Bank information, not only about the use of the specific goods and services financed by the Bank, but also about the progress of the project in which our goods and services are being used. Now, this is an elaborate system. We have changed certain, I would say superficial aspects of it, but we have never departed from the basic philosophy. Now, the basic philosophy is really that we want to know how the project is progressing, whether it's progressing in accordance with the original time schedule, and in accordance with the original cost estimates, and if not, why not, and what has to do be done to put matters right.

Now, when you look at the kind of information that we get, and we may be getting now information on something like 300 reports periodically. Those reports look different from case to case, in that we are trying to adjust our supervision techniques to existing situations. But basically or substantially, all those reports are

designed to give an answer to this question of the progress of the project, financial, physical, or in case it is not in accordance with the original ideas.

Q: Does this mean that you have Bank personnel in the field all the time making these reports?

Aldewereld: No, the basic idea is that the reports are submitted at regular intervals to our people, but we from time to time go into the field to check and decide whether the information in those reports actually reflects the situation. And also, in case there are difficulties, to discuss on the spot the matters that have to be taken up with management.

Q: Could you illustrate any of the difficulties that have ever arisen?

Aldewereld: There have been many difficulties. If I tried to characterize them after 15 years in this game, I would say that the most frequent difficulties have been in the financial field. No matter how careful you are, no matter how conservative you are in calculating the total investment, you find time and time again that the actual cost is in excess of the estimated cost. Now, there are several reasons for that, but the most important may be this. It is in the nature of the thing that prices go up, and therefore in cases like Chile, where we made our first loan, when the projects were underway, because of the process of it, you saw an internal price rise, and therefore you see

that again and again, especially the local currency has to be watched very carefully to make sure that the funds that are necessary will be there.

Q: In the case of the French loan did you discover any deviations?

Aldewereld: Yes. Yes, we discovered some deviations, especially in the allocation of petroleum products, and I still recall that I was in Paris when I found out about this, and I cabled Washington, and we talked with the French authorities. But that's a thing way of the past.

Q: I had understood in the case of the Dutch loan there was also some question as to whether ships were being used in the way that the Bank had authorized.

Aldewereld: I recall something vaguely about that but the details escape me.

Well, that's one part of it. Another part that comes to my mind is, how to set up this project appraisal? It is a very difficult thing because the Bank has from the very beginning always been rather ambitious about it. It is true that it's very easy to get a project that's sound from a pure engineering point of view; though on occasion we have had some very real physical difficulties, we have in all the projects that we have financed -- I know of maybe one case where a very, very serious construction difficulty was encountered.

Incidentally, it's not so as in the case of the Lebanon. There have of course been other cases here. In the case of Kariba we had two very big floods during the construction period, and of course you have in every project unexpected physical difficulties. But I can say that on the whole the engineering aspect of our projects was not too bad. But the difficulty in the appraisal of projects was not on the engineering side, but on the economic, financial, and managerial part of it.

Now, we have financed or we have appraised since the beginning maybe, if I may make a rough guess, some 500 projects, big and small. The one here that you see a picture of is a 235 million dollar project. Then there were some small projects in India, Iceland, other places. And I would say that in the course of time, the experience which the Bank has obtained in what you could call balanced appraisal of projects may well be unique in the world, and I don't think there's any other organization private or public, that has as much experience in appraising projects to make sure that they will do the job for which they were designed.

Q: Could you tell in detail how this policy has evolved, and perhaps illustrate with reference to specific projects?

Aldewereld: Yes. Yes. For instance, it's all very well to say underdeveloped countries need more food, and very early in the history of the Bank, we looked at an agricultural project in India, the so-called Kans Grass Project, and we knew that experiments had taken place in the rural areas that indicated that if you were to deep plow certain

areas that were infested with Kans grass that you would make the soil fit for cultivation, and that the roots would be exposed to the sun and would die. So at the time, we decided to make a loan -- I think it was originally 7 or 10 million dollars -- to finance the largest fleet of huge tractors under one management. Now, there was one mistake that we made, or maybe more, but one I'd like to emphasize, and that is that we thought at the time that what a Texas farm boy can do, an Indian farm boy can do also, and what we very seriously underestimated is what you could call the degree of manual literacy in the Indian farmer. The maintenance, the servicing is extremely important, and from then on -- although I would start by saying that the project has its very useful purposes -- but it did not achieve all and everything that we expected from it, because of this maintenance.

So here you had a case. You have to tailor make your approach to a project, to the degree of the ability of management, a trap into which many people fall. Sometimes they are too ambitious and they say, "Well, it has been done somewhere else, why can't it be done here?" There may be a good reason why it cannot be done. And we have not forgotten -- I can give you a recent example. The Iranians came to us a few years ago, three or four years ago, with a project, a combination of hydroelectric power, flood control, and irrigation. Now, we had some serious questions about the economic justification of power generation by hydroelectric power generation as compared with thermal generation, in that this project would be located in a region where they have oil and where they have so much gas that they have to flare

it in order to get rid of it. So the question of the thermal generation was a very proper one.

Now, after a lot of soul searching, we decided that we could live with this hydro power project. Then we looked at the agricultural justification. I forget exactly the acreage. It was not of any sizeable acreage. The investment to make this irrigation project a reality was very substantial, and I still recall that when I looked at those figures, I raised one question: have the Iranians ever tried an irrigation project of this size before? We didn't know too much about the size of previous irrigation projects, but it appeared that every effort to start irrigation on a modern scientific scale in Iran had failed, and it had failed for various reasons. Some of them are the traditional peasant-landlord relationship, the availability of farm to market roads, extension services, experimental farms, agricultural benefits, marketing arrangements, and that kind of thing. Now, this was about three years ago. Maybe if this project had been submitted to us 12 years ago, 13 years ago, we would have been somewhat more naive, but on the basis of what we knew in our studies, we decided and suggested that it would be better for Iran to start with a smaller scaled irrigation project, in the same area, to limit its investments very considerably, and to learn how to organize an irrigation scheme on a scale that would be manageable, and at the same time in the area where they planned the whole scheme, so that if it would be successful, they could expand the scheme to the size that it was planned for originally.

Q: Were they annoyed at the limitation?

Aldewereld: Very much so. Very much so. But I just recently had some people coming back, and they say that now they see how sound it is to start, the principle you have to learn to crawl before you walk, and learn to walk before you run, and I think that we have a very good chance for this irrigation project also to become successful, and then we can expand this to a much much bigger size.

Now, here you have, I would say, a typical example of the experience of the Bank being brought to bear on how to manage a project. If I can paint it with a very broad brush, I would say that the tempo of the borrowing is not a question of money, is not a question of natural resources, but is a question of the development of the mind that is necessary to make this development possible. Does that give you some idea?

Q: I'd like to ask you this, with reference to your statement about the earlier naiveté of the Bank. Does this imply that the Bank did make some loans really which did not turn out well because it did not as yet know enough to take into account the management factor?

Aldewereld: I'm glad you asked this question, because I don't want to create the impression that we were naive souls at the time. But, as is natural, we have learned from our operations, and I would not say that we have made mistakes in the past -- surely, we have made mistakes, but nothing to be ashamed of. But I would say that it took longer. On the

one hand, we might have been too timid. On the other hand, we might have been too ambitious, as in the case of [inaudible]. These are the things that you can only learn from experience.

To give you an example, I think it was in 1949 that we made a loan for diesel locomotives for the Indian railroads. Some very good locomotives are still in service there. But look at the way we are financing the Indian Railways now -- (a) putting up much more money for them, (b) knowing much more about the needs of the railways, and as a matter of fact the Indians know much more. Then you can say that the kind of financing we are doing now for the Indian railways, compared with 12 years ago, is better.

If you look at the first loan that we made to Colombia, for highways, the engineering left a lot to be desired. And look at the way we are now, this week or next week, going to make a loan for highways in Colombia. Then you can say that the highways that we will commence now are much better planned, more basic traffic statistics, much more looking to the future, than we could do eight or nine years ago.

Now, as a matter of fact, this report was written this week, and I raised the question, has our money been wasted? No, our money has not been wasted, to the contrary, because I do think that with all the difficulties that we have had with the Colombian highways, with all the things that we will do differently now, that the great contribution of the Bank in the case of the highways in Colombia is that, thanks to the Bank, to the Bank financing these highways, we have made one country out of what hitherto has been isolated regions. But had we had the

knowledge that we had in '61 in 1951, we might have done it more quickly, and slightly better.

Q: Does the fact that you learn more and more as time goes on about the sort of projects, which are the most useful and best designed for countries, require that the Bank's lending pace may increase somewhat?

Aldewereld: Well, that is a difficult question. In the first place, we have to realize that we are doing now work in countries that are really underdeveloped, whereas 10, 12, 8 years ago, we did a lot of lending to the developed countries, or less underdeveloped countries. And I could not have visualized us making loans, eight, nine years ago, with the same degree of expertise in the very undeveloped countries, because we have learned.

Secondly, I would say that it is very difficult to say whether we now make more loans than in the past -- not so much from the point of view of availability of funds, but now from the point of view of availability of credit. That's why we're so fortunate that IDA has come, that there is no shortage of investment possibilities, but there is a limitation to the amount of money that we can safely lend on conventional terms.

Q: What are some of the factors that determine this creditworthiness or absorptive capacity of the borrowing countries?

Aldewereld: That's a very complex question. It's in terms of trade. It's the investments of the country, investments in the past. I would suggest that this question should be answered by the specialist economists. But it may be interesting, since we are recording here for posterity, to mention something here that I mentioned at the beginning, this morning. Speaking about volume of activity, in all of the calendar year 1960, we completed 33 project proposals. In the first six months of '61, we completed 36 project proposals. And despite this unprecedented tempo of processing, the pipeline has never been fuller than it is today. So you may have an answer to your question here. I don't know how full I can be in this recording, but with developments, it is like, there is no such thing as a slight case of pregnancy. It gets bigger and bigger. We started in, let's say, with Nicaragua, financing -- and we thought we were then brave to do it -- a few diesel engines, to meet the growing demand for power. Now, this week I think it was, the tenders have been let for a big hydroelectric scheme. Take Colombia. We made a loan two years ago. We are now at the next phase, which is double the size of the one two years ago. Once you start on the road to development, the projects get bigger and bigger all the time, and the needs also.

Q: In the case of your early reconstruction loans and also in the case of a few subsequent cases like the loan to Australia, for example, where the countries were not underdeveloped, the Bank has been willing to make more general purpose type loans than project loans.

Aldewereld: Yes. Yes.

Q: The question would be, as you learn more and more about specific underdeveloped countries, is it likely that you will move more in the direction of this sort of general purpose loan?

Aldewereld: No, I don't think so. I don't think so. I think that in the less developed countries, the sort of project approach is the proper one. I would also say that as time goes on and we get more and more involved in making funds available for those countries, that the project, the narrow project approach, will be enlarged all the time, until we wind up in what is normally called program lending, in the specific category of activity. Take Mexico.

Q: Would you distinguish program lending from general purpose or balance of payments lending?

Aldewereld: Yes. Yes. What I mean to say is this. If you make a first start, say in the power business, you see that the country or an area in the country needs, say, 30,000 kilowatts to meet the demands five years from now, four years from now, three years from now, to catch up. So you finance the project for 30,000 kilowatts, either steam or hydro generation, the necessary transmission lines, etc. Then you come back after a few years. There is again a demand for power. So you are financing 60,000 kilowatts. At the same time, a neighboring area needs power, so you finance a project in the neighboring area, and

before long you have to look at the power needs of a region or even of the country as a whole, as in Mexico, and before long, what you are actually doing is, you are determining what the power needs of a country or a big region are likely to be, and you make money available not for a generator at one station but for a multitude of investments, investments that are non-specific, and you wind up financing a power industry. Or the railway industry in Argentina.

Q: Well, if you're developing power, particularly rural development, is it not likely that you will develop not only the power potential but the irrigation potential and then in turn the tractors that go with the irrigation?

Aldewereld: Yes, and you see certain cycles. You see certain cycles. In certain countries we started with power, and then because of the effect that the availability of power has on production, agriculture, industrial production, you see that transport has lagged behind, and you finance transport, or industry, or agriculture, and you look at the tempo of the lending, that at one time at first the need to start with is power, the other sectors, they are smaller -- and then all of a sudden, railways and highways become bigger. Nowadays it's kind of 50-50. But then you see you're financing industry, agriculture, and I would say that now in '61, comparing the investment pattern of the underdeveloped countries in '61 with say ten years ago, it's a much more balanced picture than 10 years ago.

Q: In general, does the Bank prefer to make loans for projects which have a saleable product and which can therefore be financed directly out of the income?

Aldewereld: I would not say that. I would not say that. What we try to do all the time is to finance projects that rank very high in the countries, or should rank high. You can never be sure that it is done. I say that it should be very high.

Q: What sort of general things rank very high and what sort of general things don't rank very high?

Aldewereld: Well, now, that is very difficult to generalize, but on the whole we would say that if the Bank were to use its funds for what we normally call the infrastructure, that then the investments that are necessary outside the infrastructure very often will follow.

Q: Would you include in the infrastructure such things as education and public health?

Aldewereld: Well, of course it is part of the infrastructure. As you know, the Bank has not financed those. We might do something about it in the case of IDA.

Q: But to -

Aldewereld: - to give you an example, I have gone to the region of [inaudible] in Mexico, and I've seen the impact of availability of power on Mexico, because when I first met them there I saw a very narrow rim of green around the city, and -- agriculture pays a profit. When I went back there a few years later, the rim was wider, and that shows what happens when you have power available, the agricultural investment will follow. Or for that matter, as I mentioned, we financed roads in Colombia. With 20-20 hindsight, we always under-engineered those roads, and the actual traffic problem, the passenger problem on those roads, was in excess of what we thought, and the effect on agricultural production, industrial production, of those means of transportation should never be underestimated.

Q: I wonder if you'd comment on the bringing into existence in the world of other granting type organizations, particularly since 1950. Does this imply in any way in your opinion that the Bank's lending has not been as rapid as it might have been?

Aldewereld: Not in my opinion. I know that other people think differently. This question of competing financing organizations is not real. As a matter of fact, we started lending to Europe, and then the Marshall Plan came in. We now have the Inter-American Development Bank. They are planning to do a lot of business in Latin America. But when I look at what we have in the pipeline now for Latin America, it's bigger than ever before, and I would say the Bank welcomes other banking institutions, because the needs of the world are very big.

What the Bank would not like, what the Bank frowns upon, is indiscriminate lending. We are willing, I'm sure, to cooperate with everybody to meet the needs for capital of the underdeveloped world, provided that the need is met logically and wisely and that the money is not wasted.

Q: If the Bank has been lending more or less as rapidly as it can, assuming that it's going to make wise loans, does this imply that it has really done all the lending that could be done?

Aldewereld: I don't say that. I don't say that. We might have done more, had we had more bankable projects. But I do say this: the Bank has never been put into difficulty, money has never been an obstacle standing in the way of lending. The number one -- the two limiting factors, as far as the Bank is concerned, are how much money can you safely lend to a country, which of course is a subjective judgment; secondly, have you got sound projects? And those two things have been the limiting factors in the Bank's lending.

Q: Would you say a bit more about what you mean by "safely lend."

Aldewereld: Can the country, is the country likely to be able to repay the amount that they are loaned?

Q: This gets back to this question of creditworthiness.

Aldewereld: Yes.

Q: And you'd prefer that I talk to the economic people about that. Well, I wonder if there are other things you want to say about the whole technical operation.

Aldewereld: Yes, I would say this, that I have a great department. There are I think more nationalities in my department than in any other department in the Bank -- as to exactly how many, I guess it's about 25 or 26. And the interesting thing is that it's a truly international staff. I have yet to see a man who does not speak for the Bank, and I hope we'll never have them in the future, where the man is talking from his national viewpoint. As I said before, all of us can be loyal subjects of our own country, but the moment we enter 1818 H St., we have but one allegiance, and that's the Bank.

Q: In terms of skills, what sort of people do you mainly seek and have in your department?

Aldewereld: In terms of skills -- well, I will first say the type of people. They are engineers, financial people, economists. There is a common denominator, and it is executive judgment. There is very little justification for a man to work in the technical operations department who is purely an engineer, because that's the kind of expertise that any underdeveloped country can buy, but an engineer who is able to use

his talents in an executive role, how is it possible to carry out a project like that in the circumstances of that country?

By the same token, I don't have theoretical economists, but economists, whether they are agricultural economists or transportation economists or industrial economists, who are able to express an opinion concerning economic benefits in this particular context. And by the same token, speaking about the financial group, if you only had men who can argue the theory of finance from the books, there's no place for him in my department. Also the sort of man who knows how to perform on Wall Street or the City of London, and then wants to apply exactly the same to underdeveloped countries, there is no place for that sort of man in my department either. But a man with experience in finance who knows what financial techniques, what financial policies are possible and realistic in the country under consideration.

Q: What sort of economic questions come up in your department?

Aldewereld: Oh, many of them. In the first place, in many cases, the broad economic question of alternative investment to achieve the same objective, investment such as the choice between thermal and hydroelectric power, questions such as the competition between roads and rail transportation, the competition between dry farming and irrigation, etc. That's one broad range of questions. Secondly, of course, once you have determined the type of investment, what are the specific economic merits and demerits of this particular investment, such as for instance the effect of a new paper mill on the balance of

payments of that country? Or, for that matter, the structure of the demand for power, and the effect of the availability of power on the mines, and that kind of thing. Or the benefits, the specific agricultural economic benefits, of a given investment in agriculture.

Q: Do you do what the Bureau of Reclamation calls "benefit cost analysis"?

Aldewereld: We do. Yes, we do.

Q: These are I suppose handled mainly by economists?

Aldewereld: Agricultural economists, yes. It's of course very important.

Q: What sort of policy has the Bank developed with respect to loans to private enterprise?

Aldewereld: We like private enterprise. We feel that private enterprise should play as great a role as is possible, in the kind of things that we are financing. Now, for instance, in the case of manufacturing industry, it's the general rule that we only finance in that field privately owned enterprises, privately controlled enterprises. In the case of course of highways, railways, it's not a matter of ideology. We finance of course the public investments. There is very little if anything in the way of private investment.

In the case of power, we do not say that we are not financing publicly owned power, of course, but we do say that we would prefer, if private enterprise can do the job, that private enterprise should do it rather than public enterprise, for the simple reason that in this way the governments concerned would have more money to put to good use for other purposes.

Q: Was this a policy which was developed quite early in the Bank's history?

Aldewereld: Yes. Yes, quite early.

Q: Can you recall at what point this may or may not have been an issue? Did this come up in connection with any specific project?

Aldewereld: No, it has not come up with respect to any -- it has of course a lot of difficulties. It has caused us very often on certain occasions to turn down proposals. But it has not caused us too much difficulty.

Q: What sorts of proposals would be turned down?

Aldewereld: Oh, for instance, publicly owned steel mills. We have not financed them. Publicly owned fertilizer plants.

Q: Have you financed any privately owned steel mills?

Aldewereld: Oh, yes -- several in Japan, in India. We are now looking at one in Colombia that is still publicly owned, but there are plans, and we think very good plans, for disposing of the stock to private investors. Oh, yes.

Q: I wonder if we should say anything about the organization of the Bank as a whole, aside from your department? It was organized somewhat differently when you arrived.

Aldewereld: Yes. Yes, the basic difference between the way it was originally organized and the way it is organized now is in the way in which projects are dealt with. Until 1952, the responsibility for project appraisals was scattered over the Bank. You had the loan department, with engineering staff, whereby certain engineers did the engineering or expressed judgment on the engineering of the project, other people who expressed a judgment on the financial aspects of the project, people on the economic side who were responsible for the economic justification for the project, and then people in the treasurer's department who were charged with supervision.

Now, in '52 the Bank was reorganized and the total responsibility for all the aspects of project appraisal and supervision was put in my department, the department of technical operations, and I think it has worked out well.

Q: What is the division of responsibility between your department and the area departments?

Aldewereld: The way I see it, the area departments are in the first place of course responsible for following the economic developments of a country. Their primary responsibility is the writing of economic reports, the establishment of general guidelines. My department's responsibility is to appraise the projects.

Q: If a project were to be turned down on the grounds that the country as a whole did not meet the test of creditworthiness, this would be a point that would be determined by the area department?

Aldewereld: No, because that would not be a logical question. If you cannot establish creditworthiness, you do not reach the point where we are appraising a project.

Q: Are there some countries today that are judged not credit worthy?

Aldewereld: Yes, sir. Yes..

Q: Could you tell

Aldewereld: -- that would be in the area department.

Q: And how about the economics department, the economics staff?

Aldewereld: They are basically a research department.

Q: Do they help with project appraisal?

Aldewereld: No. That doesn't mean that we won't submit some general questions to the economics department. As a matter of fact, now that we are going into the financing of water supply projects, mostly out of IDA funds, we asked the economics staff to give some thought to the general economic justification of water supply projects. But they are not very involved in the specific appraisal.

Q: I'm afraid our tape is just about finished.