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PHILIP BIRNBAUM

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INTERVIEW

Q: This afternoon on February 22, 1996, we have an interview with Philip Birnbaum, who retired from AID in 1983, after 24 years. In fact, today is the day he started with AID. But let's go back before this now, Phil, and hear a little bit about where you are from, your family, your background, your early schooling, and so on.

Family, Early Years, Education and Military Service

BIRNBAUM: I was born in Union City, New Jersey, in Hudson County, which was a working-class Democratic stronghold. After about 12 years, we moved to Teaneck, New Jersey, in Bergen County, which was the complete opposite of Hudson County, upper-middle class, and Republican. Teaneck was one of the first cities in the United States to

have a professional city manager, who was the father of Paul Volcker, ex-Chairman of the Federal Reserve System. I went to high school in Teaneck, graduated in 1946, and went on to Rutgers University, graduated in 1950, and was elected to Phi Beta Kappa. In the fall of 1950, I enrolled in graduate school at Columbia.

Q: What did you major in in college?

BIRNBAUM: In college I did business administration. My father was in business, manufacturing Swiss laces and embroideries. My brother went into the business, and the assumption was that I would join them.

I would like to point out that my father was an immigrant, who came to the States in 1914 with no money and no English. Given the opportunities in "the new world" and together with very hard work, he and my mother built a small manufacturing firm into a successful business. His experience always remained with me when I was working in developing countries. It brought home the critical importance of an open economy which allows people to develop themselves and contribute to the growth of the economy.

I got a BBS, a Bachelor of Business Science from Rutgers with some courses in economics. At Columbia, in graduate school I concentrated on economics, particularly public finance and fiscal policy. I did a year at Columbia, and I was notified that I won a Fulbright Scholarship. I'd actually applied for the Fulbright during my last year at Rutgers, but the award came while I was at Columbia. I went to Cambridge University, in England. The Fulbright was for one year, but I decided to stay for two, and do the Economic Tripos Exam, which is a complete concentration in economics. At Cambridge I earned a BA degree, finished my dissertation for my Columbia MA, and at that time one earned a Cambridge MA, automatically five years after graduation. People say if one really wants to succeed in academia, one has to have a Ph.D. So I went on to Harvard's Littauer Center from 1953-55, and specialized in international economics, foreign trade and a cross-section of different economic courses. I received my Ph.D. in 1960.

Q: Why were those subjects appealing to you? Public finance, international trade?

BIRNBAUM: At that time, econometrics and surely development economics were not standard subjects. Basic choices were either micro or macroeconomics. I wasn't interested in micro, and preferred dealing with policy issues: fiscal and monetary policy, and international trade issues. There was a lot of discussion at Cambridge about European economic recovery and the dollar shortage, and international economic problems. After Harvard, I went into the Army in 1955 and served for two years.

Q: Where did you serve?

BIRNBAUM: I spent two years at Fort Benning as an instructor, in what was called the charm school. The purpose of this school was to improve the quality of instruction at Fort Benning, which is the biggest infantry school in the world, where they train US Army

officers (Office Candidate School) and officers from many foreign countries. I helped the instructors do research on field problems and with classroom lecture techniques. I guess I got assigned because somebody saw all those years at university, and felt I must know something about teaching and research. I came out of the army in 1957. I had finished my Ph.D. course work at Harvard, but hadn't written my dissertation. I still had that in front of me, so I decided to take a teaching job, and I was appointed as a lecturer in economics at Columbia University, in the School of General Studies. While I was working on my dissertation, I got fed up with academia, and with the work on the dissertation. I saw a notice on the bulletin board that ICA was recruiting and I set up an interview.

Joined ICA in 1959

Q: Did you know what ICA was?

BIRNBAUM: Not really. I knew that it was a foreign aid program. I became interested in foreign affairs because I had lived overseas for two years in England, which gave me some exposure to overseas programs; At Harvard my dissertation was on reconciling economic nationalism and the IMF's objectives. The Fund's position is that if a country has budget and balance of payments deficits, it has to make internal adjustments to restore balance in its financial position. The key point in the dissertation was if industrialized countries had large deficits, living beyond their means, they can more easily make the internal adjustments. It is very difficult for developing countries, with very low per capita incomes to cut back. Politically it was going to be very difficult to get developing countries to pursue IMF policies and there would be this constant tension.

Another reason why I joined ICA was because my wife and I got married two weeks before that, and we thought one way to get away from our respective families was via an overseas assignment. So I was hired in 1959 as an overseas intern. I hadn't finished my dissertation, and my friends at Columbia said it was not a very good idea to take a job in Washington before you finish your dissertation. The road to Washington was strewn with half-finished dissertations. Although ICA wanted me to go overseas almost immediately, I needed another year. ICA agreed, and I stayed in Washington for one year and finished my dissertation. On February 22, 1960, we arrived in Tunisia, which was my first overseas assignment.

Q: What were you doing in Washington for that year, apart from writing your thesis after hours?

BIRNBAUM: In those days we learned about the country programming and about green and blue print, which were the shorthand names for the program documents. There was a training program and I was in the same intern group with Ernie Stern. One of the things we had to do was to develop a country program. We picked Sudan, spent a number of months working out a foreign aid program for Sudan, analyzing its problems, etc. And then I worked on the Ethiopia desk for a while. I was scheduled to go to Ethiopia but an opportunity opened up in Tunisia and I was assigned as Program Economist to Tunisia.

During that year in Washington, I worked with Charlie Breecher, Hy Nissenbaum, Marjorie Belcher and many experienced ICA professionals. It was a good introduction to the Agency.

One amusing experience I remember was that we had these filing cabinets where you slipped an iron bar down through the pull handles, and then at the top there was a clasp that the bar engaged, and was secured with a padlock that sat on top of each of the filing cabinets. So to close the filing cabinets, you were supposed to put the bar in and lock the padlocks. Well, I was the last one there on a Friday night, and I guess I was feeling sorry for myself. The bars were not in sight; they were someplace in a corner. I went along and just closed all the padlocks without the bars in place and walked out. When I arrived on Monday, naturally there was a security violation. I was worried as to whether there was going to be just one violation, because there were ten filing cabinets with hundreds of classified documents. Fortunately the Marines, or the security people, were very generous and I only received one violation.

Assignment as Program Economist to Tunisia - 1960

I went out to Tunisia in February 1960, as the program economist. In 1960, Tunisia had been independent for about four years. Bourguiba was the father of the country. He was a very charismatic leader, who had a very good understanding about the need to modernize the Tunisian society to promote economic and social development. First, he took the women out of the veil and gave them the vote which, for an Islamic country, was extraordinary at that time. Next, Bourguiba changed the traditional way of observing Ramadan in Tunisia. Of course, one couldn't eat or drink during the daylight hours, but once it got dark, not only did one eat and drink, but one carried on singing and dancing, with some cafes open right through the night. So the next day, it was almost impossible for these people to work. Bourguiba insisted that no modern state can really give up 30 days of production to observe Ramadan. He insisted that at midnight everything had to be closed down so that people could get a night's sleep and be prepared to work the next day. There were a series of riots when he made this change, but he persevered. There were other important factors fostered by Bourguiba's leadership. Tunisia really had a meritocracy, with a lot of young people in the government. Their ambition was to get further ahead in the government and they were very dedicated. The country was very fortunate, it didn't have a landed aristocracy. They were all the same petite bourgeoisie and basically working toward the same objectives. One talks now about ownership of the program and good governance, both of which were prevalent in Tunisia, and there was really little corruption. Bourguiba's program was called Neo-Destour Socialism, but the program was moderate. It was based on what was called the French radical socialism, which they used to say was red on the outside and white on the inside, like a radish. One minister, Ben Sallah, was much more of an ideologue, and he wanted to set up collective farms, and nationalize many sectors, but Bourguiba just put him out. He had to leave the country. In sum, it was a very good environment to work in and in which to develop an aid program.

In those days, an AID mission was staffed like a table of organization in the Army, where you had one of each kind of activity. You had an industry officer, an agriculture officer, a labor officer, a training officer, a community development officer, etc., and of course everyone was expected to come up with a project.

We had the standard assistance program, including technical assistance, and capital projects, as well as a big PL 480 program. In Tunisia, we had one of the first food for work programs. It had started after a flood in 1958, to clean up the mess, and then the program expanded, and by 1961 or 1962, there were almost 100,000 people employed in food for work, all over the country, doing terracing and planting trees. Bourguiba, after a while, decided that it wasn't dignified for people to work only for payment in kind. We were paying them with PL 480 wheat, and with soybean oil, or cotton seed oil. For people who were underemployed, the ration was enough to support a family, or even an extended family. When Bourguiba decided that payment in kind was not dignified, they reduced payment in kind and give them partial payment in cash. The cash payment was too much of a drain on the budget, so that didn't last very long. This just shows how a program evolves, and then the next thing that happens is that it can get out of hand. Minister Ben Sallah said "Those people didn't realize they were unemployed or underemployed until you (the US) told them so." Being unemployed became a job description. If you asked somebody what his job was, he wouldn't say he was a farmer, or a ditch digger; he was a *chômeur*, the French word for unemployed person. The minute he had that title, he was entitled to the Food for Work program. In the end, it got out of hand, and had to be cut back.

Q: Who was the director in Tunisia?

BIRNBAUM: The director, when I first came, was Admiral Strauss, and he was succeeded by D.C. Laverne. We arrived in February 1960 and in November 1960, Kennedy became president. Kennedy changed the agency from ICA to AID, and declared the Decade of Development. Under this program, the US aid program was to concentrate on a small number of countries and hopefully in a ten-year period, consistent with the Rostow take-off theory, a country would be in a position to take off economically. As the program economist, I helped Harry Lennon, the Program Officer, develop a multi-year program for Tunisia. In the Africa region, Nigeria and Tunisia were selected. Tunisia was selected because Bourguiba was a moderate, not only in his economic policies, but in international relations, for example he always took a moderate position on the Middle East problems. We thought Tunisia was a pretty good economic candidate and developed a program which received a \$180 million pledge of US assistance for a three year period.

Q: This was a long range assistance strategy situation--is that what they called them? Where you made a multi-year commitment?

BIRNBAUM: Yes. It was a multi-year commitment, a \$180 million for three years, which, on a per capita basis put Tunisia in the top ten of all aid recipients in the world. It was an enormous amount of money for a small country. And then there was a question of spending money effectively. In the end, we couldn't commit \$180 million in three years. It took more like five or six years, and initially, it wasn't supposed to include PL 480 programs, but the amount was so large it was necessary to do so.

Q: What was at that time during the shift from ICA to AID, what was the primary characteristic of a different style? There was obviously a change of policy, and change in administration. How would you characterize what was different about AID compared to ICA?

BIRNBAUM: Before the establishment of AID, you had the Development Loan Fund, which handled the capital or major investment projects like the roads, and ports. With the establishment of AID, capital projects and technical assistance operations were integrated, which makes for a better program. Another big change was President Kennedy's support for the Decade of Development, that we were going to make a big effort for accelerating growth in a number of developing countries.

Q: Was there another concept of development process? You talked about Walt Rostow's take-off theory. Was that the sort of driving concept?

BIRNBAUM: The very fact that the President was interested in reformulating the US aid program and put his name behind it was very critical. The Peace Corps was started then and there was an emphasis on international relations and American leadership. The Marshall Plan had come to an end and we were talking about development in what got to be called the Third World. We were engaging in major programs for development in Nigeria, India, Korea, Latin America. You had the presidential push behind the AID program with aid levels that were pretty significant.

Q: What was the main direction of the Tunisian program? You mentioned a lot of projects, but what were you really trying to do?

BIRNBAUM: One of the things that was very interesting was that the Tunisians wanted to develop a national economic plan. And here was a capitalist country, the United States, telling them that the plan was a good idea; you should have a clear-cut plan of where you want to go. All the time that we were in Tunisia, the French were still there in large number. Very often the US was giving very different advice from the French. I remember some French people saying that the US is encouraging the Tunisians to develop this multi-year national economic plan but they don't have the resources to support it. We were saying that's the basic problem facing poor countries. To develop they really have to live beyond their resources, and that's the purpose of foreign aid: to provide the external resources, so poor countries can increase their standard of living and increase per capita incomes. Tunisia's first national economic plan, I think, was a five-year plan. There were 12 governates or provinces in the country and they decided that the three poorest

provinces were going to get most of the resources, because the idea was to bring them up to the standard of the best provinces, which were in northern Tunisia. We stressed the efficient use of resources, pointing out that the standard of living was not all that high in the best provinces. Furthermore, the poor provinces are mostly arid, with little rainfall, so that one won't get much return on any investment of resources. It was a big discussion on getting a better balance in terms of efficient use of resources. But what they did have in that plan, which is interesting, now with all this concern about poverty reduction, was increasing education and health services, low-cost housing, etc. So, if one looks at Tunisia's performance over the last 30 years, I believe in terms of performance in poverty reduction and the provision of basic human services, that it probably rates among the top performing developing countries.

One could ask how important was foreign aid in helping Tunisia? I'm looking at a perspective of having served there for just three years, but I've been following events in Tunisia since then. All the things we are talking about now as essential for development, was something that they recognized: the idea of leadership, ownership of the program, being concerned about not only a higher rate of growth, but also poverty reduction. They really had the solid basis that you need for foreign aid to be effective. You can give a lot of foreign aid, but if there's a lot of corruption and there's no commitment, then there will be few results. Bourguiba wasn't completely a saint. He had opposition, which he did not tolerate, and some of the opposition were actually assassinated. He ran a single party system for almost 30 years, which is not exactly democratic, but in other ways they had the best country setting for aid to be effective.

One of the projects I was involved in was the Oued Nebana Dam. Tunisia is an arid country, with only had one river - some people said it wasn't a river, but a stream, which flowed all year round. Bourguiba made up his mind he wanted a multipurpose dam on this river. Despite the fact that there's a school of thought that there was never a multipurpose dam built anywhere in the world which was economically feasible, we went forward in designing this small dam which had a very small power complex, and it was not going to irrigate a large number of hectares. The US Bureau of Land Reclamation staff came out to look at this project and they said if we build this dam, it will be the most expensive acre of water anywhere in the world. We were having these problems trying to get the cost benefit ratio to come out positive. In those days one used an OMB cost/benefit circular that was used in building dams in the American West. Somebody looked at our figures and said "You didn't include recreational benefits." I said, "What are you talking about?" "Well, you will have a big lake behind this dam, which can be used for boating and water skiing." I said, "I don't have the guts to put in recreational benefits for these poor peasants." So we struggled to keep the costs down. There was a big discussion about the construction of irrigation canals, and to keep the price down, we were going to use compressed earth, which if done right, in that kind of climate can last 50 or 60 years. The Tunisians said, no, that the canals should be reinforced concrete, which of course would have increased the price significantly. The French advisors favored reinforced concrete because when they ran this country, it was French companies that did all the work; so it was just an internal revenue transfer from the French taxpayers

to the French companies. We finally convinced the Tunisians that the dam didn't have to be built like the Roman aqueduct but it would last 50 to 60 years and would cost a great deal less. It was one kind of experience that we were involved in and there were other learning experiences.

When Tunisia became independent, a lot of the French and Italians left the country. They were the technicians, so there was a terrific shortage of mechanics. AID approached the problem by financing the establishment of a trade or vocational school concentrating on automotive mechanics. It was called Ariana School. We built the building, we brought in the equipment, etc., but the one thing we didn't have control over was the curriculum. The French and Tunisians took over, and we were shocked to see that all the students were going to wear white gowns, and that the curriculum featured physics, chemistry, and very little hands-on work on the engines. We said, "People are waiting for these mechanics to fix broken down tractors." I remember we made the point that you can go into a garage in America, and a guy can change the points and the spark plugs, and get the engine timing perfect. Then if you said to the mechanic, "Do you understand the principles of the combustion engine" he'll say, "What are you talking about?" The French, said, "Oh, but that's the problem!" We lost out on that one, and they taught the chemistry and the physics, and the first two classes that came out of the school were useless, and people came to complain that obviously these kids had never seen a motor. There were several of those kinds of experiences.

Q: I gather there were similar issues at the higher education levels, where the French disparaged American degrees, American education?

BIRNBAUM: There was the problem of degree equivalency. The French educated Tunisians would not recognize the degrees that US universities provided at the same standard. It got to the point where they would grudgingly say that a US master's degree was equivalent to a French undergraduate degree. I think a bigger problem, as in many other countries, was that we send people for training and they got good training, but very often, given the low salaries in the government, they went to the private sector or overseas. A lot of people were lost that way.

Q: What happened to the dam?

BIRNBAUM: That's the most important footnote. The dam was built in a most arid, eroded part of Tunisia, near a major city, called Qairouan. When building a dam, one always talks about the possibility of the once in a hundred year flood. Later many years after the dam was built, there was a major flood with some loss of life. They said if the dam wasn't there, a good part of Qairouan would have been washed away with a greater loss of life. So the dam justified itself. But in terms of a pure economic operation, it was a very high cost operation. At one point, we were prepared not to go forward but it was a political decision, Douglas Dillon, the number two man at the State Department at the time, got involved when Bourguiba objected to AID saying we weren't going to finance it.

That reminds me that at some point my boss, Harry Lennon, who was the program officer, was to be interviewed by a reporter from the New York Times. Something came up, and Harry had to leave the office, so he said, "OKAY, if you meet with the reporter, you should be very alert, because these guys are looking for a story. They don't want the good news, they want something that is news making." So I described the AID program to the reporter who was about as young as I was. And then he said to me, "Well, what part of the US AID program is politically driven?" I said, "One hundred percent. It's part of our foreign policy which has multiple objectives: political, economic, as well as humanitarian objectives."

Q: Do you think we achieved our political objectives with the support of the AID program? Or were we achieving them?

BIRNBAUM: One political objective was to promote moderation in the Middle East situation and Bourguiba always maintained that position. Another foreign policy objective during the Cold War was to support people who followed our ideology. My next assignment was Algeria, and there was 180 degree difference compared to Tunisia. Algeria was a country that went the Soviet way, while Bourguiba was following a much more moderate policy. Tunisia was a country with which we shared some common ideals and Tunisia was very often a supporter on the U.N. votes which concerned the US So, I believe it was a happy marriage between US political objectives and a development program that had a reasonable impact. At the same time, we were supporting what Tunisians wanted to do and they seemed to be on the right track in terms of having an effective economic and social program.

Q: The political objectives and development objectives weren't at cross purposes, which they can be in other places.

BIRNBAUM: Right. In certain countries especially during the Cold War we supported people who were following inefficient economic policies which were a waste of resources. I believe the things that made the difference in Tunisia, as I reflect on it, is that they understood the importance of people participating in the economy: small business, small farmers, etc. That's the most important thing if you want to get development. A society where everybody can get equal access to foreign exchange and credit and the corruption is pretty minor. Bourguiba also saw the importance of modernization and political participation. He put the emphasis on being modern and always appeared with a suit and a tie, but when he relaxed, he wore a jallabah. But in public appearance, always the modern man. In 1956 the women had the vote and in the 60s, they were talking about family planning. There could be open discussion, and there were some small family planning programs. So that, on all accounts, Tunisia was a relatively open society.

Q: Did you meet with Bourguiba yourself?

BIRNBAUM: No, I never did. I was too junior. Maybe I met him at a signing ceremony.

Q: But what kind of impression did your colleagues have of him?

BIRNBAUM: Bourguiba was a first rate leader, a dynamic speaker, and in that part of the world, a speech often lasted two or three hours. Bourguiba attracted young professionals into the government. The young people that we worked with were really quite impressive, well trained, and there was a fairly high rate of education.

Q: So your contacts in the government were quite dedicated, competent?

BIRNBAUM: Yes. In that sense, Tunisia was a very good place to work, especially for a young person like myself. I remember we came up with a new project, a big range management project. And we went to see the people in the Ministry of Planning, and they said "Ce n'est pas inscrit dans le budget, (It's not in the budget) we have no money for it this year. It will have to wait a year." It is difficult to tell an AID technician that the project that he's working on has to wait a year. So I had a bright suggestion and said, "How about a little deficit financing?" And they said, "Would you explain what you mean?" I said, "The Central Bank could open up some supplementary credits to the budget, and we could do the project this year." They said they liked the project, but we'd better go see Mr. Hedi Nouira, the head of the Central Bank. I did go and explained what the problem was; that there was no financing in the budget for this project, and we had to have a contribution from the government. Would the Central Bank be prepared to advance some additional credits to the Government? Mr. Nouira said, "In Arabic there is no word for central banker, so they use the same word as conservative, and the answer to you is no." So we had to wait a year for that big range management project in the south of Tunisia.

Q: He was a very conservative central banker then, for sure.

BIRNBAUM: Yes, one worries that introducing people to deficit financing is like introducing people to liquor, who have never had it before, and once they start...so I don't know if it is a good idea.

Q: What about the people in the embassy? Did you have much contact with the Ambassador?

BIRNBAUM: As you can imagine, when we put forward the idea of a \$180 million aid program and Tunisia as one of the candidates for the Decade of Development, the Ambassador was very excited.

Q: Who was the Ambassador?

BIRNBAUM: Ambassador Walmsley. We were meeting with him for a while almost every night, to go over drafts and the argumentation in support of the \$180 million program. We worked fairly closely with the Embassy. One incident that I remember very well was Senator Ellender's visit to Tunisia. He would come to an embassy and he would

sit at the Ambassador's desk, and everybody would be sitting around him. He would ask all the senior people, what their job was. "What do you do here? How many staff do you have?" The economic counselor of the embassy was a Frenchman who was a naturalized American. Here is Ellender saying to him, "What do you do here?" He responded that he was the economic counselor of the Embassy, and he started to describe his functions, and he said, "And one of my functions is to liaison with the AID mission." And Ellender exploded, saying, "Liaison with AID? What are they, a foreign power?" And he said, "When I get back to Washington there will not be a separate Embassy economic section and a separate AID mission. You people will be one!" Of course, we never heard any more on that issue. I remember all the embassy officers quite clearly. It was a small group, and we worked well together.

Q: How about the relationship with the French, since they were so dominant in the situation there?

BIRNBAUM: You have to have luck in your assignment, that is when you get assigned to a country. The French were very predominant in Tunisia, even after independence. Their culture and language predominated. They had a very large Residence outside of Tunis, in a town called La Marsa, and the Tunisians decided they would widen the road from La Marsa to Tunis. The French Ambassador's garden was astride the road, and he received a notice that his wall was coming down, and he had to give up 20 or 30 feet of his garden to put the road through. The French looked upon the residence as sovereign French territory, and that the Tunisian couldn't unilaterally do this. Anyhow, they did it. The French Ambassador left in a huff, and there was talk about recalling the Tunisian Ambassador from France. The Tunisians said in effect to the French, "Look, we have another powerful friend. And that powerful friend is the United States." So, we served a purpose for them and it also helped us with implementing our aid program.

When President Kennedy was elected, Bourguiba was the first head of state to visit Kennedy. And that was a big political plus for them. There was a funny incident about an exchange of gifts. Bourguiba knew that Mrs. Kennedy was a horse-woman. So he made a gift of two thoroughbred Arab horses which were shipped off to the United States. Now the question was, what was an appropriate gift from the US to President Bourguiba? Well, Bourguiba was very friendly with Tito, who had a magnificent yacht, and he used to take Bourguiba up the Adriatic to his magnificent home on one of the islands in the Adriatic. Well, the message went back to Washington that it would be very nice if we could find an old US destroyer escort and have it refurbished into a little yacht for Bourguiba. The answer came back that that was not in the cards, so then another message went back which said, "How about a helicopter?" The message came back, "Well, the helicopter's expense doesn't bother us, but helicopters have to be maintained very carefully, otherwise they are very dangerous, and that would mean that we would have to provide a crew, and that's not in the cards either. So to make a long story short, the official gift from the US government to Bourguiba was an antique banjo clock! And for about a year, all my Tunisian friends said, "What is a banjo clock?" So I think Bourguiba was a little disappointed with the gift.

Q: Well, we can come back to more about Tunisia a little later on. Let's move on. What happened after that?

BIRNBAUM: Well, we were in our second tour in Tunisia when my good friend, who was the Program Officer in Tunisia, Harry Lennon, was transferred to Algeria.

Move to Algeria in 1963

Q: This was what year?

BIRNBAUM: This was in the summer of 1963. Harry said, "I'd like you to come over to Algeria and join us." And we decided we would go. Actually, Harry took three people from the Tunis Mission, Leo Rasmussen, who was an excellent agricultural technician, and a woman named Joyce Mallinger, who was concerned with public health and education, bilingual; a very capable person. So we were going make this nucleus of a great little AID program in Algeria.

Q: Harry Lennon was the director of the program?

BIRNBAUM: This was a year after independence. The Algerians were very xenophobic. The first thing they said was, "We're too proud to have an Aid mission, so all of you will have to be part of the embassy." So I received a commission as a foreign service officer. I was made second secretary of the embassy. They wanted an extremely low profile. So, in effect, Harry was the mission director, but that title could not be used.

It was really a state of chaos. Once Algeria was declared independent, about 1 million French people left within 7 or 8 months. The French not only controlled the whole private sector, they had all the top government positions, and more importantly, they filled all the minor positions. The guy who read the gas meter in the utility company was a Frenchman. The women who worked the switchboard in the telephone company were all French. So the economy just came to a screeching halt.

Another sign of the chaos -- our son was only just about two years old and my wife was pregnant with our second child, who was to be born within two months of our arriving in Algiers, so we were very reluctant to go into a hotel. Harry Lennon said, "Well, don't worry about that, there's plenty of housing." The standard practice was for the embassy to sign a lease, and then the house came under the protection of the US Embassy, and they would put up a sign in French and Arabic to that effect. But at that time the countryside was overrun by people who fought in the revolution and who had weapons. They had a practice called "bien vacant." If a piece of property was empty, they just moved in, that was that. Well, that's just what happened to our house rented by the Embassy before we even got to Algiers. Some guy with a machine gun took it over, and the Embassy never got the lease money or its furniture back.

William Porter was the Ambassador, and Frank Wisner, who is now our Ambassador to India, was a very junior officer in the Embassy. We're talking about 30 years ago. At every staff meeting the Ambassador would say, "Frank, when are you going to get Birnbaum's house back? When are you going to go down to the police station and tell these guys to do their job?" And Frank would say to me, "Phil, you're never going to get that house back. You had better look for another place. The Algerian police are even afraid to go up there." So that was the situation. Frenchmen, who had sent out their families would go to work in the morning, and when they came home at night, their apartment or their houses would be occupied, and there was nothing they could do, but get on a plane and get out.

The whole situation was completely different from Tunisia. The first thing Ben Bella did was to declare Algeria an Islamic country. All the women were put into veils and no Algerian could be served alcohol in cafes, although pre-independence Algeria was the most open and "Frenchified" country in all of North Africa. Next, they decided their economic model was to be the Soviet model, with very heavy industrialization. They had the gas and oil revenues and they were going to build all these factories. Agriculture was taken for granted. The country was overrun by Russian and East Bloc technicians, and so we were in the minority. Of course, the French were not talking to them, but one very interesting fact was that the oil was treated as an external resource. All the oil and gas earnings were paid into France, and then a percentage was sent back to Algeria. But the French presence disappeared. We also had travel restrictions. You couldn't go 20 miles outside of Algiers without a permit.

So it was a very tight situation, and the question was what kind of an AID program could we mount there? There were few Algerian technicians, and they were in the process of setting up ministries. You would go to the Ministry, and you would see people typing with one finger, and an Algerian counterpart would complain to you that "I can't get a call through to a town 20 miles down the road. The operators tell me that the phones are broken, but I know she doesn't know which part of the switchboard to plug in to reach the town. The phones are not broken." It was really unbelievable.

Transportation had broken down. There were literally people starving to death in one part of Algeria in the Constantine area, where people were eating leaves and berries. In another part of the country there was wheat, but transportation was inoperative. So, we started one of the biggest feeding programs in the world with the CRS, Lutherans, and CARE. About 2 million Algerians were being fed via an enormous PL 480 food program. And we also were trying to start some agricultural projects.

I remember at a staff meeting Harry Lennon said, "Mr. Ambassador, I really think that Ben Bella doesn't realize how large a feeding program we are running. Not that he has to tell us thank-you, but he ought to be aware of what's going on, and how important this program is, for keeping this country going." Ambassador Porter was bilingual in French, and was an Arabist, so it wasn't a question of communication. He said, "OKAY, when I see Ben Bella next, I'll make this point." And it was very interesting, although the

Algerians have this love-hate relationship with the French, they always admired French sophistication. And here is Ambassador Porter explaining to Ben Bella how we're providing food for 2 million people, including food for work programs in addition to feeding of children and mothers. And all Ben Bella could say was, "Aucune objection." "I have no objection."

We were struggling to get an agricultural program going, with mixed success. My good fortune, I guess, was that I was only in Algeria for a year. Washington in its wisdom decided they had a better job for me in Washington.

Q: But our primary purpose in Algeria was to try to offset the Soviet influence, or what were we there for?

BIRNBAUM: That's a good question. One thing you have to keep in mind was that they had this very bloody struggle for independence from the French. Algerians remembered very well that when President Kennedy was a Senator, he came out in support of Algerian independence. The Algerians at that time were looking to demonstrate to the French that they had friends. For Americans, we felt that this was a very important country, given all those natural resources, and we knew the Soviets were very interested in getting into Algeria. It was part of the cold war syndrome. If we could establish a footing there, perhaps we could influence the government. But our relations went downhill, and they expelled the United States. I don't remember the exact time schedule, sometime in 1965-66 when we were represented by the Swiss, as the Algerians just moved more and more toward the Soviet Union. Algeria became one of the most vocal members of the North-South dialogue, heaping criticism on the industrialized countries.

Q: Did you have much relationship with the government at all?

BIRNBAUM: We had frequent meetings and we discussed possible projects but it was very hard to get anything off the ground because they just didn't have the staff and there was a lack of an institutional framework. Remember, they were preoccupied with getting the country going.

Q: The food distribution program was handled by volunteers from the States?

BIRNBAUM: Catholic Relief and Lutherans were very well organized and their management of the food for work programs was pretty impressive. The CARE program was not only a feeding program, but CARE-MEDICO tried to get one of the major hospitals running. As I said, I only had a year in Algeria.

The one thing I do remember was, as I said, there was no AID mission, we were all embassy officers. And we had to take turns as duty officer. Everyone says, you always remember where you were when President Kennedy was assassinated. Well, the day that he was assassinated, and I forgot what day of the week it was, I think it was Friday, and I was the duty officer. I was home maybe two hours when my wife answered the phone and said, "It's the Marine Sergeant who wants to talk to you." And you know how the Marines

are very official. And he said, "Is this Mr. Birnbaum I'm speaking to?" And I said, "Yes." And he said, "Are you the duty officer this week?" And I answered, "Yes," and was wondering what the hell was this about? And then he said to me, "The President has been shot." My first reaction was that it was Ben Bella who had been shot, and that didn't surprise me, because he had quite a bit of opposition. I guess the Marine could sense that I wasn't responding. So he said, "Mr. Birnbaum, I don't think you understand. President Kennedy was shot." And of course, that was a different message.

What was interesting was that all that week, and maybe for two weeks after that, we'd walk down the main street in Algiers and people would come up to us who didn't speak French or English, and would tell us in Arabic about their remorse. The Kennedy were very popular.

The Algerians fought a very bloody war of independence. They claim 1 million people were killed. Perhaps that's an exaggeration, but surely a few hundred thousand or more were killed. They were supported in the war by Nasser and by the East bloc countries, because they always made it their business to support revolutionary movements. We were supporting the French. All the equipment that the French Army had -- from napalm to fighter bombers were American. If one stood back and said, "Well, what's going to happen if they win the war, and get independence, which way are they going to go?" The chances of the US having a relationship with them were slim. It didn't take much hindsight to see that. They said, "We know who our friends are, who supported us." This was a war against colonialism, against imperialism, and in their minds, also against capitalism. So I think the die was cast. We made a noble effort, but we couldn't "compete" with their anti-west emotions.

Q: It was quite a contrast with Tunisia, and how Tunisia got its independence without that kind of struggle.

BIRNBAUM: Exactly. When Mendes-France was Prime Minister, France gave Tunisia independence with just a stroke of a pen. In Algeria, the French tried in every way to put down the independence movement. It was Mao Zedong who said that the village acted as a sea to support the guerrillas. Well, the French resettled half a million Algerians. They emptied out the whole eastern part of Algeria because the villagers, either by choice or by force, would support the guerrillas with food and other things. So the French decided they would make this a no man's land. The French tried every method to hold on, because they looked upon Algeria as part of metropolitan France.

Reassignment to Washington: Africa-Europe Bureau - 1964

Q: So you finished your year in Algeria.

BIRNBAUM: I went back to Washington in 1964, and they said, "Well, here's a guy who got us into a \$180 million program in Tunisia. We're going to make him the Tunisian

desk officer, and he can backstop this program." And then I was also deputy to the director of the North African Office, Willard Meinecke.

Q: This was the Africa-Europe Bureau at that time? Who was the Assistant Administrator?

BIRNBAUM: Peter Strauss came in with President Kennedy. And Bob Smith was Deputy Assistant Administrator for the Africa region. I worked on the North African program, moving the money, getting the projects approved. We concentrated on Tunisia, because everything was going downhill in Algeria. Morocco had a very aggressive US Ambassador, Henry Tasker, and he wanted to know how did Tunisia get \$180 million program, and is considered such an important country. Why not my country? Sam Adams was the mission director in Morocco, and I made a number of trips out there in the course of backstopping the program. I decided that that would be a very good place to be assigned. I was in Washington from the fall of 1964 until the summer of 1967, and then I was assigned to Morocco as the Deputy Director, and Sam was the Mission Director.

Deputy Director and Director for USAID Morocco - 1967-1969

Q: You were assigned as the Deputy, and then became the Mission Director?

BIRNBAUM: Yes, because after a year, Sam Adams was appointed Ambassador to Niger, and I was promoted to Mission Director. In Morocco, King Hassan, Hassan II, as he was called, was both the secular leader and the religious leader of the country. He is a direct descendent of Mohammed and every Friday there was an enormous procession to the main mosque in Rabat, with a huge entourage. He was very clever in that sense, because as the religious leader of the country, he really had absolute control. They had a parliament, but it was a rubber stamp. In Morocco, unlike Tunisia, they did have a landed aristocracy. These were the Fez families, and like the 400 families in Pakistan, if you came from a Fez family, you were well connected. They married one another, and all these people surrounded the King. There was a lot of resentment by young people, because it was very hard to get anywhere unless you had these connections.

An example of the type of problems that existed, the World Bank was building a number of dams and the idea was that once the land was developed, it was to be distributed to the peasants. Then the Bank found out that all the land was bought up by certain generals, certain people, close to the King. The peasants were going to wind up as tenants for the generals who now owned the land.

We had a relationship with Morocco that went back a very long time to the days of George Washington. There were also US military bases in Morocco. By the time I got there, the big air bases were gone. They had been moved to Spain. But there was still a naval facility in Kenitra, primarily communications facility, and US ships called occasionally. Furthermore, King Hassan was an outspoken anticommunist, so again, it was the cold war, and Morocco was our ally.

I'll never forget, sometime in 1968, there was a worldwide State Department circular telling Ambassadors that they had to call on the leaders of their respective countries and discuss population growth as a major economic and social problem and recommend family planning. This was a direct message to Ambassadors and Ambassador Tasker knew he had to do his duty. We put some charts together, and we set up a meeting with senior Moroccan officials, which always included a number of generals. Many of the Cabinet people were military people. Tasker made the presentation, and then there was a pause for questions. One general put up his hand and said, "The United States and Morocco are great allies, right? We are both anticommunist, right? Moroccan soldiers were good fighters, during the First World War and the Second World War, right? Then why do you want to keep down the number of Moroccans? You want more soldiers, not less. I don't understand what you're talking about."

That was an example that sometimes your message doesn't get across.

Q: Did we ever present the message to the King?

BIRNBAUM: To the top people, the Cabinet, but the King wasn't there. Ambassador Tasker did have a very good relationship with the King. It was a one on one relationship. They would walk arm in arm; the King really liked Tasker. Anglo-Saxons don't like to touch, but in the Arab culture you touch. For young men to hold hands and walk together is not unusual. They really got on very well. The King was a very fascinating character. In public he was the traditionalist. While we were there, the King and Queen of the Belgians made a state visit. Because Hassan was a traditionalist, the dinner in honor of the King and Queen of Belgium was for males only. Queen Fabiola was not invited. Now, the Belgian King had to give a return dinner in honor of Hassan at the Belgian Embassy. And the whole town was talking, "Will the Belgians have enough guts to say, Fabiola is coming, because she is the Queen, and Ambassador's wives are also invited." In the end, it was only males, and Fabiola was not at that dinner. But in the King's private life, he was a golfer, a pilot, a woman chaser; he was very modern. But he knew how to maintain a traditional image.

In terms of our program there, we had a multifaceted program. We built another big dam, Oued Moulouya Dam. We were involved in a project which I'd like to talk about, the Hassan II Agricultural University. We had a big PL 480 program, and we started the CYMMT wheat program. We brought Norman Borlaug to Morocco.

Q: CYMMT being what program?

BIRNBAUM: It was the introduction of a high-yielding wheat variety. In the Far East it was done with irrigation. In Mexico and Turkey, high-yielding variety was grown on rain-fed land. We also had non-project aid, program loans, which now are considered almost a new phenomenon. But I'm talking about in the late 1960s, and in India and Nigeria there were program loans.

There's been a lot of recent discussion about institution building and the proper kind of technical assistance has been debated. I'm very proud of the US support of Hassan II Agricultural University, because it was something that I started. It turned out to be a success because there was a Moroccan, Dr. Becali, who was dedicated to turning what was in effect an agricultural high school into a first class university. This man realized that this was a 20-25 year job. Initially he was not interested in the US support because although he respected our capabilities in the agricultural field, there was the language barrier, and he was French trained. We found out that Minnesota University and Louvain University in Belgium had a working relationship in agriculture sciences and research, which had nothing to do with AID. For a number of years there was an interchange between agricultural professors from Louvain and Minnesota, so that there were a number of people on the Minnesota faculty who spoke French, and could lecture in French. A professor from the agricultural faculty at Minnesota University was visiting Morocco on an AID project and told me about their relationship with Louvain University. I thought this combination could help Dr. Becali in developing his Agricultural University and accordingly I arranged a meeting with Becali.

The people from Minnesota and Louvain, as well as Dr. Becali, recognized, that if you were talking about getting this school up to a level to graduate people with M.A. and Ph.D. degrees, and do decent research, it was going to take 20 years. I wasn't sure Washington was going to buy this. But I said we would sell it in increments. As we were doing in any number of places in the world, we sent Moroccans to be trained at Minnesota and Louvain, and in the meantime professors from Louvain and Minnesota gradually would build up the faculty, the course work, and the research program. I was only in Morocco for two and a half years, so I only saw the beginning of this. But I understand that our support did go on for almost 30 years, and now Hassan II Agricultural University is a university of first class standing and graduates people even at the doctoral level. They are getting students from all over Africa, as well as Moroccans. So, when you ask what lessons did you learn, what makes for success, I believe the most important thing was this Dr. Becali was willing to dedicate his life's work to make this project work. And we were lucky that we had some very capable people from Louvain and Minnesota, who had experience, and had Becali's confidence. So when people talk about institution building, it is important to establish the right time frame. If you are talking about building a university, 15-20 years is the minimum.

Q: This was one of the most successful of the agricultural university programs that we had around the world.

BIRNBAUM: I can't take credit for what happened later, but it was an idea that I thought could work. Dr. Becali was very much taken with the American approach to agriculture. That really came home in bold letters, when Norman Borlaug arrived. You know his approach; he got the King involved, and the Prime Minister. Ambassador Tasker made it very clear that this was a very unusual man. Borlaug made his presentation on vertical integration from field trials to mass production. Borlaug brought the varieties they used in

Turkey and Mexico, and said, "We'll have about two years of field trials, we'll see how they do. And once we see they are okay, we're going to grow a lot of seed, and then we're going to go out to 50,000 farmers to plant the new seed." He said to the King, "I want you to fire a cannon the day we start the planting. This is like war."

What was fascinating was that Morocco had a pretty good agricultural research unit in the Ministry. They were French trained, and maybe even some French staff, and they had a unit that was working on wheat varieties. It seemed that this unit had no connection with what they call "Mise en valeur," the unit in the Ministry of Agriculture responsible for production. So you had a unit concerned with production, but the people in research looked down on them and never spoke to them. Borlaug's people got to know what was going on, and they discovered that there were two varieties developed in the agriculture research unit in the Ministry, which were better in terms of disease resistance, but had never been put into production. So Borlaug demonstrated his point in spades, how important it was to integrate research, extension and production. So they took off with those two Moroccan varieties, and within three years, they had thousands of farmers growing these high yield varieties.

Q: While you were there?

BIRNBAUM: They started in 1968 while I was there, but the major field plantings were a couple of years later. This is another interesting fallout you get from foreign aid. Borlaug was able to demonstrate the importance of an integrated approach. The people who did the research felt that it wasn't their business to try to transform the work into an operational program. The production people never went around to research people to ask what are you working on; have you got something we could use? Borlaug was quite a breath of fresh air.

Q: A good example.

BIRNBAUM: But there are other not so flattering examples. We had a veterinarian assigned to our program to do an artificial insemination program. This fellow was an operator. He said, "They've got a bunch of cows that are like broken down Fords. When I get through with them these cows are going to look like Cadillacs." There was a lot of publicity, and he provided "the service" in many different villages. The first birthing season came, and the veterinarian looked very glum. He said, "Oh, very bad news, something like 60 percent of the cows had still births because they all have venereal disease." We started this program without doing a survey of the health of the cows. So this failure had nothing to do with the poor Moroccans. Here was the USAID program with a highly trained technician, who should have known to start a disease control program, before we could start the artificial insemination. Everything is a learning experience.

Q: When you talked about having a non-project assistance or program assistance, what was that? Was there a policy discussion related to that, or was it just simply resource transfer?

BIRNBAUM: It was basically a resource transfer in those days. There wasn't much policy discussion. We had the same program in Tunisia, and policy indirectly came into it in terms of efficient use of resources. The question was what to import? The Tunisians wanted oil imports, because their power station was fueled with petroleum. There was still program money left over. German export credits had been provided to set up a little state-owned steel mill in Tunisia. We said, "A steel mill in Tunisia? You don't have iron ore and you don't have coal." "Well, no, you don't understand. This plant uses steel ingots, which we're going to import, and now all we need is the coking coal, and we can make steel rods for the building trade." The Tunisians asked for financing the coking coal under this US program loan. We had tied procurement in those days and found out that the freight would be as much as the cost of the coal. The Tunisians said, "Why are you worried about cost? We're going to make the coke available to the plant at no cost." We replied, "You can't run an economy that way," and we did not finance the coking coal.

In Morocco, I remember, we proposed the purchase of certain fertilizers. Under a program loan, the US was competitive, and the ocean freight was manageable. The Minister said, "No, the market here is set; they know where they want to buy the fertilizer. They are not going to buy from a new source." We said, "We can understand that the private sector is free not to buy US fertilizers, but the government is running a big demonstration fertilizer program, which you are financing with your own foreign exchange. Here you can use an AID loan with 40-year money for this demonstration program." Then we found out that the fertilizer bought by the government was all rigged. It was a big pay-off program. So when we had these discussions on what to buy, we would find out what was going on in the economy. But then there wasn't the idea of adjustment or macroeconomic policy reform programs. It was basically a resource transfer, and the loans were quite small. The Tunisian loan was \$10 million. We preferred to do projects.

Q: Why did we do it?

BIRNBAUM: Well, I guess the rationale was simple. They said they have this petroleum shortage, and could you help us out?" We backed into those things. However, in India, we were discussing policy issues, for example, they adopted a competitive exchange rate.

Q: How big was the program in Morocco?

BIRNBAUM: About \$30 million a year. Ambassador Tasker wanted it to be much bigger.

Q: Mostly technical assistance?

BIRNBAUM: The Oued Moulouya Dam was a big project. That was interesting, because, I "violated" certain AID rules on this project. The US financing of the dam was about \$40 million. It was built in the eastern part of Morocco, that bordered on Algeria, in an area that was subject to flash floods. The experts were saying that if Moroccans don't do the proper upstream work in terms of terracing and environmental protection, this dam could be silted up in less than 10 years. So we put a lot of emphasis on this problem, and it was understood that the conservation work would be done by the Moroccan government. However, all the reports I was getting said that they weren't doing anything. When I arrived in Morocco in 1967, the construction of the dam was in process. So in a couple of years the irrigated perimeters would have been ready and the silt would be building up. I went to see the Minister of Agriculture. He said, "We don't have the budget resources. I know I have to do this terracing but the Minister of Finance doesn't give me the money." We had a big PL 480 sales program, which generated local currency counterpart.

Rather than saying to the Government, let's get together and review your whole budget and the available resources. I worried about the US financed projects. So we allocated PL 480, counterpart funds, earmarked them expressly for the contracting of terracing work. The next problem was, we got the money in the budget, but no contracts were being awarded. They're all piled up. Again, I violated a basic principle of foreign aid. I assigned an AID engineer and an accountant type, and they awarded all the contracts. I still have some pictures when we went up to see the terracing work being done.

Someone said, "You've done 100 percent financing of the project, both the foreign exchange, and the local currency costs, and you're managing it as well, when the Moroccans should be doing this."

If you look at it in retrospect, many donors tried to do that -- earmark funds for their project, set up a project management unit, and syphon off the best guys from the government. Everybody is fighting for limited budget resources, rather than saying, "We've all got to sit down with Government, stop fragmenting the budget, and agree on a set of priorities."

The King thought he was very smart, in getting four or five dams under construction at the same time. But the problem was that the existing irrigated perimeters were used only at 40 or 50 percent capacity. The King was very clever. He said, "We should build all these dams now, because if we wait 10 or 15 years, the cost will be double. I'll catch up on the implementation later." Tasker did tell the King that General Dynamics, which just built a tire factory in Morocco, had more trained engineers in its corporate system than Morocco planned to train in the next 20 or 30 years.

Q: What was the point?

BIRNBAUM: The shortage of trained manpower was a major obstacle to development in Morocco. The King was very much interested in these big projects, and he got donors to respond. The Bank, and we responded with the Oued Moulouya Dam. I understand that it

is a pretty good irrigation project now. You know it's not the best thing to do -- 100 percent financing and taking over functions the recipient country should do -- but you don't want to be caught out and have someone say, "This project get screwed up because none of the reclamation work was done." So one steps into the breach occasionally.

Q: How were the Moroccans to work with?

BIRNBAUM: The Moroccans at the very top level were very sophisticated, well educated, extremely au courant with all social graces. But then there was a big divide. If you spoke to students, there was a great resentment against the ruling elite. It will be interesting to see if the King's son succeeds him. Hassan took over as a young man, so he's been King for a very long time. He's survived any number of assassination attempts, some people feel he has a charmed life. Now my friends in the World Bank tell me that the Moroccan economy is doing pretty well, but my sense is that they have this underlying tension there. He's kept the fundamentalists under control, but I think there's a lot of resentment because it's really a two-class society.

Q: You saw that when you were there?

BIRNBAUM: Oh, yes. It's very evident in student strikes. They used to close the university twice a year, and once it closed for a whole year. The King kept the lid on. Again, I said you have to be lucky when you are assigned to a country.

A man named Ben Barka was the head of the opposition party. One day Ben Barka was kidnaped off the streets of Paris, and they never found his body. De Gaulle was in charge of France at the time, and the evidence indicated that this was done by the security police of Morocco, in conjunction with the French security police. De Gaulle was outraged and he set up a trial in absentia, for the Minister of Interior of Morocco, and the head of the Moroccan secret police. They were found guilty in France. Well, you can imagine the reaction. The Moroccan Ambassador was withdrawn from Paris, and they kicked out the French Ambassador. The Moroccans were very anxious to show the French that they had a very powerful ally, the United States. It opened up a lot of doors for us in the Government, because they wanted to demonstrate to the French that they had an alternative. So our relationship was very positive and cordial. I could see the Minister of Finance if we had a problem. We had a lot of opportunity to have a dialogue, and in that sense, it wasn't difficult to work there. But still one had a feeling that the opposition is one day going to get to the government. The King maintains control by having this unusual position of being both a religious and a secular leader, and he's a very clever guy.

Q: What happened to their family planning program? Did you have one while you were there?

BIRNBAUM: They had a small one. There's always the question of whether Dr. Ravenholt of AID was right -- in saying you don't have to worry about the demand side for contraceptives; it's just a supply problem. As mission director, we had two or three

domestic staff, a maid and a cook, and they would ask my wife where they could get contraceptives, where they could get help. There was an understanding of the problem, and people wanted help, but you couldn't openly buy contraceptives. With regard to our AID efforts in family planning, we went to see the Minister of Health, and were pushing the family planning. He responded, "I don't have a big enough health budget to inoculate more than a quarter of the children in this country for measles and other communicable diseases. And you're telling me that family planning is the most important problem? If you come back with a total health package, where I can do inoculations and other programs as well as family planning, then I'm willing to talk to you. But if you're just saying that family planning is the most important thing, forget it. Besides which, half of my doctors are French Catholics, and they wouldn't do it anyway." So we made very little progress.

I was struck by the fact that, very often we go on a single track like family planning when a country has an enormous health problem. You have to develop a balanced program. While I was in Morocco, we didn't have a sector-wide health program.

Q: Do you remember anything about, was there any particular development policy or thrust being pushed by Washington while you were there, or did you feel free to operate pretty much within your own judgments?

BIRNBAUM: Well, I had a feeling then that it was still the business of a little of everything. We did some family planning, the high-yielding wheat variety, a range management project, and of course some capital projects. We were doing the Oued Moulouya Dam and the rehabilitation of the airport, with the Federal Aviation Authority. So there was a little bit of the Noah's Ark, a little bit of everything.

Q: What about private sector? Were we doing anything about that?

BIRNBAUM: In Tunisia in the early 1960s, we hired a "Beltway" firm to identify private investment opportunities. They looked at the ceramic industry and local industries, and they must have written up 20 or 30 potential private investments, at a cost of maybe \$150,000, which was big money in those days. We showed them to some private investors, both Tunisians, and a few Americans that were brought over on a mission. And they said, "You wasted your money, because businessmen are interested in what are the possibilities for a good cash flow? How long is it going to take me to get a return on my investment? No such analyses was available in these studies. A bright kid working at the New York Public Library could have prepared the general information or facts in these so-called investment studies. I don't think we generated one investment.

One only good thing we did was to bring Walker Sisler and Detroit Edison to Morocco. Sisler was the president of Detroit Edison and in World War II he was a brigadier general in charge of helping with the rebuilding all the power plants in Western Europe. Based upon this experience, he wanted to help developing countries. The power generation in Morocco was pretty antiquated. Furthermore, they kept saying that all the industry is

concentrated in the Casablanca area, and we'd like to disperse it throughout the country by making power cheaper. But the cheapest power was in Casablanca, and the most expensive power was in the countryside! We brought Walker Sisler to Morocco. He made his people available for no fee. We paid the fare and the per diem. Detroit Edison staff came over a six or eight month period. They improved their maintenance system, the bookkeeping system, and changed the tariff structure. It really was a fantastic thing, because Morocco was getting people who had operational experience, not some general consultant. Some Moroccans went to Detroit Edison. This was not like the "paunch" corps, the retired executives, but involved a whole company which could backstop the technicians they sent.

Q: Was AID financing any of this?

BIRNBAUM: There was little AID financing. Ambassador Tasker was good at attracting potential investors. King Ranch people came to Morocco, including its founder, Mr. Kleeberg, who launched Lyndon Johnson's congressional career. King Ranch was interested in starting a large commercial cattle operation in Morocco. They saw a big market for meat in Europe as the standard of living went up. They had big cattle operations in Australia and Argentina. They knew exactly how they wanted to organize themselves. The King was very excited, because it was going to involve some of his cattle. I got to know the King Ranch people and went out to see the ranch. I said, "Why don't you give some consideration to running a training center on the ranch, which I think I can get AID to finance? There are many Moroccans who have a goodly number of cattle, but they don't know anything about supplementary feeding and all the other modern methods you use for a commercial operation. You could run a little school here, which would go over very big with the Moroccans and create some goodwill, because a lot of them say, 'Oh, the King's made another deal now with these foreigners.'" King Ranch people said, "It's not our business." We tried to sell it, but we couldn't push a string; they don't want to do it.

Another private investment project that we got involved with in Morocco was in the Sousse Valley, where in January and February you can grow melons, tomatoes, the works. We knew about Israel growing vegetables and flying them into Europe, especially in the winter. So we said, "You have the Royal Air Maroc airlines, which can fly from Agadir to Paris overnight. These planes are on the ground all night. They could fly up with vegetables and come back with passengers. There was a company that did this in Texas. They would fly lettuce from Texas up to Seattle overnight, with all the seats out as a freight plane. They would deliver the lettuce and then put back the seats and fly passengers down to Texas. We felt the Moroccans could do the same thing. We brought out two Italian Americans, farmers from Florida, who operated very large irrigated farms, growing lettuce and celery on a thousand acres. The Sousse Valley was irrigated farming and the soil and weather conditions were fine. The Americans said, "We want complete control of the land. It's like a factory operation." The Moroccans were saying, "No, you have to work with all these little farmers." We spent a lot of time with these American farmers, and it was fascinating to hear how they operate -- like a factory. With a tight

schedule: pesticides on this day and not a day later and fertilizer on this day. They said we can only do that if we have absolute control. We cannot work with hundreds of small farmers. The King, I believe, realized that because a lot of this land had been taken back from the French, it was unwise to turn it over to some Americans. So the Sousse project never got off the ground.

So we were thinking about private investment, some pretty big stuff. Morocco has the potential, and I wonder how much of that they've done since then. In many ways, they were not interested in resource efficiency. They have a big phosphate industry. It's a big money maker. There was the question of financing new equipment. The phosphate company was mainly owned by the government, and they wanted to get export-import credits. Although Europeans, weren't supposed to, they were prepared to give him them mixed credits, because these were big purchases. I remember having a discussion with the Minister of Finance, saying, "This huge company has cash flow and earns substantial profits. It can tap the private capital markets. There are very few enterprises in Morocco which can do that. Why are you wanting to use a limited amount of concessional assistance or export-import credits when you can finance the equipment with private sector capital? Concessional assistance should be used for education and health projects." But the phosphate company wanted to get the softest money it could get, because they wanted a better bottom line, highest level of profits. One explanation was that the King was one of the largest shareholders in the company.

Q: So, any other dimensions of Morocco that you want to add?

BIRNBAUM: It's a long time ago. It was a good assignment.

Q: You were there two and a half years, you said?

Move to Washington as Deputy Assistant Administrator: Africa Bureau - 1969

BIRNBAUM: We arrived in Morocco in June of '67 and by November '69, I was back in Washington. The reason was that Sam Adams was recalled from Niger by Dr. Hannah, to be the AID Assistant Administrator for Africa, Sam insisted I be his deputy. It was a very fortuitous development, because I was scheduled to go to Vietnam as Economic Counselor of the Embassy, and the Associate USAID Director for Program and Economic Policy. I'd already been informed of that while in Morocco. Ambassador Tasker tried to intervene and said that "He should stay here in Morocco, he's just started a lot of good things." But the message came back, "No, he's going to Vietnam." However Sam Adams insisted, and Dr. Hannah wanted to support him, so my going to Vietnam was canceled, and I wound up working with Sam. This was in 1969.

One incident in Morocco at the end of my tour, that I remember concerning my possible assignment to Vietnam involved Orville Freeman, who was Secretary of Agriculture for a number of years. When we were in Morocco, Freeman was out of the government already, and was heading up a private agricultural consulting firm. Freeman sent a

message saying that he would like a series of meetings with government officials, and with private people to discuss potential agricultural projects. So I arranged it, and then we had a big luncheon at my residence. After everybody left, we had another cup of coffee, and Joan, my wife, joined us. Freeman said he made good contacts. He said, as Secretary of Agriculture, "Whenever I traveled I didn't have to do anything. Everything was arranged for me. Now I have to stand in line with my passport." How different the world was. Then he said, "But you've got a pretty good life here. It's a lovely house. You obviously have a good cook; that was a delicious meal and a very lovely garden." Joan said, "Well, it is very nice, but it's all over. My husband's been assigned to Vietnam" and that she had to decide whether she was going to the Philippines with the children or to the States. Freeman said, "When are you going to Vietnam?" and he mused, "Those Vietnamese women -- they don't walk, they sort of glide as they go across the street. I can still remember how beautiful they are." I thought that was amusing, but Joan said, "Oh, so that's what it's all about!"

The last time we met I was talking about being transferred from Morocco back to Washington as the Deputy Assistant Administrator for Africa. Sam Adams was the Assistant Administrator, and this was in November of 1969. I was Sam Adams's deputy from November 1969 to February 1972. That was during a Republican Administration. Dr. Hannah was the AID Administrator. Looking back, one major problem was a management problem. The African region was providing assistance to over 40 countries. They had gone through a number of different organizational structures: one, to have the field missions in all the countries, although some of the missions were quite small. Then in the interest of economy, they closed the smaller field operations and moved them back to Washington, and tried to backstop, e.g. Benin or Niger from Washington. Well, that didn't work too well. So we were confronted with the problem of how do we operate programs in both big and small countries. We came up with the idea of regional support offices. It was during Sam's tenure that a regional office was opened in Nairobi, and one in Abidjan, which they had contract officers, lawyers, engineers, and they backstopped the smaller programs.

Q: These were the regional economic development service offices?

BIRNBAUM: Yes, at that time they were called regional support offices. It was economy of scale, wherein the regional offices had the specialized staff, which we couldn't afford to have in all these small countries. They would travel to each country to help develop the projects. There were sort of itinerant technicians.

The other major operation during that period concerned Southern Africa. Apartheid was in full bloom, and at that time, the front line states were Botswana, Lesotho, and Swaziland. Ten or fifteen years later it was Mozambique and Zimbabwe. During Sam's tenure, we started the first USAID programs in those front-line states. I was sent on the first mission to organize the initial AID programs. It was quite an experience because you had to charter a plane out of South Africa. They knew what we were up to, and they weren't too happy about the Americans going into these countries, which bordered on

South Africa to develop aid programs. I remember sitting for a very long time in the airport in Johannesburg until they cleared our papers for this charter flight. We visited the three countries: Botswana, Lesotho and Swaziland. We had a meeting in Swazi with the Minister of Finance, and we were explaining the USAID program, and the kinds of things we might do. He looked up and he said, "Well, you have this subsidy program where you give these sugar quotas to countries, and we grow sugar here in Swaziland. Now, if we could get a quota of 5 or 10 thousand tons from the United States, you wouldn't have to have an AID program. You all wouldn't have to come halfway across the world. You could stay home and we would be just as happy to have this sugar quota, which would probably have a bigger impact on our economy than your AID program." I replied, "Probably so, but we in AID have no voice in determining who gets the sugar quotas."

Q: Pretty savvy fellow.

BIRNBAUM: Yes. This was in Swaziland. And then we went to Botswana. They were very excited in Gaborone, the capital because they were opening their first professional cinema building. It seemed before that all the films were seen in the town hall. We negotiated the beginnings of the Botswana programs at that time.

Q: Do you recall what you were emphasizing in those programs?

BIRNBAUM: Agriculture, basically. Also, in Botswana we got involved in building a road from Gaborone to Smithtown. In Lesotho, one of the poorest countries, surely agriculture was the priority.

Another function I had was to serve as the head of the US delegation to the Consultative Group meetings. There is now all this talk about the severe debt problems in Africa. I remember it was discussed at a CG meeting for Zaire. Zaire had a major debt servicing problem, even at that time in the 1970's. The CG meetings involved the IMF, the World Bank, and the bilateral donors, and there was a World Bank presentation of what external resources were needed to cover the country's balance of payments deficit. A major item, in the balance of payments deficit was the debt service. The traditional way of handling this problem was to ask the bilateral donors to provide more aid in effect to service the debt because all monies are fungible. I asked, "What are the possibilities of some more debt relief? The IMF representative said, "We're not prepared to talk about the impact of the debt servicing on the resource envelope." The French delegate raised his flag and said, "This is not a suitable discussion for a Consultative Group meeting. Debt relief is a Paris Club responsibility, and this should not be raised here." Some of the other bilateral donors joined the US in arguing that the debt service has a major impact on the resource availability. The IMF response was that debt is a contract and that must be honored, and we expect the donors to provide more assistance to help service the debts.

So even in those days the debt problem was growing, but the traditional way of handling it was that debt relief was the last step. Now debt relief or forgiveness is very much in the

forefront and people feel that the debt problem has to be addressed first if we want to see growth and development in Africa.

Another problem I remember involved Al Hurt, who was the mission director in Senegal. He made a presentation about the food security in Senegal and in the rest of French-speaking or West Africa. The demand for PL 480 was going up very significantly each year. He said, "When you ask the locals what's happening, they would say it was the drought. But there hasn't been a drought for three years," He said what was happening was that the population was growing very rapidly, and that the traditional agricultural methods just couldn't produce the grains to keep up with the consumption demands. This impact of the population explosion was becoming apparent, but the local people were saying it was the drought, when it was really something much more fundamental in terms of what they could produce given the population explosion. The US was in the leadership in pushing for the recognition that population growth was impacting very importantly on economic and social development. But it never really got the kind of attention from the recipient countries and from other donors that it really required. And you can still see the problem in Africa. With three percent annual population growth rate, 3 or 4 percent GDP growth rate provides little or not per capita income growth, and that's still the case in many African countries.

Another operation I remember was a program loan planned for Ethiopia. Ernie Stern was the head of PPC, and he was much interested in this loan, which was for the agricultural sector. Although Ethiopia was basically a rural country, even if you added in rural roads, the percentage of the budget that was earmarked for agriculture, was around 15 percent. It was terribly low. Under this program loan, all of the counterpart funds were earmarked for agriculture. Well, Mr. Stern did not find that sufficient in terms of additionality. He said, "They can only get this loan if they match the amount of US funding with their own funds. Otherwise you might just be substituting what they had planned to put in the budget for agriculture before the US funding was available." We want to get a multiple increase in the funding for agriculture." In the end it did go through the way Stern had in mind.

Q: Is that the way it worked out?

BIRNBAUM: Yes, but it still wasn't enough. Again, it's always a question of commitment. I know you served in Ethiopia, so you remember better than I. For years, we were working on trying to improve the tenancy arrangements for the peasant farmers. The legislation would get so far, and then it would go to the Council of Elders, and they would reject it. They're going to think about it for another year. So I don't remember if they succeeded in breaking the very tough tenancy laws, which kept the Ethiopian peasantry in a state of poverty.

Another incident I remember concerned US tariffs. During that period, 1970-71, we had a very bad balance of payments situation in the United States, and we passed a ten percent import tariff across the board. All the African countries, through their Ambassadors,

protested and they wanted to see Bill Rogers, who was the Secretary of State and David Newsom, who was the head of the Africa region in State. They made a demarche and said that if the US had to impose this tariff, it was regrettable, but they would like poor African countries to be exempt.

Q: Newsom was the Assistant Secretary for Africa?

BIRNBAUM: Right. Secretary Newsom explained that under the General Agreement for Trade and Tariffs, we could not discriminate in favor of some countries and allow Africans not to be subjected to this tariff. But they still wanted to see Secretary Rogers, and that was arranged. The African Ambassadors were divided into two groups. The English speaking ones stood in one group and the French speaking ones were in another group with an interpreter, who was simultaneously interpreting Secretary Rogers' comments. Rogers started off by saying that this action was something that we didn't care to do, but that the balance of payments situation required we take action. Then he said, "I understand that Secretary Newsom explained to you why we cannot make an exemption because of the GATT rules."

Then, I don't know what possessed the Secretary, but I guess he could see their faces and that the Ambassadors weren't very happy. He said, "This situation reminds me of a World War II song, which was very popular, entitled, 'I Can't Give You Anything But Love, Baby'." The interpreter looked at Rogers, with a look saying, "Well, I guess I have to translate this." And you could see the Ambassadors' quizzical expression, people thinking, "What's the message here?"

Then, suddenly, the Dean of the corps of the African Ambassadors, who was from Liberia, and was very well spoken, said, "Mr. Secretary, I would like to respond as the Dean of the African Ambassadors." And he said, "Well, we heard what the Secretary said, and I want to say to my French-speaking colleagues, whom I'm sure will understand; that if a woman gives you love, she gives you everything. If the United States gives us love then they will give us everything."

I thought Rogers was going to hug him, because he just saved the day. When the Liberian Ambassador made very light of it, everybody sort of chuckled, whether they were happy or not, and that was the end of the meeting.

Q: What was the situation in Africa at that time?

BIRNBAUM: In those days, '69-'72, things were upbeat in Africa. School enrollments were increasing, universities were expanding, exports and growth rates were expanding, unlike the late '70s and early '80s, when things started to go downhill.

Q: Do you have any recollection of the Biafran crisis?

BIRNBAUM: The Biafran crisis was very serious. They brought in Bill Kontos, a special advisor. You were involved in that, too, as the Office Director for Central Africa. It was very helpful to Sam Adams and I because it was a major problem, and we needed help. Biafra got a lot of White House attention and we were relying on you and Bill Kontos to backstop our efforts.

Q: What was the development philosophy for Africa at that time? Were there any development concepts that we were promoting?

BIRNBAUM: I think that it was slightly before the basic human needs became the key development policy. We were still following a fairly broad program of capital projects and technical assistance, as well as large PL 480 programs in Africa. Most of the aid was in agriculture, education, and health sectors. We didn't do very much in industry. We were always trying to find a handle for private sector development. But I never felt we were too successful at that. Some of the funds that were generated under PL 480 were available as Cooley loans for the private sector.

I remember someone from Senegal saying how difficult it was for young Africans, because our heads are in the sky with computers, but our feet are still in the stone age. I remember a trip to Liberia during that time. One thinks a country is underdeveloped when they plow with a donkey or camels, without mechanical power to plow. But in Liberia I did see a peasant plowing with a stick, just trying to make a furrow with a stick. That really shocks you that people are trying to eke out a living without even an iron tool. So there was a long way to go in many of those countries. But it was more of an upbeat period. School enrollment was up, infant mortality was falling, and the general macroeconomic framework was reasonably effective. The African countries didn't have the kind of deteriorating economic situation that developed in the late '70s and '80s.

Q: You were there when?

BIRNBAUM: I was in the Africa region in Washington from 1969-72. Where were you at that time?

Q: I was in the Bureau.

BIRNBAUM: You were back from Nigeria.

Q: I was back from Nigeria, and I was Director for Central and West Africa.

BIRNBAUM: So you should remember as much about the program as I would.

Q: But I left there in 1970, and went to Ghana.

BIRNBAUM: Wasn't it true that Ghana was kind of upbeat then?

Q: Yes, well Ghana was going through this debt rescheduling exercise. It was one of the first countries to go through a rescheduling before the Paris Club meetings were organized. We used to have them in London. That was one of the phenomenons at that time. But it was--the Korry Report exercise came--that led to the effort to reduce the number of countries, I think that was prior to your...

BIRNBAUM: The Korry Report got a lot of attention. I always felt that we should have concentrated on fewer countries. For small countries, like Chad, the African Development Bank, and the World Bank had much more resources than AID. My point is if the US is only providing \$2 to 3 million a year to a Chad, what real impact does it have? Very often the overhead or administrative costs could amount to one-third of the AID level. It seemed more effective for the US to concentrate on 12 or 15 countries and the other countries in Africa could get their resources from IDA and the African Development Bank. The US should use its membership in these organizations to try to strike a balance between its bilateral and multilateral programs, but when AID tries to run operations in 45 countries in Africa, it dilutes its effort and effectiveness.

Advancement to Assistant Administrator for the Bureau for Program and Policy Coordination - 1972

Q: Did you have any dealings with Dr. Hannah? Did you get acquainted with him?

BIRNBAUM: Well, that came later. I worked in PPC from 1972 to 1977, I think that was one of the longest tenures, five years in PPC.

Q: And your position was what? You were the head of PPC?

BIRNBAUM: Right. Assistant Administrator for PPC. I was appointed in 1972, the year that Nixon was reelected, and they were feeling their oats. When Hannah proposed that I be Assistant Administrator for PPC, the White House said, "Well, what's his political affiliation?" I said to Dr. Hannah, "You know, that's the first time in my career that this question has been asked. I consider myself a professional civil servant. My politics have never been questioned." Dr. Hannah, "Yes, but you have to understand. This is a presidential appointment." I said, "In the past, the heads of PPC were very distinguished economists, like Hollis Chenery and Gus Raines, and I don't think they were asked what's your political affiliation?"

What was really ironic -- I was a registered Republican! So Hannah said, "What are you making a fuss about? That's all they want to hear. They are convinced that AID is filled with Democrats." I said, "It's the principle. I'm not a political appointee. I'm a professional." Dr. Hannah said, "Well, we're going to tell them that you are a registered Republican. They are going to feel very happy, and that was the end of the discussion.

The next step was going up for Senate confirmation. And at that time, Matt Harvey was in charge of AID's legislative affairs office. Matt said, "OKAY, you live in Maryland now, but what state do you come from?" I said, "I'm from New Jersey." And he said,

"Senator Case is from New Jersey and he is on the confirmation committee." He said, "What do you have in common with Senator Case?" I said, "Well, he went to Rutgers and Columbia University -- He's a graduate of the same two schools that I attended. We went to see Senator Case, and he said, "Oh, this is a piece of cake. When we start the hearing, I'll make a presentation about Mr. Birnbaum." Not that he thought there would be any problem, but it's always nice to have a "friend" right up front. The only senator who raised a question was Stuart Symington. He said, "Mr. Birnbaum, I understand you are going to be in some office that works with the Development Assistance Committee and what these people do is rate industrialized countries on their aid giving performance. They measure aid as a percentage of the country's Gross National Product. Senator Symington went on to say, "Do you know who's at the top of that list now? What country is considered the best aid giver? Portugal." Because they still had those colonies, and the DAC accepts what they do in Mozambique and Angola as foreign aid. Number two was France, because of all the assistance they give to Reunion and to other colonies. Mr. Birnbaum, what do you think about a system like that?" Matt Harvey said to me, "Just keep nodding your head, like you're agreeing with him." Symington concluded, "I think it is scandalous that we support a system that rates a country like Portugal as the greatest benefactor of mankind." There wasn't anything for me to say; he'd made his speech, and that was the end of it.

I got to know Dr. Hannah quite well. Every year we went to DAC high level meetings. For twenty years, we were pushing other countries to increase their aid levels, and to get close to the U.N. target of 0.7 percent of Official Development Assistance, (ODA) as a percentage of Gross National Product. We did have considerable success, when you look at how Germany and Japan increased their aid levels, and of course, the Nordic countries were reaching almost one percent of GNP. The United States was going the other way, with our percentage falling. At these DAC high level meetings, it was the other countries lecturing the United States that our aid levels had flattened out, and as a percentage of our Gross National Product were falling. The shoe was on the other foot. We responded by talking about how we were going to improve the quality of our aid, and concentrating on basic human needs.

Q: How did we counter that?

BIRNBAUM: Well, it was very hard. I remember one year, we had a recession in the US and GNP figures went down. So as a result, our ODA performance improved minusculely, and looked better. I said to Dr. Hannah, "What an irony, our GNP was down because we had a recession, our imports were also down, but our aid performance as percentage of GNP looks better. The impact of the recession on the developing countries is devastating. They used to say that if the industrialized countries sneeze, the developing countries get pneumonia." In absolute terms, however, the US remained the largest donor.

Q: Wasn't there some attempt to counter that by saying we were providing vast amounts of military assistance, unlike anybody else, or something like that, and therefore we were carrying a bigger burden?

BIRNBAUM: Those points were made, but that wasn't a point you could make very effectively with development people. Actually, this was a point that Senator Symington made during my confirmation hearings, saying that we were defending the free world, and allowing other countries great savings in their defense budgets, which was true.

I remember that one time at a DAC meeting, the Japanese representative had a very positive statement about our aid effort and our defense effort. "Well, it seems that he did not have a written statement, to give to the interpreters. He had a very heavy Japanese accent in his English. So English speakers couldn't understand him. I turned on the French interpretation, and I could hear the interpreters saying in French, "God, I don't understand a word of what he's saying. How can I translate?" So at that one meeting where there were some positive statements said about the US aid effort, they couldn't be communicated clearly.

One of the major functions that one is involved in PPC is the Congressional hearings. Every year I would go up to the Hill with Dr. Hannah, which I remember very vividly. Otto Passman was chairman of the subcommittee on Appropriations for Foreign Operations. Al Furman from AID's Legislative Affairs office was on one side of Dr. Hannah, with all these briefing books, and I would be on the other side. I remember one time Passman was throwing questions at Hannah. Al was trying to find the right table with figures, and I'm whispering into Dr. Hannah's ear. Passman rapped the gavel, and he points at me and said, "Mr. Bookkeeper, you talk when I ask you to talk. But otherwise, Mr. Bookkeeper, you keep your mouth shut!" That was the way he conducted the hearings. Dr. Hannah handled himself extremely well. Passman would asked, "Why are there six jeeps rather than four in this range management project in Ethiopia," all these nitty-gritty questions. Hannah would say, "I don't want to talk about that." Today everybody talks about globalization, and that was what Hannah was talking about in those days, saying, "It's going to be one world, and if we don't address these problems of health and education, they're going to come back and impact on our country. Congressman Passman, what we're talking about is the world for your grandchildren and my grandchildren." So Dr. Hannah never would let Passman focus on small operational things, and always try to lift the debate. And he was very effective that way.

The hearings were very interesting, because often Congressmen's respective positions had little to do with whether they were Democrats or Republicans. One of the strongest supporters on the committee, who could handle Passman, was a Republican, Conte, from Massachusetts, who was very pro foreign aid. He understood what Hannah was saying, and he would always make a very positive statement, just sort of ignore Passman. So the split wasn't that the Democrats were always the liberals and the Republicans the conservatives. During that period a lot of effort was spent on getting appropriations for Vietnam. Passman was very supportive of our efforts in Vietnam.

Passman used to speak in very long phrases, and he didn't necessarily start with the subject, so you didn't know what the hell he was talking about until three or four sentences went by, and then it would be apparent. Passman had convinced himself that the opposition on the Hill to all the aid to Vietnam was because it was on a grant basis, and if it was switched to a loan basis, there would be much more support on the Hill for aid to Vietnam. I remember Dr. Hannah asking us if Vietnam could service loans, even the soft type of loans that AID gave. At that time the only export out of South Vietnam was something called kettle fish. Exports were something like \$20 million or less per year. So it would be very hard to make a case that they could service loans. But we spent 30 minutes that day with Passman saying, "I think I've convinced the President," (We're trying to figure out which President he's talking about, our President or the Vietnamese President) to move to loans, and all the opposition on the Hill will fade away.

We're not really communicating, but that was a typical experience with Otto Passman.

Q: What were Hannah's views about development strategy, or what should be emphasized?

BIRNBAUM: I made a trip to Nigeria with Dr. Hannah. We visited a project which involved getting fertilizer and a technological package to peanut farmers in Kano in Northern Nigeria. This project had been in progress for a number of years and we weren't very successful in distributing the fertilizer on time, and getting the message across. Our technicians were explaining how difficult it was to transport and distribute the fertilizer. While we were standing there, in some little village; it was very, very hot and, they start passing around cold beers. We were hundreds of miles from civilization, in a little village drinking cold beers. So Dr. Hannah says, "Where do these beers come from?" Answer - "Oh, people get them in that little store there." Hannah says, "Now I see what the problem is. When private guys are running things and trying to make a buck, they somehow get beer up here from Lagos, or some other place. You people are trying to do it through bureaucrats and fail. Why don't you engage these storekeepers to sell fertilizer in small bags?" Hannah was pretty quick on the uptake. We went to visit another project. We were building a school of veterinarian medicine in northern Nigeria from scratch, and you can imagine what kind of a problem that would be, because this was one of the most underdeveloped areas. There had been a lot of problems with the project. It was off schedule and a lot of people had come out from Washington asking questions, and the poor project manager who was out of the university -- I think it might have been Wyoming.

Q: They were from Kansas.

BIRNBAUM: He was getting tired of the criticism. Dr. Hannah asked the same questions that any number of visitors asked, and the poor guy just lost his cool and said, "Dr. Hannah, I can get this project back on schedule, and get everything done, if you would

just get rid of Nigerians." Hannah responded, "Well, it's just the frustration of trying to get things approved, when the cultures are so different."

You do have to be so careful in the questions you ask. The project manager showed us the plans. I said, "What is this?" He said, "This is an operating room, where we operate on small animals, cats and dogs." I'm thinking, "My God, they're not going to be training veterinarians in Nigeria to be taking care of cats and dogs. In Africa, you don't take care of a dog, you just let him run around the village." So I said, "You're going to be training people to operate and care for cats and dogs?" He said, "No, Mr. Birnbaum, the anatomy of a cat and dog is very similar to that of a horse or a cow. But it's much easier in teaching students to get a cat on an operating table than it is a horse. Have you ever tried it?" It's better not ask questions if you don't know what it's all about. So I think after that, the project manager must have said, "If I could get rid of all the Nigerians, and all the AID visitors...!"

It was during that period in PPC that we got involved in the basic human needs.

Q: The new direction, as they called it at that time?

BIRNBAUM: Right. Among the liberals and the development experts, there was the perception that you needed a direct approach to address basic human needs - the trickle-down theory didn't work. What was interesting is that, even Otto Passman, in one of our hearings, expressed similar concerns. He was very upset that South Vietnam fell as quickly as it did. He said that one of the problems was that we weren't dealing with the people, we were dealing with the big shots, who were corrupt and you have to deal with and get support of the common people. It always stuck in my mind that understandably sociologists and economists were saying that we have to focus on poverty questions, on basic human needs. But for a conservative like Passman, it was unusual. I remember him saying, "We put a lot of treasure in Vietnam, US blood and money, and it failed. It failed so quickly because it had no roots. The people weren't with the program." How much real support and understanding Passman had for the basic human needs the way other people understood it, I don't know.

When I was in PPC, Dr. Hannah was the Administrator from 72-'74. From 74-'76 it was Dan Parker, and I think that it might have been with Dan Parker that I went up to the Hill, and Passman made this little speech about why we failed in Vietnam. And then in my last year, '77, John Gilligan came. So that it was interesting to have three different personalities as the head of AID.

Q: What did you think about this basic human needs switch, from the previous strategy?

BIRNBAUM: I think we all felt the emphasis on basic human needs was overdue. The way the PPC got involved was typical. We started to write these very long airgrams sent world-wide on how you do primary education and preventative health projects. They went

through many, many revisions. I guess as an ex-field person I felt that you have to provide a certain amount of guidance, but these projects have to be country specific and developed in the field. I always like to tell little anecdotes. I remember when I was in Morocco, Ambassador Henry Tasker was considered a very aggressive ambassador. And he said, "Anytime you get a worldwide airgram or telex, you can throw it in the basket. Because that's not addressed specifically to US Embassy, Morocco. It's addressed to everybody, so that doesn't necessarily mean you or me."

So I was saying to the staff in PPC, "Yes, we should have a framework for basic human needs, but the program will be different in different countries." It was a very time consuming effort, but again, AID was in the leadership. It's only been recently that we've heard that adjustment programs weren't addressing poverty and basic human needs. But providing basic services can often become a real test of effective communication.

One of the major health problems was kids were getting dysentery and then they suffered severe dehydration. An infant would die within three or four days without sufficient liquids. And I don't know if it was AID, but someone came up with this medication, just water with the right mixture of salt and sugar, which would end the dehydration. I was in Senegal in the countryside, and they were explaining this treatment to these Senegalese women. People were perfectly bilingual, so it wasn't a question of lack of understanding. And what the women said was, "What you're giving us is what the witch doctor would give us. We want antibiotics. We want the modern medicine." Of course, for dehydration, the antibiotics would do nothing, and the children would die. But to make the sell was very difficult that just a little water with sugar, and salt would do the trick. And you could see by their expressions that they couldn't believe that it was as simple as that. So what you communicate in a fifteen page PPC airgram on basic health services may not be understood by the recipients.

Q: During this time, there were two phrases, the poor majority, and the poorest of the poor, seemed to suggest essentially different strategies for development. And some people took the poorest of the poor very seriously. Were you familiar with that debate?

BIRNBAUM: I got involved with this question in my next assignment with IFAD, which concentrated on the poor.

I remember a gentleman who came from Pakistan, trying to explain to Dan Parker and myself, that in Pakistan there are two groups of poor people. At the very bottom are the poorest of the poor, who have no assets at all. They might not even be tenant farmers. They are just day laborers if they are lucky. He was saying that it was almost impossible to help them, and was recommending to us that donors should not put their resources there. Right above these poorest of the poor are some very poor people, by any standards, but with some help, they can improve. He was telling us that for the ones at the very bottom, "It might sound heartless, but there's no way that you can really make an impact and help them. You have to hope that the next generation or two will somehow transit out."

I remember in Morocco, we had an urban sites and services' project. We did a survey of what goes on there in this big slum area. People would come in from the countryside, and they would actually be sleeping in the street, as homeless people, and they would try to make their way as daily workers. The next stage was that they moved off the street, and were sleeping in somebody's shanty, that is, in a tiny courtyard next to the shanty. What we were witnessing was the upward mobility that seems to go on. It's very slow. Sometimes it takes the guy five or six years. Then he has his own shanty with a tin roof, and he's helping some other guy, hammering out copper plates. So that's another kind of story, one can arrive penniless, with no assets, and yet make his way. It was very important to understand the factors involved in this little bit of upward mobility.

Q: Was there any particular line that AID was following, that PPC was encouraging?

BIRNBAUM: We previously discussed PPC's involvement in promoting basic human needs. PPC's main functions were preparation of the AID budget to OMB and the congressional presentation. One year, OMB came out with the instruction, that in preparing the budget submission, we should do two budgets. One, if we had 15 percent more money, what would we do in addition to what we would normally plan to do, and what we would eliminate, if we had a 15 percent cut. I remember Dan Parker was the AID Administrator, and I said, "We should not do this because once we laid out what programs we would cut, we would be vulnerable to OMB cuts. Parker said, "Well, how are you going to ignore an instruction?" To make a long story short, at that time Kissinger was the Secretary. So we got the message to Kissinger, and he called OMB and said, "Forget it." We weren't going to lay ourselves open to cuts by submitting a budget substantially below our requirements. So that was just a question of hunkering down, stonewalling them, and we submitted one budget, with the idea of course that this was the bare bones. As you know, the budget submission always gets cut anyway.

Q: What about your dealings with State on your budget allocations. That was always a major PPC function, wasn't it?

BIRNBAUM: Right.

Q: What was your sense of the dealings with State on those?

BIRNBAUM: I don't remember any major problems, other than Vietnam, and Vietnam was handled separately. When I was in PPC, the Vietnamese Bureau took care of their battles with OMB and with the Hill.

Q: State wasn't pushing certain aid levels, or arguing for certain levels for certain countries?

BIRNBAUM: A lot of time was spent on Vietnam. I remember one year Kissinger said to us, "Why do you put yourself through the torture of an annual authorization and

appropriation? Why don't we go for a two-year appropriation?" There were a lot of other people in the room who told Kissinger that with growing opposition on the Hill, what makes you think they're going to give us a two-year appropriation? There were a lot of meetings on that issue. State had certain priority countries, Turkey, for example. But in those days the aid levels were fairly generous. There wasn't as much of a trade-off between AID and State priorities. I do remember Kissinger saying he wished he was Secretary of State in the '50s, when there was a Presidential Contingency Fund, with a couple of hundred million dollars. If a crisis came up, and the President and the Secretary had to do something, they could tap this fund. Now there were demands like that, but there wasn't that kind of funding flexibility.

Q: Did you meet with Kissinger yourself?

BIRNBAUM: Yes.

Q: What was your impression of those kinds of situations?

BIRNBAUM: Extremely capable, but a man with a very big ego. I remember one session -- Kissinger was saying that one of the reasons we were not succeeding on the Hill with the appropriations for South Vietnam was that we hadn't convinced Congress and the American people that the Russians and the Chinese were providing the North Vietnamese with twice as much assistance as we were. And that if we made that clear, then what we were requesting wouldn't look out of proportion. Kissinger said, "I want the figures on aid to North Vietnam split between military and economic aid." Chuck Cooper, who was one of the top US advisors on Vietnam said, "Look, the Russians and Chinese give very little economic aid and the total value of their aid is less than ours. We're providing a lot of consumer goods to South Vietnam. The communists don't provide that. What they're providing is the military stuff." We were providing all kinds of civilian goods -- motor bikes, tape recorders. Kissinger said, "How do you know that?" Cooper said, "Well, we do aerial reconnaissance. We can see what's off-loaded in all their ports." Kissinger said, "Well, I want specific figures." He had the attitude that we were the most powerful country in the world, therefore we should have the best intelligence. Kissinger then picked up the phone and called General Walters, who was the deputy head of CIA, and he said, "You get your people working tonight. I want a complete breakdown by commodity of all aid received by North Vietnam from Russia and China." Sometime later, Chuck Cooper told me that the CIA confirmed what he had told Kissinger earlier, but given his ego, he wouldn't listen.

Establishment of International Fund for Agriculture Development (IFAD) Served as Its First Vice President - 1978-1983

A very interesting part of the history of AID and US foreign relations concerned the World Food Conference in Rome in November 1974. Kissinger gave a major address, which we worked on with maybe 10 or 12 revisions. In that speech, Kissinger said that no

child should go to bed hungry, and that within a decade we will succeed in that objective. So looking back on it now, some 20 years later, we still have not reached that objective! I was on the committee that wrote that speech. The conference recommended the establishment of a World Food Council and the International Fund for Agricultural Development. The idea was given the huge oil price increases from which the OPEC countries were reaping large gains, we were going to "invite" them to finance small farmer operations to increase food production and the standard of living of the rural poor.

It was very interesting that the first reaction from Germany, the United States, and a number of industrialized countries, was if we were going to increase food production, we have to get the production up of the subsistence farmers, who need the right technological packages, etc. but we don't need a new international financial institution. Yes, we want to mobilize more money from our OPEC friends and this can be done through contributions to the existing IFIs, the World Bank, the African Development Bank, and the Asian Development Bank -- earmarked for small farmer programs. And that's the position we took. People at Treasury were so convinced that that position would carry, that they showed no interest in being involved in the formulation of IFAD. Even State was fairly convinced that IFAD wasn't going to fly, so it wound up that AID was responsible for backstopping IFAD.

At the World Food Conference, however, it was agreed to establish IFAD and they set up a preparatory commission and countries were invited to send delegates to a series of meetings to negotiate the Articles of Agreement. AID represented the US government, and as the head of PPC, I was selected to head the US delegation to the preparatory commission meetings. Our initial position was we don't need another international financial organization. What happened, though, was that this idea appealed to the Shah of Iran. They said the Shah was still bruised over the fact that the Asian Development Bank went to the Philippines and not to Tehran, and he wanted this new international organization to be headquartered in Tehran. Iran would be one of the major contributors, and Saudi Arabia said that they were very much interested in this new fund, and they would be a major participant.

Well, when Kissinger sensed that two of the biggest OPEC countries were for IFAD, we took a different tack. It was very interesting, at the first meeting of the preparatory commission, the Russians came. But when they found out it was going to be a fund and they were going to have to contribute money and that it would be run as an IFI, they didn't come after that. The US took the position that there can be a new organization, but we won't make a contribution. What we were going to do was step up our AID allocations for agriculture, and particularly allocations for small farmer operations in all the countries. So we said that our contribution to IFAD would be by attribution. So I went through a preparatory meeting or two, with this US position of contribution by attribution, but we were also doing "the legal work" on the agreement. Again, it was Kissinger and Parker who realized if we want to capture the OPEC money, we can't say the US is not going to contribute. So that position was changed, and the US would be a contributor. The deal was that Saudis would provide the president, and the permanent headquarters would be in

Tehran. We said, "Well, it's going to be very hard to start from scratch. It would be a big advantage to start in Rome because FAO can help us by providing certain qualified people. After the first three years in Rome, we'll transfer to Tehran." The Iranians accepted that.

Then we went to the business of negotiating the framework for IFAD. We had a lot of Third World activists, who wanted a new organization. With the OPEC countries standing very tall then, they said, "This can't be like an ordinary IFI. The developing countries should have one-third of the votes, the OPEC countries will have one-third of the votes, and the industrialized countries will have one-third." The way the developing countries looked at this was, "That means we have two-thirds of the vote because the OPEC countries are with us."

That was considered a major breakthrough by the developing countries because here was an international financial institution, where the major contributors would not have a majority of the votes. The other thing that was different was a complete emphasis on small farmers, with a new approach on project design. What you would do is go out and find who are the small, poor farmers, where are they located, what are their conditions, and then design the project to fit their specific needs.

The first preparatory commission meeting to establish IFAD took place in the Spring of 1975, and in June of '76, we were ready for what they call the Plenipotentiary meeting to accept the Articles of Agreement. From the outset, it was assumed that the OPEC countries and the industrialized countries were to put up 50-50 shares or equal shares of the initial capital because they were partners in this fund and had equal voting rights. IFAD was to be like IDA; these were to be grant funds, and every three years there would be a replenishment. We had three categories of countries: the industrialized countries were Category I, OPEC countries were Category II, and Category III were the developing countries, some of which contributed very small amounts of money.

I remember, we went to testify on the Hill. The head of GC office in AID at the time, Arthur Gardner and myself. He was looking at the language of the authorization bill, which called for the initial capital for IFAD to a little over \$1 billion, and the US was going to provide \$200 million. So it was a very large share. Gardner was looking at the wording in the authorization bill and said, "Phil, it says here equal shares, by Category I and II. If there's a difference of a dollar in the respective contributions of OPEC and the industrialized countries that's not equal, and you could have major trouble." So I said, "What should we do?" He said, "Let's change the wording to equitable'." I said, "Hey, that's a hell of a change." He said, "Yes." So literally, standing in the congressional corridors, we changed the wording in the authorization to 'equitable' shares between Categories I and II.

As I mentioned there was this big plenipotentiary meeting in Rome in June 1976 to sign the Articles of Agreement. The President of Italy, everyone and his uncle were present. Dan Parker, the AID administrator, was there and he was glowing. It was the culmination

of about a year and a half of hard work. Everything was agreed and everybody seemed to be very pleased with the agreement.

Then the spokesman gets up for OPEC, his name is Ibrahim Shihata, who is now General Counsel for the World Bank. Shihata delivers three bombshells, "One, the preamble to the Articles of Agreement has to be changed. It has to include the phrase that Zionism is racism. Two, Israel cannot be a member of IFAD. Three, OPEC countries interpreted equitable shares to mean forty percent contribution from the OPEC countries, and sixty percent contribution from the industrialized countries."

I don't remember who it was from State in our delegation, turned around and said to me, "That's the end of your IFAD."

You can imagine the consternation. We were able to defeat the idea that the preamble should state that Zionism is racism.' Any number of people made statements that IFAD's preamble was not the place for such statements and OPEC backed off. Next the business of casting Israel out really was interesting. No industrialized country spoke in opposition - - not the Scandinavians, not the US, and there was a high level State Department person present. But the representative from El Salvador got up, and he said, "This is not acceptable. There are a lot of small countries in the world. The big and powerful countries, no matter where they are from, the east or the west, north or south, they think they can push around little countries, and that they decide who's in and who's out. That's not the U.N. system. If a country is a member of the U.N., nobody can say they are out of a U.N. organization like IFAD. The representative from Honduras, got up and said the same thing. Then some other people joined in.

Although the OPEC countries couldn't push Israel out there's a footnote in the Articles of the Agreement, indicating that the Israelis, would not request any funding from IFAD. A lot of pressure was put on the poor Israelis to provide a letter to that effect. The Israelis indicated that they never intended to take any funding, but were going to give technical assistance. So, we took care of two bombshells, but we left the plenipotentiary meeting with no budging on the 40-60 shares.

The plenipotentiary meeting objective was to reach agreement and then governments would deposit their Instruments of Ratification and also deposit their pledges. When Congress heard about the proposed 40/60 split, many people were terribly agitated. And we were very upset. We thought there was an understanding there would be 50-50 contributions from Category I and Category II. Shihata gave a long speech in Rome, saying, "It could never be 50-50. The GNP of Germany is greater than all the OPEC countries put together. Equal shares, he said, would be preposterous. Forty percent contribution is more than we've given in any U.N. organization. But we in the US Government and in the Congress felt misled because, throughout all the IFAD negotiations, the OPEC countries led us to believe that there would be equal contributions from Category I and II. Kissinger went back to the Iranians asking for additional contributions. I remember our Ambassador to Iran was Richard Holmes at the time; later

he was the head of the CIA. When the message went out that he should approach the Shah to provide additional funding, he responded by saying, "We've got bigger fish to fry with the Shah, much more important issues than this little IFAD organization, I never heard of." So another message came from Kissinger saying that this was important. In the end, Iran raised their contribution by \$20 million, and the Saudis in a magnanimous gesture, put in another \$5 million. So we wound up with a 57-43 ratio. Certain people on the Hill said that was not acceptable. Senator Kasten from Wisconsin was adamant in his opposition. Fortunately, Clem Zablocki was the Chairman of the House Foreign Affairs Committee and he was more understanding. Dan Parker was testifying, and he was very upset, as we felt we had been let down, even double crossed. Zablocki said, "I understand. It's like going into a labor management negotiation, and you think you have an understanding with the opposition, but you don't control those people." Zablocki said, "We'll let them get by with this, this time. But there has to be a replenishment, and the OPEC countries want certain things; they'll want IFAD's headquarters moved to Tehran, so we have some cards to play."

We had spent over a year trying to up the OPEC contribution. Zablocki said, "You know, the only people who are suffering are the poor people who are supposed to get this money, and we can continue this for another year, but I don't see any point in that." He was a very strong chairman, and decided, "We'll go with this." I can't now remember the name of the democratic Senator from Wyoming, who helped us on the Senate side and we squeaked through. But there were a lot of people on the Hill saying "You misled us. You said it was going to be 50-50 sharing with the OPEC countries." It is interesting to note that 43 percent funding by the OPEC countries for IFAD far surpassed their level of contribution to any other U.N. organization or IFI. For example, the Saudi share in FAO was about three percent. In IFAD, Saudi Arabia had pledged \$105 million, and Iran \$125 million. Venezuela's share, was \$66 million and Nigeria was in for about \$28 million. By the fall of 1977, there were enough Instruments of Ratification and contributions to meet the basic requirements, and IFAD started up on the first of 1978.

A Saudi, Al Sudairi, was picked as the President, and the United States as the largest Category I contributor, was given the privilege of providing the Vice President, and I was nominated. Al Sudairi had two degrees from American Universities, so he was very "Americanized" and knew the score. He was also the chairman of the Preparatory Commission and we had worked well together for a year and a half drafting the Articles of Agreement. However, he came on a visit to Washington in November of 1977, and he said he urgently wanted to see State Department officials, the AID administrator, and told me "We have a big problem." He said, "This is not my idea, but we have the Iraqis, and the Libyans as members of IFAD and they can't see their way clear to have a Jewish Vice President!"

It was very fortunate that Gilligan was the AID Administrator, because Gilligan was an experienced politician. He had been Governor of Ohio, and he had been a member of Congress, in the House. I spoke to Gilligan and he said, "OKAY, I'll see him." He told me later, what he said. It was an excellent lesson in how you handle a problem like this.

Gilligan told Al Sudairi the following: "One, Mr. Birnbaum was hired by the US government, and we have no requirement that he has to indicate what his religion is, and we don't care. Two: IFAD is a U.N. specialized agency and you people are supposed to be spreading the idea of brotherhood in the world. IFAD is an international fund, where someone's race, color, or religion should not be considered. Three: If you persist in this matter and it gets to the Hill, you won't get an appropriation. If this issue of discrimination gets out, you can kiss US participation goodbye. It will gut the whole thing."

There were people in the State Department, saying nothing was official, but they were telling me, "You ought to consider taking another position. This might be an embarrassment to the US government." In the end, there was no problem. After the meeting with Gilligan, the whole issue was dropped. I worked in IFAD as vice president for five years and it was never raised again as an issue.

The point is, if you handle a key issue immediately, and properly, in terms of standing up for the principle, it goes away. If you start saying, "We'll consider it..." you are in trouble. Interestingly enough, during my five years at IFAD, I had to remind some of the Executive Directors, that IFAD was a U.N. organization, an international organization, and had to operate accordingly and respect certain principles.

I served as Senior Vice President in IFAD for five years from 1978-1982. During this time I was seconded from AID. IFAD has a specific mandate to help increase food production and reduce rural poverty by providing assistance to small farmers in developing countries around the world. In the initial three years of operations IFAD committed \$900 million for agricultural projects in over 60 countries.

As Vice President, I supervised the Treasury Office (we had almost \$500 million in cash contributions, mainly from the OPEC countries and some industrialized countries, to invest), the Controller's Office, the Loan Administration Office, and the Personnel Services Division. As the Vice President, I was in charge of coordinating the Annual Lending program and the administrative budget, including staffing levels. When I arrived in January, 1987, we had three professionals on board. By the end of 1980 we had 70 professionals. One of the most exciting aspects was building the organizational structure and staff from ground zero. The dedication and the work attitude of the staff was outstanding.

There were two big problems during my IFAD tenure. The OPEC countries forced additional oil price increases. So the feeling on the Hill against these OPEC countries was running so strong. OPEC was earning huge profits and diddled us on their IFAD share. So anytime I came back to Washington, they wanted to see me up on the Hill, and were ready to eat me alive. I remember when the Republicans came in in 1980 with President Reagan and they were saying, "We're going to get these OPEC people and do away with IFAD."

Another serious problem, from a US standpoint, involved a loan scheduled for Cuba. I was told by the US Executive Director to IFAD that it was not going to go down well for me if IFAD makes a loan to Cuba.

I said, "Well, maybe I was born under lucky stars." Because in the same quarter that the loan to Cuba is to go to IFAD the Board, we're proposing a loan to Egypt." This was after Sadat had gone to Israel. The Libyans and the Iraqis were saying, "Over our dead body." They were using the fungible money argument; and they did not "want their money to help that treacherous Egypt." I said to Al Sudairi, "You just have to tell them that the objections can only be on technical grounds. Political objections are not acceptable in an international organization. If Libyans and Iraqis can demonstrate technical deficiencies with this project, fine. Of course, they couldn't control themselves at the Board meeting, saying that the Sadat government was not the legitimate government of the Egyptian people, he was a traitor, and on and on. Al Sudairi called them out of order and the loan for Egypt was approved by the Board.

Then the loan for Cuba came up. I told the US representative "If you can demonstrate that this project technically is not sound, okay, but otherwise it's going to be approved just as the loan to Egypt was approved. Because there's no way we can stop it. And he said, "Well, you might be out of a job." I replied, "We can't have it both ways in an international organization, one shouldn't play politics." I remember the Cuban project involved growing vegetables outside of Havana. It might have been different if it was a dam, but it was a very simple project, and almost impossible to shoot down the project technically. I got a lot of bad vibes when I went back to Washington but I said, "We didn't let them block the Egyptian project on political grounds," so we couldn't block the Cuban project on political grounds.

Then, the World Bank came to IFAD to cofinance a project for Vietnam. The gentleman who was promoting the project, Shahid Husain, is still in the World Bank. When I went there to work many years later, he said, "I still remember you. You talked Al Sudairi out of doing our project in Vietnam."

I said, "Well, you're giving me more credit than I deserve." The Bank was going into Vietnam, after South Vietnam fell, and Husain described the project, he wanted IFAD to cofinance. We did a lot of cofinancing with World Bank and with other IFI's. The project was basically a heavy equipment drop: road graders, and D-8s. I was surprised, because I thought the US military had probably left hundreds of those behind when they pulled out. I asked, "Who is going to be receiving the equipment?" And he explained that the Vietnamese had these collective farms, which would receive the equipment. I knew Al Sudairi and the OPEC people didn't like collective farms. Furthermore, the lending criteria for IFAD, called for helping small farmers. So big, earth moving equipment was not IFAD priority. Then we asked, "Are you going to be able to put the technicians on the ground?" Husain said, "No, they don't want any foreign technicians. They don't need any

help like that, they just want the equipment." Al Sudairi said, "I think that from what we've heard, this is not a project for IFAD." And we didn't do anything in Vietnam.

So it was very interesting being in an international organization, and trying to make sure that it functioned as an international organization, on an objective non-political basis. It was a great experience, in particular because we built the organization from scratch.

Q: How about its development? Was that different from others, or was there anything particularly unique about it?

BIRNBAUM: Well, IFAD did try to do something different. The objective was to work with small poor farmers and the rural poor. A cost benefit analysis on these projects often indicated a poor rate of return. For example, IFAD did a project in a remote part of Honduras where there's very few farm to market roads, a very difficult place to work. IFAD did buy into cofinancing some big irrigation projects in Pakistan or India. We were preaching this "religion" or new approach of first finding the target group, i.e. the poor farmers, then analyze their situation, and how IFAD could make an intervention that would improve their living standards. There were some good examples of that. In the Gambia, women are farmers, but often they get the worst land, marsh land that is under water most of the time. IFAD did a project for these women, which involved draining the land and putting in a very simple irrigation. It was a big success, and the next thing we heard was that the men came and kicked the women off the land, because now this was good land. So we had to go back and tell the government that this was just not acceptable. There was a big discussion, but IFAD prevailed and the women remained on the land.

What was also interesting was that the fact that IFAD was a tripartite organization -- I think the OPEC partners learned a lot. They had to sit on the board and they had to review these projects. The OPEC representatives mainly wanted to see what was happening to their money, and they had political concerns. It was quite an education to see how they looked at projects, given the different perspective and objective of the OPEC representatives. A lot of people were very much concerned that decisions would be taken by votes. However, as in other IFI's, most decisions were realized by consensus. In the five years I was there we seldom got to a position where there was a huge disagreement and we'd have to take a vote. If we had to vote, the industrialized countries would have lost, because OPEC and the developing countries had two-thirds of the vote. So it turned out that the structure was workable. Although on the Hill, some people remained upset about the unequal burden sharing. On the other hand, IFAD developed quite a following on the Hill. We had some good publicity in terms of spreading IFAD's message. IFAD was in the forefront of supporting the basic human needs, and enjoyed the reputation of being poverty conscious, i.e. helping small farmers and the rural poor.

Q: My understanding was that IFAD wasn't supposed to implement its programs because of a small staff, and it worked through others, something like that?

BIRNBAUM: Yes. Limiting the size of the organization was another concern. The Articles of Agreement called for project appraisals to be done by the World Bank, the African Development Bank, the Asian Development, and/or the InterAmerican Development Bank. IFAD would do cofinancing and we would ask the other institutions to administer the loans. The idea was to keep the staff small. Obviously if you're cofinancing an ongoing project, or a project that's already been designed, it's pretty hard to change its objectives or target group. So we had to be very selective as to which projects were going to meet IFAD's small farmer criteria. But after that we identified our own projects, and then had another multilateral bank appraise them.

Later, the World Bank was starting to cofinance some of the projects initiated by IFAD. I was given the responsibility to negotiate the fees to be paid by IFAD for these appraisals, so we went to see the people in the Asian Development Bank. Their Vice President in charge of management said, "Well, we are going to be appraising agricultural projects and the cost really depends on the kind of project and can vary enormously. He said, "We're not going to get involved in time recording. It's too cumbersome, and there are always arguments about differences between direct costs and indirect costs. Let's come up with a fixed price, and just make it easy. I said, "Yes, great. What would you have in mind?" He said, "Oh, \$250,000.00 per appraisal." I figured that was a bargain. He said, "I realize that's a very low price. We'll win some and lose some, but we're not in this to make money."

The next organization we negotiated with was the World Bank. Ernie Stern was the Senior Vice President for Operations and he was very helpful - agreeing to second some Bank people to IFAD. We needed a comptroller and Treasury type. We had millions of dollars to invest, because the OPEC countries made their contributions in cash, whereas, the US and other industrialized countries gave promissory notes. Next, I said to Ernie, "OKAY, now, we need your help to prepare appraisals. I just negotiated an agreement with the Asian Development Bank, and they decided to make life easy and agreed to a fixed price for an appraisal."

Stern said, "That sounds reasonable." I said, "OKAY, what do you think the fee should be?" I had a feeling Ernie was going to say more than \$250,000.00. But before he could respond, one of his assistants said, "Excuse me, we have the best time recording system in the world. We can calculate exactly what the costs are, and I don't think we should agree on a fixed price." I said, "Are you sure you want to do it that way?" And they said, "Yes, we've installed a new system. It's cost us a lot of money."

I went to work for the World Bank, almost eight years after that meeting, and they were still disputing costs of appraisals with IFAD, based on their time recordings. It was a lesson in how one can make life more complicated than it needs to be.

I would like to say something about IFAD's funding. Initially the funding was for three years - 1978-1980. Category I or the industrialized countries pledged \$606 million and Category II, the OPEC countries, pledged \$435 million for a total of \$1,041 million,

resulting in a 57/43 ratio between Category I and Category II contributions. The US contribution was \$200 million or 20% of the total funding. I worked on the first replenishment.

The first replenishment covered the period 1981-1983. In January 1982, agreement was reached on a replenishment target of \$1,100 million as follows: Category I, \$620 million; Category II, \$450 million; and Category III, \$30 million.

The US was still very much concerned with attaining the 50/50 ratio between OPEC and the industrialized countries. Therefore, the US felt that the industrialized countries' contribution should be limited to \$450 million and, accordingly, reduced its first replenishment pledge to \$180 million.

The Europeans were not insisting on equal shares or contributions from the OPEC countries and were willing to provide increased financing because they felt IFAD was effectively helping small farmers and the rural poor.

When the Shah of Iran was deposed, the issue of matching contributions became in a sense academic. Iran's initial pledge for IFAD was \$125 million and at the time of the Shah's departure only 10% or \$125 million had been paid in. Iran has not paid the rest of its pledge and has not participated in any replenishments. Furthermore, Iraq and Libya were delinquent in their payments and the financial position of other OPEC contributors, e.g. Nigeria and Venezuela have deteriorated. Consequently, over the years, IFAD has faced increasing difficulties in mobilizing adequate replenishments and its level of operations has decreased markedly.

To sum up, my IFAD experience was unique. First, I was involved in negotiating its Articles of Agreement, next in building the staff and organizational structure from scratch, and lastly, in helping develop a large number of effective small farmer projects in many developing countries.

Return to Washington and the Wheeler Group on Africa - 1983

I returned from IFAD to Washington in 1983. Mr. Peter McPherson was the AID Administrator. It was difficult to find an appropriate job for me, so I became his special assistant. There was an informal inter-agency coordination group for Sub-Saharan Africa called the Wheeler Group, which Joe Wheeler had chaired. I was named its chairman in 1983.

Q: He was a former Deputy Administrator ?

BIRNBAUM: Right. This was an informal interagency group consisting of State, AID, DOD, NSC, and the EX-IM Bank, with the objective of improving the coordination of

US policy in Africa. One of our major preoccupations in 1983 was Sudan. Sudan had a huge debt problem. I think even at that time they owed the IMF almost \$1 billion, and they had a total debt of at least \$5-6 billion with a level of debt servicing, that they just couldn't handle. We were trying to work out a major assistance package tied to reforms. General Numeri was in charge. He was from the North, a Muslim, but he had held out the olive branch to the South to end the civil war in Sudan. So he was considered to be a possible savior, and there was a great interest in trying to get the Sudanese to undertake economic policy reforms, and then to mobilize the necessary resources. I remember a lot of time was spent on that program. We would get them to agree on a reform program, but soon they were off track. And then the Sudanese would say, "OKAY, we're performing now, come up with the money to keep us on track with the IMF." However, the resources just weren't there. In a perverse way it was a mixed blessing that they were not performing, because we could not mobilize the donors to provide the huge amounts of money required. Again, it was the traditional kind of situation where the IMF was expecting the bilateral donors to come up with the money to get Sudan back on track and bail out the IMF. I remember someone in the NSC arguing that because Sudan was very important in the Middle East peace negotiations, why don't we allocate all the USAID assistance earmarked for Africa to that "strategically important country"? Unfortunately, the problems still persist in Sudan at present.

The next thing I worked on was a proposal for a new US initiative for Sub-Saharan Africa to provide balance of payments assistance in support of policy reforms. The Wheeler Group proper name was the Interagency Working Group on the African Economic Crisis. Most of the African countries in the early 1980's were in an economic free fall. They suffered almost a decade of low per capita growth, agricultural production was down, and social services were deteriorating. The economies of most of the countries were in a very bad way. AID and State prepared a memo for the Secretary to send to the President indicating that the African economies were terribly over-managed, with over-valued currencies, negative interest rates and suffering from "statism." Unless the economic policy framework was improved, with greater reliance on prices and markets, there would be very little growth, and the conditions would get worse. To encourage the countries to make these policy reforms, IMF and the World Bank had started adjustment programs and we recommended that the US should push them further in this area, and that we should be providing, as part of our aid program, balance of payments assistance, or non-project assistance in support of adjustment. The paper was called the US Economic Policy Initiative for Sub-Saharan Africa, and it explicitly called for the provision of nonproject aid in support of macroeconomic policy reforms. At first, we started out by suggesting something like \$500 million per year of US aid for this program would be required for the number of countries to be supported. The final draft requested \$500 million for a 5-year period, and in the first year we were not even seeking \$100 million, but \$75 million. So it gives you some idea of the budget constraints at the time. This Economic Policy Initiative finally evolved into the Development Fund for Africa, which resulted in a line item earmarked for Africa, out of which nonproject and project assistance was financed. That was really how I spent my time, which was just about one year, working for Mr. McPherson in the front office. Then I went back to the African

Region for just about a year as Deputy Assistant Administrator, working on East and Southern Africa. In March 1985, I retired and joined the World Bank.

Q: What were you doing on East and Southern Africa?

BIRNBAUM: I represented the Africa Bureau at CG meetings for East and South African countries. There was concern about how do we mobilize more concessional debt relief together with development assistance. The whole business of getting the economic framework right in African countries was a major concern. Initially the Economic Policy Initiative was not received very well in some quarters on the Hill. I remember one time going up there with Princeton Lyman, who later was the US Ambassador to Nigeria. Princeton was then working in the Africa Bureau in State, backstopping aid programs. He and I went up to meet with the staff on the Hill who did not see the connection between basic human needs and balance of payments assistance and felt that adjustment or economic reform programs hurt the poor. We were trying to point out that in certain countries the things had gotten so bad that there were no consumer goods or wage goods in these countries. I made a trip to Ghana in 1983 and called on the AID people in Ghana. They were telling me that they had to pay the local people in kind. They were paying them with bags of rice and cakes of soap, because there was nothing to buy in the economy.

We were trying to explain to the Hill staff members that the objectives of the macroeconomic reform programs were to correct the bias against the rural sector, to increase agricultural prices and to get competitive exchange rates. The money was being used to finance basic imports and raw materials that the economy needed to get going, and balance of payments assistance was helping a cross-section of the population. But there was quite a bit of resistance and many staffers felt that we should be concentrating on health and education, and this balance of payments assistance should be provided by the Fund and the Bank. It took a number of years to make that breakthrough on getting support for adjustment assistance. When I decided to retire in 1985 and I moved over to the Bank, I went to work on the exact same problems.

**Retired from AID in 1985
Worked in the World Bank on the Special Facility for Africa
and Special Program of Assistance (SPA)**

When I got to the Bank, they had set up what was called the Special Facility for Africa. It's amazing how certain problems reoccur in cycles. The Reagan Administration would not agree to the IDA VIII replenishment level, which was considered too high for the US. It actually had been partially negotiated and therefore the Europeans had put sufficient money in their budgets for a higher IDA level, but the US wouldn't go along. So the Europeans and the Japanese set up something called the Special Facility for Africa, and the funds was turned over to IDA to make soft loans to African countries in support of

adjustment programs. Because the US wouldn't participate, the other donors agreed that the US would not be eligible for procurement in this Special Facility. Now, the same thing is happening. The US is delinquent in its payments to IDA X, and is going to be at least a year late. IDA donors have agreed on a level for IDA XI, and then they have to fund an interim year between IDA X and IDA XI. So the IDA contributors have decided to fund the interim year's program, in which the US will not participate, but will just try to catch up in its delinquent payments. Again, it has been proposed that the US will not be eligible for procurement under this interim arrangement. So this is the second time it's happened.

Q: We never contributed to the Special Facility for Africa?

BIRNBAUM: No, that was very interesting. Congress found out that there were no ground rules in terms of burden sharing, i.e. as to what amount you had to put into this Special Facility for Africa to be eligible to participate. Congress, on its own, without a special request from the Executive Branch, appropriated \$150 million and the US became eligible for procurement against almost \$2 billion of resources in this Special Facility for Africa.

Q: There wasn't an interest in Africa at that time in the Administration to really do anything?

BIRNBAUM: We're talking about 1983-85; there was not a particular strong US interest in Africa. AID did get the African Development Fund. There was a small group of people always working for Africa on the Hill, but I don't think there was any general support. The World Bank's Special Facility for Africa was mobilizing balance of payments assistance to support the adjustment programs in Africa. And that lasted about a year and a half. Then the Development Committee asked the World Bank and the IMF to come with a special program, for poor African countries that had major debt problems. As a result, the Bank proposed this Special Program of Assistance (SPA). It started in 1988 and it's now completing its third phase. These are three year cycles, so it's been running about 9 years. It that turned out to be a unique regional aid coordination mechanism for providing balance of payments assistance and, by 1993-94, 31 Sub-Saharan African countries were declared eligible to receive this assistance.

Q: What was the eligibility requirement?

BIRNBAUM: The eligibility requirements were that the country was "poor." That meant any country which was eligible to receive IDA assistance. Two: that it had a debt service ratio of at least 30 percent during the initial period, 1988-90, and the third requirement was that the country was implementing an adjustment program, which was supported by the IMF and the World Bank. My job was to manage the SPA meetings and to help mobilize bilateral donor participation in this program. We were very successful. There are 14 bilateral donors, including all the major bilateral donors, as well as the European Community, the African Development Bank, the World Bank, and the IMF. During the

period 1988-1996 about \$45 billion in balance of payments debt relief was mobilized. About \$15 billion came from the bilateral donors, and about \$15 billion in concessional debt relief was mobilized; the IMF put in about \$4 billion, and the World Bank about \$10 billion. This was quick disbursing balance of payments assistance, which financed general imports, including consumption and intermediate goods, raw materials, and supported macroeconomic reform. It was the same type of program that we recommended in the Wheeler Group, and supported under the US Economic Policy Initiative that we prepared for Secretary Shultz.

The SPA donors had meetings every six months and reviewed whether the recipient countries were on track with their adjustment programs, and we also monitored how well the donors were doing in committing and disbursing their funds. If you are trying to cover balance of payments deficits, your disbursements have to be on a timely basis, otherwise you don't maintain the import levels required for investment and growth. It was a joint effort called a partnership. It was quite a unique aid coordination arrangement, having some many bilateral donors assisting so large a number of countries.

As you know, the adjustment programs came under a lot of criticism. They often used the word structural adjustment, which I think is kind of confusing because there were two parts to the program. One part was concerned with policy reforms. I don't really think one can debate about the importance of a competitive foreign exchange rate, removing trade barriers; positive interest rates, and not taxing farmers to the point that it's not in their interest to produce, because of the low returns. Market-oriented policies are essential for improving investment and production; no matter what kind of economic ideology you have - communist, socialist, or capitalist.

The other part of the program was concerned with structural reforms or institutional reforms. Getting rid of the parastatals, either privatizing them, or establishing some levels of efficiency, reforming the civil service, which in many countries were overstaffed, strengthening the banking and financial sectors, improving the regulatory and legal systems, so as to encourage foreign and local investment.

There was much more success in terms of implementing the macroeconomic policy reforms than there was on the structural side; addressing the problem of the parastatals, civil service reforms, and financial sector reforms. Unfortunately, there wasn't very much private investment, either domestic or foreign.

In evaluating the adjustment programs, one has to look at what were the problems at the time? Most African countries, because of the bad policies and poor management, had huge balance of payments deficits, also large budget deficits, resulting in very high rates of inflation and low production. The balance of payments deficits of the countries which were implementing adjustment programs, were covered fairly well by SPA in mobilizing the \$45 billion of balance of payments assistance. The real issue turned on the budget deficits. The complaint was the adjustment programs were stabilization programs, and that the reduction of the budget deficits focused on the poor because what often got cut

were the health and education programs in many countries. Now, in terms of what should be cut, the World Bank, and the bilateral donors no doubt would have preferred, for example, to see parastatals losses reduced, because that was a huge budget drain, and reduced military expenditures, rather than cuts in social services, but the recipient countries are sovereign.

I just made a presentation on behalf of DOD to some African military officers, and I checked expenditures for the military in Africa. In 1993, ODA total flows worldwide, that is official assistance, was about \$55 billion. Africa got about one-third of that amount or about \$18 billion. Sub-Saharan Africa spent almost \$102 billion on military expenditures in 1993 or almost six times the level of ODA. So in reducing these budget deficits, there were plenty of opportunities to cut military expenditures or to cut the losses of the parastatals in many African countries. Just like the debate we have in this country, what do you cut? Medicare, or do you cut subsidies to the shipping industry.

Q: Or the defense budget.

BIRNBAUM: That's right. It's also interesting -- the military sales to Africa by industrialized countries is currently about \$36 billion a year, so it's a multiple of what they are getting in aid. A lot of it came from the Soviet Union.

Q: It's sort of self-defeating if we're providing balance of payments aid on one hand, and selling them military equipment on the other.

BIRNBAUM: In evaluating the adjustment programs, it is also very important to point out that there was a limited number of countries that consistently implemented their adjustment programs. A lot of adjustment programs were off track very often. If you're going to get the beneficial effect, for example, from exchange rate reform, it has to be implemented over a number of years, and with some consistency. In those countries which did implement the macroeconomic policy reforms over four or five or six years, with some consistency, their economic performance was a hell of a lot better than the off-track countries. Ghana, Malawi, Uganda, and Mali are examples of good performances. Those countries showed much higher levels of growth and much higher export levels. So there is significant evidence that if you follow the good policies consistently, you do get results.

Now, another problem was, what kind of results did they get? What kind of a supply response? Many of these African countries did not get the kind of supply response we saw in the Asian countries, like 7-8 percent growth per annum. They only got 3-5 percent growth, and if you have an annual population growth rate of 3 percent, that doesn't leave you very much per capita growth. The net impact in terms of poverty reduction was very little. So many people were saying, "what have the adjustment programs accomplished, even if those that were implemented on a regular basis didn't show all that much growth?" The problem in Africa was getting the policies right was a necessary but not a sufficient condition. The reason why they didn't get dynamic, robust supply responses was because of the institutional weaknesses. The lack of trained manpower, weak infrastructure, weak

banking system, etc. A number of institutional changes were still at the beginning stage for getting a strong supply response. I don't think you can fault the economic policies. It was the poor implementation of the policies, and furthermore policy reforms without structural reforms could not make a dent in terms of poverty reduction.

If you want to get poverty reduction, then you've got to get per capita growth rates of 3-4 percent, which means annual growth rates of 7-8 percent. In Africa, that's still a major problem. SPA is useful, because it provides a dialogue between the bilateral donors and the World Bank on the broader aspects of development, including how to accelerate growth and reduce poverty. Adjustment programs have to be concerned with the social impact, so efforts are being made to build in safety nets, undertake poverty assessments, and address gender issues. SPA subcommittees were set up to study these issues, and there was a lot of give and take, and aid programs are beginning to reflect these changes.

SPA is an effective AID coordination mechanism with all the major bilateral donors and international organizations participating in a single forum which addresses the key development issues facing Sub Saharan countries. One donor described SPA as "the crown jewel of aid coordination."

Q: Did African officials participate in the SPA meetings?

BIRNBAUM: No, this was a donor group. However, at the beginning of each SPA biannual meeting, we invited African Ministers, usually from Finance and Plan to address the SPA donors. I guess we've covered about 15 countries now. They would come for half a day, and the Ministers would make a presentation on their views of adjustment programs, how effective they are and what the problems are. There was a good interchange. And I must say there's been a great transformation, and a growing consensus between African leaders and donors on key issues. When we started in 1987-88, there was still a basic ideological difference. The Soviet Union was still going strong, and there were many Africans who felt that state planning was the way to go, with little reliance on market mechanisms.

One of the points that the African ministers usually made was the importance of these adjustment programs reflecting African ownership; that they are African programs. The other point they were making in terms of ownership was that there was a need to communicate internally to their own people the objectives and requirements of these programs. A lot of them admitted that an insufficient communication effort was made, that adjustment was just something that high level people in the government discussed with the Fund and the Bank and the bilateral donors. There was very little effort to communicate it down to the people. The other thing the Ministers were always stressing was the fact that one had to be flexible about speed or the rate at which some of these structural reforms were put through. It was very hard to fire 7,500 people in the civil service when you have an unemployment rate of 15-20 percent. They were looking for budgetary assistance in working out some kind of safety nets. Although they were saying we need to make the adjustment programs more flexible, most of them felt that these kinds of policy changes were necessary to turn their economies around.

One of the biggest policy turning points was the devaluation of the CFA franc. The CFA countries were in the SPA program, but they were getting very little adjustment assistance because the Bank and the Fund were in a dialogue with them about devaluing for about four years. CFA countries had decided that was not the way they wanted to go and were trying to make their economies competitive by deflating the economy, trying to push wages and prices down internally, so that they could compete in the international markets. And of course, it wasn't working, and the economies were sliding backward. So in January 1994, the CFA franc countries undertook a major, 50 percent devaluation. It's interesting to see, even though only a year or so has gone by, that their economies, especially Cote D'Ivoire and the Cameroons, are starting to respond favorably.

There is a growing acceptance by African leaders and economists, that you have to make these policy changes. You can have some major difference of opinion with regard to the speed of these changes.

To some degree trying to continue these programs and dialogue in Africa, after the French experience this last winter, is difficult. The French government announced they would cut back on the subsidies and significantly reduce the number of employees in the French national railroad and the national airline. There was a huge strike, and the French government had to back down. What this points out that there has to be a dialogue as to how fast you're going to make these policy changes.

Q: Was the SPA ever cut off from those countries that were not complying?

BIRNBAUM: Only a couple of countries were cut off -- Somalia and Zaire. Somalia because of the civil war, and Zaire because of a complete lack of performance. In a lot of countries, it was stop and go with regard to implementing their adjustment programs. One of the complaints by the ministers was that donors have to avoid stop and go in aid flows, which undermined their efforts to get the program back on track. In the same adjustment operation you have some policy changes and some institutional changes required. Often the country made some progress on the policy changes but they didn't make the institutional changes, which were difficult, and then donors stopped the flow of balance of payments assistance, which undermine the policy changes. For example, it was terribly important to have adequate levels of foreign exchange, if you wanted to maintain an open foreign exchange market, where the government didn't ration it, and importers could get whatever foreign exchange they needed. There were a number of countries which had a bad record of following the program one year and then coming off track in the next year: Tanzania, Kenya and Zambia.

Q: Did the donors do their part? Often you get countries to conform and then the donors don't ever quite come through the levels or the speed at which

BIRNBAUM: Overall, SPA donors disbursement performance was very good. About 80% of the funds pledged were disbursed within each three year period. Some donors, the Japanese, for example, would follow the Bank and the Fund policy pretty closely. When

the Bank and the Fund declared certain countries off track, and were not releasing a second or third tranche, the Japanese would stop their disbursements. Other donors said, "We want you to keep up the dialogue, but we really think if we cut off all the flows, we are really making the situation worse."

But at some point, you must take action against poor performers. For a while Tanzania was the darling of the Scandinavian countries, and they tolerated poor performance. But it got to the point where even the Scandinavians said, "This is taking too long" and substantially reduced their assistance to Tanzania.

Q: Did the French support SPA and the CFA devaluation?

BIRNBAUM: The French were active in SPA. The French did not agree that the CFA franc countries should devalue and they continued to provide their adjustment assistance. But the Fund and the Bank took a pretty hard line -- no devaluation; no quick disbursing funding. Very few of the other bilateral donors put money into French-speaking West Africa. In the end, the French did support the CFA devaluation.

Q: And the European Community?

BIRNBAUM: In the Community, they had one or two strong individuals who managed the Community's non-project balance of payments assistance. They supported the Bank's and Fund's position on the CFA franc devaluation. With regard to conditionality in adjustment programs, the EC was in favor of allowing greater flexibility in implementing policy reforms.

Q: Where was the US in this process?

BIRNBAUM: The US was in favor of selectivity and felt that countries should implement their programs. When Tanzania, Kenya, and Zambia were off track, the US did not disburse. In Kenya, the US, along with several other donors, withheld disbursements because of human rights abuses and corruption.

Q: Were there issues about the donors' policies in terms of the import programs?

BIRNBAUM: That was a very important issue. I must emphasize that a lot of the success for the SPA program goes to Kim Jaycox, who was the Vice President for Africa in the World Bank. He chaired the SPA meetings and provided outstanding leadership. When we were setting SPA up, some people said, why don't we establish some ground rules at the outset for the type of assistance that would be acceptable. Should it be untied, and should we try to have some simplified procurement and disbursement rules? The Bank had a system of retroactive financing of imports that had already taken place, and the only verification was to spot check customs documentation to ensure what was imported was eligible under the loan agreement. Many donors were concerned with value for money, so they ran their own commodity import programs, where they managed the procurement and disbursements according to their regulations. We said, "This is very bizarre. We're

telling the recipient countries that they are over managing their economies, and are administering the allocation of foreign exchange and credit, setting prices, etc., which is very inefficient. They should let the market do it." Yet in delivering their aid, donors didn't practice what they preached. They were administering this aid, and not letting the market decide.

Mr. Jaycox handled this problem by saying, "Let's get started. All types of balance of payments aid are acceptable." And I remember he used the phrase, "We will take apples, oranges, bicycles, anything. And once we get started, we'll discuss how to improve the quality of this assistance." So we set up a SPA working group on improving the quality of import financing, which developed a set of guidelines. The guidelines recommended that in countries liberalizing their economies, the donors should respond in kind and liberalize the import financing. And it was the pressure of the group that made it work. I really think if you tried on a one on one basis, with a bilateral donor, they would have insisted on maintaining their own regulations. When the U.K. said they were prepared to untie their assistance and to do retroactive financing, other donors joined them. So it was the pressure of the group. Currently about 85 to 90% of the balance of payments assistance is untied, and largely provided as retroactive financing.

Q: Including the US?

BIRNBAUM: Yes. Now, there is pressure to move in the other direction, i.e. tied assistance, but I don't know how far that's gotten. At the very beginning of SPA, the US even gave a few cash grants. Quite a bit of work was done on improving import financing. It really was the chicken and the egg syndrome. Donors said, "We run these commodity import programs because we have no confidence that the recipient country has a market-driven allocation of foreign exchange and there's very little accountability of the funds." But as the countries made the policy changes and demonstrated more accountability, the donors responded in kind. So most of the donors are now doing retroactive financing and letting the market determine the imports.

Q: You said that a major share of resources was from debt relief?

BIRNBAUM: That was a major breakthrough of the SPA. Historically debt relief and the debt problem was treated as a separate issue from that of mobilizing aid from donors. It wasn't considered part of the development resource envelope and one did not project "required amounts" of debt relief needed if the economy was to grow. SPA recognized that negotiating debt relief is the responsibility of the Paris Club." However, under SPA for each of these three-year cycles, for all the countries that were eligible, we made a projection of their balance of payments requirements needed to reach a certain growth rate. We put together these tables, they were called pink tables, because we used pink paper, which would indicate the balance of payments requirements, and the types of resources that could be mobilized, including debt relief. For all the SPA eligible countries, we would show the debt relief at full amount eligible under the Paris Club's current terms. We just assumed that the Trinidad terms would be applied to all eligible

countries and recommended even more liberal debt relief. The concessionality increased as the Paris Club went from Trinidad to Toronto terms to Naples terms. It was really a major breakthrough in helping to mobilize concessional debt relief for poor African countries. Here again, Mr. Jaycox' leadership was extremely important.

The Paris Club sets the parameters, and then the borrower has to negotiate bilaterally with each donor. And sometimes that succeeded, and sometimes it didn't. Although there was quite a bit of debt relief, the arrears kept building up. So there is a major debt overhang, despite all this debt relief, which has not been fully addressed. Now there is a new initiative, by the Fund and the Bank, not only to look at the remaining bilateral debt, but also the multilateral debt, and to do more on the commercial debt relief.

A major breakthrough in SPA was to include debt relief as a means of financing the balance of payments gaps as part of overall development strategy. Ten or fifteen years ago, this would have been heresy. As the Chairman, Mr. Jaycox, repeatedly made the point that the purpose of bilateral aid is not to service the debt, but to finance imports and growth. All monies are fungible. Therefore, while we're saying we're financing imports, in effect we are enabling the recipient countries to pay the debt. This is not what development assistance is all about. There is a great deal of sympathy for that point of view, and Nordics and the U.K. pushed very hard for more concessional debt relief.

Q: Is the Bank prepared to reschedule its debt?

BIRNBAUM: There is a new debt relief proposal. I don't know the details of the proposal, but it was discussed by the Bank's Executive Board and got a favorable reply. The IMF's Board, especially the Germans, the Japanese, and the French, are not very pleased at what is being proposed. I believe that one of the problems is that the IMF wants to be made whole, that is they want all outstanding debt to the IMF to be paid. Somebody has to pay for this. Some have suggested that the IMF should sell some gold, and in effect write off the IMF debts by the profit they make on the sale of gold. The problem is that more money is needed to service Bank and IMF debt. If the bilateral donors put up the money in some common fund and it's all out of one budget, and the net result is less bilateral aid, then there's no net gain for the African countries. I think that's the danger. But I really don't know the details. They are supposed to discuss this new initiative in the next Bank-Fund annual meeting.

Q: In the end success depends on the recipient government's policies and actions. Is there any real confidence that is going to improve?

Reflections on lessons of development and future prospects

BIRNBAUM: Yes. What are the lessons, and what does the future look like for Africa? If you take a longer term perspective, what's happened in the last 15 to 20 years, and what's going to happen in the next 15 to 20 years, I think one can be relatively optimistic, that things will improve in Africa.

Let me start off by saying the most important thing in development, in my view, is participation. You have to have people, the average person, the small farmer and businessman, participating in both the economy and in the political system. In the economy, that means markets that work. We know markets are not perfect, but when people have ready and open access to foreign exchange, credit, and services, that's a far superior system than when the government administers the economy. You get results when average people can participate. We've seen this with individual farmers vis a vis collective farms. I remember a trip to Mozambique in 1983. At that time, they were beyond communism. They were Maoists. However, the government people said, "We make a mistake when we took the limited foreign exchange we had to buy fertilizer, pesticides, and we gave it to collective farms run by bureaucrats, who didn't know what the hell they were doing, and they produced nothing. If we had given these same resources to the individual farmers, we'd have gotten real production, because they know how to farm." That is the kind of participation, I have in mind.

You also have to have an open political system, where people can participate in the sense that there is an opposition, and a press to discuss policy options. If the policies are not going right, people should have a voice to make changes. Whether it's a bilateral donor, or a multilateral development bank, in my view, we should not be working in any country where there isn't an open economy, and an open political system, otherwise you are wasting your money.

The World Bank is promoting good governance, improving accountability and transparency, but says it cannot get involved in calling for political reforms. However, if there is a one-party system, and one man is in power for 20 or 30 years, and there's no opposition, then there's no accountability. He's accountable to nobody. So we are kidding ourselves that there's going to be efficiency and no corruption, if there's one man in power for 20-30 years. There's no way of checking him when there is no opposition." So you really can't separate good economic management from political liberalization. Lord Acton was right when he wrote, "Power corrupts, and absolute power corrupts absolutely."

I am, however, optimistic that the current progress in economic and political liberalism in African countries will continue and accelerate.

Q: You can take that back to Tunisia, because in Tunisia at the time you were there, I don't know what's happened since, they were doing quite well, in a one-party system, right?

BIRNBAUM: Although Tunisia had a one party system, President Bourguiba was relatively honest. It was a meritocracy. They did let young, competent people come to the top. They didn't have a landed aristocracy. Somebody said that history has a very strange way of handling things. A very capable guy, like Bourguiba gets to be the head of a tiny country, and an incompetent guy, like Chiang Kai-shek, gets to be head of China, one of the most potentially powerful countries in the world. So maybe Bourguiba was a

philosopher king and therefore one-man party rule worked. But when we see Mobutu in Zambia, corrupt to the core, or in Tanzania, Nyerere wasn't corrupt, but not willing to have a discussion of options, you see the value of participation and an opposition party.

Another major factor for development is the expansion of trade and investment. and the role of the private sector in the economy. To get private investment, you have to have a stable political system, and an effective macroeconomic framework. The success of the Asian countries and Latin American economies is due in large part to the private sector, both the local and the foreign private sector. You will not attract foreign investment and accelerate growth, unless you have the right environment, a transparent legal and regulatory framework, an open economy, which allows the people to develop.

Look at Ghana. It's a relative success story in implementing its adjustment programs. But there has been very little, relatively speaking, private foreign investment, and local private investment. That's understandable because Rawlings is still in charge. One day he sounds reasonable on private investment, and the next day he might say, "I decided to nationalize everything again." So why would any good Ghanaian businessman risk his capital and energy - instead he moves his money offshore. It will take years before they have confidence that Ghana is an open economy, and that it's going to remain that way.

Uganda is now doing very well. Initially, Uganda drove out all the East Asians. However, recently Uganda had about \$2-3 billion in foreign investments because some 7,000 Asian families have returned. They've returned with their capital, and they are being accepted. The Uganda government liberalized the economy and opened it up to foreign investment. This is terribly important because a country is not going to develop relying only on foreign aid. At the present time, annual direct foreign investment in developing countries is about four times greater than the total annual aid flows. Unfortunately, Sub-Saharan Africa receives very little of this foreign investment.

The other thing that we neglected in Africa was the population problem. The East Asian miracle countries over the last 20 years have reduced their population growth rates to 1.5 percent-2.0 percent. If Africa continues at three percent annual population growth rate; there's no way they are going to crack the poverty problem. As we know, it's much more than a problem in terms of numbers of people. They have education and health requirements and need jobs as new entrants to the labor force. In Africa, there is a nexus between population, environment, and agricultural production. They are tied together. When Africa had low population growth rates, they could pursue subsistence agriculture, and they could slash and burn, and it was tolerable. But now, with the population pressure, people are moving on to marginal lands and there is a lot of environmental degradation. You also have to improve the agricultural practices and technology to keep up with the population growth rate.

Fortunately, more attention is now being addressed in many African countries to comprehensive family planning, including education of girls and maternal and infant care.

It's interesting, when foreign assistance first started in the 1950, and 60's, there was a lot of emphasis on agriculture. In the 1980's, there was a lot of attention on health and education, i.e. investment in human resources. That's important, and it was a key in the development of Asian countries. In Africa there's a need to rejuvenate our efforts in agriculture, because agriculture and the rural development are the basis for growth and for reducing poverty. Rapid agricultural growth provided the resources for industrialization in developed countries.

Another the reason why I'm relatively optimistic about Africa's future is because the Cold War is over. If a country was not implementing these policy reforms, we really didn't push very hard, if they were on our side in the Cold War. Zaire is a perfect example. Mobutu played this Cold War card very well, because he knew what the score was. Furthermore, until the Cold War was over and the Soviet Union fell, you had a lot of academicians in the US and in Europe, saying that there's nothing wrong with statism and state planning, and that the market economy leaves a lot to be desired. A lot of African leaders were paying lip service to market policies and saw state planning as a viable alternative. It was only when the Soviet Union collapsed and people saw how weak their economy was, that they began accepting that you get greater efficiency of resources by relying on the market.

By the same token, the movement to a market economy from statism needs to be gradual, properly sequenced. When I was an instructor at Columbia in 1957, we used Samuelson's first economic textbook. He spoke of the American economy as the mixed economy and never suggested that it was a completely free market economy. One is struck by the fact that, whereas we accused the Russians as being ideologues in state planning, we seem not to tolerate any deviation in their movement to a market economy. We sound like ideologues in pushing free enterprise and market mechanisms. We insist on immediate dismantling of subsidies. If there's a labor redundancy in the Russian factories of 20-30 percent, we say just fire the guys. The idea is that the shock treatment is better. I think that we've overdone it. We have a mixed economy. We have a hard time getting rid of farm subsidies. We're not prepared to get rid of some of these corporate subsidies. The same problem exists in Africa. How fast should or can they proceed with major reforms and make the necessary transitions.

Another area which needs improvement in Africa is aid coordination. SPA focused on coordinating donor support for adjustment programs, but at most only 20 percent of the aid from the bilaterals and the multilaterals went into nonproject assistance. Eighty percent of the aid was still financing projects. The point is that the projects won't be very effective if the macroeconomic policies are counterproductive.

However, the way project aid is being provided is part of the problem, not the solution, because of all the fragmentation caused by donor-driven projects. The Bank did a review in Tanzania two or three years ago and found that there were 800 individual donor projects. So donors were competing and chasing limited budget resources, and the limited number of trained people. The way a donor handled this problem, if his project wasn't

being implemented, was to set up a project management unit, paid twice the going wage rate, and pull the best people out of the civil service to run his project management unit, and the hell with the rest. There's been a lot of discussion in SPA on how to best address this problem.

Attention is being focused on a country's public expenditure program, including: both the investment and the recurring costs. The balance of payments, hopefully will get corrected as exports are expanded and if we solve the debt problem. If you're concerned about whether a country is doing enough in human resource development; environmental protection; and infrastructure maintenance, the best place to review all these items is in the public expenditure program. The Bank conducts public expenditure reviews, but most of those reviews were on the planning aspects, with very little review on the actual budget outturns. The reason for that was that the outturns are likely to be two years late. But if we had been doing this for the past 20 years, despite the late budget outturns, we'd now have 20 years of experience on these outturns and a better idea of what actually transpired.

It has been recommended that the whole focus of foreign assistance ought to be on the public expenditure program. It should be the country's program, and then seek donors' support on agreed priorities. The British are experimenting in Zambia supporting the public expenditure program, with time slices of funds not related to a project or any particular operation, but to the overall performance budget or public expenditure performance.

Many other donors want to be aligned with certain sectors, for example public health. So, they prefer the sector approach, where the government and donors agree on policies and funding required for a specific sector. The public expenditure program is made up of the individual sectors, so the sum of the parts should equal the whole. The emphasis is strengthening public expenditure programs and providing sector financing. One problem is to eliminate all those old donor-financed projects that are not working. The Bank is closing down projects which were Bank driven, and weren't going anywhere. Some donors, particularly the French, are saying this coordinated sector approach is ganging up by the donors. But I believe many Ministers would accept this approach if all donors agreed on a sector program and supported it, and stop doing their own thing.

Q: The other ministers don't particularly like that.

BIRNBAUM: Yes, because they want to solicit support from every donor possible, even if it results in poor management and duplication. There is another coordination problem. It is much easier to get donor coordination on macroeconomic policy because bilateral donors are prepared to defer to the Fund and the Bank on, for example, the appropriate exchange rate. But when it comes to the sectors like health and education, and what the priorities should be, there are a lot more differences among donors. If you are talking about an infrastructure, like road construction, it's easier to coordinate. There is a very comprehensive road program in Tanzania, which covers the whole country, and donors

have bought into it. They can fly their flag, and finance road A or B, as long as it's still part of a comprehensive program. But when we get into sectors like health, education, there are many more subjective judgments, whereas a road is a road is a road.

Q: It also involves the question of capacity to implement, not just to decide a priority.

BIRNBAUM: In the past there was a lot of emphasis on financing the physical projects, for example, a series of hospitals or clinics. The idea was the recurrent costs, the salaries, the aspirins, and the Band-Aids, that was the government's responsibility. Often, they didn't have sufficient resources to handle these costs and the facilities were underused. Now, if we agree on a sector program, not only investment requirements, but the recurrent costs are also included. Donors are prepared to finance some of these costs if there is a program to step up domestic revenues so that the donor assistance for recurrent costs can be phased out. If you're really concerned about development and poverty reduction, you should support the public expenditure program, and provide the kind of resources they need. Donors came up with all these labels -- this is a capital project, this is technical assistance -- all these little boxes. And that's not the way the real world works. Efficient development needs resources that are fungible. You want to emphasize output, and performance, rather than measuring the inputs and managing the inputs with these nice little labels that we came up with. It took us 20 or 30 years to adopt a more comprehensive approach.

Q: Where is the US assistance program in that reform process?

BIRNBAUM: I think AID would say, "We've been talking about sector programs for a very long time," US assistance programs have shown much more flexibility in trying different things than a lot of other donors. I would like to point out the differences between the World Bank and my experience in USAID. Until about 1987, when they had the reorganization, the Bank was primarily financing projects. The guys who called the shots were the project managers: in power, in water, and transport. There is a distinction between being a bank which looks for bankable projects, and being a development institution. In the latter, you're more concerned with institution building and training people in addition to key policy issues. You can build a good farm to market road, but if the agricultural pricing policy acts as a disincentive, very little production is going to move along that road. AID, for a long time, has been aware of the need for an integrated country approach. Starting in the '50s and '60s, AID field mission developed a country program. Whether we succeeded all the time in integrating all the elements was another thing. We were doing more than just capital project financing. AID was involved in major institution and capacity building and trained literally tens of thousands of people.

I spent almost nine years in the World Bank. It was interesting because I could make comparisons between AID and the multilateral institutions.

One of the first things that struck me was that in an international financial institution like the World Bank, all countries are members. As a member you have entitlements and can

tap the institution's resources. In a bilateral program like AID, this is a matter of foreign policy and choice. We decide, on a political basis and concern with economic objectives, who receives assistance and which countries are excluded.

When SPA was about to start up, Mr. Conable's well-known Congressional Representative from upstate New York, was the head of the Bank. He made a presentation at the Bank's annual meeting to the African governors. He introduced the idea of a Special Program Assistance for African countries with three criteria for eligibility. As mentioned before, to be eligible, you had to be an IDA only country, have a major debt problem and implementing an adjustment program supported by the IMF and the Bank. Almost to a man, African Governors said, "No, you can't do that. You can't establish some additional criteria for access to Bank funds. We are all eligible by being members of the Bank. Well, despite these objections, SPA went forward and there is increasing recognition of the need for more selectivity and providing assistance to good performers.

One of the biggest differences is in the operating style. The Bank is a Washington headquarters centered organization, while AID and a number of the other bilateral programs are field centered, and field operated. The Bank is now talking about improved communication with the recipients and greater participation by them -- more country ownership. It is so much easier to do this when you have a field mission with staff living in the country, working with local people, than when you're a headquarters based organization. Even if you go to the field every six months, it's still not the same thing. Because AID had field missions, and the responsibility was in the field mission to develop the program in country with their counterparts, I think we got a different kind of program.

In the Bank, when you ask certain people who is the client, the response was not the recipient country, but the Executive Board. About 80% of the Bank's staff time went into appraisal and the preparation of the President's Report to the Board, to demonstrate that the project was technically and economically sound, that the cash-flow was positive. Furthermore, the approach was, we'd identified a bankable project, and now we turn it over to the borrower to implement. One has to disaggregate the world. In Korea, Turkey, and Brazil today this is a workable approach. In Africa, this was not a workable approach, because of the lack of trained manpower, and weak institutions. A real effort is needed in Africa in supervision and monitoring implementation, because what you presented to the Board was just on paper, describing how it should go, and the reality in the field often was quite different.

Promotions largely depended on how many projects you brought to the Board, and how well you did in presenting those projects. Little emphases or rewards were given for being a good manager. In the last few years, the culture in the Bank has been changing. There is a movement toward moving responsibility to field missions. They do have field missions, but they still haven't given the Resident Representative real authority. The Bank's country director in Washington is trying to be both what we in AID would call the mission director and also the chief Washington desk officer or country officer. However, in

Mexico and in some other countries, the Bank is trying an experiment -- the country director is resident full time in country.

These are other differences. When they talk about pipeline in the Bank, they are talking about pipeline of new projects. When when we talk about pipelines in AID, we meant the undisbursed funds; the money in the pipeline. The Bank has an allocation system for deciding what new funding would go to each country based upon various performance criteria. During my first days in the Bank, I asked if they included the amount of undisbursed funds? The answer I often got was, what do disbursements prove? It's true, you can have a high rate of disbursements, and still have a lousy project. But if you have a low rate of disbursements, that's a red flag that something is wrong -- either the design is wrong, or their is a lack of communication. There was a laissez-faire attitude, some Bank country directors would have a periodic review of the undisbursed amounts, and identify the reasons. But I found it very strange that, in the main criteria for allocating new funds, the pipeline of undisbursed funds was not given very high priority. This too has changed in the last few years and much more attention is being focused on undisbursed funds.

Another thing that one has to take into account, is that in a bilateral organization, there is basically one culture. People understand each other. A senior official from the USDA, a very respected ag-economist, was in charge of the Bank's technical department for agriculture, which backstopped all the country desks for Africa. He related that, at his staff meetings, something like 10 different countries or nationalities were represented. He said "I thought I was presenting something very simple in terms of program objectives and how I wanted the department to operate." He said he was amazed later how this was interpreted, depending upon the person's culture. He thought he was saying things that were pretty straightforward, but people would read very different things into them. Effectively managing an institution, and to get a common understanding when you have different cultures is quite a challenge.

Q: But you were talking about field missions. What do you think are the particular merits of having field missions in AID?

BIRNBAUM: The problem is that it is costly, which is one thing that bothers the Bank. Furthermore, if the mission gets too big, maybe you had that experience in Nigeria, it was happening in Tunisia when I was there, the administrative support for the mission becomes an end in itself. You have to have a motor pool officer and administrative officer. We also had great difficulty to get technicians to work outside of Tunis, because the facilities weren't there - no schools, no commissary, etc.

Being stationed in the field helps you to understand something about the country, something about the culture; and enables you to provide some direct and indirect training and technical assistance. However, even when we had field missions, we didn't always succeed in gaining this understanding. In contrast, someone in the Bank was telling me that they put together a stabilization program for Chad, and he wasn't sure how many people in the ministry understood what had to be done, as it involved some fairly

complicated policy changes. This was discussed over a two week period, and the Bank technicians left. They were coming back in four to six months to see what progress was made. What struck me was that those poor guys in Chad needed for the Bank staff to stay there during the next four months, and live through the daily problems the Chadians will have in implementing the program, make on the spot adjustments with them. I couldn't believe what he said, "We laid out a very good program for them, and it's up to them to implement it."

I can't imagine that a hell of a lot of progress was made, because at that time, the technical competence in Chad was not very strong.

Another anecdote involves disbursement problems. The local people didn't always properly prepare the withdrawal applications, required by the Bank to release funds under a Bank loan. Some good loan disbursement officers were stationed by the Bank in Nairobi, and in Abidjan. I understand that this made a big difference. The loan officers were working the circuit, they were going around to these different countries getting to know which people in the various Ministries had to move which pieces of paper, and explaining Bank procedures and disbursements improved substantially. Then I heard that the loan officer was moved out of Abidjan. There was a big fight -- whether he would be charged to the Bank's West African Department's budget, or to the Bank's loan disbursement department's budget, which was a central office. They couldn't agree, so the guy was pulled out. To me it shows a lack of understanding of good management, because I would have fired or transferred an economist or an engineer, if necessary, and kept the loan office because with weak institutions and fairly complicated disbursement procedures, you've got to make sure you have people out there who can help manage the loan disbursements effectively.

I believe Americans have a better concept of management. Some people would accuse us of too much hands on. Supposedly in Vietnam, we worried more about the potholes in the roads than the Vietnamese, and maybe that was true in Tunisia. But we do have a certain concept of management and follow-up. In the World Bank, not only are there various cultures, there are also a variety of missions. Parts of the Bank are more like a university and hands-on management is not a top priority.

Now there is a big effort to get better results from the field, participation by the recipients and better management. Mr. Wolfenson, the Bank's president, is making better management a key effort. They are sending 60 people to Harvard Business School for management courses. He's bringing in people from the private sector to work in the Bank and sending people from the Bank to the private sector.

For me, the best part of AID was serving in the field, and learning from these people as well as trying to convey some new ideas and better methods from our training and experience. AID has always been concerned with training people, building institutions, and to develop an integrated country program.

Q: Have you seen any fundamental change in the world situation, or in bilateral programs like AID?

BIRNBAUM: I was looking at the DAC report for 1992, which reports on the different bilateral programs and the relative contributions or burden-sharing among donors. In terms of ODA flows, the US increasingly looks like a very poor performer. We are now down to 0.15 percent of GNP in our ODA flows.

Total private flows to developing countries was something like \$41 billion in 1992. The United States accounted for something like \$17 billion. Nobody was close. The next figure was \$5 billion for France. So we were like three times higher. Therefore, just to look at the US share in ODA is a very incomplete picture of the US "contribution" to development in the Third World. Almost all of these private flows went to Latin America and East Asian countries and contributed significantly to their growth. Incidentally, by 1995 private flows including direct investment jumped to \$150 billion worldwide and are now over \$200 billion.

I just read the AID director Brian Atwood's latest statement to the Foreign Policy Association. He makes the point that ODA (Official Development Assistance) ought to be concentrated on the poor countries in Africa, as well as to Bangladesh, Bolivia, and Nicaragua. A large number of countries in Asia and Latin America don't need ODA and the US is providing private flows in very significant amounts.

Q: Are there areas where bilateral type assistance is required, because even private direct investment doesn't cover every aspect?

BIRNBAUM: I think we should continue to support the National Academy of Science and similar institutions that do research on global problems. AID for years put money into producing a malaria vaccine. If they can get a vaccine for malaria that works, it would be a fantastic breakthrough and I understand such a vaccine has been developed.

For years AID was putting money into developing a wheat variety which would have a root system like clover, which could take nitrogen from the air. This would save billions in fertilizer applications currently used on wheat fields. I think AID should support further research in inexpensive methods for desalinization of salt water, and more economic methods for producing solar energy -- with applications for the developing countries. Breakthroughs in these areas could make an enormous impact in reducing poverty in the developing countries.

In the use of ODA flows, we should be very selective and concentrate on the poor countries where there is a participation and an open economy.

Q: What about, you talk about poor countries, a lot of these countries are a little better off, but there is massive poverty in these countries, Brazil for example, and so on. Is there a role there?

BIRNBAUM: I think Brazil and India are alike. India is showing a hell of a lot of growth now. They finally increased their exports. I remember when Korea had twice or three times the level of exports that India had. I believe, despite India's substantial growth, the absolute number of poor in India has probably increased, and as a percentage of the total population, the poor are increasing. These figures suggest that the Indian ruling parties are not concerned with reducing poverty. I don't believe we have much leverage to get them to do more to address their poverty problems. However, the people are much better informed now in Africa and also in India, and are demanding more of their leaders in terms of economic and social development. They want better results. What Kaunda in Zambia, or Banda could get away with in Malawi, people will not tolerate it anymore. In many African countries, there is a major political transformation with the people participating in elections and calling for change.

Q: On the rationale for foreign assistance...Two questions: Was foreign aid effective in meeting the objectives of the State Department in the political/security area. The rationale was it was used to further US political objectives, and second, has that now simply evaporated and the foreign aid is not required to address that kind of a question?

BIRNBAUM: Surely, we don't need foreign aid now to address the Cold War battles of containing communism when foreign aid was used together with military aid to strengthen our allies.

Q: But was foreign assistance effective in that?

BIRNBAUM: I think that Korea was a success in terms of our objectives. Here was a country invaded by the communists, the North Koreans and the Chinese, and became a major recipient of our economic and military aid. They fought off the communists and over the past decades developed a flourishing economy. Initially, it was a repressive regime. They weren't open politically, but with economic progress, their people are insisting on a more democratic society. Turkey was also on the front line and threatened. We put a lot of aid into Turkey and the country remained independent. In Turkey, economic development is still kind of fragile, but it has made significant progress economically and in terms of a more open society. In countries that were on the front line in the battle with the communists, we provided substantial amounts of assistance, military and economic, to Greece, Turkey, Korea and it worked --US foreign policy objectives were realized.

Q: Africa? You spoke of Mobutu in Zaire.

BIRNBAUM: The Cold War hurt African countries. They became pawns in the Cold War. In little Somalia, we were competing with the Russians to gain control. The

Russians build a base, we build a base. Everybody dumped arms in there, and no doubt contributed to Somalia's civil war. In Ethiopia, first the US supported Haile Selassie, then the communists and Mengistu took over and the Russians and East Bloc moved in. For the U.S. and Russia, it was a marginal involvement, but for the Africans, it cost a lot in blood and treasure. Mobutu just hoodwinked us. We convinced ourselves that somehow he was going to contain the Cubans in Angola, and in some other places in Africa. So we tolerated his corruption, and now the country is in shambles. In retrospect the "possible" danger of communist takeover in Africa was not going to effect the world's future - it wasn't the twilight battle for the Western World. We just want to make sure we had more guys are our side than the Russians did.

Q: But what's the rationale now?

BIRNBAUM: What Brian Atwood is saying makes sense. In the poor countries, whether it's a question of disease, famine, civil strife, it's a worthwhile investment to help them address these problems, because if they multiply, the costs will be greater in the long run. So that if the African countries are trying to reduce poverty, disease, and hunger, we, as a major power in the world, and the leader of the "free world," have an interest and obligation to help them, especially those countries with very low per capita incomes who need external resources. The amounts of aid required, relative to our GDP, are not very large.

Q: Why is it in our interest?

BIRNBAUM: You can also make the case about the global economy and increasing trade. As developing countries grow they become potential markets for the US But I think the main reason is to prevent degradation: economic, environmental, and of people. I believe we do have also a moral obligation. We've made human rights an important part of our foreign policy. But we should only respond to countries that are making a effort. We were talking about India and Brazil and the failure of their leaders in addressing the poor in their country. In that situation, a \$20 million AID program or, even \$220 million program will have little impact. However, we've raised the social consciousness of the world with our being concerned about poor people, and giving them economic and political opportunities to develop. We put this on the development agenda, and I think it's something Americans should be very proud of. Some people are always harping that money has been wasted, but I believe, if you take a longer perspective, one will see increasing improvements, even in Africa.

Q: Is there any concluding comment you would like to make about your career in this?

BIRNBAUM: I think the one point I'd make to young people who are listening is about responding to life's chances or opportunities. My dad had a small textile business, and I guess his idea was I was going to join him, and that's probably the reason I took business administration at Rutgers. I didn't wind up in the business with him, but in the US foreign aid program. So the point is you never know where life is going to take you, and one

should be open to unforeseen opportunities. For me, working in development was a very good decision. I always enjoyed the work and the people we worked with, my AID colleagues, and my foreign counterparts. I still have very fond memories of people we met in the Tunisian and Moroccan government, and then working in IFAD and the World Bank was quite a rewarding experience. It was a career that I and my wife enjoyed. My sons were a product of AID. One was born in Tunisia, and one in Algeria. We were very fortunate, but I don't know if the AID program will continue to be as exciting.

Q: Are there similar opportunities for young people today?

BIRNBAUM: Yes, because the IFIs will continue. The U.N. needs some good people, and I believe there will continue to be a US bilateral program. I'm not one who is hung up whether it is integrated into State, or a separate agency. I know a lot of people felt that with the Vietnam War the AID program was compromised and became too politicized. As I said at the outset of our discussion, I always believed that foreign aid is part of our foreign policy. If the program is integrated into the State Department, I don't think it would change very much. Senior officials of AID are now part of the Senior Foreign Service. I ended my career as a Career Minister.

Q: Do you think that AID or the foreign assistance program in the US was a pioneer in the whole development set of issues? Would you go so far as to say that AID led the way?

BIRNBAUM: I would say that so. The history of AID reflects that we were in the forefront of many key development issues. Program assistance in AID goes back to the '60's, when there were large program loans in India to get them to change their trade and foreign exchange regime. AID was in the forefront of family planning, before that was turned around in the Reagan Administration. People now talk about capacity building as essential for growth and poverty reduction. One of the great successes were AID's training programs. I don't know how many hundreds of thousands of people were trained. There is the well known example of the AID trained economists who went back to Indonesia and turned their economy around. In terms of institutions, the agricultural university system in India was made first rate with the help of US assistance. In Africa during 1960-70, AID helped strengthen existing universities and helped establish new universities in Nigeria, Ethiopia, Uganda, Kenya, Morocco, Tunisia, as well as scores of health clinics with the assistance of US land grant universities. The Bank is just now talking about using a logical framework for developing projects. How far back does that go in AID, 25 years ago?

AID has been in the forefront of many of the changes in development programs. I believe it's an American trait, when something doesn't work, or there's a problem, we look for an answer, and we are prepared to take a risk and try something new.

End of interview