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Transcript of interview with

MICHAEL J. GILLETTE

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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.

Michael J. Gillette
December 29, 1992 - Verbatim

*[Begin Tape 1, Side A]*¹

[This recording begins to deteriorate about halfway through the first side. By the end of the first side the sound is gurgling badly.]

GILLETTE: . . . systems analysis, came over here, was John Adler's deputy at P&B [*Planning and Budgeting*], thought he [*Robert C. K. Valtz*] was going to take John's place when John had a heart attack, and it didn't happen. And he left and went on and joined Litton Industries and now makes eyeglasses in California. Of course, he married a French heiress in the meantime and he's doing very nicely, thank you. Wonderful guy.

LEWIS: Only seven months, you say?

GILLETTE: He only lasted seven months.

LEWIS: My gosh.

GILLETTE: I think he thought he'd cut a deal with [*Robert S.*] McNamara that he was going to be the director of P&B, basically the right hand, and when that didn't happen, that's basically what [*inaudible*]

WEBB: And Adler had a heart attack that soon?

GILLETTE: He had a heart attack in 1970--no, no, in '69, before I even joined--he was already on the mend when I joined [*inaudible*]

LEWIS: John had been here from early on, hadn't he? I remember him coming to Indiana where I was on the faculty, probably in the late '50s, I think. He was already a [*inaudible*]

KAPUR: And who are the others?

GILLETTE: Peg [*Margaret S.*] Stroud was McNamara's executive assistant. Jack [*John L.*] Maddux was his speech writer, and me. That's three.

KAPUR: And Blanche [*Moore*]?

GILLETTE: I don't know Blanche.

KAPUR: His secretary.

GILLETTE: I don't think she came from [*U.S. Department of*] Defense, did she?

KAPUR: Yeah.

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 [].

GILLETTE: She did? Well then there were six of us. There was a guy that's--Dick--systems type, came over from Defense as well. [inaudible] And Paul Bowron also one of these.

WEBB: You're really the only survivor of that group.

GILLETTE: Of that group?

WEBB: Yeah.

GILLETTE: That's right.

WEBB: And did he use Stroud as executive—he had, he inherited Reiner . .

GILLETTE: Steckhan. That's his personal assistant. The executive assistant in today's parlance is the senior secretary, the major domo of the office. Leif [*Christoffersen*] certainly was exactly that.

LEWIS: Did you sense--you worked fairly closely with him, I guess, in Defense? You must have done.

GILLETTE: I was in Alain Enthoven's shop, which was Systems Analysis. And except for the Vietnam War, which Alain skirted whenever he could and let the ISA [*International Security Affairs*] people and the Joint Chiefs drive, we were articulating the Defense program, analyzing the Defense program and shaping it. A lot of battles between us and Bob [*Robert N.*] Anthony, who was Comptroller of Defense at the time.

LEWIS: I just wonder if you could, noticed any major discontinuities—I mean the subject matter obviously was different, but--between McNamara in the Pentagon and McNamara here. Was there more continuity than discontinuity or . . .

GILLETTE: I was telling Richard that exactly the same approach to problem solving, strategy setting, a very heavy emphasis on quantifying what the Bank was doing, and showing through analysis of inputs and outputs of how we were delivering in efficient fashion what was called for. No, there was no discontinuity at all. The guy had been running over here and just kept right on going.

WEBB: Did you have a sense as a group that you had really achieved something in the Defense Department and that you were coming here with a certain confidence that you could repeat the, that achievement?

GILLETTE: Quite frankly, I think, speaking for myself, I was terribly discouraged by the Vietnam experience. I had fought in Vietnam in a Vietnamese infantry battalion as their chief advisor and had foolishly assumed that we could do the job. When I arrived in that country there were 20,000 Americans and when I left there were 200,000 and still rising to a maximum of 550,000. And people were beginning to die in fairly substantial numbers by the time I left.

I was seconded to work with Mort [*Morton*] Halperin and Les [*Leslie H.*] Gelb on the Pentagon Papers right after I arrived in Systems Analysis, worked on that for seven months and got far more insights into the rationale behind the Vietnam experience than any young officer should have had, which was a very sobering experience, I must say.

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LEWIS: You were still in service?

GILLETTE: I was in infantry, an infantry officer. And I was not unhappy to leave the military at that time. I'd seen the amount of destruction that we'd wreaked in Vietnam. And when I got the offer to come here, this was like a computer program had been stored and had suddenly been run [*inaudible*] place. I'd studied development economics in university, and when I built things here and [*inaudible*] things there, so it was a natural transition to make the move.

But I would never describe the attitudes coming out of there as heady in any way. What we believed in was the style of management, the approach to quantifying the unquantifiable, trying to make sense out of things that weren't very solid or very tangible, and to get rigor into the management of a large, amorphous, highly intellectual, and somewhat undirected place.

WEBB: Really what I was thinking of as being a managerial challenge and achievement that the Defense Department used to fight the war, of course.

GILLETTE: Well, I think Charlie [*Charles J.*] Hitch and McNamara both would say that the management systems that they use in the Pentagon today are the same ones that they instituted, and I would argue that much of the internal management of this place is still driven by the same rubric that McNamara put in place from '68 on.

WEBB: Just by the way, is there going to be a change now that would be the first major change in the, as the Bank goes to dollar budgeting, changes from the [*inaudible*] McNamara at that time?

GILLETTE: McNamara, I think, was formed in an experience he had with the Army and the Marine Corps. He discovered that the five year defense program was an over-girding governing document, but that the people could do things within that framework that signaled that it really wasn't under control. The example is the use of end strength as the measure of the size of the military establishment. End strength is the number of people on active duty at the end of any fiscal year. That was the governing parameter that was used when McNamara got there, and he continued to use it and found to his great surprise that the costs of manpower in the Army and the Marine Corps, and to a lesser extent in the Air Force and the Navy, were way above what was expected. And what he found out after probing was that the military were bringing in a whole lot of people so that their man-year totals were very high, and then they were letting a whole lot of people go the day before the end of the fiscal year so that they could reach the end strength. So he said, "All right. We'll get this under control." So we started managing man-years. And once you got that under control, then the personnel budget was more or less under control in the defense establishment.

There were similar instincts here. The gross parameters for managing the place--since he was centralized manager like in fiction--didn't work, and so he instituted additional controls like staff-years and numbers in positions, and then grade structure became a big issue (which it still is), all to get the staff costs under some semblance of control at the center.

KAPUR: Did you see that frustration sort of building up in '68 to '71 and that resulting in the '72 reorganization? Was that a logical outcome of . . .

GILLETTE: It had nothing to do with the budget.

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KAPUR: No, but in a sense of his trying to get more of . . .

GILLETTE: It had everything to do with how the organization was going to orient its technical staff. And what he'd encountered was the Jim [*Lionel J. C.*] Evanses and David Knoxes and others who were running the technical departments who had their own views about what should be done, and the country people had very little to say in the actual deployment of resources. But he was turning to the country people and asking them to define the country strategy, in other words, what they wanted to do. And so to make this a more compatible allocation of resources and get it under control, he created the offices of regional vice presidents, and then he disaggregated the technical departments into the various regions that were created so that they were all under one management. It was as simple as that. It was clearly just a question of who was going to control the distribution of resources.

WEBB: I don't know if—we had really come wanting to . .

GILLETTE: You don't want to talk about this?

WEBB: Well, we do, but we had really thought that we would really like to use this time to talk about . . .

LEWIS: Well, you go ahead [all speaking at once]

WEBB: John, you want to continue to . . .

LEWIS: No, I think this is fascinating, but I think that we--I'd like to hear you, particularly about Cote d'Ivoire, I think, because we . . .

WEBB: We've been reading the files.

LEWIS: We have, by the way--we're going to have a volume of contributed chapters by other people. And some of them are looking at different--the Bank—they're all looking at the Bank's different windows, and one is the U.S. window, and one is the Japanese window, and one is the heavily-indebted window. And one is Cote d'Ivoire. We have a team, a young economist . . .

KAPUR: [*Jacques*] Pegatienan.

LEWIS: And the other one is a guy I met when I was involved in a CT [*Technical Advisory Committee*] institute review of ISNAR [*International Service for National Agricultural Research*] in The Hague, Bakary Ouayogode, who is the head of research. He's trained as a biological scientist but he's a research manager in the government and a very sensible guy, a Ph.D. from Utah State, I think. Doesn't like the French very much, I think. Anyway, these people are collaborating on the chapter, but it appears to be a fascinating country case and I'd be very grateful if you would sort of tell us your Cote d'Ivoire stories.

GILLETTE: Well, I'm a latecomer to the Cote d'Ivoire, having taken over Africa 1 on the first of July 1990. My experience with French-speaking Africa was concentrated on the Sahelian countries for many years; I worked on the Sahelian countries from 1974 to '79. I left the Bank; I came back in 1982 and was in the finance complex for a number of years and then returned to Africa after the '87 reorganization and took the Sahelian department, so I had that part of

French-speaking Africa. And then I was reassigned to AF1 [*Africa country department 1*] in a mini-reshuffle of directors in 1990. So I come to the Cote d'Ivoire with direct knowledge from July 1, '90. I presume that you will interview Xavier de la Renaudiere and Roger Chaufournier, both of whom can tell you chapter and verse about the Bank's relations with that very complex and difficult country.

WEBB: By the way, how is Mr. Chaufournier? I heard that he wasn't that well.

GILLETTE: Well, for the moment he's fine. I had lunch with him yesterday. Roger had a bone cancer, very serious bone cancer. They told him he wasn't going to make it and put him into a special program of treatment in Mt. Vernon Hospital. And he was given a whole series of very experimental treatments. He's a tough guy by nature, and he beat it. He's got a plastic kneecap, gets around fine, feels fine, and he goes and gets checked-up every three months to make sure he's okay. That was well over two years ago, so he's—so far so good.

WEBB: Yes, we'll look for him . . .

GILLETTE: What they will tell you, and they'll give you a lot more elucidation of the ins and outs of dealing with the Brits and the French at that time, was that the Ivory Coast went on a borrowing binge in the late '70s and early '80s, very much against the inclinations of the Bank. The Bank got into great difficulty with that regime at that time. And sure enough, when the debt crisis struck in '82, the Cote d'Ivoire found itself pretty well strung out and unable to see to its debt service with any degree of confidence.

And the Bank started a program of adjustments in the Cote d'Ivoire in 1982, and I believe--you'll have to check the facts, Richard, on this--but I believe there were two adjustment loans, one in '82 and one in '83, and they were designed (among other things) to liberalize the economy, to get agricultural prices approximating world prices and to deal with the rest of the standard rubric of the—trying to come to grips with SALs [*structural adjustment loans*] as opposed to sector adjustment loans. And they coincided with a period of very good primary product prices for cocoa and coffee, so things went reasonably well, although the Ivorians didn't do everything they were supposed to do under the adjustment loans. In particular, they didn't deal with their problems of an overpaid and oversized civil service and a lot of inefficiencies in the public sector, particularly the public enterprises including plantations.

But they had a good ride on higher farm income and product prices until '86-'87 and then the prices hit the skids. The Bank found itself in direct confrontation with Houphouët [*Félix Houphouët-Boigny*] over prices of cocoa and coffee and specifically the producer prices. And Houphouët was trying to maintain those producer prices in the face of rapidly falling international prices, and the gap was beginning to widen in a very alarming fashion. Houphouët argued consistently that it was only a matter of patience, that he'd been there four times before and that every time when the Bank and the [*International Monetary*] Fund and the French and everyone else was advising him to cut prices to producers in the Ivory Coast, that prices had rebounded in the international markets and the terms of trade had turned back in favor of the Cote d'Ivoire, and everything had been fine. So on the basis of that very substantial experience he just out-argued everybody.

And the Bank didn't get anywhere. We tried to put a third structural adjustment in place. That didn't work. The Bank didn't disburse much in '87, practically nothing in '88, and the transfers

turned negative and we got into a pissing contest with the Ivoirians and the French over who was going to pay the debt service.

In '89 there was an attempt to have a reprise of relations, all this under my predecessor, Ismail Serageldin, whom you should also interview on this. There was a summit in Paris of the friends of the Cote d'Ivoire during which engagements were undertaken by the Ivoirian administration with Alassane Ouattara present as the governor the West African Central Bank, and I think [Adama] Kone was the finance minister of the Cote d'Ivoire at that time. And the Ivoirians undertook, in exchange for three adjustment loans from the Bank, to downsize or at least to get under control the size of their salary budget and to present to the Bank a medium-term framework for adjustment. This was on the record. The minutes of that meeting with the friends of the Cote d'Ivoire are there. All the key players were present.

WEBB: I'm sorry. The date of this meeting would have been . . .

GILLETTE: Don't hold me to this because I wasn't there, but I think it was September, October '89. Let me make sure I've got my facts right, because I inherited all three of those adjustment operations when I took over in July '90. I may be off by a year. It may have been in the fall of '88 and they went to the Board [*of Executive Directors*] sometime in the middle of '89. That sounds more likely.

The three operations were one in energy, one in water, and one in agriculture. And they were very sweeping sectoral adjustment operations, calling for a long list of very controversial changes in the way the Ivoirian economy was managed: bringing up energy prices, deregulating agricultural prices, removing all of the apparatus of the state marketing organization, and on and on. And the energy operation went reasonably well. The water supply one went very well. The Ivoirians did much of what they were asked to do in both those operations. We disbursed the money on both of those operations, all in anticipation of a medium-term framework, which was not forthcoming. We disbursed those operations. I think the last tranche of the energy operation must have been disbursed in the early part of '91.

The agriculture operation was more problematic, particularly with respect to two central organs in the Ivoirian structure. One was the Caisse de Stabilisation [*Caisse de Stabilisation et de Soutien des Prix des Productions Agricoles*], which was the entity which effectively marketed cocoa and coffee, and the other was the Caisse de Perequation, which was a means of subsidizing consumer prices for major items like sugar and others. In both cases the Bank was asking essentially for elimination of those bodies, for a free liberal exchange of goods in the Ivoirian economy. We knew and they knew we knew that both of those organs were a major source of finance for the president and his entourage. They financed the silica.

WEBB: Uh-huh.

KAPUR: What about the BNDA?

GILLETTE: They kept the BNDA alive because it was losing money hand over fist, which was . . .

LEWIS: What was that?

GILLETTE: Banque Nationale pour le Développement Agricole, which was a bank; it was a source of funds for political and development reasons both. It essentially was not run along good banking lines, and it [*inaudible*] terrible portfolio and [*inaudible*]. They finally came around to accepting the Bank's position on both these organizations, and we disbursed the last tranche of that agricultural operation, if I remember correctly, sometime in the late spring of '91.

I went to see Ouattara, who was the designate by Houphouet to work themselves out of the deep hole and who had been until November of '90 chairman of a committee that determined economic policy in the Ivory Coast and had been present but not responsible in April of '90 when the Ivoirians attempted to put a cap on civil service salaries and had some riots. And they immediately backed off on the policy change, told the French and the Bank that they couldn't do it because it was too explosive politically and would we be patient and let them continue to execute the adjustment operations that were in place and they would get around to dealing with the major structural problem, which was the overpaid and overbloated civil service and the fiscal problems that that presented were absolutely extraordinary.

And Ouattara then became prime minister in November of '90 after an election in which Houphouet was elected for five years, against opposition, as president of the Cote d'Ivoire. I went to see him in January of '91. I had known him when he was here in the Fund, and we were good friends. I had worked with him very closely in the Sahelian countries. And in January '91 we looked at each other, and I said, "Well, I'm not sure, Mr. Prime Minister, what I can deliver. I'll tell you first and foremost that every single condition of the adjustment operations will be met or we will not disburse. No exceptions. And if you don't believe me, you can ask my boss, and you can ask my boss's boss, because we have determined that in the absence of a medium-term framework in this country we have no choice but to be extremely exigent on the terms and conditions of existing adjustment operations."

And he said, "I understand. And I am [*inaudible*] to deliver on the conditions of all of the adjustment operations in place."

I then told him that I was sure--and this was on my personal recognizance--that I could deliver another series of adjustment operations through the management of the Bank and its Board, provided that the Ivoirians came up with a medium-term framework. And he said he would think about it.

I went away. I came back about three months later. They were--he was as good as his word. They were delivering on the conditions on the adjustment operation, but with difficulty in agriculture, it has to be said. One of those conditions, by the way, was that BNDA should either be restructured or closed, and since this was the agricultural bank and had branches all over the country, the president took a personal political interest in its welfare. This was a really tough one for this prime minister, who was viewed in the Ivory Coast as not an Ivorian but as a Burkinabe because that was where he was actually from, that's the passport he carried, although his father was Ivoirian, his mother was Burkinabe or the reverse, I'm not sure which. It was a very tough one for him to deliver, but he delivered on that. And he delivered on the medium-term framework.

We sent Dick [*Richard M.*] Westebbe to--Richard, you know Dick Westebbe because he was in the Bank when you were here.

WEBB: I knew him by name.

GILLETTE: We sent him to the Cote d'Ivoire around June of 1991. And with Ouattara's agreement he sat down with the immediate staff of the finance minister and the prime minister, and they drafted the medium-term framework which, when I got it and looked at it, I said, "This looks like a PFP [*policy framework paper*]."

And Dick said, "Well of course it looks like PFP. What the hell do you think a medium-term framework is? It's just not an IDA [*International Development Association*] country."

So I went over to the Fund, and I said, "I have a PFP here. Don't you guys think you ought to be a party to this?"

They said, "You have what? Is the Ivory Coast eligible for IDA? We don't ask our IBRD [*International Bank for Reconstruction and Development*] borrowers to produce PFPs."

I said, "Well, I have one produced by the Ivoirians and the Bank, and we're going to use it as part of a package of operations which is going to go to the Board sometime later this year."

Now, the Fund was apoplectic! They said, "We will not participate in this exercise. We do not ask the middle-income countries to prepare PFPs. It's not in our book, and we don't want to have anything to do with this."

KAPUR: And this was June of '91?

GILLETTE: June of '91.

KAPUR: I thought in June, in early June of '91, the Bank had decided to declare Cote d'Ivoire IDA eligible.

GILLETTE: Well, IDA eligibility came in August '91 is my recollection, but again, you'll have to double-check the dates, and I'll give you the people that can go to the files and make sure.

KAPUR: No, I can.

GILLETTE: My recollection is that it was in August of '91 [both speaking at once] that the French asked Ernie [*Ernest Stern*] if the Bank would be willing to declare the Ivory Coast IDA eligible, and Ernie asked me, and I asked the country economist for his answer, "Are they eligible, or are they not?"

And I told him, "Let the chips fall where they may."

He did the calculations on the basis of what we knew about their income per capita, and they fell 10 dollars below the cutoff for IDA eligibility. So they became eligible, I think, in August of '91 for some IDA. The allocation wasn't terribly spectacular. It facilitated a lot, though, the operations we subsequently financed, which were front-loaded [*inaudible*].

Anyway, Westebbe brought back the medium-term framework . . .

LEWIS: And the Fund didn't play?

GILLETTE: The Fund was not playing, and the Fund was essentially trying to create the fiction of an ongoing stabilization program, and it kept going back and ignoring the fact that the Ivoirians had missed all of the parameters in the previous one, and then they would stuff through their Board another one-year stabilization program with all kinds of assurances that things were going to get better. And the last time that they did that they got a hell of a lot of flack in the Board, mainly from the United States Executive Director and certain of the European Executive Directors about the effective insolvency of the Ivoirian government and the fact that the Fund hadn't done a damn thing about it and that these standby programs were pure fiction. And the issue of the exchange rate came up, [*inaudible*] we have the minutes of those discussions we know that it came up.

The Bank had, incidentally, never made an issue (to my knowledge) directly about the exchange rate as the key parameter they had to deal with. The Bank had always couched its approach to the Ivoirians in terms of competitiveness and had always argued with them--and with other Francophone countries--that competitiveness would only be restored if they adjusted the cost structure of tradables and non-tradables in such a way that they would get competitive. And behind that were two awesome choices, one of which was to deflate the cost structure in the modern sector by direct assault on wage levels in the public service, which were the leaders of the modern sector, to be followed by wage changes in the modern private sector, or a change in the parity. Everybody knew that these were the, essentially, choices that they had to make. Nobody was being cute, but the Bank had never to my knowledge and--I think to this day this is still true--the Bank has never taken a draconian position on what is essentially the business of the Fund.

Now, in June of '90 I took to the Operations Committee a package of three adjustment operations, one for the financial sector, one for human resource development, and the third one was called competitiveness. And they were a compendium of a lot of conditionalities. The financial ones were related to the banking sector and to the creation of new financial institutions and regulatory authorities. The human resource one—I would have preferred to do a sector program loan rather an adjustment loan--was designed to bring the budget of the human resources, health, and education into some kind of sane conditions, because they were spending, I think, well over 50 percent of their government revenues were going on—their government expenditures were going on resource subsectors with a very heavy tilt toward the university subsector, designed to bring it within an envelope that was manageable, designed to reallocate within that envelope toward primary and secondary education and to retrain teachers, refine the general education establishment, get a lot of people off that weren't competent, and change the system of subsidizing students so that the families would be forced to pay more of their way--standard stuff. This was not anything—we didn't invent anything in this operation. And the competitiveness operation was designed to restructure the internal regulatory framework in the Ivory Coast, to liberalize very considerably labor markets, to permit entrepreneurs to hire and fire more or less at their option, to remove any semblances of monopoly, monopolistic competition in the economy and basically to open it up. The same things that we'd been trying to do in the SALs, we built back into this competitiveness operation.

KAPUR: [*inaudible*] in June with a figure of KLN 300 million . .

GILLETTE: That's right.

KAPUR: . . and in July it goes up to 550 million. I was wondering what caused that dramatic change.

GILLETTE: I did.

KAPUR: But why?

GILLETTE: [*Moeen*] Qureshi said, "Is 300 enough?"

And I said no.

He said, "Why don't you up it?"

So I did.

We were looking at a transfer situation, and the notion was that we would make sure that by the end of 1991 enough money was available to disburse so that the Ivory Coast would be essentially in a neutral or slightly positive transfer position vis-à-vis us, and that we would also have subsequent tranches which could be disbursed in 1992. They would not have been sufficient to ensure a positive transfer in 1992, but Qureshi definitely didn't want to be in a negative transfer position in '91, having gone down the road to producing a new adjustment operation. He wanted to make sure that he didn't buy himself an additional set of problems. The IDLs [*phonetic*] clearly made it possible for us to finance a subsequent first tranche [*inaudible*] operation provided.

LEWIS: Let me ask you for a generalization of this that--it is a fact, isn't it, that it's hard to put a figure out how much an adjustment operation is worth [*inaudible*] It isn't like buying [both speaking at once]

GILLETTE: That's right. And there's no linkage between the conditionality and the actual amount of finance that's provided.

LEWIS: So it's a question of how much is persuasive or how much is needed in terms of balance of payments?

GILLETTE: How big a bribe do you need to get them to do what they have to do? How do you relate it to the total public finance situation counting other people's money as well so that the country has adequate near-term fast-disbursing finance available to finance imports, get some kind of growth push in the economy? Highly judgmental call, and Moeen essentially pointed to the 300 and said, "That's not going to be enough." It wasn't any more scientific than that.

KAPUR: Was it also driven by the fact that, at least as far as Moeen was concerned, that the previous two or three years one sees constantly drafts in the files, you sort of, you know, kicking [*inaudible*] by the Ivoirians every sixty days and always just behind in arrears . . .

GILLETTE: Let me come back to that because there's a sad history that goes back well before two or three years that I'll talk about. And it wasn't just the Ivory Coast.

LEWIS: Let me, before you go on--this is fascinating--the three operations rather than a single SAL, is that--what was the rationale for that?

GILLETTE: These were the areas where we had the intellectual work done. We knew what needed to be done. We'd worked diligently with the Ivoirians. I had a first-class team of economists working on the country, and they had produced superb stuff. And I told them, each of the teams, to run their operations up to a condition where they could be presented to the Operations Committee. And I said, "I'll tell you when you're going to the Operations Committee because I don't know at this stage. It depends very much on whether or not we get agreement on a medium-term framework." So that stuff was more or less ready in June. We didn't go to the operations committee until August when Westebbe was back with a medium-term framework.

And we went to--it was a very tense Operations Committee meeting. I presume you have access to the minutes. Joe [*D. Joseph*] Wood represented the finance complex. I presented the Ivoirian case. Larry [*Lawrence H.*] Summers was there as the new chief economist. Moeen was in the chair. The IMF was represented by Christian Francois. The room was full. A lot of people were very, very interested in what we were going to do, and the case I made for the Cote d'Ivoire was, "We have a medium-term framework in this country. It obliges the country to take some fairly draconian steps in the relatively near future, and I recommend that the Bank provide official liquidity at this juncture so that the Ivoirians are not in a debt-service position of contention with us at the same time they're trying to address the policy issues in the medium-term framework. But I strongly recommend that we have disbursement conditions on the second tranches of these operations so that the competitiveness issue will have been dealt by the time we disburse the second tranches."

There was a lot of to-ing and fro-ing in the Operations Committee. The finance complex argued that lending IBRD into this country was foolish, that the country was not creditworthy, only if they restored creditworthiness would they have any hope of becoming creditworthy and therefore we should front-load the operations with IDA--in short, put IDA at risk rather than putting the Bank at risk. The Bank's exposure at that time was something on the order of 2100 million, as I recall. And essentially that was the package that was approved at the operations committee. We were given a green light to negotiate.

We had negotiations with the Ivoirians. The French weighed in, incidentally, in August, and I'll come back to that also.

We had negotiations, as I recall, in September, and we presented these operations to the Board, the first one was on the first of October in '91 and the other two in December '91.

LEWIS: I was wondering about the rationale for disaggregating. The first one of these things I ever looked at at all closely--you probably were involved--was the first SAL to Senegal, and I was impressed by how many conditions there were already--32, as I recall; a Christmas tree--and it became very quickly evident that it was a very awkward thing. What in the hell do you do if the student passes almost all of his courses but fails one. And that seemed to me--the multiplicity of targets was a terrible problem, it seems to me, with SAL operations sort of generically, and it seemed if you at least split them into three, you get, you reduce that problem.

GILLETTE: In fact, of course, there were some of that motivation present. The atmospheric at the time--my predecessor was labeled "philo-SAL." I wanted to avoid at all costs inheriting that label. What you have argued about Senegal is true about all of the Africa structural adjustment operations. They tended to be pretty lumbered with a variety of conditions, many of which had little to do with each other, so that you get the education ministry doing exactly what it was supposed to do and the finance ministry doing what it was supposed to do, but the agriculture

ministry is dragging its feet so the whole SAL was held up until you got the agriculture ministry on board. We were painfully aware that that was probably what was going to happen, given our experience with the A-SAL and the E-SAL and WA-SAL, what was called the water SAL in the earlier ones. And the A-SAL taking a hell of a lot of time to go through, so we were disinclined to deviate from the sectoral approach which had already been established.

The Bank more or less gave up on SALs in the Ivory Coast, I think, with the '87 operation, and it decided in the confrontational meeting it had in either '88 and '89--I can't remember when that was—but that they would go with the SECAL [*sectoral adjustment loan*] approach and try and plunge into sectors and make things happen, even though something might have been held up in another one. So your point is well taken; that's essentially correct.

And there is also a related desire to have some progressive rhythm in your relations with a country. The tremendous standoffs that take place over issues in structural adjustment loans really create havoc with your entire program in the country. They mess up your economic work; they sour relations. It's all right to have an imbroglio with one ministry or maybe two, but to have an imbroglio with the entire administration is very destructive to the Bank's work.

So all of these motivations were carried into our approach in this area, plus I had on each of these operations a superb team of people working, and I didn't want to have to choose amongst those characters who would be, as the French say, the chef de file, who's going to be kingpin here guiding all of this work, so we left those guys pretty much just do their operations on their own. They did a great job.

The Board discussion was interesting because it was extremely tense. Several of the directors made very clear references to exchange rates and the need for use of this tool as a means of bringing about real adjustments in their external sector and real meaningful change in the relative prices of tradables and non-tradables. The Brit came out and said that all in all he was in favor of stable exchange rates if it could be done but that then the country would have to adjust by other means. All of this sort of innuendo was going around in the Board discussion. Nobody came right out and said, "They have to devalue." The U.S. was about as blunt as any saying that they were pleased to see that we had conditionalities that would oblige the government to come forward with an, increase competitiveness, and they congratulated the staff on the superb work we had done to put the program together. It was all in all a very good meeting.

The French didn't say much. In August they had weighed in, as I said, to get IDA eligibility for Cote d'Ivoire and had gotten that bone and felt that they had sort of pried it out of us, that we wouldn't have been prepared to do it if they hadn't put pressure on. And if the truth would be known--I didn't think of it at the time because I didn't think the Cote d'Ivoire was eligible for IDA, but when they asked we cranked the numbers and sure enough they did make it. So the French ought to get credit for at least raising the issue. They also raised the issue of the debt service of the Cote d'Ivoire in August and who the hell was going to pay this because they were sinking into—coming very close to suspension. In fact, you know, we did suspend.

KAPUR: Yes. On the first of July.

GILLETTE: Yeah, we suspended them. Then the French put forward payment in order to get them out of suspension so we could go forward with the adjustment operations. But clearly the French were very uncomfortable with the whole process, and they made no bones about it to Messrs Qureshi and [*Barber B.*] Conable.

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WEBB: Excuse me, just to understand that, you mean they were very uncomfortable about the contents of the program?

GILLETTE: Yeah, they didn't like the medium term framework at all. They thought that was most inappropriate. I laughingly said to my French colleague, "Now you've gotten IDA eligibility now they have to prepare [*inaudible*]." He did not think that was funny at all.

LEWIS: Did they object on procedural grounds or because of the substance of the thing?

GILLETTE: They thought we were being much too tough. And it has to be said that at no time while I was running this department was I ever able to engage the French Treasury on any meaningful discussion of medium-term framework or competitiveness in any of the Franc zone countries. There was an absolute embargo in the French Treasury on discussing this issue with the Bank. And it was made crystal clear to me on a number of occasions that if I persisted in trying to open that door for discussions that the people to whom I was speaking would be disciplined and that the Bank would receive protests from the French Treasury. "This is none of your business," they said. "Le Etat competent."

WEBB: But they did the same rule in the Fund?

GILLETTE: About discussing it? Certainly not. It certainly falls within their area of competence. They are perfectly within their rights to discuss exchange rates at any time in any country.

WEBB: I know, but I mean do the French allow their Fund staff to discuss it with—would they answer the discussion of the Fund staff?

GILLETTE: You will be amused: I don't know.

LEWIS: But at least it's in their area of competence.

GILLETTE: Certainly.

KAPUR: I was just wondering if we could [*inaudible*] the story a bit—so you have these SALs, I mean these SECALS went through in December of '91, and then came the—what happened after that?

GILLETTE: I was in Paris right after that Board meeting, and one of my French colleagues told me that there was going to be trouble.

I said, "What kind of trouble?"

He said, "A senior official from your institution was here talking to people in the French Treasury about IDA, and your name came up in the discussion, and I think you're in trouble."

I went back and told my boss. And he said, "Oh, now, just forget it."

Mr. [*Lewis T.*] Preston went to Paris in January of '92 expecting to see [*Pierre E.*] Beregovoy, his request, Preston's, to visit. Beregovoy snubbed him. And I went to Paris after that meeting

and pried out of [*Olivier*] Lafourcade what happened within the French Treasury, because there was one . . .

[End Tape 1, Side A]

[Begin Tape 1, Side B]

GILLETTE: . . . Bank's obduracy and doctrinaire position vis-à-vis some of the French client countries and its visibility in discussing issues which were kind of [*inaudible*]

When I went to Paris in February I was informed by my French friends that I was to be removed from my job. And I said, "That cannot be. Nobody's said anything to me; nobody's said anything to my boss; nobody's had the courtesy to give us a briefing, explain anything. Can't be."

But I went back and told my boss. My boss said, "That can't be. I'll take it up with the President." And he did, and he was informed I was to be removed. And the President wanted to see me.

And I saw him, and I asked him why I was being relieved of my responsibilities and he said--and I quote—"I want a French director in that job." Unquote.

Now, this story came out in *The Economist*.

KAPUR: Yes, in the Africa briefing.

GILLETTE: Yeah, in the Africa briefing, very late. Needless to say, I was stunned; so was my boss who had never been consulted on this.

Not surprisingly, not long after this had become public knowledge in the Bank, the Ivoirians came sniffing around to see if they could get a release from the second tranche conditions on the SECALs, two of them, leaving the competitiveness condition linked only to the competitiveness SECAL, which was the one that was moving the slowest anyway. And my boss went in and arm-wrestled with the President and convinced him that this was something he could not do unilaterally. He was quite surprised to see that Mr. Preston wasn't terribly well informed, did not know the history of this, despite the fact that we had written paper after paper to his office explaining to him all the background of this situation. And Ernie persuaded him that going back to the Board, which was what he would have had to do for an exception to the conditionalities, was not something he would want to take on. And that's still the position today, as far as I know.

KAPUR: So this was—of course, last year was [*inaudible*] Board process of IDA X replenishment. Was one linked to the French?

GILLETTE: Your guess is as good as mine. If I were asked, I would say the French have more interest in having a large IDA X than just about anybody else, and to the extent that if IDA X isn't fully replenished because of their behavior, then they're going to have to pony up to support their client countries in Africa. So the French, it seems to me, didn't have much of a leverage on the Bank at the time that all this was going on, although that was the purported reason why they needed to put a French director in this part of the Africa region. I don't know the answer to that. You'd have to ask Ernie.

LEWIS: I was going to ask—you've just—you've told us sort of just now--I had a sense of Preston himself made this decision--and how well informed. I was going to ask you: one of the Managing Directors was more directly involved in that area?

GILLETTE: Well, quite frankly, there was a lot of shuffling going on, and you didn't get straight stories from anybody during this period. I found out first that something was up because Ernie had been in Paris in December and my French friends told me that my name had come up and they told me who'd brought my name up. It was [*Jean-Pierre*] Landau, the French executive director. And they warned me that they didn't think things smelled too good. And what they were suggesting, I suppose, that Ernie was predisposed to do something to please the French. Why, I have no idea because Ernie's never had the courtesy to tell me what it was all about. And when I saw Preston, he just was obdurate: he wanted a French director in that job, and it was none of my goddamned business why he was relieving me of my responsibilities, period. If you're a Wall Street autocrat, you're a Wall Street autocrat, and people take orders, do what they're told.

WEBB: In the meantime, have they got to the second tranche deadline?

GILLETTE: It's long past.

WEBB: Long past.

GILLETTE: Oh, yeah, we expected to have those operations totally disbursed, at least two of them, by June '92, and the slowest one would have been the competitiveness one and that should have been fully disbursed by now. And all three second tranches are still pending and the competitiveness operation--sorry. I'm wrong. The human resources one had three tranches that could have been expected to carry through the end of '92 and maybe into '93 because of the things they had to do.

WEBB: So there's no disbursement and arrears . . .

GILLETTE: They're suspended now, and they will go into nonaccrual, which means they're six months overdue, I think sometime in January.

WEBB: So there are [*inaudible*]

GILLETTE: It came back to the attitude of the French; I think I've pretty well dealt with that. Although I'll tell you that plenty of my French colleagues told me that they found this whole business very embarrassing, that there was no need for any of the draconian action inside the Bank in order to get things [*inaudible*] and that the problems were essentially political, that the Treasury was more or less persuaded that the Bank was right. They were just as embarrassed as hell that the Bank was in a position to put pressure on the Cote d'Ivoire and of course they were getting the heat from the presidency and from the Ivoirians.

Ouattara, when I went to see him in January of '92, one year after I had seen him, I said, "Mr. Ouattara, I delivered everything that I told you I would deliver without exception."

He said, "You're absolutely right. You did."

And I'd talked to him a year earlier and told him that he needed to think hard about the competitiveness situation.

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He told me, "I've looked at it. I don't see how we can do it; the terms of trade would have to change in our favor. We certainly can't devalue and furthermore I don't see any interest in devaluation for the Cote d'Ivoire." One year later he was a convert to devaluation as the right policy move for the Cote d'Ivoire. And he sure as hell ought to know because he came out of the IMF after many years of experience.

LEWIS: Excuse me, but where does it stand? *[inaudible]* was he out there yet?

KAPUR: No, I believe last month *[inaudible]*

GILLETTE: There was a ripple of activity in June or July of '92, a meeting of the heads of state of the Franc zone took place in Dakar. We didn't--we weren't directly connected to that, certainly not invited, but we were told subsequently that they came very close to making a decision to devalue at that juncture but that the members of the Franc zone had rallied around Abdou Diouf, who was facing re-election in Senegal in the first quarter of the year '93. And he said he didn't believe that Senegal would benefit from a devaluation because he didn't believe he could control internal inflation, that he didn't believe he could adequately take care of the poor, who were major consumers of subsidized goods that had to be imported, and that therefore he wasn't in favor. And the rest of them lined up very quickly behind Abdou Diouf, who said, "We won't do it." But apparently four of them went to Paris and actually met with the president of France and discussed the issue and out of that came . . .

LEWIS: When did you get displaced? Which month was that?

GILLETTE: I left the Africa region on the 30th of September, but I'll tell you that trying to find a job in this place when you've been relieved of your responsibilities is not fun. And so I was spending most of my energies trying to figure out what the hell was going to happen to me. And my troops followed very carefully and closely what was going on in Cote d'Ivoire and you should talk to some of them. They'll fill in the gaps in my recollection of what happened. I have no files here again, nothing to refer to to get my dates right. The interactions are obviously very vivid in my recollection, but the dates and precision of timing and so on are . . .

WEBB: On the economic side, *[inaudible]* Larry *[Lawrence E.]* Hinkle?

GILLETTE: Yeah.

WEBB: *[inaudible]*

GILLETTE: And a real hero.

KAPUR: Robert Drysdale?

GILLETTE: Drysdale was the country operations division chief and a key player. Dick Westebbe, who prepared the medium-term framework, is obviously someone you should talk to. I would hope that you somehow can hear from Ouattara about this in one way or another.

WEBB: Where is he?

GILLETTE: Ouattara is the prime minister of the Cote d'Ivoire.

WEBB: He's still there.

LEWIS: *[inaudible]*

GILLETTE: You probably won't get anything out of the IMF, but it sure as hell would be interesting to hear Christian Francois, who was the IMF principal on the Cote d'Ivoire, espouse his views.

LEWIS: Tell me about Larry Hickle's *[inaudible]*

GILLETTE: Larry single-handedly wrote a book on adjustment in the Franc zone, modalities of bringing it about, a highly analytic piece which he prepared in secret which is, I think, a first class piece of work. It will never see the light of day until all of these events have long since faded into history. We used it to tremendous advantage to inform ourselves, to sharpen our arguments, to look for ways that adjustment could be brought about. We were forbidden to discuss it with anybody on the outside.

KAPUR: By?

GILLETTE: By our management.

WEBB: Top management.

GILLETTE: Top management. It was a first class piece of work. Stan *[Stanley]* Fischer had a hand in burying it. He was the--what we called peer reviewer. Larry shared his analysis with Stan and got a lot of very helpful comments. I don't think I'm telling stories out of school here. You guys are going to have a hard time producing anything on this issue because it's still a live issue.

WEBB: Yeah.

KAPUR: There was, I believe, similarly last January there was also—was there a similar story in Senegal?

GILLETTE: Frankly, I don't know. I know that Katherine Marshall has been--first of all, she's taken over the steering of the CFA *[Communaute Financiere Africaine]* work. Her husband worked with Stan on all the Franc zone countries for me. She did that one summer. I told Kim *[Edward V.K.]* Jaycox *[inaudible]* "You'd better have somebody driving this exercise *[inaudible]*" and she's done a superb job in steering that work. Basically what they were doing in anticipation of the devaluation--in a sense it was clear that they weren't going to be able to adjust by secondary measures--was contingency planning so that the Bank would be ready to step forward with a lot of help, both intellectual and financial.

She at the same time was holding the Senegalese feet to the fire. She has a large adjustment operation—I think a fourth SAL in Senegal which is at issue, and she has taken an awful lot of heat, from the Senegalese finance minister in particular. To the best of my knowledge, she's doing *[inaudible]*

But they're not the key player. The Cote d'Ivoire is the swing country.

You could argue that Cameroon is equally important financially, but Cameroon is an amorphous administration, very difficult to get them to focus on anything and all the *[inaudible]* The president told me in private, the first visit I made to Cameroon, which would have been the fall of '91, I think, in private because we had to do everything in private. He said, "I think we should devalue."

I argued with him. I said, "Mr. President, you shouldn't engage yourself in major policy changes like this until your administration has fully evaluated the implications." I said, "*[inaudible]* election. Devaluation is going to pose a whole new set of problems for you."

He said, "Well, I've been persuaded for a long time that this *[inaudible]* is causing us a lot of problems."

KAPUR: I was also looking at *[inaudible]* one country *[inaudible]* Equatorial Guinea, which has sort of--*[Robert]* Klitgaard's book, you know . .

GILLETTE: He's on the map. It's a good read.

KAPUR: What's the role of the Bank in these countries? How do you sort of see that?

WEBB: Did you hire Klitgaard?

GILLETTE: *[inaudible]* assistance operations *[inaudible]*

In the little countries, while we believe that a change in parity--provided the local administration can manage the aftermath--would be the positive. That's a fact. We concentrated on not holding them hostage to liquidities and competitiveness, provided they were sticking to their guns on all the other things we were asking them to do, a lot of it's commercial *[inaudible]* needed to go on, a lot of fundamental reforms, central *[inaudible]* sometimes through SALs and sometimes through investment operations. But we focused on the Cote d'Ivoire and Cameroon as the two big swing countries. They represent, I think, 60 percent of the GDP in the Franc zone and an equal percentage of their foreign trade. So they are the two big guys, and if they adjust then the rest of the zone will follow. So the answer is that we decided not to hold the small countries hostage to a policy decision which they would not have been in any position to take up.

KAPUR: I was thinking of more, perhaps, the governance issue.

GILLETTE: That's a whole new subject. I've spent hours talking about how much leverage the Bank should exercise in trying to bring about changes in varying authoritarian, autocratic and otherwise disrespectful of human rights regimes.

I believe that through a combination of carrot and stick we actually moved the Equatorial Guineans quite a ways. They were beating up people in the capitol. We were there on technical assistance contracts with donors other than ourselves, and we suspended disbursements and sent a very stiff letter in regard to the conflicts to the president of Equatorial Guinea, telling him that this type behavior is totally inappropriate for a recipient of foreign aid, and things changed. And we used what leverage we had with the *[Teodoro]* Obiang administration, *[inaudible]* small country can do when they are given financial persuasion.

But it remains an issue. *[inaudible]* Guineans, CAR, there's Togo, there was Congo—nobody knows where they are now. I thought that *[Paul]* Biya's administration in Cameroon was pretty hostile to human rights, and may still be, despite the recent election.

In the Sahelian countries, Chad certainly was no paragon of virtue with respect to human rights. Niger neither.

KAPUR: Have some of the military expenses come up?

GILLETTE: It comes up in our discussions one on one with the authorities because we have the numbers. The general counsel of this institution, as you well know, has lectured the Board and the management on the propriety of the Bank's raising military expenditures as a major issue because the Bank is incompetent to comment on appropriate levels of internal security and national security outlays and it violates the apolitical nature of the institution. So we're saddled a bit by the views of our own general counsel on what we can and cannot do. The Fund is more outspoken on the issue; whether they're more effective or not is a question.

LEWIS: The chiefs of both institutions have been quite outspoken about this in general.

GILLETTE: Preston has gone beyond what his general counsel would have counselled him to say.

KAPUR: I believe also in future operations *[inaudible]* Benin and Togo, where the Bank did in 1991 ask *[inaudible]*

GILLETTE: Again, your best witness here on those two countries is Dick Westebbe, who prepared the SALS on them. And he will, I'm sure he will tell you candidly that in his discussions with the *[Mathieu]* Kérékou regime in Benin he made it quite clear that the Bank and the other donors were not going to be able to provide much in the way of support, provided *[inaudible]* do a lot of things. And I'm absolutely positive that the substantial outlays on military hardware and people was brought *[inaudible]*

WEBB: Was Westebbe *[inaudible]*

GILLETTE: A long time ago. Yes. He was one of the seconded advisors at the time *[inaudible]*

WEBB: One of the intervenors, to some extent.

GILLETTE: Yup. Well, he's a classic rock in the hand. Dick is 66 years old, he's still working with the Bank, and he's respected all over the West Bank, known by everybody, talks to heads of state. The kind of guy that the Bank can really be proud of.

LEWIS: If we wanted to do this *[inaudible]* follow up with Larry Hinkle and Katherine Marshall. Could we talk to them together about his?

GILLETTE: Ask them. Katherine ranks Larry. I don't know if she would be antsy about being interviewed together with him, but, you know, exercise a little . .

LEWIS: *[inaudible]*

GILLETTE: Yes, I know. Both of them have just been superb all though this very difficult time, as has been Jaycox.

KAPUR: Well, in a sense *[inaudible]* talk with the major shareholders of the Bank. Everyone is focused first on the U.S., and *[inaudible]* France and perhaps Spain and one or two other countries. Each has its own spheres of influence.

GILLETTE: Not a very nice choice of terms. It sounds like the 19th century and the Congress of Berlin. It's a hypothesis, but there may be some truth to the tacit acceptance of spheres of influence in today's world.

LEWIS: It's very fascinating. I know the French only from having been at DAC [*Development Assistance Committee (OECD)*] and, of course, we were on our best behavior, I think, all parties, in a bilateral *[inaudible]* kind of deal. But I wrote this piece, we did a book at Princeton on Senegal. And I took up the last chapter and wrote this thing on structural adjustment in Senegal. It was a very critical chapter, a very macroeconomics, extremely critical, both of the Senegalese government and the Bank.

GILLETTE: I saw it.

LEWIS: You did? And Michel Camdessus was head of the central bank of France, I think, at that time, wasn't he?

KAPUR: *[inaudible]* central bank.

LEWIS: But when I was doing research for that, at any rate, or I had some of this stuff in draft, I seemed to get a complete—I mean, he gave instructions to his staff to be as helpful as possible, very—answer all questions. I had known him before. But they seemed to be in a mood at that point.--that was the early '80s--of sort of rethinking their policies, their behavior.

GILLETTE: I think that's still the mood. I think the obduracy comes right at the top.

LEWIS: Yeah, yeah, yeah.

KAPUR: *[inaudible]* difference between that and the French political *[inaudible]* and the financial system *[inaudible]* and the French president's son or son-in-law, I think . .

GILLETTE: His son.

KAPUR: The son. Was very close to *[inaudible]*

LEWIS: I see.

KAPUR: So there is that *[inaudible]* evidence that . . .

GILLETTE: That's the presidency, by the way.

KAPUR: I see, I see.

GILLETTE: And the suspicion is that French policy will change in positive directions but possibly not before the election, National Assembly elections *[inaudible]* I know that my French colleagues in the Ministry of Cooperation in the Caisse Centrale by and large were very supportive of the position that the Bank was taking this position and very grateful. And I would even go so far as to say that many of my friends in the French Treasury were equally supportive and grateful, even though they were under threat of dismissal if they would discuss these issues with us.

LEWIS: *[inaudible]* regime?

GILLETTE: No.

LEWIS: He was in the Treasury and working I think on the Sahel countries.

WEBB: Dramatic story. We're getting to the end. We didn't talk about the earlier success story of *[inaudible]*

KAPUR: *[inaudible]* IDA countries in '79 *[inaudible]* Bank's program in the '80s *[inaudible]*

GILLETTE: Well, the Bank was in a highly experimental mode in the '70s. It was trying itself out in the economic sector in Africa. *[inaudible]* The first operation we ever did in Senegal was in '68, and hence we trying out reform of railways, reform of ports, reform of schools, reform of agriculture. We were trying everything we could think of. We were participating with the French in setting up regional agricultural development agencies, all of which were a dismal failure. And we didn't come to adjustment in Africa until the Senegal operation, which I think was a 1980 operation. It was, incidentally, if I have my facts correct, it was the first adjustment operation in the Bank.

LEWIS: I think it was. Of course it . . .

KAPUR: There was . . .

LEWIS: There was a Kenyan one, and then there was the Turkish operation that folded into . . .

GILLETTE: I was in the division responsible for Senegal in '79. The economist who prepared that operation was Johan de Leede, and he was my senior economist. He wrote a basic economic report on Senegal which was very depressing because of this protective--straight downhill on long-term policy. Something had to change. And that was the genesis of that first SAL, which was loaded with a lot of conditionality *[inaudible]*

Come back to debt service, because you mentioned it, and the game of cat and mouse. The Africa Region was quite lax with the Africa borrowers for a very long period of time. Many of them would go right up to 60 days in arrears and then they would try to get tough before suspension of disbursement on the 61st day. And it took a lot of gnashing of teeth to persuade the African borrowers that the Bank meant business on paying on time. And I had lot of battles with Senegalese and subsequently with the Ivorians over the notion that they had a free ride up until 60 days and they didn't have to pay until the 61st day and that was the way it was. That was the way it had always been; that was the way it was. So it took us a long time to persuade them that we meant business. It wasn't *[inaudible]* change that policy on arrears which made *[inaudible]*

And buying 60 days of debt service in the Cote d'Ivoire when they're paying 300 million dollars year, that's a lot of money in one fell swoop to get back to being on time. So it was not surprising that we had a lot to work out on the issue.

LEWIS: You guys go ahead on this if you want; I've got a *[inaudible]* train.

WEBB: I think we're over . .

[End Tape 1, Side B]

[End of interview]