DEVELOPMENT REFLECTIONS

ROBERT S. McNAMARA
AT THE WORLD BANK

IN RETROSPECT

A TESTIMONY BY THE FORMER PERSONAL ASSISTANTS TO ROBERT S. McNAMARA **1968–1981**

Olivier Lafourcade
Leif Christoffersen
Anders Ljungh
Sven Burmester
Caio Koch-Weser
Rainer Steckhan

WORLD BANK GROUP
Information and Technology Solutions
Office of the Chief Archivist

ABSTRACT

This retrospective on the terms of World Bank President Robert S. McNamara (1968–81) examines his words, actions, and results through the lens of the authors, his six successive personal assistants. They delve into his annual meeting speeches and policy addresses, deconstructing the motivations and actions behind the words. The authors give personal insight into McNamara as president, along with his relations with World Bank staff and world leaders. McNamara's interactions with a multiplicity of borrowing countries, including China, are highlighted. The sectoral impact of McNamara's presidency is described in some depth and in relation to current events, including the 1970s' oil crisis. The conclusion contains a look at the legacy of McNamara, the lasting impact of "McNamara's Bank," and a final personal tribute to McNamara.

This publication is part of the *Development Reflections Series* promoted by the Office of the World Bank Group Chief Archivist to provide context to the organization's evolution over its 75 years. Our intent is to broaden access to the history of the organization's development experience and to reflect a diversity of perspectives.

ROBERT S. McNAMARA

AT THE WORLD BANK

1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Cover photo: The Six Personal Assistants of President McNamara, 1981. World Bank Group/License: CC BY NC-SA 4.0

"The World Bank – born out of the ruins of World War II –has grown into one of the most constructive instruments of human aspiration and progress. And yet it has only barely begun to develop its full potential for service and assistance. There is so much more to do, so much more it ought to do to assist those who need its help. Each one of us here can help make that happen. And how can we begin? We must begin—as the founders of this great institution began—with vision. With clear, strong, bold vision. George Bernard Shaw put it perfectly: **You see things, and say why? But I dream things that never were, and say why not?"**

ROBERT McNAMARA
FINAL SPEECH AS WORLD BANK PRESIDENT, 1981

TABLE OF CONTENTS

FOREWORD
AXEL VAN TROTSENBURG, MANAGING DIRECTOR
OF OPERATIONS, THE WORLD BANK 9

ACKNOWLEDGMENTS 10

ABOUT THE AUTHORS 10

A BRIEF CHRONOLOGY OF OUR SERVICE 12

OVERVIEW 16

ABBREVIATIONS 21

THE WORLD BANK McNAMARA INHERITED 22

THE ANNUAL ADDRESSES: A TRANSFORMATIONAL JOURNEY 26

ROBERT S. McNAMARA: THE PERSON 50

THE McNAMARA YEARS: ACCOMPLISHMENTS 74

THE LEGACY 94

POSTSCRIPT 106

APPENDIX A: A PERSONAL UPDATE ON THE AUTHORS 108

APPENDIX B: A FINAL TRIBUTE 112

FOREWORD

As the World Bank marks its 75th year in operation in 2021, several generations have reflected on the Bank's role, relevance, and contribution to development. Among the many who have helped shape the organization over time, Robert S. McNamara's legacy stands out. Without a doubt, McNamara was one of the Bank's most consequential presidents. His clear assessment of development challenges, his vision for the Bank, and his conviction to deliver at scale set him apart.

McNamara transformed the Bank from a relatively small institution into a giant in development finance. The sheer force of his intellect, strategic vision, and determination were instrumental in lifting the World Bank to new heights. His 13-year tenure as World Bank president brought about dramatic changes: Bank commitments grew from roughly US$1 billion annually in 1968 to over US$13 billion in fiscal 1981; the number of professional staff grew from 1,600 in 1968 to over 5,700 in 1981; International Development Association replenishment amounts increased from an annual rate of US$400 million in the second replenishment to US$4 billion during the sixth—and the list goes on. Beyond the numbers, McNamara was a thought leader in development who significantly extended the Bank's engagement to new partners and new borrowers, including China. And nearly 50 years after his seminal Nairobi address, the goal to reduce poverty and tackle inequality continues to anchor the Bank's ambitions and engagement, even as it evolves to address new challenges.

During his time at the helm of the Bank, McNamara received support from young professionals in the institution. His six successive personal assistants—German, Norwegian, Swede, Dane, Brazilian-German, and French, before the days of geographical diversity(!), worked closely with him and are among the staff who knew him best. These assistants stayed close with each other and with McNamara, including after each retired. Recently, they decided to add a personal touch to reflections on the McNamara years by sharing some of their memories, recollections, and anecdotes. This publication, *Robert S. McNamara at the World Bank: In Retrospect*, is the fruit of their efforts. It adds fresh insight into McNamara's legacy and is an intensely personal tribute, reflecting admiration for years spent working with such a towering figure while showing McNamara's humanity and empathy. The recollections offer a unique picture of McNamara as a leader, a strategist, and a person who deeply cared about development and the Bank. This is an engaging and a warm tribute that can inspire current and future generations of Bank staff.

AXEL VAN TROTSENBURG
World Bank Managing Director, Operations

ACKNOWLEDGMENTS

The group of former personal assistants to Robert S. McNamara is indebted to Olivier Lafourcade, this account's principal author. Special mention goes to Maritta Koch-Weser as editor. Sincere thanks go to Axel van Trotsenburg, Managing Director of Operations; to the World Bank Group Archives, headed by Elisa Liberatori Prati; and to Denis Robitaille, World Bank Group Chief Information Officer and Vice President, Information & Technology Solutions, for permitting this project to see the light of day.

ABOUT THE AUTHORS

The observations in this paper come from a joint exercise of recollection and appreciation by the six former personal assistants (PAs) to Robert S. McNamara during his 13 years as president of the World Bank (1968-1981). In chronological order we were: Rainer Steckhan, Leif Christoffersen, Anders Ljungh, Sven Burmester, Caio Koch-Weser, and Olivier Lafourcade. McNamara left the World Bank 40 years ago, on June 30, 1981, at the age of 65. Between his departure and his passing in 2009, our group of six PAs met with him on a yearly basis, normally at the time of the World Bank-International Monetary Fund annual meetings in the fall, and usually over a dinner at his home or at one of our group member's home in Washington, DC, or abroad. There were also other opportunities for individual members of the group to meet him informally between these annual encounters. Since McNamara's death, the group has continued to enjoy meeting, usually over a period of two or three days, rotating from one place of residence to another, nowadays essentially in Europe where most of us live. Beyond friendship, these encounters have "maintained the flame," celebrating a man who had a considerable influence on each of us personally as well as professionally, allowing us to reminisce on those eventful world development years shared with him, and critically revisiting issues and events with the benefit of hindsight.

Like many others, we have been looking forward to the day when “McNamara’s Bank” would get due attention of outside researchers, and when the full breadth of that complex story could be told.

So far, McNamara’s role during the Vietnam War, and to a lesser extent in the Cuban missile crisis of 1961, has remained the principal focus of media and researchers. The film *Fog of War* issued in 2003, exemplifies how McNamara remains associated mainly with these two moments in history. Yet his time with the World Bank—13 years—represents the longest period during which he stayed in any one of his formal jobs during his professional career (World War II, Harvard University, Ford Motor Company, and the US government). McNamara’s role, leadership, and impact on world affairs during his period at the World Bank surely deserve close attention.

We share what we have learned. As a contribution to the record, the experience of our group, accumulated over a period of more than 40 years (1968 to 2009) in our first-hand familiarity with Robert McNamara as a person, provides valuable insights. All of us have been influenced by this exceptional man; we share some common memories; and we can now with hindsight reappreciate some of the events, ideas, facts, and strategies for the historical record. This is the purpose of this document.

A BRIEF CHRONOLOGY OF OUR SERVICE

We were six personal assistants (PAs) to Robert McNamara, in sequence from April 1, 1968, to June 30, 1981, covering his 13 years as president of the World Bank. By definition, therefore, (1) we never worked together when working with the boss and (2) we were direct witnesses of quite different periods and events during our respective tenures. It seems useful to summarize briefly the major events and high points that each of us lived through during his turn.

Rainer Steckhan (German) served as a PA from 1967 to 1969; thus his tenure spanned two World Bank presidencies. Essentially, he lived through a transition period, where he could observe first-hand the beginnings of McNamara's tenure. He witnessed the way the new boss addressed his new job: the establishment of the first strategic orientation under the new leadership, the first decisions on staffing, the establishment of the new management team, and the setting of rules for the functioning of the president's office. He was witness to the way McNamara started with the Board, his first trips overseas, and his first adjustments within the World Bank. Rainer's time with McNamara was relatively short, so that many of the momentous changes in the World Bank's orientation had not yet started by the time Rainer moved elsewhere in the Bank.

LEIF CHRISTOFFERSEN (STANDING SECOND FROM LEFT) AND McNAMARA (SEATED THIRD FROM LEFT) AT A PROJECT SIGNING FOR COLOMBIA ON MAY 28, 1971.

Leif Christoffersen (Norwegian) was the PA from 1969 to 1971. By then, the Office of the President was running, and McNamara's style and methods of management were becoming well known. The move toward expansion of the Bank had started in full. McNamara was in the process of discovering what he wanted to do, where to take the Bank, and how to do more and better. New issues and focuses became clear, among them agriculture, rural development, population, and health. Leif was there when the first population project was presented to the Board and when the Consultative Group on International Agricultural Research, was launched. US President Richard Nixon took office in January 1969.

ANDERS LJUNGH (STANDING SECOND FROM LEFT) AND McNAMARA (SEATED SECOND FROM RIGHT) AT A LOAN SIGNING FOR MOROCCO ON JULY 19, 1972.

Anders Ljungh (Swedish) served from 1971 to 1974. This was an extremely active period, first with the production of several sectoral strategic papers defining new orientations for the Bank. This included the momentous shift toward poverty reduction and rural development (with speeches in Washington, DC, and Nairobi in 1972 and 1973, respectively). This tenure also included the major internal reorganization of 1972.

In a sense, the sky was the limit. The global environmental challenge was addressed for the first time (at the Stockholm Conference of 1972), and the river blindness initiative and control program in Africa was launched. This was also the period when, at McNamara's behest, the Operations Evaluation Department was established as an independent evaluation office (outside the president's direct control), serving as a model for other multilateral agencies. This was perhaps the defining period of McNamara's presidency. US President Nixon resigned and was succeeded by Gerald Ford in August 1974.

Sven Burmester (Danish) was a PA from 1975 to 1977. This was during the response to the energy crisis of 1973. There were talks of a "new international economic order," whereby developing countries would have a bigger role in shaping the world development agenda. In 1975 McNamara asked Willi Brandt to chair an independent commission on international development issues. Major policy papers were being issued, most importantly on health, education, and rural development. The first loan to support a project designed to improve the environment, in Finland, was, approved by the Board in 1975. The first nutrition project, for Brazil, was approved in 1976. US President Jimmy Carter took office in January 1977. The Brandt Commission was established and its report released in 1977.

Caio Koch-Weser (Brazilian and German) served from 1977 to 1980. This was an extremely active period with several momentous events, among them prospects of lending to Vietnam and China joining the Bank in 1980. McNamara addressed the population issue again. In 1979, the intention to promote structural adjustment lending was first mentioned (in a meeting in the Philippines). The first Structural Adjustment Loan (for Turkey) was approved in 1980. The Board endorsed the first Environmental Policy paper. For the first time, McNamara addressed the issue of security and development (in Chicago, 1979). Proposals to begin lending operations in health were approved by the Board. McNamara gave his valedictory address at the 1980 annual meetings in September.

Olivier Lafourcade (French) served as a PA for less than a year, from 1980 to 1981. This was McNamara's last year at the Bank, during which he prepared for his departure, with an agenda of 20 matters to be addressed before he left the Bank and with major issues such as the proposed energy affiliate to be addressed. President of Bank of America Tom Clausen was designated to succeed him. Ronald Reagan became president of the United States in January 1981. McNamara's wife Margie died in February 1981.

PHOTO CREDITS

Page 12: Leif Christoffersen (standing second from left) and McNamara (seated third from left) at a project signing for Colombia on May 28, 1971. © World Bank Group/ G. Franchini/ 1719674/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 13: Anders Ljungh (standing second from left) and McNamara (seated second from right) at a loan signing for Morocco on July 19, 1972. © World Bank Group/ Edwin G. Huffman/ 1820147/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

OVERVIEW

ROBERT S. McNAMARA AT THE WORLD BANK: IN RETROSPECT

Robert Strange McNamara was president of the World Bank from 1968 to 1981, having served previously in private and public office.

Much has been written about him in reference to his position as secretary of defense during the Vietnam War. Less has been said about his role in international development, as one of the leaders of the international system providing official aid to the developing world.

We, his six successive personal assistants, worked closely with him during his 13 years at the helm of the World Bank, "the Bank," as we used to call it. Over more than 35 years we remained closely associated with McNamara, including long after he had left the Bank. It is in this context that we thought of registering our testimony and appreciation for this exceptional man. With all the inevitable personal biases, having shared so much time with him, and with the privilege of hindsight, we give our own account of what he achieved at the Bank and for international development. McNamara's views and initiatives evolved considerably during his tenure at the Bank. He listened to others, individuals as well as institutions, pioneers or innovators, and was attentive to relevant experiences on which he and the Bank could build and expand.

We track how McNamara performed at the helm of the Bank from the day he started, adjusting over time to confront emerging challenges in development and, indeed, in the world. We start with the sequence of the policy changes he introduced to the Bank, and to a significant extent to the global development community, in his annual speeches to the Board of Governors of the World Bank at the Joint World Bank–International Monetary Fund Annual Meetings. These speeches were his preferred vehicle to address the world as well as the Bank.

Critical changes happened over the 13-year period. As circumstances dictated, he drew lessons from the past, used and benefited from his exchanges on ideas and policy changes with others, assessed and responded to new challenges, offered his vision for the future, adapted the Bank's response, and formulated broader strategies and policies for international development. In his annual addresses, McNamara established priorities from time to time, focusing on concrete, key issues paramount to fostering development. We track his most forceful and early commitment to address, with the Bank's support, fundamental issues in and obstacles to development in large parts of the world. Among those key issues, population growth, inequalities within and across countries, agricultural production, and eventually urbanization and social development (education and health) became central to the overall strategy of the Bank. Early on, McNamara became aware of the plight of the millions of people who remained sidelined in the name of economic growth. His conviction that poor people could become productive and could participate in and benefit from the process of economic development led him to steer the Bank toward focusing above all on the poor in all developing countries.

We also offer our collective views on McNamara the person, the individual whom we got to know well in everyday collaboration. We share common views on the individual, the manager, the thinker, the leader. Our views were also shaped by our later encounters with him, long after he had left the Bank. We describe a man of remarkable personal qualities, beyond his legendary computer-like mind and apparent obsession with numbers. We describe a man of passion, a man with great sensitivities and emotions—as controlled as they may have been—a man driven by an exceptionally strong sense of purpose and empathy, a man not afraid to make tough decisions, a man experienced in world affairs, and of course a man with his weaknesses and soft or even blind spots.

McNamara addressed pressing issues of the day in light of his longer-term, ultimate objective to reduce poverty in the world, his declared goal soon after taking up his job at the Bank. Hence his defining efforts to focus the world and the Bank's attention on the rural development challenge, recognizing that at the time the largest concentration of poverty was indeed in rural areas. He addressed development comprehensively, putting the Bank, and other parts of the international development aid system, on a path where advice on economic policies and strategies at the country level was as important as transferring the badly needed financial resources. Eventually, in his later years, he became the champion of providing large financial resources in exchange for changes in the development policies of many countries, in what came to be known as "adjustment lending," a significant departure from the traditional project-by-project financing approach.

Activities and achievements speak for themselves. McNamara did succeed in establishing the Bank as the world's premier development institution, providing leadership in terms of advice and financial contributions. He shaped the Bank into a formidable organization driven by clear objectives and sound management arrangements. And he consistently succeeded in mobilizing the resources, financial as well as human, to enable this development.

Finally, we asked what remains of the legacy of McNamara, what remained of his initiatives after he left the Bank. In hindsight, we share the view that he could have been more forceful in some of his sectoral and policy initiatives—the environment is a prominent example. At the same time, he left a lasting mark on now widely accepted development objectives, policies, and modalities of development assistance.

For the rest of his life, McNamara remained committed to development: long after he had left the Bank, he offered advice and participated in a multiplicity of development-related activities, both public and private.

McNamara addressed pressing issues of the day in light of his longer-term, ultimate objective to reduce poverty in the world, **his declared goal soon after taking up his job at the Bank.**

ABBREVIATIONS

AIDS	acquired immunodeficiency syndrome
CGIAR	Consultative Group on International Agricultural Research
ED	executive director
FAO	Food and Agriculture Organization of the United Nations
GDP	gross domestic product
GNI	gross national income
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IRD	Integrated Rural Development
NGO	nongovernmental organization
NIEO	New International Economic Order
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department
PA	personal assistant
RD	rural development
SAL	structural adjustment lending
SALT II	Strategic Arms Limitation Talks II
SME	small and medium enterprise
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VP	vice president
WHO	World Health Organization

1

THE WORLD BANK McNAMARA INHERITED

At the outset, we see a need to sketch the context in which McNamara took charge of the World Bank, and key challenges he faced at the time.

Let us go back to 1968, a year remembered for turmoil and political and economic tensions in the whole world. This is the case in the United States, with the Vietnam War, great turbulences on the political front, and the height of the Cold War. McNamara has just been appointed president of the World Bank, having been fired by President Lyndon Johnson from his position as US secretary of defense. By any account he is hardly familiar with the aid and development scene; he comes with a tarnished reputation for his role during the Vietnam War; and he is virtually unknown on the international economic and development stage.

At the time, the World Bank—the International Bank for Reconstruction and Development (IBRD)—was already well established but by no means a powerhouse in development finance, neither financially nor intellectually. It had acquired a solid reputation, especially thanks to the strong, well-respected president Eugene Black who had headed the institution for 13 years(1949 to 1962), when he was succeeded by George Woods (1963 to 1968). After an initial period of providing programmatic assistance to help in the reconstruction of Europe after World War II, the Bank had turned its focus primarily to financing projects, predominantly in infrastructure. Prior to the wave of independences, especially in Africa at the beginning of the 1960s, World Bank membership had been limited to fewer than 50 countries. The main instrument was the IBRD, lending at market

McNAMARA'S FIRST DAY OF WORK

rates, with access to resources from borrowing in the capital markets. The year 1960 had seen the creation of the International Development Association (IDA), a new window of concessional funds designed to support development activities in the poorest countries. From there on the term World Bank included both the IBRD and IDA, which shared a common staff.

In 1968 the Bank was well structured and organized, basically as an institution of specialists, engineers, economists, and financial analysts, whose job it was to contribute to projects in support of development in the borrowing countries. By the end of the 1960s there was a growing perception that the Bank was too strongly under the influence of the United States, a view reinforced by its location in Washington, DC, and the preeminence of the US shareholder in its management and staff. In fact, the Bank was often perceived as an instrument of US political positioning vis-à-vis the developing world. Because of its resource base, the Bank was also often viewed as closely related to the corporate world, essentially US-based corporations, as these benefitted greatly from technological know-how, which gave them a strong advantage in the procurement of goods and services financed by the Bank. It should be kept in mind that the world then was divided into two blocs, East and West, and the World Bank was inevitably viewed as an instrument of the West.

What might have been McNamara's ambitions and objectives when he took over as head of the Bank? This belongs in the realm of speculation, as we do not have much tangible evidence of his original intentions. Nevertheless, his first statements after taking charge, namely his first address to the Board of Governors of the Bank in the fall of 1968, give a good indication that he was determined to give the Bank a much-enlarged role as a player in the area of financing development, and that he was already intent on giving special attention to the poorest countries. And further, he wanted to engage the Bank beyond its traditional economically focused activities and into socially focused programs, particularly in education. In a word, he set the stage for an adaptation of the World Bank to new challenges and changing circumstances.

An appreciation of McNamara and of what he achieved at the Bank cannot be disassociated from the environment in which he operated. The person, his behavior, his strengths, as well as his weaknesses cannot be understood without understanding of the sequence of events that marked his tenure at the Bank.

PHOTO CREDITS

“He wanted to engage the Bank beyond its traditional economically focused activities into socially focused programs, particularly in education. **In a word, he set the stage for an adaptation of the Bank to new challenges and changing circumstances.”**

2

THE ANNUAL ADDRESSES:
A TRANSFORMATIONAL JOURNEY

Over the 13 years of his tenure at the World Bank, McNamara's intellectual and personal positions evolved considerably.

World events, experience, circumstances internal to the Bank, and interaction with other individuals and institutions involved in the development process all had an impact on his thinking and sense of direction.

A principal thread with which to track this evolution are his annual addresses to the Board of Governors of the World Bank and a few other seminal speeches. The annual addresses always took place on the occasion of the annual meetings of the governors of the World Bank and the International Monetary Fund (IMF), at the end of September or beginning of October of each year. The meetings alternated, two years in sequence in Washington, DC, and the third year in a foreign city. These speeches were galvanizing occasions where he could take stock of the Bank at the time, identify new challenges, outline the new directions for the Bank, define new strategies, and explain new approaches and instruments. A cursory review of these milestones provides good insight into what motivated his thinking and actions, and it casts light on the evolution of his outlook and behavior, intellectually as well as from a practical, managerial point of view.

When McNamara left the Bank, the Executive Board members offered him as a farewell gift a book titled *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara, 1968–1981* (McNamara 1981). Besides the major speeches at the Joint World Bank–International Monetary Fund Annual Meetings, this book also includes significant other speeches that he made on special occasions, for example, at the University of Notre Dame (1969), at United Nations Conference on Trade and Development (UNCTAD) conferences in Santiago, Chile (1972) and in Manila, The Philippines (1979), at Massachusetts Institute of Technology (1977), and others.

The annual addresses are particularly relevant and illustrative. They were all constructed similarly, following a rigorous routine outline. With the exception of McNamara's first speech in September 1968, all were divided into the same four parts. First, he would state what had been accomplished by the Bank since his previous speech, giving an account of what had been planned in order to highlight assertively what had been accomplished. Second, he would give his views on the state of the world, his diagnosis of what had happened over the previous 12 months relevant to the development scene. Third, he would describe major new challenges, focusing on issues that, in his mind, required particular attention. And fourth, he would chart the agenda ahead: new priorities and recommendations for the Bank. Hence, a review of these speeches gives a good indication of the dynamics of his views of where the Bank stood at any given time and where it should be heading over the course of the next year.

September 1968, Washington, DC. The first speech had particular importance. It took place barely six months after McNamara took his job at the Bank, and his understanding of the development area came essentially from his experience in his previous position in the US government, as secretary of defense. He had scant knowledge of operational aspects of development and, indeed, of what a development institution is and does and how it does it. But he had given thought to his new function and was obviously shaping fairly clear views on how he would embrace his new job. Already in his first address to the General Assembly of the Bank's governors, McNamara made profound statements on the direction he wanted the Bank to take.

First, he considered "the Bank" to be much more than a bank—it was a development institution. He recognized the connection between world poverty and unstable relations among nations. Influenced by his experience at the Pentagon, he associated development with security in the world. He referred to and agreed with Pope Paul's dictum that "development is peace"[2] and observed that there were major shortcomings in the current way of addressing the challenges at hand. He spoke about frustrations and failures: On one hand, rich countries felt that they were contributing much to the process of development, while seeing low results in return. Even back then there were widespread concerns in Europe and in the United States about aid fatigue and whether aid had a positive effect.[3] On the other hand, poor countries felt that the rich shared far too little of their increased wealth. McNamara was, however, convinced that aid can and does work, and that it can be a sound investment. He agreed that there is far too little progress to show against the efforts under way and indicated his resolve to lead the Bank on a course designed to correct this.

In this early confrontation with the challenges of the development aid effort, McNamara identified population dynamics as a fundamental problem and threat to the entire process of development.

He specifically mentioned "the mushrooming cloud of the population explosion." This is an interesting statement at a time when the term population bomb was making front pages thanks to the book by Paul Ehrlich (1968).

McNamara acknowledged that the way forward was to promote economic growth. He did not question the reigning basic paradigm that development depends essentially on economic growth, and he indicated that he would maintain the way the Bank operated, as an instrument of promotion of growth in the receiving countries. In short, this meant "more of the same"—at least for the time being. And he certainly meant "more," as in garnering more resources for the Bank and committing more resources to the receiving countries. The goal was then set explicitly, as he postulated doubling World Bank lending over the next five years—a visionary and ambitious target. At the same time, McNamara sensed that "more of the same" may not amount to a full answer to the challenges at hand. Therefore, he followed a suggestion made by his predecessor, George Woods, to create a commission of "men well versed in world affairs who would survey the past aid efforts; seek out the lessons it can teach for the future; and then examine that future to see what needs to be done by rich and poor countries." This became the famous Pearson Commission, led by Lester Pearson, former prime minister of Canada. This initiative reflected McNamara's willingness to look for outside, independent advice.

Population growth was one key issue McNamara wanted to address. Education and agriculture were also high on the agenda. These challenges reinforced his decision to boldly increase the size of World Bank lending, while recruiting massively to improve the skills and capacities of the Bank. The stage was thus pretty much set, only a few months after taking office, to engage the Bank on a new course for the years to come.

Not long after this first major speech, McNamara seized a superb opportunity in May 1969, in a speech at the University of Notre Dame, a famous Catholic university in Indiana, to highlight again the dramatic problem of population growth. To expound on this topic at a well-known Catholic academic center of high reputation is unlikely to have been a coincidence. Knowing the traditional conservative position of the Catholic Church on the issue of birth control and family planning, McNamara's position and plea for action in this area was somewhat provocative and was sure to catch attention.

McNamara's first speeches, made shortly after taking office, are impressively forward looking. The time was full of momentous events both in the United States and around the world, with a situation of great uncertainty, social disturbances, and threats in international security. To recall a few: the assassinations of Martin Luther King Jr. and Robert Kennedy, the turmoil at the Democratic Convention in Chicago, and civil disturbances in the United States; the war in Vietnam; student upheavals and social and political turmoil in Mexico, France, and elsewhere; and all this while the Cold War was very real. To be ready and willing to confront and address issues of development in poor countries, demographic challenges, and other fundamental issues demonstrated the analytical mindset and determination of a newcomer in the field of international development.

September 1969, Washington, DC. A year after his first inaugural speech at the Annual General Assembly of Governors of the World Bank, McNamara gave an account on what the Bank had delivered during the previous year. He could confirm that commitments made then had been honored, at least in quantitative terms. First, the lending commitment by the Bank had expanded by 87 percent. Second, a longer-term strategy had been put in place with a five-year program for the period 1969 to 1973. Third, Bank activities had been expanded to regions he considered previously neglected—in Indonesia, Latin America, and Africa. Fourth, there was a new level of analytical effort to identify sources of economic growth, encompassing work on policies, specific projects, and internal procedures within the Bank. And, significantly, he emphasized the importance given to three priority areas identified 12 months earlier: population, human capital, and agriculture. His statements demonstrated his determination to deliver on an ambitious program. As would generally be the pattern for the following years, his statements on the accomplishments of the Bank over the previous 12 months remained largely devoid of qualitative dimensions.

In the September 1969 speech, McNamara emphasized that the three areas identified a year earlier required a long-term involvement on the part of the Bank. In each area he pushed the agenda further, to include population planning, adult education, innovation and research, and nutrition. Beyond the reaffirmation of the need to vigorously pursue policies and strategies in these areas, McNamara addressed a set of related priorities for the coming year, including unemployment, urbanization and industrialization. At the time, there was a widely accepted view that unemployment was correlated with population growth, coupled with the issue of rural migration and the virtual absence of employment creation opportunities through industrialization.[4]

Interrelated priorities in key areas became critical to more systematically understand and assess a country's overall economic situation. This more comprehensive mode of assessment was a novelty when compared with the traditional approach of the World Bank, which hitherto had been essentially focused on specific projects. McNamara decided to initiate, promote, and develop the internal capacity of the Bank to conduct analytical work on a country basis, and this led to the creation of a standard product of the World Bank, the Country Economic Report.

McNamara saw the need for a "strategy for development," with adjustments of some traditional policies and the design of new ones, and this had been the purpose of the Pearson Commission, launched a year earlier. McNamara now announced that the commission had concluded its work. The report would be distributed to all governors of the World Bank, and the Bank would assess the conclusions and recommendations. Given the broad spectrum of issues addressed by the commission, McNamara invited all other institutions involved in the development business, public as well as private, international as well as national, to engage similarly in a process of reviewing the conclusions and recommendations made by the commission with regard to their own activities.

Already in his first year as president, McNamara had promoted the dialogue and analytical tools to redefine the strategic scope for international development assistance. He had grasped the challenges facing development and defined a set of new strategic priorities. He had set an operational strategy to respond to these priorities, and he had initiated the mobilization of required resources, financial and human.

As he addressed the shareholders of the Bank at the 1969 annual meetings, McNamara was de facto addressing a much wider audience—the multitude of actors and partners involved in the process of international development, establishing his legitimacy and that of the World Bank as a growing intellectual authority in the field of development.

September 1970, Copenhagen. Again, McNamara started this address by giving an account of what had been accomplished during the previous year. The Bank had again responded fully to the challenges in quantitative terms. There had been a 20 percent increase in lending commitments during the year, keeping the Bank on the path of doubling lending commitments during the five-year period 1969–73 compared to 1964–1968 (US$12 billion and US$6 billion, respectively). Priorities had been duly pursued in terms of sectors (agriculture, education, and population planning) and geographical scope (Africa in particular). And the Bank had begun to broaden the concept of development to include social improvement.

It was an initial step toward adjusting the fundamental paradigm of the World Bank, a shift from economic growth, as such, to growth and human development. McNamara also confirmed the progress made in initiating a program of Country Economic Missions, "in order to assist developing nations in their formulation of overall development strategies."

The most salient point of that year's address is McNamara's extensive treatment of the recommendations of the Pearson Commission. He had already seized the opportunity of a Conference on International Economic Development at Columbia University on February 20, 1970, to briefly introduce the main conclusions and recommendations of the commission. Now, at the meeting with the Bank's governors, he went into much more detail. Praising the work of the commission and broadly endorsing its analysis, he turned to discussing specific issues he considered of the highest relevance for the Bank, and he also expressed his disagreement with a small number of the commission's recommendations.

One key issue the commission had raised was the rapidly rising external debt of developing countries—due largely to the excessive use of export credit. Following the commission's recommendation, McNamara promoted the idea of creating a mechanism, in cooperation with the Organisation for Economic Co-operation and Development (OECD) and the IMF, to monitor the external debt situation of countries. The objective was to identify debt problems and help create solutions related to debt servicing. This may have been the first time this serious problem received such wide recognition in an international economic and development environment. Ever since and to this day, the debt question has remained an issue of paramount importance, and McNamara should be remembered for identifying it five decades ago.

Another initiative resulting from the commission exercise was the promotion of concerted efforts in agricultural research. One can see the link between McNamara's preoccupation with population dynamics and his concerns over the challenge of food and agricultural production. He focused on the need to accelerate and increase productivity and production of essential food items like wheat and rice, two of the world's major staples, and he saw the need to accelerate research on a grand scale. Following the lead taken by the Rockefeller Foundation, McNamara promptly added the support of the World Bank to the initiative, also supported by the Food and Agriculture Organization of the United Nations and the United Nations Development Programme, which led to the creation of the Consultative Group for International Agricultural Research (CGIAR), an administrative and financial organizational structure designed to ensure the mobilization and efficient allocation of important resources to a number of well-established international research centers.[5]

Yet another important point raised by the commission was an invitation for the International Finance Corporation (IFC)—the Bank's affiliate designed to finance and support the private sector—to adjust its strategy to give greater emphasis to the development implications of its investments, instead of relying simply on their profitability. McNamara endorsed this recommendation, and one cannot help wondering whether this recommendation should not have been restated to IFC's governance forcefully and repeatedly over the following five decades.

Finally, in this speech, McNamara stated his disagreement with the suggestion that the International Development Association (IDA) might require reorganization, implying separation from the International Bank for Reconstruction and Development (IBRD), on the grounds that the different modalities of mobilizing resources (borrowing in the case of IBRD and appropriations by contributing governments in the case of IDA) would lead to different lending policies. McNamara strenuously objected to this recommendation, arguing that "the source of the funds to be lent is irrelevant to the economic case for their investment."

On the basis of the review of the performance of the World Bank over the previous year, and following the assessment of the Bank's response to the Pearson Commission, McNamara offered his vision of what the development objectives for the coming decade of the Seventies ought to be. Presenting his views of what the world could look like 10 years hence, pointing especially to the large and increasing divergences between the developed and the less developed parts of the world, McNamara outlined four points for the agenda to be considered by the Bank's governance. First, there was the need to pursue an aggressive strategy for promoting economic growth—admittedly not a sufficient condition but certainly a necessary one. He fixed the objective at a minimum of 6 percent annually for the developing countries as a group, in line with the recommendation made by the United Nations (UN) in the Second Development Decade initiative.

Second, there was a need for accelerating containment of population growth, a point which he had made repeatedly in previous years. Third, there was the need for increasing substantially the transfer of resources from rich to poor countries. McNamara pointed to the incongruence between spending US$180 billion annually on so-called security (armaments among others), on one hand, and not being able to spend US$7 billion in public aid, on the other.

And fourth, there was an "obligation to apply at the world level the same moral responsibility, the same sharing of wealth, the same standards of justice and compassion, without which our own national societies would surely fall apart." This was an important and far-reaching statement coming from the president of the World Bank. Outlining in such a way the moral and human dimension of the task at hand, McNamara was setting the stage for the Bank's terms of reference for the decade to come.

September 1971, Washington, DC. From an economic standpoint, 1971 was marked by a major event: the end of the convertibility of the US dollar, decided by President Nixon on August 15, eventually to be followed by the Washington Agreement in December 1971, in effect formalizing the end of the international monetary system put in place at the end of World War II. This had a tremendous impact on the overall international financial situation, with important and lasting consequences.

McNamara started his address to the governors of the World Bank with a specific mention of this recent development. Transfers of private and public capital to developing countries were critically dependent on the operation of an exchange system that would not interfere with their continued flows. And the new situation was bound to have a major impact not only on the resource flows to developing countries but also on their external trade.

As usual, McNamara went on describing progress made over the preceding 12 months. Goals set had been met, both quantitatively and qualitatively. Commitments of new loans and credits (US$2.6 billion) were in line with the five-year program goal, diversification was under way, and focus on the poorest countries was increasing. A new indicator was presented for the first time: the economic rate of return on investments in the developing countries, estimated at 18 percent annually. On the basis of experience accumulated to date, initial work had begun for the preparation of the next five-year program, covering the period 1974 to 1978. He demonstrated continuity of his previous commitments—among others, those relating to population planning, malnutrition, unemployment, agriculture and rural development, and industrialization sectors, and he detailed issues needing further attention.

For the first time in his public statements, he made formal reference to income redistribution and inequalities: "More equitable income distribution is absolutely imperative." He went even further in addressing the links among poverty, inequality, and growth: "Poverty, inequality and unemployment cannot be effectively dealt with by expanding the urban sector alone, but must be attacked directly in the rural areas." Here he laid the ground for a broad strategy that would come into true force in subsequent speeches, eventually evolving into the formal poverty reduction strategy of the World Bank. McNamara was not first to highlight these issues; he was first doing so as an eminent person in the international finance and economic development world.

Finally, McNamara made the case for an expanded flow of foreign aid to accelerate economic growth, a strategy requiring policy changes in the rich and poor countries alike.

The Bank had a dual mandate, namely, to assist with policy advice leading to sound social and economic development and to strengthen its capacity to provide the necessary financial support.

Clearly McNamara was building on the experience he had accumulated by then, leading to an increasingly more comprehensive view of the development challenges, understanding and addressing the real problems at the country level and clarifying the role and responsibility of the World Bank in the process. For some observers, this evolution of the Bank bordered on the intrusive, getting into countries' internal policy and political matters.

McNAMARA SPEAKING AT THE ANNUAL MEETINGS, WASHINGTON, DC, SEPTEMBER 1972

September 1972 , Washington, DC. The relationship between social equity and economic growth was the dominating topic in this annual address to the Board of Governors. Since the previous annual address, McNamara had indicated on two occasions where his thinking on development took him. First, at the UNCTAD conference in Chile in April 1972, he had made specific references to the challenge of combining social equity and economic growth. There was a brief discussion regarding extremely unequal distribution of income, both within countries and across countries. He also mentioned for the first time that special attention should be given to the bottom 40 percent of the population in poor countries, those who are the most vulnerable to economic hardship. This may have been a precursor to his distinction between absolute and relative poverty, and his later "target group" approach. In that speech he also pointed to the looming question of debt and made a plea for the promotion of trade as a contributor to growth in developing countries.

In the other address, at the United Nations Conference on Human Environment in Stockholm in June 1972, McNamara returned to the issue of inequality within countries and across countries. And for the first time he publicly addressed the issue of the environment. Among other things, he stated that growth could, yet need not, cause injury to the environment—and he put forward the need for devising strategies designed to combine high economic gain and low environmental risks. Without specifying how this ought to be done, he made a forceful appeal to address the environment, focusing on foresight and prevention of harm. He used this occasion to outline the first environmental measures taken in the Bank, including the creation of the position of "environmental advisor" in 1970.

In the 1972 annual address, McNamara also gave his usual account of the performance of the Bank during the previous 12 months and since the beginning of the five-year strategy (1969–73), to be completed by the following year. On all counts, the program was being implemented quantitatively according to the plans, generally reaching or surpassing its objectives, in the priority sectors of agriculture, education, population, and others. In terms of commitments of financial resources, mobilization of the necessary resources to finance the proposed investments, focus on critical sectors, and geographical diversification toward poor countries and regions (Africa), achievements were largely in line with the original program.

This account of the past trajectory gave McNamara the starting block for preparation of the next five-year program (1974–78) and a stage for reflecting on broader issues and challenges of development. He laid out his views on the state of the developing world, noting the important advances made in the previous five years, while observing the shortcomings and insufficiencies of the present strategy, namely, the objectives specified in the Second Development Decade of the UN, with a target annual growth in the gross domestic product (GDP) of the developing countries set at 6 percent. In his view, this target was insufficient, and the target for the mobilization of resources for Official Development Assistance (ODA) — 0.7 percent of the gross national income (GNI) of developed countries—was not being reached. He thus proposed to increase the target for GDP growth of developing countries, and to increase the flow of concessionary resources from developed to developing countries. At the time some listeners dismissed these objectives as unattainable. However, these now became clear and specific objectives the World Bank was committed to achieve.

In addition, McNamara discussed again the relationship between social equity and economic growth, dwelling in detail on the different aspects of poverty in the developing world, reflecting wide discrepancies and inequalities. There were, first, those countries that the UN had classified as "least developed," usually small countries with extremely limited resources that were insufficient to promote growth. There were then those impoverished regions in most of the larger developing countries, for example, northeastern Brazil or northeastern Thailand, where it is possible to devise and implement programs aimed at increasing the productive capacity and incomes of their populations. And then there was a third category, that of the largest, the most pervasive, the most persistent poverty, that of the low-income strata of the total population—roughly the poorest 40 percent.

This is one of the turning points in the overall orientation of the World Bank. McNamara's assessment was that development programs are inadequate to achieve the fundamental goal of ending inhuman deprivation in hundreds of millions of individual lives throughout the developing world. In effect, rich nations were not moving effectively enough to assist indigent nations, and poor nations were not moving effectively to assist the poorest 40 percent of their own populations. In their countries, the problem was not the pace of economic growth but the nature of the growth. Consequently, what was needed was a reorientation of policies in order to directly attack the personal poverty of the most deprived 40 percent of the populations in these countries, without abandoning the goal of vigorous economic growth. And the Bank was now positioned to promote and implement this strategic change.

September 1973, Nairobi. McNamara's annual address for 1973 represents a well-known benchmark, which had considerable impact on the general views on development aid throughout the Western world of the early 1970s. It was delivered in the midst of the Cold War, with world attention focused on critical events such as the war in Vietnam, the Watergate scandal in Washington, DC, and the opening of some relations between the United States and China (the visit of President Nixon). The Yom Kippur War in the Middle East, which would eventually lead to the first energy crisis in December, was to take place in October of that year. For the first time, the annual meeting took place in Africa, somewhat underlining the main message McNamara wished to convey.

McNamara gave his final account of what had taken place at the Bank during the five-year program 1969–73, concluding his introductory remarks with the observation that the quantitative goals set in 1968 had been met, with a sustained effort to improve the overall quality of the Bank's work. But he contrasted this positive assessment with the overall unsatisfactory situation in the developing world in terms of growth and human progress, and he outlined the serious challenges still to be addressed.

In this context he clarified his views regarding the distinction between absolute and relative poverty. Relative poverty means differences in affluence or well-being of populations within countries or across countries—some are faring better than others. Absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities. Absolute poverty is a condition of life affecting hundreds of millions of people and is the lot of some 40 percent of the 2 billion people living in the developing world. In addition, McNamara pointed to continued protracted problems of the developing countries: an insufficiency in foreign exchange due to trade difficulties, the inadequate flow of Official Development Assistance (ODA) from developed to developing countries, and the growing debt burden.

Against this backdrop McNamara presented what the next five-year program of the Bank (1974–78) would look like. It was to address the challenge of poverty and economic growth. Put simply, "the growth is not equitably reaching the poor; and the poor are not significantly contributing to growth." In order to change this, there was a fundamental need to reorient development policies, requiring accelerated action by the governments of virtually all developing countries, with support from an expanded flow of ODA. To reduce the distortion in income distribution within countries, a major part of the program should attack absolute poverty. McNamara pointed out that, while some of the absolute poor lived in urban slums, the vast majority lived in rural areas. And there the World Bank should confront their poverty.

McNamara went on to outline a strategy for rural development. Rural poverty is largely concentrated on very small farms with low productivity and uncertain tenure of land. Traditionally, observers saw limited potential to improve the lot of the rural poor. And yet there was evidence that small farms have a great deal of untapped potential for cost-effective increases in productivity, and the fundamental goal of the program should be to increase the productivity and production of small farmers. McNamara outlined some of the key elements of a strategy to achieve precisely that objective, including access to credit, acceleration of land and tenancy reform, assured availability of water, expansion of extension services and applied research, greater access to public services, and organizational changes for supporting smallholder agriculture. For the Bank, increased productivity of the small subsistence farmer became a major goal for the 1974-78 period.

Beyond doubt, this Nairobi speech became a milestone in the orientation of the World Bank, focusing on the bottom 40 percent of the populations in low-income countries and on the rural poor. This firm and strategic orientation built on McNamara's own impulse and also on that of other organizations—bilateral agencies and nongovernmental organizations (NGOs) that had long been addressing rural poverty. The bottom line was that economic growth alone, while indispensable, was not sufficient to ensure economic development. To achieve human development, objectives of social equity had to be considered alongside economic growth.

September 1974, Washington, DC. A year after the major turn in the orientation of the World Bank in Nairobi, the address of 1974 took place in a very different overall environment. The world and developing countries in particular felt the impact of the energy crisis, which had originated in December 1973. Concerns with worldwide inflation, changes in the price of petroleum and other commodities, and the impact of these changes on the outlook for economic growth in the developed countries loomed large. And these changes would impact the growth prospects and capital requirements of developing countries for many years to come.

On the worldwide political and economic fronts, a variety of events had a bearing on the developing world.

Among others, this was the year when Richard Nixon decided to step down as president, under the pressure originating from the Watergate scandal. The war in Vietnam was entering final phases but still occupied international attention. It was also the year when Helmut Schmidt became chancellor of West Germany, and Valery Giscard d'Estaing was elected president of France. Both eventually became close friends and supporters of McNamara. At the same time, the first UN Conference on Demography took place in Belgrade, a demonstration that the population issue, long at the forefront of McNamara's agenda, was gaining wider visibility on the international scene. And 1974 also saw the birth of the International Energy Agency, against the backdrop of the energy crisis.

In his address to the governors, McNamara focused on the new international economic environment and the challenges created by the energy crisis. The impacts of the crisis varied significantly depending on the status of countries. There were the oil-exporting developing countries, which represented about 20 percent of the population of the developing world; there were those who were in the middle-income category of developing nations—representing some 30 percent of the world's population—who could find the resources necessary to cope with the new situation; and there were those representing the 50 percent of the population who lived in poor countries, for which the situation had become desperate. The World Bank sought to assist countries in restructuring the use and production of energy.

At the same time, there was continued commitment to pursue priorities previously identified, especially in the fields of rural development, combining social equity with economic growth for the 40 percent bottom share of the population in any given country. The situation for these populations had been rendered even more problematic by the energy crisis. The Bank was concerned with expanding the production of food grains in response to a growing imbalance between production and consumption, due at least in part to population growth, and the failure to achieve satisfactory levels of agricultural productivity.

McNamara called on the international community to step up its commitments to provide increased ODA, not an easy task when developed countries themselves suffered budgetary pressures because of the energy crisis. Several were experiencing severe inflation, unacceptable unemployment levels, and uncertain growth prospects. In addition, accessing capital on the international markets became increasingly difficult as interest rates had rapidly soared and inflation eroded ODA flows.

In spite of these unfavorable conditions, McNamara's objectives and goals for the international community, and more specifically for the World Bank, remained as ambitious as ever. He made an impassioned plea for the developed countries to provide additional financial assistance at a time when this was most needed by the developing world.

September 1975, Washington. A year on, the tremendous challenges of the previous year had deepened, and they had affected the developing world in particular. On the upside, the year had seen the end of the Vietnam War, but on the downside it saw continued high levels of inflation worldwide (9.0 percent in the United States), and of interest rates (7.25 percent per the Federal Reserve Board in the United States, 25 percent in the United Kingdom), and oil prices at US$12 per barrel—a 400 percent increase over the US$3 mark in 1974. The terms of trade had further deteriorated. Recession in export markets further reduced the prospective rates of growth of developing economies while increasing their foreign exchange requirements.

In response, the World Bank had expanded its level of lending over the previous 12 months, reaching a total commitment of US$6 billion, compared to US$4.7 billion in the previous year. The proposal for the next year would be around US$7 billion, making for a commitment for the five-year period 1976-80 of around US$40 billion. This would be a 60 percent increase over the previous five-year 1971-75 program and a 150 percent increase over the preceding 1966-70 period. During the previous twelve months period (1974-75) the so-called Third Window was created, providing additional development assistance funds at a concessional interest rate, midway between that of World Bank loans and IDA credits, thereby responding to the needs of many developing countries to service additional debt.

McNamara picked up points made in previous years, essentially addressing absolute poverty and the reduction of inequality: in a phrase, a “more of the same” focus on poverty in rural areas, now with the production of special policy papers (Rural Development, Agricultural Credit, Land Reform, Education and Health) that provided the framework for a vastly expanded program of financing rural development projects and programs.

In addition to rural development, McNamara went on to address urban areas, where absolute poverty was also pervasive. He addressed the scope of the problem, analyzed underlying causes, and suggested a strategy to deal with it, considering the informal sector, access to public services, water and sewerage, health and education, and transportation. He outlined that the World Bank’s response needed to be enabled by increases in the lending program, and renewed the call to developed countries to step up their allocations to ODA.

At that stage in his tenure at the Bank, McNamara was clearly taking an ever more encompassing global view of the need for combining social equity with economic growth and for focusing efforts on reduction, if not eradication, of absolute poverty.

October 1976, Manila. In 1976, the international economic landscape had not improved over the previous year. Continued inflation, high interest rates, and budgetary constraints imposed strong pressures on all countries, developed as well as developing. An important change was about to take place on the international scene with the election of Jimmy Carter, a Democrat, as president of the United States in November 1976, following eight years of Republican administration (Nixon and then Ford since 1969). Thus far, McNamara, a declared and recognized Democrat,[6] had had to deal with the largest shareholder of the World Bank under a Republican administration—an uneasy relationship. Incidentally, 1976 was also the year when the first cases of Ebola appeared simultaneously in southern Sudan (now South Sudan) and in Zaire (now the Democratic Republic of the Congo), eventually opening an entire new, global chapter of viral infections and acquired immunodeficiency syndrome (AIDS).

McNamara seized on the generally somber international economic environment. He insisted forcefully on the issue of growing disparities in income growth between developed and developing countries. In a novel approach, he made the distinction between the situation of middle-income countries, which were trying their best and partially succeeding in improving their lot (although the gap between them and the developed world was still increasing in absolute terms) and the plight of the poorest countries, facing formidable difficulties and falling further behind. He paid particular attention to what the middle-income countries could do in their development strategies. In his view three areas deserved priority attention: the promotion of economic growth, the treatment of debt and access to external resources, and the need for trade expansion. And he insisted, as before, on rural development and urban poverty reduction as key elements in the overall strategy to combining social equity and economic growth. He noted then that the World Bank was facing serious problems of access to financial resources—both in terms of the replenishment prospects for IDA and a capital increase for the Bank.

September 1977, Washington, DC. The next year was marked by political challenges around the world, among them continued friction between the United States and the Soviet Union, uncertainty around US-China relations, conflicts in the Horn of Africa and elsewhere. On the international economic scene, the year 1977 saw the spread of protectionism, increasing trade friction, and international currency unrest while the major developed countries suffered from business stagnation, unemployment, and inflation. No significant action had been taken to resolve the energy problem. In a nutshell, in that year the world economic situation had not improved much.

Yet in this uncertain environment the situation for the developing world was nevertheless looking slightly brighter—average economic growth rates had moved up during the previous 12 months. Some countries were faring better than others, and middle-income countries were facing mounting debt. And the prospects for the World Bank resources looked better after the successful conclusion of the fifth replenishment of the IDA and the agreed expansion of the IBRD's capital structure.

In his 1977 address, McNamara stated that, notwithstanding some indications of progress, neither the developed nor the developing countries could be satisfied with the situation. In his view, a general understanding on the fundamental development issues and how to resolve them was still missing. He then suggested a two-pronged course of action. On the political front he called for the creation of an independent, high level, unofficial commission of experienced leaders able to assess and recommend feasible alternatives to the North-South deadlock. And he asked Willy Brandt, the former chancellor of West Germany, to chair that commission (see Box 3.2).

On the economic side, he called for comprehensive and continuing analysis of development problems, a new approach that would assist both developing and developed countries in devising adequate strategies and actions to deal with protracted issues of development. In his opinion, without such an approach, international cooperation could not be made fully effective.

As an example of problems created by inadequate common understanding, he pointed to the population issue, a theme he had consistently brought forward since his first days at the World Bank.[7] And it was on the basis of this illustration that he informed the governors of his intention to initiate an annual World Development Report, an in-depth contribution of the World Bank designed to address specific and important issues of development.

Expanding on previous statements on social equity and reduction of absolute poverty, he outlined a focus on "basic needs": food (to combat malnutrition), shelter and clothing (two needs to ensure protection against the rigors of climate and environment), and public services making available education, clean water, and health care. For the Bank, this strategy involved enhancing productivity of the poor, redesigning public services, and redirecting economic policies. It also addressed the need for access to the required financing.

McNAMARA FLANKED BY THE FUND MANAGING DIRECTOR, J. DE LAROSIERE (LEFT), AND CHAIRMAN OF THE ANNUAL MEETINGS, H. E. TENGKU RAZALEIGH HAMZAH (RIGHT) AT THE ANNUAL MEETINGS, WASHINGTON, DC, SEPTEMBER 1978.

September 1978, Washington, DC. The year 1978 saw a series of events that had a strong influence on the international development scene.

It saw normalization of relationships between China and the United States, progress in the Strategic Arms Limitation Talks II (SALT II) between the United States and the Soviet Union, and progress in the peace process in the Middle East. It also saw the emerging turmoil in Iran, where the situation became increasingly unstable, eventually leading to a full crisis early in 1979. On the economic front there was a general improvement, although levels of inflation and unemployment remained high in the OECD countries.

As ever, McNamara reported first on the previous 12 months. The Willy Brandt Commission had been established and started to operate. The Bank produced its first *World Development Report* (World Bank 1978), dealing with fundamental problems facing developing countries. Progress in the developing world was made on several fronts, in accordance with plans. Nevertheless, based on the *World Development Report*, McNamara forcefully pointed out that the outlook for the developing countries for the next 10 years, and indeed up to the end of the century, did not look good at all when measured in terms of absolute poverty and growth prospects. His address became another single-minded push for what he considered the unavoidable agenda for the world and for the World Bank.

For developing countries, priorities had to include mobilization of domestic resources, promotion of agricultural production, and expansion of foreign trade.

And this required a parallel move from the developed countries in support of policies that would contribute to reducing the mounting protectionist tendencies, encouraging growth in net financial flows to developing countries, and increasing the levels of concessional aid to the poorest countries.[8]

October 1979, *Belgrade*. The most significant event of this year was the new episode in the energy crisis, initiated by the Iranian revolution early in the year. This crisis created a host of new problems and challenges for all oil-importing countries, rich and poor, adding another somber note to a grim outlook on the years to come. McNamara said that "a turbulent decade" drew to a close, and that the new coming decade promised to be "an even more critical one." From an international economic standpoint, the general environment—fully impacted by the energy crisis—was still marked by high levels of inflationary pressures and high unemployment in the OECD countries, with corresponding implications for the developing world. There was, however, a continued widespread intention to fight protectionism and to maintain the open world trade system.

McNamara gave a brief account of the lessons of experience of the 1970s, and especially of what was known as the Second Development Decade, adopted by the General Assembly of the UN in 1970. His assessment was severe. The principal goal—an average of 6 percent rate of growth target for the developing countries as a group—had not been achieved. There were anticipated serious shortfalls in subsidiary targets, particularly in agricultural production of the developing countries and in the level of ODA from the OECD nations. Moreover, the overall performance statistics obscured very significant differences between various groups of countries. In a nutshell, income grew the least where it was needed the most.

At a time when preparations for the Third Development Decade of the UN began, McNamara offered his views on what a new approach should look like. In essence, it should consider in detail the hard policy choices that the developing and the developed countries would need to confront in the 1980s. These policy choices would inevitably revolve around immense and complex problems such as population growth, food production, employment creation, urbanization, reduction of absolute poverty, and expansion in international trade and financial flows.

He acknowledged that measures of the past would not be adequate for the times to come. Rather, structural changes of immense magnitude would be necessary if significant progress was to be made. This would include primarily macroeconomic matters, but it would necessarily address sectoral issues, and it would be principally focused on policy aspects.

This speech constitutes the first formal call by McNamara for the new "structural adjustment" approach, to which the World Bank was ready to give its full support.[9] In retrospect, this is the initial step toward another fundamental turn in the nature and scope of the Bank's activities. It implied a significant change in the way of operating, from traditional project financing to lending in the face of policy adjustments, essentially in the form of balance-of-payments support. This change, namely the direct involvement of the Bank in what was later called policy-based lending, would lead to controversy for years to come.

All along, the World Bank remained committed to its long-standing key areas of population, food production, energy, reduction of absolute poverty, and so forth. But it was simultaneously increasingly involved in the support of structural adjustments efforts by the developing countries and encouragement of increased private capital flows to these countries. As for ODA, McNamara had to make an impassioned plea to the United States for maintaining its contributions to IDA, at a time when political considerations emanating from the US Congress were casting serious doubt on the ability of the United States to respect its commitments, thereby putting in jeopardy the entire IDA VI replenishment exercise (and a simultaneous effort to complete a new capital increase initiative for the World Bank).

SCENE FROM THE 1980 ANNUAL MEETING, WASHINGTON, DC, SEPTEMBER 1980.

September 1980, Washington, DC. This was the thirteenth and final address to the Board of Governors by McNamara before leaving the World Bank on June 30, 1981, and, as such a momentous occasion, was charged with some emotion from him and also for the staff of the Bank and all members of the audience gathered in Washington, DC.

He described the particularly difficult environment for the oil-importing developing countries, since the start of the new energy crisis in 1979. Economic growth in these countries was threatened; the surge in oil prices and the downturn in trade with developed nations had imposed huge current account deficits. And dependence on borrowing to finance the deficits could not be sustained in the medium and long terms. As a result, critical development tasks were seriously threatened. At the same time, industrialized nations were still grappling with problems of inflation, unemployment, and recession. And there was little appetite to increase ODA, which remained at too low, inadequate levels.

McNamara looked ahead to the agenda for the next decade, concluding that the oil-importing developing countries had to face up to fundamental structural adjustments in their economies. This would require additional resources—both through the transfer of private capital, but more urgently, through the access to concessional funds through ODA. In addition to urgent structural adjustment, two other pressing issues needed to be addressed: energy development and China's membership in the World Bank.

There was a clear cause to stick to key objectives of the 1970s: accelerating economic growth and reducing absolute poverty. The focus on key sectors and issues should be maintained, namely on population growth, employment creation, food and malnutrition, industrialization, and expansion of exports. Again, to do so financial resources were required, especially those on concessional terms.

In the 1980s, there would be a need to secure additional resources to avoid setbacks and to focus on four critical priority areas. First, there should be an increase in the lending program in order to offset the higher-than-anticipated inflation levels. Second, there was a pressing need to finance structural adjustment, but not at the cost of reducing the development finance already planned. Third, there was a special need to finance expanded energy development, but without cutting financing for other vital programs. And fourth, there had to be a response to the development needs of China, which had resumed membership in May 1980, but not at the cost of the World Bank's other borrowers. McNamara concluded his address with an impassioned plea for the Bank to remain committed to addressing the fundamental and huge problem of widespread absolute poverty.

This extensive chronological account of key messages in McNamara's speeches portrays the evolution of his thoughts and direction over the period of his presidency. The next section attempts some reflections on this record.

REFLECTIONS

From the sequence of the annual addresses, it becomes easy to understand the various changes in the World Bank's role in the process of adapting to changing circumstances. Clearly, the overall direction was steady, with the imperative to promote social equity with economic growth. After four years on the job, the most important issues were poverty reduction, inequality, and the focus on the bottom 40 percent of the population. It took McNamara four years to coin this principal objective and vision, and to affirm interrelated priority sectors—population, agriculture, and education—and then to add progressively the themes of urban development, industrialization, and unemployment. Throughout, McNamara responded forcefully to changing circumstances, adapting the Bank's response in the context of world economic and political events regarding energy, environment, and others. Concomitant was his unrelenting push for mobilization of more resources needed to respond to new challenges.

McNamara never deviated from the fundamental belief that a thriving world economic development depended on maintaining and promoting open systems in the world economic order, and that development of poor countries was contingent on their ability to benefit from access to markets and to mobilize financial and technical support from outside. His diagnoses and recommendations relating to international development were shared with multiple and diverse audiences beyond the shareholders of the World Bank.

At times McNamara may have appeared overly assertive, ambitious, and optimistic and shy of addressing his difficulties, errors, or failures that inevitably also occurred during his administration. In his speeches, there was little public introspection or treatment of corrective measures in the face of some disappointing results.

There was remarkable thought leadership. Who else in the world in those days had the knowledge, legitimacy, recognition, courage, vision, inspiration, and communication ability to address so forcefully and convincingly fundamental issues of human destiny in a coherent way? Was McNamara the only one to speak up on behalf of the developing world, in defense of the poor, in support of environment, or to denounce the huge inequalities between developed and developing world and the absurdity in the size of military and security expenditures compared to the amounts allocated to development assistance? Of course not.

There were multiple institutions and many influential individuals in public and private life—religious, political, and official—as well as NGOs actively engaged in favor of the developing world. But few others could provide such a comprehensive and coherent view on global issues and help countries on such a massive scale.

The speeches were forceful and somewhat directive, almost leaving the incorrect impression that he, McNamara—with the World Bank, an instrument he fashioned to his purposes—was the initiator, architect, and promoter of so many initiatives in the areas of development, development assistance, policy formulation, and operational design. These speeches appear designed as a framework from which the owners of the institution, its governors, could reflect and draw their own strategies and decisions. As a forceful proponent, he had to bring his shareholders along, with their differing political and economic views. As a backdrop to his speeches, he counted on the influence of his colleagues in the Bank as well as of his wide circle of social and intellectual contacts in Washington, DC, and around the world.

McNamara positioned himself as a champion of the development process on behalf of the poor of the world, almost from the very beginning, in an increasingly forceful and visible way. He never spared efforts to convince and enlist the support of the developed world, but he would not refrain from confronting its leaders, challenging them to contribute to reaching the goals and objectives he set for the development process.

McNamara demonstrated a striking grasp of the complexities of development. His vision became progressively more inclusive, more all-encompassing, more comprehensive. He established the World Bank as a recognized development institution that expanded understanding of economic development—in accordance with its Articles of Agreement—to include social and later environmental development issues, a direction that would, however, come to fruition only later in the late 1980s.

In his speeches McNamara demonstrated both a sense of vision for the future and a sense of realism in adapting to changing circumstances. He looked forward with a clear sense of direction about where to go. He stressed learning from the past, being accountable for what has been done before, and had a strong sense of the need for independent evaluation. He listened to others, including from within the World Bank, and he set any new agenda with concrete goals and objectives, including highly specific quantitative objectives, adapting the course according to changing circumstances. He adapted resources to the perceived needs, both in financial terms and in terms of organization and human resources within the Bank. Above all, he never lost track of the human dimension.

CHAPTER ENDNOTES

2. This is a paraphrase of Pope Paul VI's "progressionem idem valere ac pacem" in Paul VI, Populorum Progressio, encyclical letter, March 26, 1967.

3. As an illustration, a popular saying, wrongly attributed to writer-journalist Raymond Cartier in France in the early 1960s, advocated that one should "support Correze [a French Département] rather than Zambeze," giving ground to a populist, somewhat xenophobic movement named "cartiérisme," openly opposed to development assistance.

4. Since then, there have been many disputes over this issue, of course. Correlation is not causation. Migration of rural populations is generally a good thing even if it was then considered a bad one. (See the *World Development Report 1984* second section, Population Change and Development, and the *World Development Report 2009: Reshaping Economic Geography* [World Bank 1984, 2009].) And light manufacturing turned out to permit the fastest growth and poverty reduction the world has ever seen. Rather, the problem at the time was that high dependency rates from rapid population growth hindered investment in physical and human capital. And import substitution and great leaps forward into capital-intensive industries ended largely in failure.

5. The secretariat of the CGIAR was promptly established at the World Bank headquarters in Washington, DC.

6. McNamara was a Republican until he joined the Kennedy administration.

7. McNamara gave a major address on the matter of population at the Massachusetts Institute of Technology in Cambridge, Massachusetts, on April 28, 1977.

8. In retrospect it is worth noting the striking similarity between this statement and—24 years later—the consensus reached in Monterey (Mexico) in 2002 relating to the sharing of responsibilities between developed and developing countries in the context of the arrangements made for the financing of the Millennium Development Goals.

9. The 1979 *World Development Report* (World Bank 1979) addressed these issues. One of its three parts was titled Structural Change and Development Policy.

REFERENCES

Ehrlich, Paul R. 1968. *The Population Bomb*. New York: Sierra Club and Ballantine Books.

McNamara, Robert S. 1981. *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara,* 1968–1981. Baltimore, MD: Johns Hopkins University Press.

Paul VI. *Populorum Progressio.* Encyclical Letter, March 26, 1967.

World Bank. 1978. *World Development Report, 1978*. Washington, DC: World Bank.

World Bank. 1979. *World Development Report, 1979*. Washington, DC: World Bank.

World Bank. 1984. *World Development Report, 1984*. Washington, DC: World Bank.

World Bank. 2009. *World Development Report 2009: Reshaping Economic Geography.* Washington, DC: World Bank.

PHOTO CREDITS

Page 35: President McNamara speaking at the Annual Meetings, Washington, DC, September 1972. © World Bank Group/ Edwin G. Huffman/ 1812107/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 42: McNamara flanked by the Fund Managing Director, J. de Larosiere (left), and Chairman of the Annual Meetings, H. E. Tengku Razaleigh Hamzah (right) at the Annual Meetings, Washington, DC, September 1978. © World Bank Group/ Hadar/ 30389879_14/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 45: Scene from the 1980 Annual Meeting, Washington, DC, September 1980. © World Bank/ Bank Notes, October 1980, Pg. 1

3

ROBERT S. McNAMARA: THE PERSON

Much has been written and said about McNamara as an individual, as a professional, and as a public figure of major importance over so many years.

He himself has given us clues to his beliefs, values, and views through his extensive writings, especially once he retired from formal public responsibilities. Simplifications and contradictory views obscured far more complex realities. Descriptions such as the "computer-like man," the "obsessed-with-numbers mind," and of a man with a low level of emotions failed to grasp that, behind the appearance of a sophisticated and well-organized intellect—blessed with a phenomenal memory—and a competent technocrat, there was a complex personality with, indeed, emotions and acute sensitivity to human conditions. As his former personal assistants, we cannot offer any definitive view of who McNamara the person truly was. But after so many years of working closely with him, we see his unique qualities, not only as a leader and as a manager, but also as a private individual full of passion and emotions, and as a man of the world.

LEADER AND MANAGER

For many people, as conveyed through talks, interviews, articles, and books, the essence of Bob's tenure and behavior at the World Bank would have been his drive to "atone for Vietnam." Some assess his efforts at the Bank as a way to redeem himself for his mistakes while at the Pentagon. In our view, this is highly speculative. We doubt it.

Our own appreciation of Bob's mindset is that of a man essentially driven by the future, not the past, and that of a cool-headed man emotionally driven by his task and opportunity to improve the plight of the poor around the globe. Of course, the past had to loom large, as it underscored lessons for the future (a fundamental thread in the film *Fog of War*). Even though Bob wrote and spoke about Vietnam later on, assuming a good share of responsibility, we have a hard time believing that this was a principal driving force for his extraordinary commitment to the development cause of the Bank. He had found a new and compelling cause, which deserved all his energy and sincere attention.

Robert McNamara was a strong, experienced, and effective leader and manager. He did his homework, and he read and speedily memorized in amazing detail the reports he received. He was decisive and visionary, and elicited unquestionable follow-on by many, both within the World Bank and outside.

Certainly, McNamara had an unusual interest in precision. Throughout his career he had been famous for his focus on quantitative evidence—from his days as a "whiz kid"[10] and leader at the Ford Motor Company, the Defense Department, and then the World Bank. This may have been perceived as a weakness by some, yet on the flip side also a great strength. Undeniably, he was often excessively enamored with quantitative data and programming. As manager and planner, he forever remained an "engineering mind." Although his social concerns were real and center stage, he never developed a "biologist's mind," one that would observe the nature and evolution of societies, growth, and development in all their variance and unpredictability. His programming and budgeting approach was quite central in managing 10,000 staff members in a slow-moving bureaucracy. In a culture of idealists this caused occasional frictions—misperceptions and misunderstandings, if not outright disagreements—and reactions from staff to the strict planning and prodding approach, which at times provided wrong incentives and signals.

The predilection for quantitative approaches found its way into McNamara's language, which he largely imposed on the World Bank. An example was the "target group" concept, defining the number of poor people expected to benefit from Bank actions in the countries where it operated. Long before the "bottom of the pyramid" notion took on wide recognition and usage, McNamara coined the terms "absolute poverty" and "relative poverty" to identify the prime targets of World Bank intervention.[11] Many World Bank–supported operations would have impacts extending beyond the poor, for example, to infrastructure or industry. Prevailing instructions for all World Bank operations during most of McNamara's years at the Bank referred to the "bottom 40 percent," presumably representing the body of poor populations requiring the prime focus of the Bank. A main focus was poor people with a productive potential—those among the poor who could contribute to economic growth and development.

We believe that maximization of returns from project investments was never the primary objective. Impact on the target populations was most important. Box 3.1 gives an anecdotal illustration of this strong commitment to impact.

BOX 3.1 LENDING QUALITY VERSUS QUANTITY?

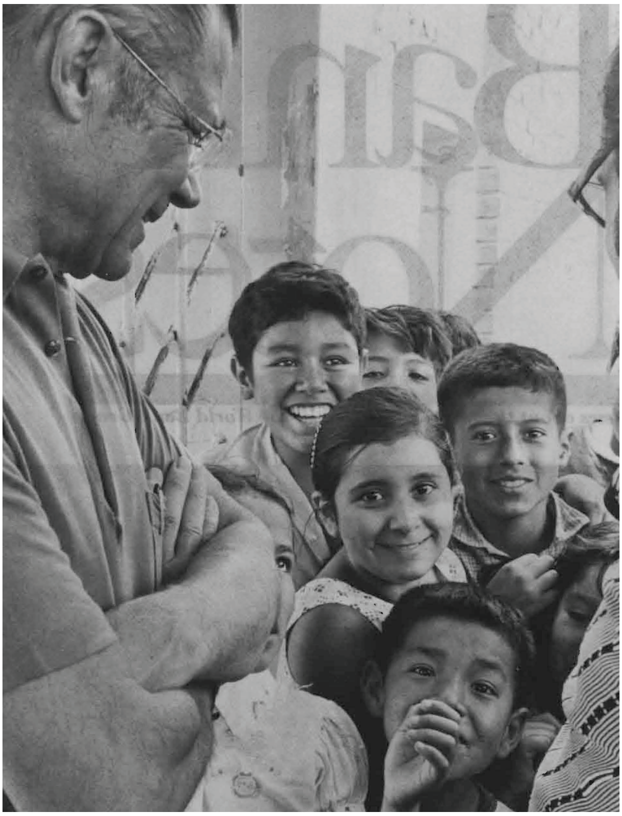
by Leif Christoffersen

It has often been argued that Bob McNamara was obsessed with numbers and with ensuring growth of lending at the expense of other considerations, and that this allegedly resulted in reduced quality of the projects. There is some truth to this, but not to the extent of placing in doubt his attention to the quality of World Bank operations.

Bob was often frustrated with the slow procedures for finalizing projects. Project managers and staff seemed to be excessively consumed with project perfectionism. In his view, this was a detriment to those supposed to reap the benefits in the recipient country. In one instance, Bob asked why the date for a Board presentation of a port project had been slipped from spring to early fall. The answer was that while the project was fully appraised by our own project staff and could show a very satisfactory rate of return, the Project Department's director wanted further technical review by an external expert. The consultant chosen for that task was busy with other tasks and had a vacation scheduled for a good part of the summer! This did not go down well.

In discussions about project quality and quantity, different definitions of quality became the issue. There were different levels of quality. In his early years Bob was briefed by senior staff that World Bank standards for project quality were the highest among comparable institutions. If so, he asked, could not the Bank expand its lending through projects that were very good but not necessarily the highest standard?

While there is no recollection of the actual numbers he used in discussing this issue, the arguments were presented along the following lines: at its current level of lending World Bank–funded investments would be expected to result in economic rates of return of, say, 12 percent for US$1 billion of lending. Bob asked, if we lent 10 times more, say 10 billion, but with an average rate of return of 8 percent, would we not serve global economic development better?



(PICTURED OPPOSITE PAGE)
McNAMARA IN WEST AFRICA, FEBRUARY 1969

(PICTURED LEFT)
McNAMARA WITH CHILDREN IN PERU, MARCH 1976

McNamara never insisted literally that the World Bank should focus solely on "the poorest of the poor" within the target range of the bottom 40 percent. Many Bank-supported projects did not deal with the poorest of the poor. As an illustration, Bank operations in rural development in northeastern Brazil or Mexico did not attempt to reach the bottom range of the poorest farmers (for example, the landless farmers, those who the Bank in all honesty did not know how to reach at that time). Key for him was whether these poor farmers were in a condition to improve their productivity and their production. In other words, the key question was whether poor farmers could be taken out of poverty and sustainably so. One of the ways of doing so was to help them join the value chain, to move beyond pure subsistence.

Under McNamara, quality and absorptive capacity of countries received less emphasis than resource transfer and institutional growth. Nonetheless, his personal interest and commitment to quality was evident, with his keen attention to details and results during his visits to specific projects in borrowing countries. But the issues related to quality versus quantity are complex and need to be carefully differentiated. A number of other critical factors come into play in explaining some of the competing objectives: for example, the balance between the macro, balance-of-payment, and capital flow requirements on one side, and the micro, project-level absorptive capacity of local institutions, specific quality objectives, political implications of the links between size of programs, and elements of lending conditionality, on the other. Difficulties could be attributed in some cases to varying degrees of commitment of the recipient governments, and in other cases also to a lack of more profound understanding by McNamara and Bank staff, of complex realities at the country level—from political science and sociology to development anthropology and environmental science.

McNamara's concept of management of a large institution was clear cut, namely, that the president deals with the structure of the institution without intermediary. There was no such thing as a president's cabinet. The President's Office consisted exclusively of the president, his two secretaries, his PA, and the secretary to the PA: five persons in total, a feature of his straightforward management style. He dealt directly with his vice presidents (VPs). And he would also call on some trusted individuals on a very personal basis to seek advice or to carry out some specific assignment (for example that of Davidson Sommers, a former legal counsel to the World Bank under President Eugene Black). However, this was the exception rather than the rule. In this regard the daily logs are an invaluable guide to McNamara's network of contacts: they merit more attention than they have so far received. They show that there was no risk that some "cabinet member" would interfere between him and his institutional associates, and his most immediate subordinates had direct access to him without intermediary.

As an accomplished manager of large institutions, McNamara relied on the standard institutional structure with clear definitions of roles and responsibilities.

This included a number of formal management meetings covering several areas of particular importance to him, which he dutifully and effectively chaired himself. Among them, the three most important ones were the Operations Committee, the Finance Committee, and the Personnel Committee. In addition, he chaired the weekly President's Council, gathering all the VPs, about 20 in total, which was mostly a meeting for information and exchange, not decision-making.

Unbeknown to many within and outside the World Bank, McNamara followed the habit of consulting widely with his associates, at the VP level and also below. He had a special telephone line (the "green line") connecting him with each VP. True enough, it was more his calling them than they calling him, but it remains true that there was more interaction between him and his subordinates than would meet the eye.

At the top of the World Bank's management structure, McNamara displayed trust and confidence in his immediate associates. Over the course of his tenure, several of these associates became key members of the management team, and while he could be very demanding and could sometimes be somewhat impatient, he manifested great confidence in their ability to manage their respective domains. This was particularly the case with Burke Knapp who, for a long period of time, was de facto considered as the number two in the management team. This confidence also extended to Hollis Chenery, the chief economist, Gene Rotberg, the remarkable treasurer and key mobilizer of resources for the Bank, and to William Clark, McNamara's trusted adviser on the external relations side. In later years, he remained especially close to his two immediate associates, Moeen Qureshi on the finance side and Ernie Stern on the operations side, with a close relationship with and full reliance on Martijn Paijmans on the administrative and human resources side, Heribert Golsong on the legal side, as well as on Roger Chaufournier, a regional VP consulted on selected sensitive issues.

Faced with McNamara's personal and management style, some found it difficult to speak up. He was intellectually dominating in exchanges with his associates, with his incredibly quick grasp of facts and figures and his sharp analytical mind. Admittedly, some people, in awe of him, went mute or did not speak their mind. On occasions he could also display impatience with fuzzy thinking and halting arguments. And, like many strong leaders, he resented disagreements in public but was far more open-minded in smaller meetings. He remained invariably courteous—in meetings as well as in private exchanges—and never scolded his managers in front of colleagues.

McNamara did not discourage Bank staff from taking risks. He himself seemed prone to taking risks, often daring and innovative. There is evidence that he was ready to accept that some projects would fail, for instance, in rural development, provided they would be innovative and address a new set of problems and provided they would lead to relevant lessons that could underpin future improved strategies and results.

RELATIONS WITH THE BOARD OF DIRECTORS

In McNamara's days, the business of the Board was conducted on a weekly basis, essentially on Tuesday mornings, from 10:00 am to 1:00 pm. At times of workload pressures, say, toward the end of the fiscal year before the end of June, the Board meeting would extend into the afternoon, and on rare occasions special meetings of the Board could take place on another day of the week. McNamara paid most serious attention to the Board and its members. Except when he was away on travel, he would rarely miss the meetings. He paid great respect to most of the executive directors (EDs), with whom he developed generally highly positive and constructive relationships, and sometimes true friendship. The substantive debates that often took place at the Board meetings between him and one or the other of the EDs on strategic or policy issues were invariably of a high intellectual level, also thanks to the generally high professional and intellectual level of most of the EDs.

A striking feature of his dealings with EDs is that he would value their presence and intellectual inputs, even when he had to disagree with some of them. Every one of them was aware that he had direct access to their authorities in their own countries (often including heads of state or chiefs of government, such as Helmut Schmidt or Valery Giscard d'Estaing), but he would never play a game with them on that score, avoiding the impression that he could bypass them when needed.

At the Board meetings, McNamara would get personally involved in the discussion of operations. Here, his technique for handling the discussion was quite effective. When a question by one of the EDs was asked, he would usually repeat the question, sometimes rephrase it to make it more comprehensible, before asking the staff member at the table to respond to the question. This was effective in clarifying the question, perhaps also in shaping the outcome, and in giving the staff member a little time to collect his or her thoughts and think through and prepare an appropriate answer.

McNAMARA IN HIS OFFICE AT HEADQUARTERS, WITH LEIF CHRISTOFFERSEN 1970/1971

THE ROLE OF THE PERSONAL ASSISTANT

The fact that the president had only one PA at a time made that subordinate role most challenging and interesting. The PA did not have formal terms of reference. Besides the obvious functions expected from a PA (managing the flow of information getting to the President's Office, running the administrative aspects of the office, being ready for any request by the boss, helping organize his travel schedules, standing beside him on all foreign trips, and so forth), the PA was given ample latitude on where and how he could best assist the president and his office. For some, it would be to ensure particular closeness to the offices of the members of the Executive Board and their staff or the officials representing countries or groups of countries as shareholders. For another, it would be to become especially close to representatives of the senior management and their staff in an informal, nonhierarchical way. For another, it would be to remain very closely connected with the rank-and file of the institution. Yet for another it would be to remain aware of field operations and field staff. In a word, the PA would be expected to be a bit of a fly on the wall, ready to feed hopefully useful information, without intermediary from the formal structure of the Bank, to the "big boss," one who could deliver unsolicited inputs to him on a wide variety of matters.

This brief presentation of the President's Office would be incomplete without a word of particular appreciation for McNamara's secretaries: Margaret Stroud ("Peggy") who started on his first day, later to be joined by Blanche Moore, both serving as his assistants until the end of his tenure at the Bank. Moore had been the secretary of William Bundy, former foreign affairs adviser to Presidents Kennedy and Johnson. Both were fully and most intelligently supportive of their boss. As utterly efficient, well-balanced personalities, they were wonderful team players with the successive PAs and their assistant Muriel Lee, and they made the President's Office a collegial and friendly work environment, notwithstanding the multiple pressures constantly affecting the office.

A PRIVATE, VERSATILE INDIVIDUAL

Distant, sometimes abrupt or impatient as he could appear in large gatherings, McNamara would invariably display impeccable behavior and courtesy on a personal basis in small gatherings, and in particular in dealing with his closest associates (among them the people in the President's Office). He would display charm and a good sense of humor, for instance, in the jovial way he would introduce himself to someone he did not know: "Hi, I am Bob McNamara." Surely, there was no small talk or futile conversation. Besides his acute time consciousness, a certain shyness and sense of privacy came into play. His was not likely to share or reflect moods, subjective feelings, or personal emotions, especially in larger groups of people. On the day following his wife's passing in February 1981, his behavior at the office was one of dignity and self-composure, displaying great self-control.

There were moments, however, when McNamara would show considerable emotion. One cannot forget his last address to the General Assembly, in October 1980, when he almost choked with emotion in delivering his final words—with a mention of the millions of poor people on whom the World Bank had had a positive impact during his time as president—in front of an audience of more than 3,000 delegates.

We saw two parallel patterns of behavior: on the one hand, that of a highly incisive, quick, and driven manager, and on the other hand, that of a private person, amiable, and a good, informal listener. Evidence of his caring ability is found in McNamara the family man, traveling with his beloved wife Margaret ("Marge") and attentive to his children (although relationships with them could be strained at times), and in his lifelong friendships in which he, long after his World Bank days, included our group of former PAs.

As a somewhat shy and reserved individual, McNamara did not feel at ease with large groups of people. In the Bank he would almost never mingle with staff. He would not attend informal luncheons with groups of staff, managers, or first-line operations staff (although he would not hesitate to personally call a front-line staff member on some specific technical or financial issue). He tended to keep to himself, largely preferring the company of close friends whom he entertained in his private dining room close to his office on the 12th floor of the World Bank building. He would greatly enjoy the company of local well-known public personalities such as Katherine Graham (Washington Post), Henry Kissinger, Henry Owen (former ambassador-at large for President Carter), and Paul Volcker, and he kept close contact with personalities around the world, whose views he would seek, welcome, and treasure.

McNAMARA WITH ANDERS LJUNGH IN SOMALIA, (1972?)

In sharp contrast to his somewhat terse demeanor in Washington, DC, McNamara was much more open and accessible while on trips abroad, an average of three to four in a given year. Always accompanied by his PA (with whom he would talk freely on a plane on all sorts of subjects), he would engage forcefully in discussions with local authorities (and World Bank field staff) at all levels during field trips. There he would demonstrate unusual interest, skill, and knowledge with pointed questions on all sorts of issues relating to field operations, technical, financial, and institutional, all geared to improve his first-hand knowledge of operations and their impact. His penchant for detail could at times become almost embarrassing to country field staff when he would debate the diameter of a pipe for irrigation or the level of energy needed for some industrial activity.

McNAMARA DURING TRIP IN WEST AFRICA, FEBRUARY 1969

BOX 3.2 THE CREATION OF THE BRANDT COMMISSION

by Sven Burmester

At a meeting at the World Bank attended by Burke Knapp and William Clark, McNamara said, "We need another Pearson commission. How about letting Henry [Kissinger] run one?"

Stunned silence. Then Clark said, "I don't think this would be a good idea."

McNAMARA: "Then get me another of those Peace Prize winners."

CLARK: "How about Willy Brandt?"

McNAMARA: "OK. See what you can do"

A couple of months later, I stood at the curb on Washington, DC's, 19th Street, at 10 o'clock in the morning, waiting for the former chancellor of Germany. He looked tired. He asked me where I was from, and pleased with the answer, he started speaking Norwegian and got the answers in Danish, until we reached the office and turned to English.

The meeting was attended by Brandt, McNamara, Clark, and the two personal assistants. It didn't go well. McNamara had expected an enthusiastic acceptance of the offer, but got a noncommittal response. After half-an-hour, I took Brandt back to the curb, conversing in Danish. Clark stayed with McNamara. When I got back, McNamara asked, "What went wrong?"

CLARK: "I don't think the pecking order got established."

McNAMARA: "Oh, there was no question about that!"

As we walked out of the office, Clark whispered: "Did you get the pecking order?." Tongue-in-cheek, I said "Oh, there was no question about that!" To this day, I do not know what McNamara meant.

McNamara was not impressed by the uninspired former chancellor, and Brandt was probably asking himself what he was doing being lectured by a civil servant. That both of them had tremendous egos did not make understanding easier.

It took much effort by Clark to get the commission established.

MR. AND MRS. McNAMARA WITH PRIME MINISTER
INDIRA GANDHI, NEW DELHI, INDIA, NOVEMBER 18, 1968.

In his personal friendships and connections, McNamara enjoyed and maintained close relationships with a wide variety of people from all trades and origins and of widely varying political views. He would greatly enjoy meeting and talking (on the phone) with high-level officials from all over the world, including heads of states and world leaders such as Helmut Schmidt, Valery Giscard d'Estaing, Leopold Sedar Senghor (Senegal), Indira Gandhi (India), Julius Nyerere (Tanzania), former UK Defense Minister Dennis Healy, British economist Barbara Ward, and so many other world leaders. He enjoyed a particularly close and effective relationship with Jacques de Larosière, the then managing director of the International Monetary Fund (IMF), whom he would meet on regular occasions on a one-on-one basis in addition to formal meetings. On the other hand, there were certain heads-of-state he loathed and viewed as dictators or authoritarian leaders uncommitted to development and poverty reduction, the likes of Mobutu Sese Seko in what was then Zaire (now Democratic Republic of Congo), Omar Bongo in Gabon, or Jean-Bedel Bokassa in the Central African Republic. An illustration of the atmosphere in encounters with such Heads of State is given in Box 3.3. Yet somewhat unexpectedly he seemed positively impressed with some leaders who seemed not particularly praise worthy, such as Siad Barre of Somalia and the Shah of Iran.

BOX 3.3 UNUSUAL NEGOTIATIONS

by Olivier Lafourcade

We are in Libreville, Gabon, at the time of the last meeting of the Development Committee (DC) attended by McNamara in 1981. The DC meeting convenes twice a year, in the spring and in the fall, and it gathers ministers, governors, and executive directors of the World Bank; it addresses issues and policies related to international development. Being in the capital city of Gabon, McNamara cannot escape a courtesy meeting with President Bongo. There is no love lost between the two. Bongo is very unhappy with the Bank for refusing to finance the trans-Gabon railway (too expensive, with doubtful economic and financial viability according to the Bank), while the Bank is not happy with Gabon for insufficient attention to poverty reduction and income disparities in the country. I am seated between the two of them in the luxurious lounge of the presidential palace, ensuring translation.

President Bongo makes the point that his country is very poor and it needs Bank support. Wittingly, he states that Gabon does not want to build an atomic bomb(!); unlike some other countries (he does not name India, which has just detonated its first atomic bomb), which the World Bank still supports with financing, Gabon is just in need of financing and technical expertise to develop its economy. McNamara gets obviously upset, looking around at the opulence of the surroundings—flush with ivory tusks, posh furniture, gold, and leather—and asks me to tell the president that "there is a great need in Gabon for redistributing wealth and income—especially the large revenues from oil exploration and exports—and better policies in favor of poverty reduction are much needed." A dialogue of the deaf. The meeting ended rather inconclusively.

McNAMARA ARRIVING AT THE OFFICE IN THE MORNING, 1970/1971

McNamara was by no means a one-track-mind, focused exclusively on his work responsibilities. He followed a remarkably organized, disciplined personal agenda, complete with physical exercise and intellectual and leisurely activities. He would invariably arrive at the office at 7:55 am every morning, having climbed the 12 flights of stairs two steps at a time. He would leave at 7:05 pm, with nothing in hand. Mornings at the office would preferably be reserved for his own work, reading, writing, and issuing notes and instructions, while meetings would take place mainly in the afternoon. There were, of course, exceptions, such as the Board meetings on Tuesday mornings and the President's Council meeting on Monday mornings, as well as occasional meetings of the operations, finance, and/or personnel Committees.

McNamara enjoyed a healthy and active life. He played tennis regularly and enjoyed skiing (at Aspen, Colorado) and trekking (in the Himalayas); his walking was fast, sometimes hard to follow for his PA. On missions he brought his jump rope to exercise in his hotel room. He was watchful of his diet, yet enjoyed good food and did not turn away a glass of whisky or good wine at the end of a busy day.

He was erudite, a man of great and wide culture. He loved reading, with particular fondness for classical American authors, including poets like Robert Frost. He was especially interested and intrigued by the origins of man, paleontology, and archeology; he was fascinated by the discovery of "Lucy" in Ethiopia in the early 1970s and Louis and Mary Leakey's Olduvai Gorge discoveries in Tanzania. He was also very fond of ballet. More than once, he would hop on the shuttle to New York just for one evening to attend a performance of the New York City Ballet, and still be back at the office early the next day. He displayed unusual knowledge of and interest in arts from foreign cultures. At a memorable visit to the National Museum in Lagos, Nigeria, the curator was awed by his knowledge of Nigerian art.

Throughout, McNamara displayed unequivocal personal ethics, in his personal behavior in public and in private, and in the use of World Bank administrative resources.

For practical purposes he did use the services of a private car and a driver, known to us only as "Gus," but he would not use this facility for family or personal purposes. Nor did he require any security protection—although this was often provided more or less discreetly by local authorities during his travel overseas. He was straightforward and adamant that his travel by plane would be in less than first class—at a time when the World Bank policy allowed for pretty much universal use of first class for all employees. His argument was, "Why pay for first class when I travel economy when I go on my personal travel?" This could be viewed suspiciously by some staff members who noticed that he was often, in fact, traveling first class, having been upgraded by some accommodating airline. But the Bank paid economy class fares anyway. And the PAs can easily testify to long trips taken in economy. One remembers a particularly grueling eight-hour night flight from Lagos, Nigeria, to Zurich, Switzerland, in the middle seat of the economy class in a packed airplane.

Likewise, McNamara had a most precise notion of what to do with World Bank money for travel. On his trips, he would request from his PA a small sum of local money, equivalent to a few US dollars. Getting up early in the morning, in various places where this was possible, he would get out of the hotel or residence to go for a walk—get some exercise and a glimpse of the city. The little change he carried with him would serve to buy a newspaper or some candy or local pastry. And invariably he would write the amount spent on a piece of torn newspaper giving the exact amount spent and returning the few coins and small banknotes of unspent money to the PA. And the PA would dutifully register the "statement of expenses" of the president with, say, 3 rupees having been spent.

In private gatherings, and particularly during trips abroad when there would be opportunities to relax at the end of a field day, often in the private homes of the local resident representative of the World Bank, feeling totally free to express himself, McNamara was a most delightful and charming individual. Witty, sharp as always with facts and numbers, he could engage in protracted discussions with passion and emotion. His language would say it all: "Damn right, Caio!," "Exactly Rainer!," "Totally agree with you, Leif!" And he could display a great sense of humor; he enjoyed a good joke, especially from some of his closest associates. None was better at it than William Clark, his VP for external affairs and one of his closest advisers.

With his quick mind and sharp analytical skills, an argumentative McNamara could appear overwhelming. His forcefulness in interacting with others, especially on intellectual grounds, could leave the impression of some rigidity, lack of openness, and of someone who has already made up his mind. Yet he could indeed be convinced to change his mind on the basis of strong arguments (see, several pages hence, his exchanges with Mahbub Ul Haq, one of his closest advisers). In a word, he was a good listener, and he would seek out the views of a diversity of interlocutors whom he respected and trusted, also outside his most direct professional circle of colleagues. A defining feature in this respect was his ability to use, shape, expand, and adjust ideas from various horizons for his own purposes, and those of the World Bank.

McNamara had a clear notion of how he wanted his communication managed. In a world before e-mails and Google, in an entirely different communications universe, his preferred medium was the written word. ("I can read faster than you can talk," he noted more than once.) He was not given to extensive and multiple speaking engagements. Rather, he kept to a few speeches during the year, keeping the few occasions when he would speak publicly "momentous." They remained his principal stage for delivering forceful and specific messages on behalf of the Bank. These included, as noted earlier, his addresses at the Annual Meetings of the World Bank and the IMF. And, likewise, the meetings of the Development Committee in the spring would provide an occasion for delivering a substantive message to the official world financial community. By and large the speeches became the stage for formal declarations of intentions and the strategic focus of the Bank. Therefore, much effort, thought, analysis, and preparation went into McNamara's speeches. The speeches at the Annual Meetings, for instance, would mobilize considerable human resources within and outside the Bank, possibly over several months. Such effort was deemed indispensable in view of the role these speeches played and the complexity of underlying issues.

The speeches were focused on substantive issues relating to economics and development matters, and their written versions were enriched by quantitative data and tables that would not appear in the oral delivery. Yet, all those numbers were matched by human sensitivity and empathy. Demonstrating a profound knowledge and understanding of the plight of so many people living in poverty throughout the world, McNamara would generally end his addresses pointing passionately to the moral obligation of those-who-have to come to improve the lot of those-who-have-not. He effectively communicated that he saw development and the role of the Bank ultimately as a moral mission.

A MAN OF THE WORLD

McNamara had an acute political instinct. His background and experience before joining the World Bank are evidence of his grasp of global political issues. During his time at the helm of an important international organization he was, however, committed to impartiality. Certainly, for most of his tenure, he entertained a particularly good relationship with the US government (especially with the Carter administration), but there would be many occasions when he was squarely at odds with US positions. An outstanding example was the debate in 1980 over whether and when China should rejoin the World Bank. Against opposition in the US Congress and administration he traveled to China, where he met and agreed on resumption of membership with Vice Chairman Deng Xiaoping. With strong determination he built consensus among shareholders, and led the process toward formal membership in the record span of three months between first contact by the Chinese ambassador and the positive vote of the Board.

McNamara's standing and experience with operational matters gave him the drive and legitimacy to address issues with high political connotation, both within countries and on a more global scale. In his annual addresses to the Board of Governors he could raise issues and suggest policies and strategies with obvious political implications, most notably in the area of governance and institutional development. An illustration of his political sensitivity is given in box 3.4. How this fitted with the Articles of Agreement (no involvement in politics) is open to debate.

On occasion, McNamara could take forceful positions with clear political implications, always in favor of developing countries and the interests of the poor in particular. Largely perceived as a champion of the developing world, he did at times cause resentment if not outright opposition from some quarters in the industrialized countries.

For instance, McNamara strongly advocated the creation of an energy affiliate to the World Bank that would provide support to poor countries severely affected by the energy crisis at the end of the 1970s. This did not go over well with the oil-producing and -exporting countries and some industrialized countries. As they opposed the project, he publicly denounced what he described as their shameless egotistical behavior.[12]

BOX 3.4 A DINNER IN PAKISTAN

by Olivier Lafourcade

We are, in March 1981, just three months away from McNamara's last day at the Bank. After visiting India, McNamara stops for a few days in Pakistan on a farewell visit. This is a country that McNamara has already visited on several occasions, a complicated and challenging country on many counts. After a brief field visit to the northwest province (Peshawar), a dinner is scheduled in Islamabad with President Zia-ul-Haq, a military strongman, suspected of having orchestrated the arrest, trial, and execution of his predecessor, Ali Bhutto. Four World Bank staff and managers accompany McNamara, and four Pakistani officials accompany the president. Zia-ul-Haq is a formidable figure: somber, with dark impenetrable eyes, no display of emotion, open and courteous but no particular warmth, concise, a man of few words. The discussion covers several developmental matters in Pakistan. McNamara reports on his visit to Peshawar, the situation in Afghanistan is discussed, with some concern of course from the Pakistan side. Zia-ul-Haq then mentions that he is very interested in getting World Bank support for the development of the southwestern province of Baluchistan. There are very serious problems in the region, with troubles among the populations, difficulties with the Pashtuns, incursions from Iran and Afghanistan, and more. In his view there is a great need for economic development as the only way to improve the situation, getting employment for so many people. He asks McNamara whether he could go there and see for himself. A visit to that area was not part of McNamara's itinerary, but he decides on the spot to accede to the request. The president provides his plane, and McNamara and his team go the following day to Quetta, the capital city of Baluchistan. There, we transfer to a helicopter and spend a few hours traveling around the area, observing the arid and hard conditions of the region, and spending time with the officials of the province in Quetta. McNamara did not meet with President Zia-ul-Haq afterward as he went to Karachi and then back to Washington, DC.

As a result of this visit, McNamara became convinced that the Bank should seriously step up its activities and commitments to the region, very much accepting Zia-ul-Haq's arguments that there was a strong need for development activities, especially in rural development and irrigation—and that there were indeed some serious threats of further social troubles in the area, coming from within the region itself but also from Iran and Afghanistan. Three months later, as McNamara left the World Bank, and the pressure for the Bank staff to address this issue died down; there was no particular interest of McNamara's successor to follow through on what had been discussed. What if? Thirty-five years later, would things have changed if the World Bank had indeed produced or contributed to a major development effort in the region?

TO SUM IT UP

We, the PAs, all experienced Bob McNamara as an outstanding leader. He would set the course: he knew the objectives he wanted to reach and the requirements along the way. He was able to elicit strong following from within the World Bank and elsewhere. He had a global, comprehensive approach to development. Was he American? Yes, of course. But he was not a nationalist. He had a strong urge and ability to understand and address the needs of people in different regions and from different cultures. He saw himself also as a citizen of the world.

McNamara had preferences among his partners and interlocutors. There is no doubt that he had a special inclination toward South Asia, particularly India (where he went so many times), and of course China toward the end of his mandate. He demonstrated early strong interest for Africa and some of its leaders, including Senghor in Senegal as well as Nyerere in Tanzania. He was able to demonstrate flexibility and realism in his dealings with leaders (see box 3.5). He seemed to feel somewhat less affinity with parts of the world that he understood less. This included French-speaking Africa and to some extent Latin America.

Yet in spite of, or perhaps because of, his strong sense of optimism and rationality coupled with significant impatience, he may have missed out on some important elements that would have been critical to make better judgments and take more informed decisions. He may at times have misjudged motives or capabilities of leaders, or missed out on corruption, institutional barriers, and environmental or gender concepts, and he may simply have underestimated the the poor, witnessed during his numerous visits to the field, he sometimes had scant knowledge of the specifics of the broader social and environmental circumstances in which World Bank–supported operations took place.

McNAMARA CONVERSING WITH HIS EXCELLENCY LEOPOLD SENGHOR, PRESIDENT OF SENEGAL; AND HIS EXCELLENCY OUSMANE SECK, MINISTER OF PLANNING AND COOPERATION, SENEGAL, IN WASHINGTON, DC, MAY 22, 1975.

BOX 3.5 VISIT TO TANZANIA IN 1970

by Leif Christoffersen

In the late 1960s President Julius Nyerere of Tanzania excited many leaders in the international community with his drive for rural development and poverty alleviation. Many aid agencies were drawn to his Ujamaa vision. Prior to McNamara's coming to the World Bank, its transport sector experts had completed an economic assessment of alternate transport options—comparing investments in a railway from Dar es Salaam to Lusaka in Zambia with a major road program covering the same distance. The Tanzanian government favored the railway. The Bank's analysis showed that a road investment would be much more beneficial to Tanzania, but this argument did not sway the Tanzanians. The Chinese financed and built the railroad.

Against this background McNamara visited Tanzania in late 1970. He wanted ample time to talk with Nyerere and his associates. Prior to the first high-level meeting, we were warned that cabinet members were very antagonistic toward McNamara. They expected a stern reprimand for having chosen the Chinese option.

When we entered the room, we could feel the icy atmosphere. McNamara made his introductory remarks, noting that now that the railway was being built, the next high priority for investments would seem to be an expansion of the capacity of the port of Dar es Salaam to accommodate the higher volume of shipments that would come as a result of the new railroad. The Bank would be prepared to finance such an investment.

The atmosphere of the meeting changed immediately. It ended on a friendly note. Leaving the cabinet room, McNamara complimented Nyerere on his writings and speeches about rural poverty and development. Nyerere responded that, as with the Bible, one thing is the written text, another thing is how to live by it. This proved prophetic. Ultimately, he was unable to implement sound economic and social development in Tanzania.

CHAPTER ENDNOTES

10. The Whiz Kids were a group of ten United States Army Air Forces veterans of World War II who became Ford Motor Company executives in 1946.

11. "Relative poverty means simply that some countries are less affluent than others, or that some citizens of a given country have less personal abundance than their neighbors. Absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities." From the Nairobi speech, 1973 (McNamara 1981).

12. From the personal testimony and recollection of his intervention by Olivier Lafourcade at the meeting of the Development Committee in Libreville, Gabon, in the spring of 1981. No other official record of his statement could be found.

REFERENCES

McNamara, Robert S. 1981. *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara, 1968–1981.* Baltimore, MD: Johns Hopkins University Press.

PHOTO CREDITS

Page 54: McNamara with Children in Peru, March 1976. © World Bank/ William Clark/ Bank Notes, April 1976, Pg. 2

Page 55: McNamara in West Africa, February 1969. © World Bank Group/ W. Clark/ 30359103_168/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 59: McNamara in his office at Headquarters, with Leif Christoffersen 1970/1971. World Bank Group/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 61: McNamara with Anders Ljungh in Somalia, (1972?). © World Bank Group/1822442_001/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 61: McNamara during trip in West Africa, February 1969. © World Bank Group/W. Clark/ 30359103_145/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 63: Mr. & Mrs. McNamara with Prime Minister Indira Gandhi, New Delhi, India, November 18, 1968. © World Bank Group/1892372_002/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 65: McNamara arriving at the office in the morning, 1970/1971. © World Bank/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

Page 70: McNamara conversing with His Excellency Leopold Senghor, President of Senegal; and His Excellency Ousmane Seck, Minister of Planning and Cooperation, Senegal, in Washington, DC, May 22, 1975. © World Bank Group/ Edwin G. Huffman/ 1818259/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

4

THE McNAMARA YEARS: ACCOMPLISHMENTS

GENERAL REFLECTIONS

During his first years at the World Bank, McNamara moved it on an expansion path, and he did not yet distance the Bank from the prevailing notion of “trickle down” economics, that is, from the assumption that somehow the benefits of growth would get to populations at large over time. It took him four years to formalize a fundamental change in his thinking, realizing that trickle-down was not happening. Several Latin American countries, among them Brazil and Mexico, had shown impressive rates of economic growth in the 1950s and 1960s, but the benefits of this growth had evidently remained limited to the better-off in those countries, while large segments among the poor saw none of the benefits of this growth. It was in this context that, at the beginning of the 1970s, he refocused the Bank’s attention directly on the needs of the poor, with particular attention to the poor in rural areas.

Asking the question of *development for whom?* instead of *development for what?* remains a main McNamara contribution. Speaking for and leading the political and economic mainstream, McNamara moved concerns center-stage that previously had come primarily from those much further to the left. He made the entire development community follow that lead, and poverty reduction is the undisputed primary development objective today, just the way he framed it 50 years ago.

In maturing his development vision, McNamara was strongly influenced by a number of key advisers. One was Hollis Chenery, the chief economic adviser and head of the World Bank’s research department. Chenery was the famed author of the major work Redistribution with Growth (Chenery, Ahluwalia, and Bell 1974). Another was Mahbub Ul Haq, who was then director of development policy under Chenery, and who would, to some extent, become McNamara’s conscience. Haq became famous when he left the Bank in 1982 to become a star at the United Nations (UN), as the first author of the UN Human Development Report and the now globally recognized Human Development Index. Haq’s achievements were a sequel to his contributions at the World Bank. A quote from the Human Development Center in his obituary states: “Along with his talented team, Dr. Haq did much to transform the World Bank into a development institution that places people, instead of rigid economic indicators, at center stage.”[13]

In a way, McNamara championed an emerging human-development-oriented trend. A clear concern for the individual well-being of people, especially the poor, was being championed by the president of an institution hitherto generally regarded as driven above all by economic and financial criteria and results rather than by social and human ones. He was by no means the first or only one to promote these ideas. Rather, he offered forceful leadership to a broader paradigm shift.

The other fundamental shift McNamara brought to the Bank came from his assessment that its contribution in financial terms (and its related technical expertise) fell short of the potential added value the institution could bring to the development process. To bring about growth and development, the World Bank's contribution needed to transcend individual investment cases.

The Bank could, in addition, assist borrowing countries through strategic advice. In ways no other institution would have been equipped to do so: not the International Monetary Fund (IMF), focused, until many years later, exclusively on macroeconomic issues (monetary, fiscal, financial, and so forth); not the UN, for insufficient expertise and politicization; not academia, which lacked operational expertise and experience; not bilateral government action, where development had to compete with political and commercial objectives; and not the private sector, with its focus on the shorter term financial bottom line. No other single institution could match the World Bank's reliance on important financial resources in combination with intellectual input and technical expertise, as well as "voice" and credibility around the globe.

In hindsight, however, several areas remained insufficiently considered during the McNamara years, most notably the environment and institutional development, themes that were to move center stage only in the 1980s.

OPERATIONAL CONTEXT

So-called "Bank" projects were always implemented by the borrower, while World Bank staff periodically supervised adherence to the loan agreements. Bank-funded projects provided opportunities for the borrowers to develop workable solutions. Not all outcomes were successes. During McNamara's years at the Bank, there were several cases of failed or unsuccessful operations, some of colossal size, gaining headlines—especially major resettlement schemes like transmigration in Indonesia and Polonoroeste in the far west of Brazil. These were eye-catching failures, and the media, the shareholders, the nongovernmental organizations (NGOs), and academia all seized upon them for good reasons.

On balance, however, there were many more successful operations. We can collectively offer a most impressive list of successful operations over the course of the McNamara era, in so many sectors and in so many countries. Indirectly, the failures had some constructive impact, too, bringing about the first operational guidelines on environment, resettlement, indigenous peoples, and more. The lessons learned led to systemic World Bank policy improvements.

At the Bank, it became essentially the job of the Operations Evaluation Department (OED) to call attention to shortcomings and failures. The OED was an independent evaluation body created under McNamara, reporting to the Board of Directors of the Bank and to the president. There was also an effort to take a detailed look at the lessons of experience in the Wapenhans Report (World Bank 1992) (by the name of one of his former regional vice presidents), issued in 1992, a full 10 years after McNamara had left the Bank.

Stepping back, we see a fair recognition of what worked and what did not. McNamara forced the World Bank to constantly and systematically learn from mistakes. In fact, much of the criticism leveled at the Bank came from internal evaluations and analyses that the Bank itself had conducted. Learning fast from the recent past, for the formulation and implementation of strategies of the future, remains a McNamara trademark.

SELECTED THEMES

The following sections describe what we believe were the most salient innovations and processes McNamara initiated as he positioned the World Bank as a principal player in international development. Some have endured long after he left the Bank.

PROJECT AND POLICY ADVICE

Official Development Assistance (ODA) is a combination of project assistance and policy advice. However, until the mid-1970s, ODA was essentially only offered in the form of project financing. In recognition of the limitations of project financing in the context of inadequate policy environments in many developing countries, policy advice was stepped up progressively, with significant encouragement from McNamara. In the World Bank, as in many other organizations, there have always been somewhat opposing if not antagonistic positions between project and program approaches to business and development, or similarly, between the technical and the economic. The challenge was to manage these equally valid, invariably intertwined positions.

The institutional reform and reorganization introduced by McNamara directly addressed this challenge with a decided country focus and leaning toward the program approach—consistent with the drive toward a more comprehensive view of the development realities in borrowing countries. Structural adjustment lending (SAL) and policy-based lending, largely justified and triggered by the energy crisis of the late 1970s, were new ways to get into a more effective dialogue on major policy impediments to development, especially when the effectiveness of the direct project approach began to evidence weaknesses and shortcomings, due, for instance, to lagging commitments by borrowing governments to the poverty focus and agriculture. The idea was that the implementation of complex policy reforms could become more doable financially and politically in association with financial assistance.

The dichotomy between projects and programs and the progressive shift from project to program, moving increasingly into policy advice, is not always fully understood and appreciated. The paradigm shift from physical and financial infrastructure to people-focused development assistance may not have received the full recognition it deserves. A number of initiatives taken under McNamara fail to be recognized adequately, among them the introduction of social sciences other than economics—spearheaded with the recruitment of Michael Cernea as the World Bank's first rural sociologist in 1974. The influence of such innovations admittedly remained limited for some time, but they opened the way to a gradual learning and significant change processes over time, and they served as incubators for what became separate projects and departments in health and basic education shortly before McNamara left the Bank. The early inroads in the environment field in McNamara's day later led the Bank to pioneer environmental assessment procedures to wide international praise in the 1980s. For decades since, the Bank's social and environmental safeguards have served as standard setters, permeating the thinking of many other international development agencies.

PROJECT COMPLEXITY AND FAILURES?

It is sometimes argued that project design during the McNamara years became unduly complex. True, it takes a lot more effort—financial, expertise, and human resources— to address issues in 360 degrees. The challenge often was to deal with cross-sectoral issues, and institutional as well as social dimensions. Integrated Rural Development (IRD) projects have often been cited as examples of presumably excessive complication. Yet taking on rural development in all its complexity ended up being a most important achievement of the McNamara era. It came as the realization of his decision to orient the Bank aggressively toward poverty reduction.

The large majority of new style rural development projects were single sector projects. The "Rural Development Policy Paper" of 1974 (World Bank 1975) clearly identified three alternative ways of reducing rural poverty: (1) the single-action program, addressing some specific problem faced by small farmers (for example, a single technical package approach); (2) the sector-specific program designed to address a particular set of activities (for example, small irrigation); and (3) the multisectoral approach designed to address area development issues where the interconnection among various sectors was deemed essential. IRD was never a fundamental operational focus, precisely because of uncertainty as to how such projects could be implemented. The IRD concept needed to be tested. Following the keynote speech of 1973 in Nairobi, the Agriculture Department under Montague Yudelman and its Rural Development (RD) Division under Leif Christoffersen were set up to do so. The conclusion sometimes drawn that all new style or poverty-focused projects were complex projects with lots of components does not stand. Leif wrote an article in Finance and Development (Christoffersen 1978) in December

1978 in which he pointed out that multisectoral RD was always a small part of the World Bank's agriculture and rural development portfolio. Over the five-year period 1974 to 1978, the Bank group lent US$10 billion for agriculture and rural development, of which the latter was US$5.3 billion. By far the largest number of RD projects were single-sector agriculture projects with a poverty focus—about US$4.2 billion. Lending for multisectoral RD was US$1.1 billion or only 11 percent of total agriculture and RD lending over this period. IRD was part of this multi-sectoral classification—so, less than 11 percent of agriculture and RD lending.

The main obstacle to McNamara's rural development initiative was the prevailing international view that small farmers made little or no contribution to economic development. There was disbelief in many governments in agriculture as an important factor for economic development; and there was, as a result, an absence of government support for agriculture generally and small farmers in particular (despite official rhetoric to the contrary). It is also true that good RD projects were often designed with insufficient attention given to the macroeconomic environment (say, incorrect pricing or fiscal policies) and with complex, at times temporary, institutional arrangements that would prove unsustainable in the medium term.

Some obvious benefits and positive results of the RD approach in Brazil and in Mexico deserve to be remembered (see the section "The Focus on Poverty" in Chapter 5).

THE POVERTY FOCUS

Getting an international agency involved in internal income distribution and poverty alleviation was resisted and viewed with suspicion among national leaders in borrowing countries. McNamara never lost sight of widening national inequities between high-income and low-income groups. Not only among borrowing countries, but also inside the World Bank, there were many who were not convinced that foreign aid efforts should be directed at internal income distribution at the country level. Leif remembers many senior managers voicing the opinion in 1973 and 1974 that the Bank's role was reducing the income gaps between high- and low-income countries, not income gaps within countries, a view also evident among many Board members from developing countries.

And yet the issue of internal income distribution was already being addressed squarely by the Bank in the early 1970s. Take the example of huge income discrepancies within a country like Mexico, between the large Mexico City urban center and the wealthy northern part of the country on one side, and the poor, largely indigenous south on the other. Likewise, the income differences between the poor northeast of Brazil and the rich southern part of the country were obvious. The Bank programs of rural development (PIDER in Mexico and Polonordeste in Brazil) were designed to precisely address those imbalances.

Despite implementation difficulties and initial failures, the Bank's poverty focus has by and large been maintained ever since. It has prevailed—despite some ups and downs—as a major objective of Bank operational policy. For this, the leadership and insistence of McNamara deserves historical recognition.

Government support for these new style projects remained an issue, with growing tensions between borrowers' viewpoints and the preferences among many donor governments and public interest groups in the North, and donors of trust fund money. Over time, the objections to interfering in internal income distribution matters waned.

To some extent the Bank fell victim to OED's definition of project failures to include those that failed to generate an internal rate of return of 8 percent. Many projects with positive rates of return but less than 8 percent fell into OED's "failed projects" category. Leif remembers several cases when cofinancers in their own reporting rated World Bank projects highly successful due to important institutional capacity-building achievements, while falling short of the 8 percent mark.

POVERTY AND INNOVATION: SECTORAL APPROACHES

Against the overarching objective of poverty reduction, the World Bank under McNamara's leadership embarked on a number of highly innovative approaches, entering into sectors and themes hitherto largely ignored or neglected, which have since become entirely adopted by the development community, official as well as private (NGOs and others). Some important ones include the following:

DEMOGRAPHY AND POPULATION

Throughout McNamara's tenure, the population issue was central to his understanding of key issues affecting international development. His views evolved over time. He started out with a simplistic "population bomb" point of view, where the answer was family planning: only toward the end did he focus on the determinants of fertility rates and of desired family size—with a more differentiating focus on basic health and education as vital complements to family planning per se. He remained emphatic in his views that this matter constituted one of, if not the, major point of concern for the future of humanity. He harked back to the theme in countless public interventions over the 13 years of his presidency of the Bank. Population was repeatedly addressed in his annual addresses to the Board of Governors (1968, 1969, 1971, 1972, and 1977). He even raised the issue forcefully with Pope Paul VI in Rome.

McNAMARA WITH POPE JOHN PAUL II, ROME, ITALY

HEALTH

There was full recognition of health and nutrition as key elements of development, which the World Bank embraced starting in 1974, based on the Health Policy paper of that year (World Bank 1975). Initially the decision was not to go for free-standing health projects but rather to work through health components in many sectors (rural and urban development, agriculture and settlement, education, and so forth), integrated health and population projects, and some specific communicable disease control projects (river blindness and malaria, for example). The focus on health was further strengthened when the concept of "basic needs" was reinforced around 1977, with independent health and nutrition projects, and also the establishment of the Health Department around 1979.

EDUCATION

The 1974 Education sector policy paper (World Bank 1974) was a first start. However, it took a number of years before the shift toward basic education was more strongly reflected in lending, beyond components of rural development–type projects. Free-standing education projects did not start until the late 1970s, and they had to wait for a big-time financial push for several more years.

ENVIRONMENT

McNamara's budding commitment to the environment was largely rhetorical and incidental. Although the World Bank was a pioneer in setting up an environmental unit soon after the 1972 Stockholm Conference, it is clear in retrospect that McNamara missed an opportunity to respond much more forcefully to the challenge so clearly identified in Stockholm. The creation of the unit was but a tiny beginning with a handful of individuals, with limited effectiveness. More could have been expected from an otherwise farsighted and strategic leader. Eventually, and following severe external criticisms, the lessons learned would make their way into the much-acclaimed World Bank environmental guidelines (World Bank 1983) and the 1987 reorganization.

ENERGY

McNamara responded promptly and vigorously to the energy crisis of the 1970s. He recognized early on the disastrous impact it had to have on resource-poor countries highly dependent on oil imports. Especially toward the end of his presidency, he exercised strong leadership to promote the creation of mechanisms designed to assist the poor countries most affected by the increase in oil prices. To his credit, he tried. But in fact, his proposed energy affiliate never saw the light, due to strong opposition from oil-exporting and several industrialized countries.

RESEARCH

McNamara wanted to step up research in many areas of primary importance to developing countries, above all in agriculture, an area so directly related to improvements in agricultural production and productivity. Following the lead of the Rockefeller Foundation, US Agency for International Development, and individuals such as Nobel Prize Laureate Norman Borlaug of Mexico's International Maize and Wheat Improvement Center (CIMMYT in the Spanish acronym) , he played a key role in the establishment of the Consultative Group for International Agricultural Research, with the secretariat hosted by the World Bank. Similar research-related efforts were later undertaken in the fields of health and education—however, with less visible impact. As mentioned earlier, he also supported economic and policy research of Hollis Chenery, Montek Ahluwalia (later to be a key architect of India's economic policy turnaround), Mahbub ul Haq, and their teams.

POVERTY FOCUS AND GOVERNANCE

McNamara constantly emphasized the importance of the development effectiveness of governments. He never grew complacent with authoritarian regimes and had a profound dislike for dictators no matter where in Latin America, Africa, or Asia. He pushed hard-line regimes on income distribution, poverty reduction, and rural development, for example in Brazil and Indonesia.

McNamara would not hesitate to take strong institutional positions in the case of governments that, in his view, were not sufficiently committed to the objectives of poverty reduction. As an illustration, in the mid-1970s it was reported to him that the Brazilian government was procrastinating in its activities relating to rural development in the northeast, an area of stark rural poverty. McNamara issued a blasting short note to his then senior vice president, Burke Knapp, stating essentially: "I understand the Brazilians are not serious about rural development in the northeast: I believe we should reconsider the entire lending program to the country!" This memo somehow ended up in the hands of the government, with the result of an immediate acceleration of the rural development program in Brazil.

McNamara's commitment to poverty reduction had been strong and consistent since the early 1970s, and in 1975 the World Bank (1975) issued the book The Assault on World Poverty (published by the Johns Hopkins University Press). This was a rejoinder of five policy papers issued by the Bank in 1974, addressing five key issues relating to poverty: (1) rural development, (2) agricultural credit, (3) land reform, (4) education, and (5) health. A later landmark was the *World Development Report 1980*, led by Paul Isenman, with a section titled: "Poverty and Human Development."

A key point, often overlooked, of McNamara's presidency was the importance he gave to monitoring and evaluation of both the intellectual and operational activities of the World Bank. Precisely because of the considerable innovations undertaken by McNamara during his tenure, in the context of the overarching objective of poverty reduction, McNamara's efforts to monitor, assess, and evaluate the validity, sustainability, and effectiveness of the Bank's activities constituted a pioneering effort, which was later largely followed and emulated in the development community.

EXTERNAL DEBT

Preoccupation with external debt figured prominently in McNamara's agenda ever since the Pearson Commission findings in 1970. He has sometimes been criticized for not reducing nongrant operations when rising indebtedness occurred—particularly during the energy crises, blurring the crucial differentiation between debt levels and debt service. We believe, however, that the World Bank was dead right in trying to increase low-cost funds to developing countries during and after these crises, while also increasing debt and debt service analyses and publications, as a better information base and reference for all member countries.

POLICY-BASED LENDING AND STRUCTURAL ADJUSTMENT LENDING

The World Bank's promotion of structural adjustment toward the end of the 1970s has been and continues to be the subject of intense debate and controversy. There is indeed legitimate reason to question both the rationale and, even more, the impact of this approach. Was the Bank out of its waters in moving in this direction? In our view it was not the utter failure stipulated by some critics, but one way for addressing issues inherited from the energy and debt crises of the 1970s. This issue had first been pointed out by the IMF, with its limitations to macroeconomic issues such as monetary and fiscal policies. The Bank seemed comparatively better placed to address sectoral and institutional policies. SAL helped with the slow disbursement problems in the project portfolio when the transfer of ODA was a legitimate overriding concern of the Bank. Who else could take on that function with large volumes of low-cost funds from the North to the South? Such an initiative could certainly not have come from ideas arising from the political discussions in the UN about its New International Economic Order (NIEO).

Policy-based lending could be deployed to tackle policy obstacles to project implementation. Critics have often argued that SAL had major negative social effects, and several evaluations have presented findings establishing that they contributed to making the poor worse off, especially with the observation that they caused a sharp reduction in budget-funded social services. This sweeping judgment overstates the case. We look at it in a more nuanced way.

In several countries there have been, undeniably, highly negative consequences of structural adjustment, as later amply documented. In some cases, this was due to improper design, in others to improper implementation, and in others yet to lack of ownership by the countries. SAL was indeed a highly innovative and risky way of addressing some fundamental issues of macroeconomic and sectoral management. It was politically difficult, a challenge faced both by the World Bank and the IMF. Yet, most importantly, there is the fundamental question of what would or could have happened if there had been no adjustment, a point very few critics of the SAL approach dare to address. Events like the hunger riots in the Arab Republic of Egypt, the social disturbances in Venezuela, and elsewhere, all due to the incapacity of the governments to adjust in time, give us hints.

In hindsight it seems fair to say that this adjustment strategy and approach, as difficult, costly, and painful as it may have been then, has had lasting positive impact on many countries—for example, countries in Africa and in Latin America, which became more rigorous and efficient in the management of their public finances than before (in macroeconomic and fiscal policies, budgetary and debt management, and so forth), largely due to the lessons from experience acquired during this adjustment period.

CHINA

China rejoined the World Bank in 1980 after only a few months of negotiations, with enormous implications for the world at large. It certainly became one of the greatest success stories in the World Bank's history (see box 4.1). This development became possible as a result of McNamara's vision and determined leadership, against formidable odds, including some resistance from the US administration at the time. McNamara's meeting with Deng Xiaoping in 1980 must rank as one of the most important meetings of his time at the Bank. His leadership in the process of laying the foundations for making the Bank's relationship with China such a success story deserves strong recognition.

BOX 4.1 HOW IT ALL BEGAN: CHINA RESUMING MEMBERSHIP IN THE WORLD BANK

by Caio Koch-Weser

On February 11, 1980, the Chinese ambassador asked to see McNamara and invited him to visit China as soon as possible in order to meet with Chinese leaders and to initiate the process of China resuming its membership in the World Bank. He asked about access to soft International Development Association (IDA) credits, and the issues related to representation of China shifting from Taiwan to the mainland. McNamara pointed out that resumption of membership in the IMF had to come first. He expressed his delight with China's intention to rejoin and underlined the high priority he would give to this historic request and the invitation for an early visit to Beijing. He immediately moved on preparing for his visit.

McNAMARA, IN WHITE, WITH CAIO KOCH-WESER BEHIND, MEETING WITH DENG XIAOPING IN BEIJING, CHINA, IN APRIL 1980

The main issues that came up during the following weeks were related to the withdrawal of Taiwan, IMF membership, IDA, attitudes in the US Congress, and timing of negotiations. Jacques de Larosiere moved fast on the IMF side, and an exploratory mission was remarkably successful.

In the frequent consultations McNamara held with the Board the concern of most members, particularly India, was China's access to concessional IDA VI funds. McNamara agreed that access to the negotiated IDA VI replenishment would not be feasible, but he finessed the issue by pointing to the country's per capita income of about US$250 and bringing tentatively into play the possibility of using International Bank for Reconstruction and Development (IBRD) income transfers to IDA and some resources freed up by graduating IDA recipient countries. The general sense of the Board was cautiously positive but in favor of a very gradual process, reflecting in the case of Europe also an ongoing broader geopolitical reassessment of the EU-US-China relationships.

It soon turned out that the US administration was ill-prepared on how to deal with Congress on the issue. The Taiwan lobby and forces in Congress objecting to a large communist country joining the Bretton Woods institutions put pressure on the US Treasury Department with the argument that IDA VI authorizations and appropriations, an envisaged IBRD capital increase and the IMF seventh Quota Increase, would be put in jeopardy if China rejoined the Bretton Woods institutions in near future. On the other hand, the United States had been in the process of granting China most-favored-nation status, further deepening the incipient economic relationships. To the night before McNamara's departure to China on April 8, Secretaries William Miller (Treasury) and Cyrus Vance (State) put fierce pressure on him in several meetings to delay his trip, to make the visit only exploratory, and to delay resumption of membership talks at least until September 1981. In an act of determined leadership, McNamara argued that he followed an invitation from the highest level and that it was not for World Bank management but for the United States bilaterally to convey to the Chinese government its wish for a long postponement. He also asked in these acrimonious meetings how the US administration would be able to hold the line politically and publicly for a year and a half against the expressed wish of China´s leadership. He prevailed with his plan and left for China the next day.

During the five days of extensive discussions in Beijing, both sides proved to be very well prepared, motivated by the joint intention to move quickly toward the change of representation. The extensive meeting with Vice Premier Gu Mu gave us an overview of the economic situation and modernization plans. The vice premier stressed the backward state of the economy, particularly in the agricultural sector, and the emphasis on independence and self-reliant development, but at the same time the need for external expertise and financing for the ambitious modernization and investment plans. World Bank financing should focus on agriculture, light industry, energy, and transport.

Vice Chairman Deng was well briefed on the discussions when we met at the Great Hall. At the outset he asked about World Bank lending to other countries and pointed to China being a backward developing country that should receive concessional assistance from the Bank. As in the past, the country would rely on its own efforts to achieve the ambitious modernization goals in four areas by the end of the century. But foreign expertise and Bank assistance would be of great help, and to be successful China needed 20 years of peace. Here the greatest danger came from the Soviet Union and its expansionary policies in direction of the Indian Ocean via Afghanistan, outflanking the North Atlantic Treaty Organization. This turned into a lengthy geopolitical discussion, motivated in part also by McNamara's past associations.

Toward the end of the conversation, they agreed that the relationship should be of a long-lasting nature over the 20 years of the vice chairman's modernization vision. While the foundation of China`s development was self-reliance, it wished to draw also on foreign technical expertise and financial support. McNamara postulated that while the World Bank`s data requirements and procedures were at times burdensome and it presently faced financial constraints, in 10 years the Bank should be the largest single source of economic and technical assistance to China. Deng concluded that in the long term, strong economic growth in China would also serve as a key factor in promoting stability in the world. He was aware that there were concerns about potential bad effects of development in China and that China was a communist country. But there were many definitions of communism. China was a socialist country and would always be part of the Third World.

McNamara left China deeply impressed with the leadership´s strong determination to rely on China´s own efforts in developing rapidly, and also the willingness to admit the need for external assistance in order to develop faster. He was convinced that with the agreements reached and the sense of urgency displayed by the Chinese leaders he could prevail in convincing the World Bank's members to move quickly. On May 15, in Board Executive session, China was readmitted as a member of the World Bank Group, preceded by action on the IMF side. The United States was now fully supportive and the US Executive Director at the World Bank praised McNamara´s wisdom, foresight, and leadership

Looking back 40 years later on how it all began, leading over the decades to one of the most fruitful partnerships and country programs in the World Bank´s history, a few success factors stand out: the fundamental meeting of interests on both sides in collaborating closely at the outset; the welcome and initial support of Deng matched by decisive leadership by McNamara; the openness and ability of the Chinese counterparts to absorb knowledge and quickly execute; the quality and speed of the Bank´s response; and importantly the level of trust and friendship developed and shared by the large teams on both sides.

McNAMARA IN LIBERIA IN JANUARY 1972
WITH ANDERS LJUNGH ON LEFT

BANK MORALE

The question of deteriorating staff morale at the World Bank during McNamara's tenure has been the subject of some debate and controversy. There were signs fairly early, and deteriorating staff morale took on an added dimension toward the end of his tenure. To some extent this might be expected. We would find it strange if a leader and manager like McNamara were to elicit unqualified support by all, within and/or outside the Bank. Right from the beginning, McNamara took some decisions that affected many individuals, including senior managers. Some were let go, some were not promoted. In addition, the Bank was, and still is, a unique institution with an extraordinary level of skills in so many areas, with a high level of experience and education (several thousand PhDs) among staff and managers, many of them with strong professional views, and an unmatched diversity of origins, cultures, and faiths. It would have been extraordinary if such a gathering had responded homogeneously to the drive of its leader and manager. There was ample room for disagreement, both in substantive areas (strategy, operations, methodologies, and so forth) and in matters of internal management. Therefore, throughout his 13 years at the Bank, McNamara did go through periods when the staff and managers alike were less than enthusiastic.

Some discontent had to do with perceived or real increases in pressure on staff to deliver larger volumes with constrained administrative resources (see Box 4.2). There was a perception of excessive pressures to deliver, most notably toward the end of the fiscal year; and there was also the fear of a bureaucratic and mechanistic approach to allocating resources to the operational program, some sort of a "numbers game" being played in terms of average allocation of resources to very different types of activities, with quasi-automatic "coefficients" to attribute to the various phases of the "project cycle" irrespective of the sector and/or the complexity of the project.

BOX 4.2 AN ANONYMOUS ACCOUNT OF THE PERCEPTION OF McNAMARA IN THE EARLY 1970s

What Robert McNamara wants, McNamara gets
He's got the cash, he's got the men, he's got no false regrets.
If Robert thinks it best that Country X must have a loan
Then Country X must have it, and Projects mustn't moan.
One thing in life is certain, so don't take any bets,
What Robert McNamara wants, McNamara gets.

What Robert McNamara thinks, we must think it too.
What McNamara wishes done, we must go and do.
If Robert's promised anything, and if he really said it,
We must write a fat report to justify the credit.
We may think, in fact it stinks, but we must see it through,
Because what McNamara thinks, is ipso facto true.

For McNamara's millions the queue just grows and grows,
But who are lucky winners only McNamara knows.
He rarely speaks, but when he does, he's read in every college
For words when backed with cash become the fountainhead of knowledge.
His grey reports are drafted in the best of World Bank prose
And then what McNamara says—invariably goes.

There's one thing though that Robert wants that maybe he won't get,
To sell his population plans he'll really have to sweat.
At slowing down the babies he wants to get full marks,
But to reduce the storks he must eliminate the larks.
Not all his World Bank dollars will stop the people petting,
There's one thing here McNamara wants and that he isn't getting!

NOTE: Circulated in the World Bank at the beginning of the 1970s.
No date or author identified.

In addition, the end of the 1970s witnessed considerable changes in the perception of the adequacy of the levels of remuneration for many non-US staff members. Due to the fall of the US dollar, many non-US staff, especially the Europeans and the Japanese, felt that their remuneration was no longer on a par with the traditional comparators in their respective countries. This led to manifestations of unhappiness among staff.

Other factors possibly included McNamara's forceful managerial style (sometimes overwhelmingly so), his terse directness in large meetings (with a tendency to keep some distance from staff), a reluctance to meet informally and to listen to staff at large, and sometimes the hesitation of senior managers to speak up or to disagree openly with the "boss." Yes, he could be intimidating and did not take open criticism or even disagreement easily. He was highly respected but not overly popular with staff, and this was probably one of his central weaknesses. As mentioned, this contrasted to some extent with his behavior in private and with smaller groups, where he would show much greater accessibility and openness. His personal assistants were used to compensate somewhat for this, by being his informal low-key bridge to staff and management.

Importantly, the last year of McNamara at the World Bank coincided with the start of Reagan's Republican administration. In the eyes of the new administration, McNamara did not figure among the popular individuals. The positions of the US government with respect to international institutions, and the World Bank in particular, were seen as antagonistic to the multilateral system, and at the very least indicated a drastic change over earlier days under the Carter administration. This new, broad political uncertainty raised concerns among some of the staff about the future of their institution.

McNamara may not have been at ease in dealing with the Staff Association of the World Bank, but he never infringed on its activities, and always responded to its requests for consultation. Indeed, he contributed effectively to establishing the entire institutional system of addressing human resources disputes or conflicts, including in the creation of the Bank Administrative Tribunal and appeals procedures.

These cases of unease among staff should by no means be construed as an indication of widespread discontent. To the contrary, there is ample evidence that the vast majority of staff adhered wholeheartedly to the orientation and direction of the institution, as inspired by its president. On balance, McNamara's relations with the staff and management were remarkably positive. Few are those who, at the time as well as 10 or 30 years later, would not have been proud to be part of "McNamara's Bank."

THE BANK AND THE UN

There have been allegations that McNamara bullied the United Nations Development Programme (UNDP) out of its traditional role of providing preinvestment services and in-country expertise through its country-based missions. UNDP was allegedly seen as a competitor to the Bank's own interest in setting up country missions. We share a nuanced view on this matter.

Surely, McNamara was keen to see the World Bank work closely with the UN whenever a mutual operational interest arose. He always sought advice from UNDP resident representatives whenever he made country visits, and he supported cooperative programs with many UN agencies, such as the Food and Agriculture Organization (FAO) of the United Nations, the World Health Organization, and the UN Educational, Scientific and Cultural Organization (UNESCO). Nevertheless, competition came into play, and probably for clear reasons. Some UN initiatives were not particularly welcome in the World Bank, most notably the proposed NIEO, seen as excessively ideologically and politically motivated (for example, with United Nations Conference on Trade and Development [UNCTAD] on economic and trade approaches). On the financial side, the financing of IDA was seen as competing with UN efforts to mobilize resources.

The problem for UNDP, in particular, was a general scarcity of funding and unevenly distributed technical expertise. Mostly, it could not match the World Bank's technical, analytical, and sector capacities and, as noted, the Bank's ability to integrate those staff capacities with large amounts of lending. The UNDP was left with a more generalist role as, for example, that of trying to coordinate the various and fragmented UN-funded programs. On a broader note, in 1976 the Bank agreed to a request from a meeting of the UN heads of agencies to provide initial leadership of the UN ACC Interagency Task Force on Rural Development.

On a more personal basis, McNamara indeed did not entertain close relationships with prominent members of the UN. This included secretaries-general U Thant, who died in 1972, and Kurt Waldheim (1972–1981), as well as high-level officials of selected UN agencies, such as Edouard Victor Saouma, director general of FAO, or Jan Pronk or Dragoslav Avramovic of UNCTAD, although the latter had long experience at the World Bank. Possible exceptions were Bradford Morse of UNDP and Maurice Strong, the first secretary-general of the UN Conference on Environment.

TO SUM IT UP

We see the 13 years under McNamara's leadership at the World Bank as extraordinarily rich and productive. Deliberately we do not offer comments on the quantitative aspects of his achievements. These have been well documented elsewhere and the numbers do speak for themselves, in terms of increases in the volume, nature, and diversity of activities undertaken by the Bank, both in the operational field (lending) and in intellectual contributions: strategy and policy papers, research, analytical work, technical assistance, advice provided to borrowing countries, partnerships with other institutions, and more.

CHAPTER ENDNOTES

13. "A Tribute to Dr Haq," Human Development Centre (website), http://www.un.org.pk/hdc/Tribute Page.html Archived 24 January 2008 at the Wayback Machine.

14. Olivier Lafourcade remembers a close engagement of McNamara with Prince Philip of the United Kingdom—an early advocate of environmental and biodiversity protection—in the early 1970s over the question of the habitat of a few rare kestrels (a type of falcon) in Mauritius, presumably under threat from a proposed rural development project to be financed by the Bank. That threat eventually proved nonexistent.

REFERENCES

Chenery, Hollis Burnley, Montek S. Ahluwalia, and C. L. G. Bell. 1974. *Redistribution with Growth: Policies to Improve Income Distribution In Developing Countries in the Context of Economic Growth*. London: Oxford University Press for the World Bank and Institute of Development Studies, University of Sussex.

Christoffersen, Leif. 1978. "The Bank and Rural Poverty," *Finance and Development* 15, no. 4 (December 1978): 18-22.

Human Development Centre. "A Tribute to Dr Haq," Archived 24 January 2008 at the Wayback Machine. https://web.archive.org/web/20080124044503/http:/www.un.org.pk/hdc/Tribute Page.htm

World Bank. 1974. *Education sector policy.* Washington, DC: World Bank.

World Bank. 1975. *Health*. Washington, DC: The World Bank.

World Bank. 1975. *Rural Development: Sector Policy Paper*. Washington, DC: World Bank.

World Bank. 1975. *The Assault on World Poverty: Problems of Rural Development, Education and Health*. Baltimore: The Johns Hopkins University Press.

World Bank. 1980. *World Development Report, 1980*. Washington, DC: World Bank.

World Bank. 1983. *Environmental Guidelines.* Washington, DC: World Bank.

World Bank. 1992. *Effective Implementation: Key to Development Impact* (*Wapenhans Report*). Washington, DC: World Bank.

PHOTO CREDITS

Page 81: McNamara with Pope John Paul II, Rome, Italy. Foto © Vatican Mediax

Page 86: McNamara, in white, with Caio Koch-Weser behind, meeting with Deng Xiaoping in Beijing, China, in April 1980. © 1980 Government of the People's Republic of China

Page 89: McNamara in Liberia in January 1972 with Anders Ljungh on left. World Bank Group/ License: CC BY NC-SA 4.0 and Terms of Use for the WBG Archives Photo Catalog

McNamara's standing and experience with operational matters gave him the drive and legitimacy to address issues with high political connotation, **both within countries and on a more global scale.**

5

THE LEGACY

Undoubtedly, McNamara left a strong imprint on the entire paradigm of development, and he shaped the World Bank into the recognized premier international development institution.

The record can speak for itself. We wish to highlight just some of his lasting legacy, as we see it now, almost 40 years after he left the Bank, along with opportunities he may have missed.

THE FOCUS ON POVERTY

McNamara's most important legacy remains the focus on poverty reduction. The notion that there would be no prospect for lasting, stable, and sustainable development without the eradication of poverty took hold during his tenure at the Bank. Poverty came to be seen as the major obstacle to achieving the balanced and sustainable development that all were struggling for. This fundamental argument remains as valid today as it was 48 years ago when he delivered his speech in Nairobi in 1973.

The poverty focus began to be shared widely—by bilateral agencies (especially the US Agency for International Development, USAID), several nongovernmental organizations (NGOs), and several academic centers—in the 1950s and the 1960s, especially in Europe (for example, at the Institute for Development Studies at Sussex University in the United Kingdom and various research centers in France). In practice, their activities and achievements remained somewhat diffused and uncoordinated. The advantage of World Bank research and policy work was its learning from innovations and research of others, assessing and adapting them, helping countries implement them at scale, and learning again from experience and, importantly, ongoing evaluation.

It was in this process that McNamara and his team, through his speeches and policies and through the World Bank's lending program, had a powerful impact on policies and programs of developing countries in all regions of the world and among the donor community. The Bank's credibility and grip came from the integration of technical capacity, analysis and large-scale financing, and the related convening power of the Bank, while the academic world had treated development economics primarily as a subset of economic theory, often ideologically driven—whether left or right—and essentially focused on growth.

Following the abandonment of the trickle-down theory by the end of the 1960s, the academic world had not yet offered analytical and operational alternatives. It took McNamara's initiative to promote a general understanding and recognition that, not only could the poor contribute effectively to the growth process, but a lasting, balanced development process could not take place without the full participation and contribution of the poor. McNamara coined a rough definition of who the poor were, developing his "target group" approach and intended "beneficiaries" of projects and programs.[15]

This emphasis on development for people became central. McNamara's personal commitment to reaching people is reflected in the ample time he devoted to field visits. Some of the World Bank's publications following the McNamara era further solidified the focus on the social dimensions of development. Most notably the book Putting People First: Sociological Variables in Rural Development, edited by Michael Cernea (1985) built on the dynamics on this matter initiated by McNamara. As mentioned, this focus on the poor came with a further distinction between the "absolute poor" and those who were defined as "relatively poor." By and large, the poor were classified as the bottom 40 percent of a population in any given country. This emphasis, especially on the "absolute poor," was upheld long after McNamara left the World Bank, and it is still widely recognized as the universal goal for all development institutions.

In hindsight, was such an exclusive focus on the poor limiting in terms of a broader vision of development? Could, for example, also paying more attention to the role of the middle class in its capacity to lead poor populations out of poverty through a "pull effect" have been an effective contribution to poverty reduction? We ask whether more attention could have been given to links between the private sector and poverty reduction.

Needless to say, McNamara was interested in the development of the private sector in the countries where the World Bank operated. In his position as president of the Bank and of its affiliate, the International Finance Corporation (IFC), there are numerous examples of his advocating for the private sector in his dealings with government officials and in promoting policies conducive to its development. In addition, the financing of development banks in most countries of the World Bank portfolio was essentially directed to the "traditional" private sector in industry. IFC had been created long before, in 1956, and efforts had been channeled through the creation and promotion of development finance companies in the borrowing countries, as well as within the Industry and Energy Department of the Bank, to activities most directly connected with economic growth, say, in industry, energy, and transport.

In McNamara's day, little if any emphasis was placed on small and medium enterprises (SMEs) and their potential for creating employment, although the World Bank had been promoting activities in these areas long before McNamara came on board. Whatever efforts were directed to SMEs consisted of publicly supported initiatives, with a mix of private and public financing. Results were often disappointing: owing, for instance, to a lack of real experience in the private sector among public servants, interference from public authorities, conflicts of interest among various local actors, or corruption. In addressing the realities of poverty, especially in rural areas, we ask whether McNamara was sufficiently attuned to the potential of SMEs.

Today, the challenge of inequality continues, as the objective of combining growth with simultaneous reduction of poverty and inequalities often remains elusive. Also, post-McNamara, the World Bank has made considerable efforts in addressing it, most notably during the presidency of James David Wolfensohn (1995–2005), when renowned economists like François Bourguignon addressed inequality with all their attention and talent. Ultimately, however, progress remains small, and academia has yet to offer further analytical insights.

The McNamara legacy is far more straightforward with regard to poverty reduction, illuminated, for instance through programs such as PIDER in Mexico, Polonordeste in Brazil, and others, which also laid the ground for shaping later successful programs such as the conditional cash transfers (Oportunidades in Mexico and Bolsa Familia in Brazil, for example) and the community-driven development approach in Indonesia and elsewhere.

A COMPREHENSIVE APPROACH

McNamara championed a new, more all-encompassing approach to development, obliging the entire family of institutions to address income distribution; geographical distribution of the poor; social dimensions; the basic elements of poverty, health, and nutrition; and "basic needs" in general. He walked through open doors, as many institutions, official as well as private, had already moved in the very same direction. Nevertheless, within the World Bank, this was a formidable shift from an economic "hardware" to an also socially aware "software" approach.

His comprehensive approach was to remain a feature of the World Bank long after he left. Since McNamara's days, development has taken on additional dimensions—with greater attention to institutional development and inclusion of thematic areas: legal systems, environment, gender, social development, corruption, and more. In his day (different from today), rural development was the very frontier, where the vast majority of the poor needed to be reached.

By the end of the 1970s, more than half of all World Bank lending went one way or another to addressing issues in rural areas, where the concentration of the poor was the largest, in infrastructure (irrigation, agricultural development, energy, and transport) and in support of socially related activities (education, health, and nutrition). The comprehensive approach introduced by McNamara survived and expanded long after his departure.

However, by the late 1980s, the level of lending for rural development was sharply reduced, for a variety of reasons—be it a lack of commitment by governments to the World Bank's prioritization of small-scale agriculture, demographic shifts, a new emphasis placed on structural adjustment, and recognition that many projects at the "micro" level had not yielded expected improvements of productivity and income of the rural poor (as evidenced in the Wapenhans Report [World Bank 1992]).

COUNTRY FOCUS

McNamara's more comprehensive approach to development entailed closer attention to the specificities of the borrowing countries. Assessing the realities and challenges of a sector, appreciating the overall policy and institutional environment in which World Bank operations were to be conducted, assisting in the formulation of strategies and policies, and identifying investment opportunities in a variety of sectors all required a much better, first-hand knowledge of country conditions, constraints, and opportunities for development. This translated into what became known as the "country focus."

This orientation, initiated in the early 1970s, led to the internal reorganization of the World Bank in 1972, with its prominence of country departments, where strategies, policies, analyses, and investment decisions were to be made. This country focus was retained after McNamara left the Bank, and was further reenforced, most notably during the tenure of Wolfensohn, when the Bank embarked on a major shift toward decentralization, getting closer to the client.

Before the strengthening of the country focus, the World Bank had been far more distant from the overall settings in which it invested. Social and environmental, not to mention political, dimensions were insufficiently considered by most Bank staff, essentially focused on the very specifics of their project work. With the country focus, staff were called to be far better attuned to the realities of the countries in which they operated.

The move may also have exacerbated some of the divergences between the so-called program approach and the project approach, that is, between the micro view of the project, or investment activity, with its strong technical and financial bias, on the one hand, and, on the other, preoccupation with the macro or overall economic and policy environment. This dichotomy seems as inevitable as it was desirable, because the micro and the macro were complementary, compatible, and mutually supportive. The World Bank's operational involvement at the micro level, and especially its local knowledge of conditions in the field, contributed underpinnings for effective policy work. Since McNamara's days, a project-program tandem has continued, alongside a sector- and project-centered focus.

In his country approach, McNamara was essentially focused on "officialdom," dealing with decision-makers in government, distant from civil society, parliamentarians, and media, and perhaps with insufficient attention to the private sector. To a large extent, this was mirrored among staff members, who were often not cognizant of politically sensitive issues.

In some respects, the country focus may have induced a somewhat myopic outlook, preventing the World Bank from proactively addressing regional and subregional development opportunities. For example, working on Nigeria exclusively may prevent staff members from gauging what goes on in neighboring countries, for example, French-speaking countries such as Niger or Benin. Such "introverted" country vision may have been compounded by the fact that, under its own Articles of Agreement, the Bank is not allowed or able to lend directly for regional projects, since its borrowers are necessarily independent countries.

Post-McNamara, regional approaches have increased, most notably in environment and transport, thanks to agreements among or between neighboring countries (for example, concerning a railway project between Côte d'Ivoire and Burkina Faso). The country orientation introduced during McNamara's years has remained the basis on which the Bank has operated. Country Program Papers, Country Assistance Strategies, Country Partnership Frameworks, Sectoral Strategies, and, importantly the shift to resident missions with country directors resident in the larger countries, all reflect the need to be close to the realities of the countries.

DEALING WITH MEMBERSHIP

McNamara had the stature of an accomplished statesman. Although he had never held any elective position in his career, he was experienced in political matters. While profoundly American from cultural, educational, and professional standpoints, he was never at a loss in political environments elsewhere in the world. He had innumerable personal contacts with the highest levels of public authorities around the world, and seemed on friendly footing with various heads of state, including some who did not favor him. He was definitely respected as a heavyweight. He was able to position the World Bank in virtually all the major international dealings concerning development. He succeeded in establishing the Bank as the premier development institution in the world, with recognized intellectual and operational leadership—sometimes resented, but always acknowledged.

In dealing with the membership of the World Bank, McNamara demonstrated an uncanny ability in addressing the multiple constituencies. On one side, there were the so-called Part One countries, that is, the developed world, essentially composed of the major contributors, and they received his permanent attention. There, McNamara would deploy all his efforts and talent to elicit support to his initiatives in favor of the developing countries, sometimes against strong opposition from some major members, among them the United States, when it came to countries deemed unfriendly—resentment, for example, against countries with a "socialist" leaning, such as Algeria, China, Romania, and others.

He could be very forceful in these efforts, applying strong pressures when needed, in particular during the periodical exercises of replenishment of International Development Association funds. In this context he could demonstrate political savvy, for example, in cultivating Europe and other key countries (Arab countries and Japan) as a counterbalance to periodic attempts at predominance by the United States. He would exercise strong pressures to support the creation of the Consultative Group for International Agricultural Research or to mobilize resources for the river blindness program in Africa, both unquestionably successful initiatives. The last round involved the huge and, in his waning days, unsuccessful efforts to promote the creation of the energy affiliate.

On the other side, he dealt with the so-called Part Two countries, the borrowing countries, exercising strong and discretionary efforts to address major strategic and sometimes politically charged issues, such as border conflicts (for example, water disputes in South Asia and multicountry initiatives such as the Yacyreta Dam project in Paraguay and Argentina).

With a great sense of the dynamics in the world, McNamara accompanied changes in the nature of the membership, as several countries, Portugal, Romania, Spain, and Yugoslavia among them, "graduated" from World Bank financing once their positive economic development no longer justified financing by the Bank and other development agencies.

McNamara reframed the World Bank's shareholder ship—just think of the huge impact of his initiative to get China on board. More broadly, the fact that the World Bank (along with the International Monetary Fund) eventually gained a firm place among the world's economic governance, for instance, through participation in meetings of the G7, G20, the United Nations (UN), and so many other world-level assemblies, owes a lot to early initiatives taken by McNamara. In addition, his early efforts to reach out to selected countries in Europe paved the way for the Bank's later involvement in Eastern Europe and the Russian Federation, most notably after the fall of the Berlin Wall.

SECTORAL ISSUES

Perhaps issues like health, environment, and social dimensions of development, as well as population and others, could have been promoted and developed much more forcefully by McNamara. It is a matter of judgment. In his time, most of them still had a pioneer feature, especially those related to social development.

HEALTH

Health was a serious challenge. McNamara was concerned about how economic development could be related to health, given that recurrent cost implications tended to be huge. How could governments in recipient countries handle large increases in their budgets? He was excited to find a good, most successful case in the river blindness program in Africa, which wiped out a disease and became a turning point. The convening power of the World Bank proved powerful. Today, the historic river blindness campaign is remembered by a statue in the main foyer of the World Bank: it was supported entirely by donors, so that the low-income countries did not need to exceed their budgetary limits. Although obvious, the links between health improvements and economic development were not easy to document.

The World Bank under McNamara made valiant efforts to link up with others in the health sector: for example, a cooperative program was established with the World Health Organization (WHO). To this day, it remains a challenge to find effective public finance solutions in low-income countries, independent from injections of Official Development Assistance. Beyond public finance, which was the main and early focus in McNamara's days, we have in recent times seen bilateral agencies, NGOs, foundations (Bill and Melinda Gates Foundation and others), and the private sector step up to the task. With the vertical funds (Global Fund to Fight AIDS, Tuberculosis and Malaria, in Geneva), Gavi, WHO, NGOs, the European funds, the bilateral contributors, the private sector, the international financial institutions, and others (everyone wants to be involved in the health sector nowadays), the comparative advantage of the World Bank seems to lie in supporting the development of health systems.

ENVIRONMENT

McNamara's environmental record remained meek, in spite of his early, yet marginal and slow initiatives and especially in the recruitment of first experts in this area. However, for the longest time the World Bank had no environmental "do no harm" safeguards or conceptual frameworks for investing in environmental management and institution building. Building on the small foundation McNamara had laid, the decade of the 1980s saw the first freestanding national environmental programs (in Brazil and elsewhere). Bank-internal social and environmental sustainability guidelines were developed, and policies and the conceptual framework in environmental economics were framed in the *World Development Report 1992: Development and the Environment* (World Bank 1992), the year of the Rio Earth Summit.

SOCIAL DIMENSIONS OF DEVELOPMENT

This was another slow-starting area that bore fruit significantly after McNamara had left. In 1974, the World Bank's first sociologist, Cernea, a Romanian academic, had been recruited by the Rural Development Division. He turned out to be a real mover who soon improved the monitoring and evaluation of projects and later became the central figure in the internal promotion of a social approach to the Bank's work in, among other areas, irrigation projects, and involuntary resettlement associated with infrastructure projects. He helped shape the Operational Directives of the Bank. Beyond avoiding harm, projects came to be designed to protect displaced people, indigenous populations, and marginal groups (such as indentured populations of India). Slow as these changes were, they strategically reoriented project designs and, later, also policies and programs.

At the time, "social engineering," as Cernea sometimes called it, became an entirely new field of development, contending with a fair amount of skepticism, not to say resistance from many people within the World Bank, and sometimes within the group of shareholders of the Bank. It is to the credit of McNamara that he never caved in to those obstacles, and his legacy is there to prove it.

INTERNAL MANAGEMENT

McNamara's managerial style—another legacy. In hindsight, his managerial qualities enabled him to get pretty much what he wanted, but they also had less desirable effects. The quantitative dimensions favored by McNamara could obscure the more comprehensive, all-encompassing vision of development he advocated. Undoubtedly his quantitative bias had an impact on the qualitative aspects of the work, and it could be met with skepticism, even resistance from within the World Bank.

Likewise, in large part due to his forcefulness, McNamara may have missed out on opportunities to lead the Bank in a more collaborative, collegial way. More delegation to lower levels of the institution, more attention to opposite views, less bureaucratization, and more balanced expectations between quantitative and qualitative aspects all could have given the World Bank even greater effectiveness.

Vis-à-vis its borrowers, the quantitative bias produced occasional heavy handedness and exceeding leverage in negotiating with borrowing countries and partners in development, with the perception and reality of undue conditionality: "The Bank knows best. . . ."

This also affected the way the World Bank was perceived by its partners in development, yet McNamara was well aware that the Bank could not go it alone. He promoted cooperation with many other institutions—development banks, bilateral organizations, UN institutions, and others. He promoted cooperative programs such as those with the UN's Food and Agriculture Organization, WHO, and UNICEF, and there were numerous occasions to join forces with a variety of partners. There was, however, a general tendency for the Bank to take the lead, often at the request of other decision-makers, such as governments of the Nordic countries, the United Kingdom, and the United States. And sometimes there was the sense of there being a one-way street, a World Bank asking others to join initiatives that it was leading but less inclined to provide support to the initiatives of others.

INSTITUTIONAL DEVELOPMENT

The relative weight and power of the World Bank, and shorter-term targets, seems to have distracted McNamara's attention away from the fundamental issue of institutional development in the Borrower countries. A lot of attention was given to promoting and strengthening implementation of Bank projects and programs. To this end, in many instances, special units were created with support from the Bank and other donors to ensure control and efficient implementation, especially in the countries with the weakest institutional capacities. These special project units, as effective and efficient as they may have been, were acting as in parallel with or rather as a substitute to the normal, regular national administration. The result was often positive in terms of efficiency of project implementation, due to significant support—albeit temporary—from outside, but it did little to contribute to lasting strengthening of the public administration.

There was a lot of talk, though, from McNamara himself about the need for countries to take charge—after all, a large amount of the policy dialogue promoted by the World Bank and others was directed precisely toward increasing the capacity of governments to formulate and implement their own strategy and policy decisions. Yet, in practice, little was done to use World Bank–financed projects to sustainably build capacity at the national level. The world has since learned from these shortcomings. Almost everyone involved in the field of development today agrees that the most critical condition for success is, indeed, an appropriation of the whole process by the local authorities and the local beneficiaries. For that matter, the 2005 Paris Declaration on principles of aid effectiveness included a specific commitment to "Reduce by two-thirds the stock of parallel project implementation units." (OECD 2005)

FAILED AND FRAGILE STATES

McNamara's natural inclination was to want to help those that helped themselves. Budget and lending allocations went primarily to good performers, and success in turn brought additional support. Decidedly biased treatment was given to some comparatively eager performers at the time—such as Brazil, Chile, Kenya, and Nigeria. The quantitative approach and the focus on results made for standardized, stereotyped "Bank behavior" with borrowing countries: same treatment, same instruments, and same lending conditions generally emanating from the Articles of Agreement and/or Board decisions, with few adjustments over time. One size fits all: the Bank remained rigid in its treatment of highly diverse country situations.

The World Bank was not at ease in dealing with its weakest members, countries that were failing the most, whose leaders may not even have had a clear idea of what they wanted and how. Clearly China was justified in getting the best human resources the World Bank could offer, but conversely shouldn't the Bank have allocated some of its best people also to the most deprived countries in Africa? The question of how to deal with weak states and fragile governments has remained daunting, with its links between instability (political and otherwise) and development. This was particularly true in McNamara's days, when security was an added concern in the heavily charged environment of the Cold War. There could be no development without security and there could be no security without development. And yet, then as now, the development community, including the Bank, did not address squarely the issue of what the international development community could possibly do to help reduce the threats to security.

McNamara was probably best placed to be sensitive to this issue and to address it in the context of the World Bank. After all he had been at the security forefront in the Cuban missile crisis and in the context of the Vietnam War. He did talk publicly about this issue from the vantage point of the World Bank. He addressed forcefully the issue of arms control, the threat of nuclear war, and the link between development and peace. And yet, as aware as he may have been of these extreme governance issues, the Bank's Articles of Agreement probably prevented him from frontally addressing political, military, and human rights matters. Also, at the local level, the Bank was never involved in strengthening state capacity to ensure the rule of law. It did not finance functions such as gendarmerie, justice institutions, police, prisons, or territorial administration. It may be after all that McNamara, in spite of his savvy, experience, and vision, bypassed essential challenges and opportunities in strengthening the institutional capacity of weak and fragile states and governments.

CHAPTER ENDNOTES

15. Surely, as mentioned earlier, McNamara was not alone in this effort. For instance, in USAID, due to congressional pressure, legislation was developed (with Jim Grant's Overseas Development Council's help), on new directions focused on reaching the "poor majority" and asking who benefits from USAID programs.

REFERENCES

Cernea, Michael M., ed. 1985, *Putting People First: Sociological Variables in Rural Development.* New York: Oxford University Press.

OECD. 2005. *The Paris Declaration on Aid Effectiveness*. March 2, 2005.

World Bank. 1992. *Effective Implementation: Key to Development Impact* (*Wapenhans Report*). Washington, DC: World Bank.

World Bank. 1992. *World Development Report 1992: Development and the Environment.* Washington, DC: World Bank.

6

POSTSCRIPT

A clear demonstration of McNamara's true commitment to the cause of development was his continued interest long after he had left the World Bank.

He tirelessly maintained his involvement in a multiplicity of development-related initiatives, both institutional as well as personal. For example, he chaired for several years the Global Coalition for Africa, a forum that gave him the opportunity to address some of the most pressing issues during the 1990s. A major speech which he gave in 1991 at a meeting of the Global Coalition, emphasized once again the key importance of three major issues still facing the continent: agricultural stagnation, explosive population growth, and degradation of the natural resource base.

In addition, in parallel to his numerous involvements in official occasions (conferences, speeches, and so forth), McNamara continued to extend his services—in a personal capacity—to provide advice to selected governments, including China and countries in Africa. To the end of his life, McNamara displayed a continued intense commitment to the cause of development.

McNamara was so unusual as an individual, with his personal, also troubled history and his professional background and experience, as to offer ample opportunity for different, at times contradictory appreciations of his qualities and shortcomings. He was controversial at the time he led the Bank, and he remains so to this day. Yet thanks to his World Bank legacy, he remains a formidable figure of the 20th century who helped shape the way the world is addressing challenges of development. His vision remains largely valid today.

A final, moot question is how McNamara himself, were he still alive, might see his legacy. We imagine that he would have endorsed wholeheartedly the view that the World Bank should always use its institutional capacities and its standing to seize on new, current challenges—in today's world these would include climate change and the environment, the gender issue, inequalities, the energy sector, and more. We suspect that he would have given greater importance to institutional development and further intensified efforts toward helping countries help themselves. And we believe he would have remained as insistent as ever in promoting the need to mobilize additional resources to face the constantly evolving challenges of development.

APPENDIX A
OUR GROUP OF AUTHORS: WHERE ARE WE NOW?

We, the six former personal assistants to Robert S. McNamara at the World Bank, have enjoyed working on this retrospective.

After leaving our respective turn-of-service at the President's Office, we followed different personal and professional paths within the Bank, and eventually elsewhere.

Rainer Steckhan worked in various managerial positions in the Bank, first in Africa, then as director of the World Bank's European Office in Paris, and finally as director for Latin American countries (Mexico, Brazil). After leaving the World Bank in the early 1990s, he became director of operations at the Development Bank of the Council of Europe in Paris, where he stayed for several years before eventually being elected chairman of the board of that institution. He has since retired from that position and lives in Kitzbühel, Austria.

Leif Christoffersen, after leaving the President's Office, headed the program division for Ghana, Liberia, and Sierra Leone, and then became chief of the Rural Development Division, a pioneer unit designed to start up and build the World Bank's experience in addressing the problems of rural poverty. He continued in various managerial positions related to rural development, also with increasing involvement in the area of environment, especially in Africa. After leaving the Bank in the early 1990s, Leif has been consistently involved in rural, agricultural, and environmental development matters as an international consultant, with strong emphasis on education and professional training, with multiple commitments with private and official development institutions. He continues to be active in these fields, dividing his time between his home country, Norway, and Washington, DC, Italy, and the West Coast of the United States, where members of his family live.

Anders Ljungh became a division chief in operations (Africa), leaving the World Bank a few years later to return to his native Sweden as a private banker. There, he has had a long and fruitful career in senior positions. In the early 1990s he contributed to the startup of the European Bank for Reconstruction and Development in London, as its first financial vice president. He then returned to Sweden after a few years to hold successive senior managerial positions in the private financial sector, including director of Living Capital Limited and board director of other private financial institutions and corporate organizations, several nonprofit organizations, and others in the cultural field.

Sven Burmester held a number of managerial positions after leaving the President's Office. He alternated positions in operations, geographic areas, and sectors (for example, in Africa, Asia, and education); in the field (resident representative in Egypt); and at the corporate level (deputy corporate secretary). After leaving the World Bank in 1997 he became representative of the UNFPA (United Nations Population Fund) in China for several years. After retiring from UNFPA, Sven was a visiting professor in China, Denmark, Egypt, and the United States, lecturing on culture and development, and he published eight books on the subject. He remains closely associated with China (where he resides now for a large part of the year) with teaching activities, but also retains strong connections with Egypt, his native country Denmark, and Washington, DC.

Caio Koch-Weser left the President's Office in 1981 to become the first division chief for China, soon after China had been admitted to the World Bank. He then held a number of increasingly senior managerial positions in the Bank, including that of director for Anglophone and Lusophone West Africa, deputy treasurer of the World Bank, vice president for the Middle East and North Africa Region, and eventually managing director of the Bank until 1999. Upon leaving the Bank, Caio became deputy finance minister in Germany within the Schröder government (until 2005). In 2006 he became vice chairman of Deutsche Bank (until 2016). He has simultaneously developed a strong commitment to the cause of the environment and climate change, becoming a founding member and board chair of the European Climate Foundation and now serves as a member of several nonprofit boards, particularly in the climate field.

Olivier Lafourcade worked in various managerial positions after leaving the President's Office, including that of director of the European Office in Paris, then director for several countries in Africa, and eventually as director for several Latin American countries (Mexico, República Bolivariana de Venezuela, and Colombia). Upon leaving the World Bank in 2002, he returned to his home country, France, and became an international consultant on development, involved in a multiplicity of institutions, private and public, including the French Agence Française de Développement, United Nations Development Programme, International Fund for Agricultural Development, United Nations Environment Programme, various think tanks, nongovernmental organizations, and academic centers. He is still involved in teaching activities (for example, at Sciences Po in Paris) and is on the boards of a private fund for the promotion and financing of small and medium enterprises in Sub-Saharan Africa and of other organizations.

Since Robert McNamara left the World Bank we have remained in touch, along with our wives and partners, over five decades as a unique group of close friends.

Thanks to his World Bank legacy, he remains a formidable figure of the 20th century who helped shape the way the world is addressing challenges of development.

His vision remains largely valid today.

APPENDIX B
A TRIBUTE TO ROBERT S. McNAMARA

DELIVERED JULY 8, 2009, WORLD BANK MC ATRIUM, WASHINGTON, DC, IN A CEREMONY MEMORIALIZING ROBERT S. McNAMARA TWO DAYS AFTER HIS DEATH.

Good afternoon, ladies and gentlemen.

I am Olivier Lafourcade.

I worked at the World Bank from 1973 to 2002. I retired from the Bank after 30 years of service, the first 8 of which fell under the Presidency of Bob McNamara.

I am part of a team of six Bank staff who served in sequence as Personal Assistants to Robert McNamara during his 13 years as President of the Bank, from 1968 till 1981. Others would have been more qualified and more eloquent than me to give this brief testimony on the occasion of Bob's passing away two days ago. I consider it a privilege to be here today, speaking on behalf not only of my five colleagues who, like me, lived and worked so closely with Bob during all these years at the Bank, but also on behalf of so many present and former staff members who, one way or another, for different lengths of time, and at all levels, were part of what came to be known as "McNamara's Bank". I know that many of them would have liked to be with us today.

DEAR BOB

Your passing away inevitably brings back lots of memories and lots of emotions. Sure enough, others have already written books, and some will write even more books about the Bank under McNamara. I just note that in the last two days, most if not all comments have been focused on your life before the Bank, with no reference to your time and your achievements at the Bank. This was probably predictable, and to some extent justifiable.

And yet, to many of us, indeed to most of us, gathered here today, it is precisely your role, your achievements and your impact at the Bank that we want to remember. To many of us, and way beyond us, you represent a true benchmark in the way the world has dealt with the challenges of international development over the last four decades. Indeed, you shaped this institution, you gave it a soul, you gave it a conscience. You gave it the means to achieve its objectives.
You set the course.

Yes, we knew where you were coming from. But more importantly it did not take too long to understand where you wanted to take us. Very early on, you set a paradigm where the key challenge was no longer development for what, but development for whom. In the early 1970s, with your benchmark speech in Nairobi in 1973, you set the objective clearly, that is the reduction of poverty, and you never ceased to do your utmost to reach that objective.

Thank you for putting the Bank on the map. Thank you for giving us reasons to excel. Thank you for making our workdays something worth living for.

To follow you was not always easy. The road was often a bumpy one. And we did not always live up to your expectations. You were going fast, sometimes too fast. You were demanding, sometimes too demanding. You made mistakes, we made mistakes. But with all our mistakes and our shortcomings, you were still able to take the best in us. When you asked us to jump, we did not ask: How high?

Thank you for being an inspiration to many among us.

With my colleagues in our small group, we were among the few who could witness the difference between the rigorous, sometimes austere public servant, and the warm, private individual who enjoyed the jokes of William Clark, Dave Hopper, or Jean-David Roullet.

Many of us felt privileged to work under your guidance and leadership. We were awed by your sense of purpose, the sense of a worthy cause, your sense of commitment, your sense of achievement. You set new standards, new benchmarks for our trade. You did not always succeed. But you certainly gave us reasons to hope.

Yes, like so many others, I am proud to have been part of McNamara's Bank.

Thank you, Bob. Farewell.

Olivier Lafourcade

PHOTO CREDIT

ROBERT STRANGE McNAMARA

1916–2009

WORLD BANK GROUP

Information and Technology Solutions
Office of the Chief Archivist