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ALEXANDER RAY LOVE

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INTERVIEW

Q: To begin with, Ray, how many years were you with AID?

LOVE: Well, let's see. If you counted my time with DAC [Development Assistance Center], I joined in 1961. I went to DAC in 1990 and retired in 1994.

Q: Let's start off by getting a little bit of your background. Where were you born, where did you grow up, where did you go to school? Did this period have any connection with your future decision to go into the field of international development?

Early years and education

LOVE: I was born and raised in Oakland, California. I went to the University of California at Berkeley, California, for the first time in 1951. This was just about the time the Korean War started. I majored initially in liberal arts. Then, halfway through the course I shifted to civil engineering. While I was in college at the University of California, I joined the Naval ROTC [Reserve Officers Training Corps], since at that time you had to figure out how you were going to handle your military obligation. Joining the

Naval ROTC gave me a chance to finish college before going on active duty in the U.S. Navy. By shifting into civil engineering I had to extend my college time by six months to make up for some of the course changes I had to make.

So I graduated from the University of California at Berkeley in June, 1955. Then I went on active duty in the Navy.

Q: Why did you shift your major to civil engineering?

LOVE: Well, I guess that after two years of liberal arts studies I decided that, somewhere along the line, I was going to have to make a living. While the liberal arts curriculum was "fun," I began to have concerns about where this branch of studies was going to take me. I had always enjoyed mathematics and the sciences, so I shifted into engineering.

Q: Did you take any courses that related to your future work in international development?

LOVE: No, none whatsoever. Well, many of the engineering courses were of enormous help to me later on, as I got involved in development projects in particular. However, at the time I was studying civil engineering, there was no focus at all in my studies on international affairs. The only international linkage was the fact that my parents had both immigrated from Scotland, and we still have relatives back there. At that time I had no interest in considering any international work. However, when I graduated from the University of California in 1955, I went on active duty in the Navy on a Destroyer Escort, based out of Pearl Harbor. I spent quite a bit of time, steaming around the Western Pacific. I visited Hong Kong, Singapore, South Korea, Japan, and the Philippines.

I was particularly struck with Hong Kong. In 1955 it still had a large population of immigrants who had come over the border from Mainland China. The sides of the hills in Hong Kong were just "stacked" with the hovels where these immigrants lived. It was really quite a depressing sight to see. At the time I thought that the Philippines was probably doing rather better. So my naval service certainly gave me an exposure to the Pacific area. Furthermore, we sailed quite a bit in the South Pacific islands, visiting the smaller, populated islands, such as Palau and so forth.

After two years, I left the Navy and returned to Berkeley. Actually, by my last year in engineering school, I had decided that I didn't want to spend my time in a "design office." After I had designed my first bridge, I decided that a computer could do this better than a human being. I had spent many years romantically looking at Golden Gate bridge and the San Francisco Bay bridge. But, in real life, civil engineering design was a very tedious, uninteresting, unimaginative job. So I opted to go back to the University of California in Berkeley and see what the options were in terms of getting some schooling in business, so that I could combine engineering and business.

I returned to Berkeley and talked to them about their MBA [Master's in Business Administration] program, which took two years to complete. My grades from engineering

school, because I had crammed so many courses in, were not "great." However, when I talked this over with the Registrar's Office at the University of California, the woman who was advising me said: "Well, you have another option. You could come back to California for a bachelor's degree in business. Berkeley will automatically readmit you for a second bachelor's degree, simply on the basis that you graduated from the university in the first instance. You then could take the 'core' courses for business, and we'll give you a second bachelor's degree in business." I figured that that would take two full semesters, plus two summer school sessions. I asked her what it would take if, at the end of that time, I decided to go on to get an MBA degree. She said that it would only take one year. She said that it was a two-year program if you start at the beginning and a one-year program if you already have a degree in business.

I said that this was kind of a "can't lose" kind of proposition. I said that, first of all, I didn't have to argue with her about my grades in order to get into graduate school. I would just return to the university and get another bachelor's degree. So I went back to the university, and took a course in business administration at the undergraduate level, with emphasis on mathematics. I finished that up by the end of the summer of 1957. At this point I had my second bachelor's degree. I went to work for a year for the Pacific Gas and Electric Company in the construction area. I worked on natural gas transmission, gas pumping plants, and so forth, in California. I did that for a year and then decided that I was frustrated with the management of some of the engineering operations. I decided that I could probably do better if I worked on the management side. I then decided to go back to the university and get my MBA degree.

I still had no interest in international affairs. It was simply a matter of strengthening the business side of my education, getting out of the technical and into the managerial area.

At that point I looked around and said to myself: "Well, maybe it would be better to try the East Coast of the U.S. I checked around and was told that Harvard probably had the best Business School on the East Coast. So I applied for entry to Harvard. That was the only place I applied. I must say that I didn't know too much about Harvard at the time. Then, of course, I had the "open option" of going back to the University of California at Berkeley. I had gotten very good grades during my second time at Berkeley. Berkeley said that it would be fine and that they would be glad to have me back. Then Harvard accepted me. So I had a difficult choice. Either I would go back to Berkeley for nine months, walk away with an MBA degree, at minimal cost. Or I could roll up my sleeves, take two years, and go to Harvard, at substantially greater cost.

At that point I went over to talk to the old adviser that I had had when I was getting my undergraduate business degree. He was from the East Coast and knew Harvard pretty well. It took him about 30 seconds to say: "Go East." He said: "You know, you've had two degrees from the University of California. You've been exposed to its own, educational philosophy. I think that you're foolish not to take the opportunity, if you can afford the time and money, to go to Harvard. If I were you, I'd go to Harvard. It's not that you wouldn't do well to get your MBA here at the University of California, but there it is."

So I wrote Harvard, and said that I didn't have enough money to pay the tuition, fees, and so forth. They replied and said: "Don't worry about that. Finish your financial statements. We'll figure out how much you can afford. We will provide you with whatever additional money you need." Basically, Harvard had set up private financial "backup" for deserving students. The university would finance the additional money, predominantly through loans, and then, beyond a certain point, through grants.

I went to Harvard. During my first year, I recall I took a very standard course which, at that time, gave a student very little "exposure" to international business questions. The program was very domestically oriented. It was also very male-dominated. At that time no women were directly admitted to the Harvard Business School. However, women students from Wellesley participated in the first course. They did obtain their MBA degrees from Harvard. Subsequently, Harvard began to admit women directly into their program.

However, there were quite a few "international" students in the course. In my section were Bobby Ongpin, who became Minister of Industry in the Philippines. He was also President of a large accounting firm, Sycil, Gorres, and Valayo for a while. His brother, Jimmy Ongpin, was one year behind him. Jimmy became Minister of Finance of the Philippines at some point. There were quite a few other students from Latin America, Europe, and other countries. The Philippines, in particular, had a particular "tie" with Harvard because Harvard used to offer summer courses for executives in Baguio [Luzon, in the Philippines]. So I got some "exposure" to international students at Harvard. During my second year at Harvard Business School I decided to focus on international finance.

Q: Why that area?

LOVE: I decided at that point that I was interested in what was going on internationally and in taking a look at the opportunities there. I also decided that finance was the area that I would go into, rather than straight business. I have to say that when I first got to Harvard, I said to myself: "Well, you have an engineering degree, you have an undergraduate degree in business, and you have a leg up on some of these characters." On the first day of class at Harvard statistics on the background of class members came out. Some 55 percent of the students in the class had engineering degrees, a number of them had master's degrees, and a couple of them had doctoral degrees. Imagine what I thought of that! In my accounting course they went through all of the accounting theory and practice that I had had in something like six weeks! So at the end of the first six weeks my "comparative advantage" had disappeared.

It was almost a "given" that people with engineering backgrounds tended to "migrate" either into finance or consulting. Practically none of the students in my class (with engineering) at that time went back into "main line manufacturing." I was not particularly interested in consulting, so I decided to focus on finance.

I took one international economics course from Professor Raymond Vernon, whom I

found very interesting. Another professor, I think, was Lincoln Gordon, who was less interesting. However, Raymond Vernon was a real "fireball." He was quite a character. They didn't yet have, I thought, a tremendously "broad" course in terms of international finance.

That raised the question: "All right, now what will you do, now that you are going through this program?" So first of all I looked at the firms which were important internationally. The predominant firms at that time were the oil companies. I looked at the oil companies and decided that I wasn't particularly interested in them. I went down to Wall St. [in New York]. I had a lot of interviews with companies on Wall St., looking for firms with an international focus. Of course, the Wall St. firms said: "Well, go and get some international experience and then come back." I also talked to the W. R. Grace Company and eventually received an offer from them.

Then I "hot footed" it down to Washington, DC, and talked to the World Bank. The World Bank was very interested in me. However, they said: "Go up to Wall St. and get some international experience and then come back and talk to us!"

Meanwhile, there was a man who had been a year ahead of me at the Harvard Business School. He spent the summer between his first and second year working for ICA [International Cooperation Administration] as a summer intern. Then, when he graduated from Harvard, he went to work for ICA. I think that he worked on the Ghana desk, as a matter of fact.

Q: What year was this?

LOVE: This would have been in 1960. He worked for ICA and AID for a time. Eventually, he went to work for the Bank of America.

When I was at Harvard during my first year, this man was in his second year. We were in the same dormitory complex. We got talking to each other, and I became interested in what he was doing. So after I talked to the World Bank people, I went over and talked a little bit to this man whom I had known at Harvard Business School. Where did I make the connection with the DLF [Development Loan Fund]? I guess that this man had mentioned the DLF.

At the same time, I have to go back a little bit because when I was back at the University of California at Berkeley the second time, I went down and attended a World Affairs Council seminar at Pebble Beach, CA. The speakers were then Senator John Kennedy, Tom M'Boya from Kenya, and a couple of other people. There was somebody there who talked about the Development Loan Fund, because I remember picking up some documents on it.

So during the spring recess I went down to Washington to talk to this fellow from ICA. I also went over to "check out" people at the DLF. I kind of liked the DLF, because, first of all, it was small. Secondly, the people there seemed to focus on what seemed to be

something closer to finance than what ICA was doing. They were making loans. They had a Board of Directors, and all of that. That made the DLF kind of interesting to me. So I was at the DLF, talking to a young woman. I said: "What kind of salaries do you pay?" She started going through the "GS" [U.S. Government Civil Service] system with me. Then she said: "Of course, if you get in the 'Intern' program, you can come in at the 'GS-9' level instead of at the 'GS-7' level. Then, after six months, or something like that, you can 'jump up' to the 'GS-11' level."

Just as a matter of fluke, I had taken the Competitive Intern Exam earlier. In fact, I was supposed to be going through my interviews in Boston in this connection. I had decided that I wasn't interested in it and had gone to Washington instead. So after I read the figures she was quoting to me, I thanked her, left the office, got on the train, and went back to Boston. There I went down and took the interviews under the Competitive Intern Exam system.

Q: This was for a "Junior Management Intern"?

LOVE: This was for a "Junior Management Intern" position. Then the person interviewing me started talking about the U.S. Government. I said that I wasn't interested in government employment in general. I was interested in one specific organization, the Development Loan Fund. I said that the DLF had a "Management Intern Program." I said that if there is an opening there, I would like to take that. If there was no opening, I would probably not go to work for the U.S. Government. I said that I had just come back after talking to various people in Washington and I added that this was the only reason I had come back to Boston to apply for the "Management Intern Program."

It was a short interview, and the next thing I knew, I was accepted into the "Junior Management Intern" program. However, I still had not definitely decided that that was what I wanted to do. I continued looking in the "international field." As I said, I got a very interesting offer from W.R. Grave involving Latin America. I returned to San Francisco after graduating from Harvard and looked for a job out there. I got very close to accepting a job with a company called "Utah International," which was one of the international engineering construction companies. I almost went to work for them, but they hadn't quite gotten the job worked out. I was running out of money and decided that I had better go back to work.

After graduation, I had also gone back to visit the DLF. This time when I called them up, they said: "Don't even bother to come over. We're being merged, under Kennedy's restructuring program. We're going to go out of existence in August. So there are no jobs open here." I called up my friend at ICA and said that the job search had not worked out. We talked for a while, and he said: "We've got jobs over here. You can come in under the JOT [Junior Officer Trainee] program." One of my Harvard classmates, Dave Reedy, actually did that and went to Taiwan under that program. I listened to my ICA friend but said that I really liked the Development Loan Fund work better than what he was doing. So he said: "Why don't you call this man named Toner?" I said: "Okay." So I called Joe Toner. I had never met him.

Q: Where did he work?

LOVE: He was the Executive Secretary of the DLF [Development Loan Fund] at the time. I called Joe Toner on the phone and said that I would like to come up and talk to him about the Development Loan Fund. He said: "Don't bother. We're not hiring anybody. We're going to be 'merged.'" I said that I knew all about that and had lined up a couple of prospective jobs in the International Cooperation Administration. However, I said that that's not where I really want to work. I said: "What I want to do is the work that you guys are doing. Therefore, I might take an ICA job, and wait for the merger - then transfer into DLF-type work. I have to come over and talk to somebody in the DLF and make sure that this is really what I want to do. Over in ICA they don't know enough about the DLF. So you guys are going to have to talk to me and tell me whether I ought to go to work for ICA and wait for the merger."

Joe Toner said: "Well, okay." At that time I was calling him from a phone booth around the corner from his office. I said: "Can I come right up?" He said: "Sure." I said: "Okay." So I hung up the phone, walked down the street, took the elevator up to his office, which was in that funny old, gray building before the DLF moved to 1901 Pennsylvania Avenue. By the time I got there, he had gotten out my personnel file from my earlier interviews. He said: "Well, we have two jobs. One is in the Near East and the other one is in the Far East." He added: "We would be prepared to take you 'on board' as an intern. However, you have to understand that we can't guarantee what's going to happen on the 'restructuring.'" I said: "That's okay." So he sent me down to talk to Sy Taubenblatt, who was the senior of four loan officers for the Far East and the acting head of the office.

Ralph Phillips was the permanent head at the time.

Joined USAID as a management intern in the Asia Bureau - 1961

I went down and talked to Sy Taubenblatt. That was the beginning of a long association with Sy. After talking to him, I said: "Fine, thank you," and I left the office and I went back to San Francisco.

When I decided I had to go to work, I picked up the phone and called DLF back and said: "Okay, is the job offer still open?" The woman I spoke to in DLF said: "Yes, it's still open." I said: "Well, Okay, send me a ticket." She said: "We don't send you tickets." I said: "What do you mean that you don't send me tickets?" She said: "We don't finance your way here. You have to find your own way here to Washington." I said: "I haven't got a nickel! I can't get back to Washington. I can't buy a ticket."

So she said: "I'll tell you what we can do. Once you get here, for \$5 you can join the Credit Union. If you can borrow enough money to buy a ticket, we can arrange for you to take out a loan to pay back your ticket." So I said: "Okay." I don't know where I scratched up the money. I got back to Washington. I borrowed some money from the Credit Union and sent back the money to whoever I had borrowed it from. Then I went to work for DLF. The merger began to take effect. Eventually, the DLF was merged into ICA. I went into what eventually became the Asia Division of AID [Agency for International Development]. As you know, the full integration of those two systems didn't take place for a long time. In some ways, it never took place.

Q: What do you mean by that?

LOVE: Well, I guess that it took me quite a few years to realize it. The program at the DLF was a Washington-based, central accounting, centrally controlled process, in which the design and management of the projects were handled in Washington. A considerable amount of responsibility for project design was really put in the hands of recipient country firms, and the consultants. DLF had a very limited, technical staff to handle this. So they relied very heavily on that arrangement.

The objectives were very clearly spelled out in the project documents. The tracking was done basically in terms of the disbursement rates. So there was a tracking system which could tell you what was going on, whether the funds were being disbursed or not, and whether you had problems. The DLF did both public and private lending at the time.

Of course, the field based operations of ICA [International Cooperation Administration] were decentralized. Many of the things ICA did were sort of "rolling" projects that were designed in terms of broad objectives. Specific activities were developed as you moved toward these objectives. It was quite a different system. In later years, the arguments over the Project Assistance Documents and so forth still reflected the remnants of the two systems which were trying to merge.

After the DLF/ICA merger, the loan officers were kind of "thrown into" the bureaus. In the early days they actually ended up on the geographic and functional "desks." For

example, for a while in Asia, before they created a Project Office, they were assigned to the country desks.

I "carried over" a DLF portfolio of projects on the Philippines, Vietnam, Indonesia, and Malaysia. That was the portfolio that I had at DLF. I ended up trying to manage all those projects while I was sitting on the Philippine desk.

Q: What kind of projects are you talking about?

LOVE: In the Philippines they involved paper mills, a cement plant, a dynamite plant, and road and bridge construction projects. In Indonesia the projects involved construction of ports and harbors. In Malaysia they involved construction of roads, bridges, and ports. In Vietnam they involved power plants and a municipal water supply system for Saigon. Basically, these were the kinds of infrastructure projects that the DLF handled, plus some projects for private companies.

In addition, as you may remember, when President Kennedy looked broadly at consolidation of various foreign aid agencies, there was some discussion about how to handle the Export-Import Bank. The Export-Import Bank "fought off" being consolidated, but it gave up the "Cooley Loan Program." This was being administered by the Export-Import Bank at that time.

Q: What was the "Cooley Loan Program"?

LOVE: At that time, as you may remember, Title I of PL-480 [Public Law 480] agriculture surplus programs were denominated in local currency. The United States Government had the option, under the various agreements, to take a percentage of the local currency in return for its loans and grants. Under a subsequent amendment sponsored by Representative Cooley, this local currency could be used to finance private investments. However, these private operations had to be for the subsidiaries of American companies. The criteria was firms which were beneficially owned and controlled by American companies. Normally, 50-51 percent ownership of a company was prima facie evidence of U.S. ownership, although in some cases other arrangements were accepted.

What that provision did was to provide a pool of local currency to finance the start-up or expansion operations of American companies overseas. I think that very little of that was done in Africa. Some of these operations were undertaken in Latin America, but not a lot. This provision of law was predominantly applied in Asia. The biggest blocks of funds were committed in India and Pakistan, some in South Korea, some in the Philippines. A huge block of funds was committed in South Asia. In a later interview we can get back to the "Cooley Loan Program," which was "recycled" out of AID [Agency for International Development] and into OPIC [Overseas Private Investment Corporation]. At some later date this program was transferred from OPIC back to AID. I picked this activity up again in 1975 when I was in the Project Office for Asia and administered the residual program for the rest of the world.

At that time I was struck that the "Cooley Loan Program" portfolio had an incredibly good record of repayment. It was really a wonderful program in terms of the number of projects that it handled, as well as the repayment rate. Even accepting foreign exchange losses, because the loans were denominated in local currency, the portfolio showed a rate of return of something like 7 1/2 or 8 percent in U.S. dollar terms.

Q: Were the loans repaid in U.S. dollars?

LOVE: No, they were repaid in local currency. However, even after adjusting these repayments to the U.S. dollar equivalent, you still could come up with a positive return on investment to the U.S. dollar value of the original loan. Most of the projects started up, particularly in India, were very successful.

For a period of time AID continued to make "Cooley Loans," although not a lot of them, except in South Asia. However, funding was available. Other options included using the funds for government to government loans and involved military support activities. So the U.S. Government used the local currency involved for military support activities, private sector loans, and general development loans to the local government concerned. All were good programs

That local currency system came "a cropper" when at some later date, the decision was made to change loans under PL-480 so that they would be repayable only in U.S. dollars. Of course, generation of local currency was eliminated in the process. That change was also driven, to some degree, by the huge block of local currency belonging to the U.S. that had been generated in India, as you may remember. The Indians were smart enough to say: "If we don't want the Americans to decide how to spend this money, we'll 'sterilize' it and effectively take it out of circulation, keep it "blocked." The Indians printed the equivalent in local currency and sidestepped U.S. control.

There were huge blocks of Indian currency that were used for building U.S. facilities in India, and for the operation of the AID Mission. Eventually, a large portion of this block of Indian currency was "forgiven." This was arranged by the Ambassador to India at the time. I don't remember who he was. [FYI: it was Ambassador Patrick Moynihan, now Democratic Senator from New York. END FYI] In essence, we just "forgave" title to this huge block of local currency. I don't remember whether that happened before or after the decision to change the PL-480 law to provide for U.S. dollar repayment. However, I'm sure that the inability to manage the Indian local currency was a factor in the decision. In effect, the U.S. decided to "stop fooling around with this block of Indian currency" and to require repayment of future loans in U.S. dollars.

Personally, I think that that decision to "turn over" ownership of this Indian currency was unfortunate because, when we had access to local currency, it gave us ample opportunity to deal with the private sector. This was much more difficult to do when repayment of loans had to be handled in U.S. dollars. In terms of the financing approach for a private sector firm, giving them loans denominated in and repayable in local currency, which

were not necessarily available through the Indian banking system at that time, gave U.S. firms a better option. They were able to put their dollars into equity investments. They were able to handle financing their debts in local currency. This arrangement also shielded these private firms from foreign exchange risk on their debt service.

Experience with private sector loans - 1960s

By comparison, look at the exchange risk problems of a couple of "wonderful" DLF [Development Loan Fund] dollar loans in the Philippines, one for a paper mill and one for a cement plant. When those loans were made, the exchange rate was 2.00 pesos to 1.00 U.S. dollar. What is it today? I think that it's 30.00 pesos to 1.00 U.S. dollar, or something like that. The paper mill in the Philippines was the first project I started when I went to work. It involved a company called Bataan Pulp and Paper Mills. Sy Taubenblatt handed me the file and said: "This is a very easy project. Everything's going well. You can start out on this one. The construction is almost complete. They're probably going to start up the plant in August of this year."

I actually made a trip to the Philippines for the official opening of the plant. They started production and almost immediately started losing money. I couldn't believe how fast they did. They were losing money, "hand over fist." Of course, they had the loan denominated at the rate of 2.00 pesos to 1.00 U.S. dollar. It was payable in dollars, and they couldn't service their debt. Unpaid interest was "recapitalized" and included in the principal. Interest was therefore accruing on interest. So the company's debt was growing, more or less exponentially. The company was going through the compounding of interest and the "interest on interest" problem. Furthermore, it was not very long before the Philippine peso went down from 2.00 pesos to 1.00 U.S. dollar to about 3.90 pesos to 1.00 U.S. dollar. All of a sudden, the debt outstanding had doubled. Then, the next time you turned around, it had tripled, because of the compounding of the interest. So the debt obligation was getting bigger and bigger. That was the beginning of my "post-graduate course in financial restructuring." I learned that, at some point, repayment is more a problem of the lender than the borrower.

We started a process of trying to restructure the finances of that plant. This would have been in about 1962, the end of the first year of operations. This process continued for about 15 years. In one way or another I had my fingers in that for most of that time, because I continued to be concerned with Asia. In fact, when I left Asian affairs for an assignment to Nairobi, [Kenya], we had just completed the last restructuring, about in 1976.

We started looking for an American paper company to help manage the plant. We went around the United States, visiting paper companies. Eventually, we had a visit from a man named Robert Hansberger, who was President and Chairman of the Board of the Boise-Cascade Company. At that time Boise-Cascade was putting together what became the Boise-Cascade conglomerate. They had only been in existence for three or four years.

Anyhow, Hansberger showed up one day by himself to meet with us at the office. He

said: "I understand that you guys have a paper mill in the Philippines. We might be interested in it." So we talked about it for a little bit. We said that we would like him to look at it, because we wanted some American management in there. We said that what we had done was to lend money to a group of Philippine investors who were quite well-established and quite reputable investors but didn't know as much about manufacturing paper as they (and we!) thought they did. They were in the paper distribution end of the paper business but they really didn't know much about manufacturing paper. Furthermore, the technical problems of making paper out of tropical raw materials (bamboo) are not very easy to handle. Do you want me to go into all of this?

Q: Go as far as you want to go. It will serve as a good illustration.

LOVE: Okay. I will go back to where I was. The plant was built initially to make paper out of bamboo. The big bamboo in the Philippines is called "Boho." Of course, by the time the paper mill got started, a lot of the "Boho" had disappeared because it had other uses in the Philippine economy. The cost of obtaining the raw material got to be expensive. The second problem that they ran into was that the outer surface of a bamboo stalk has a very high concentration of "silica." This was complicating the pulping process.

At some point the decision was made that they couldn't get enough bamboo to make paper. So they shifted to tropical hardwoods as a source of their raw material. That is, pulp from tropical hardwoods, which were available but still not easy to get. Tropical hardwoods, in turn, had three problems.

The first problem was that they make fairly short fiber pulp, so that it didn't have the strength needed to make good quality bond paper. You don't need strength to make newsprint, but you need strength to make bond paper. Further, the raw material was Philippine mahogany, which has a lot of color in it. This required more bleaching than is required by wood pulp from pine or other non-tropical woods. The bleaching process further reduced the size of the fiber and the consequent strength of the wood pulp fibers. So they ended up with problems with the quality of the wood pulp, which, of course, led to a lot of breakdowns in the machinery. To get around that problem, they had to add in some imported, long fiber wood pulp. Then there was the additional problem resulting from the fact that a lot of the pulp trees were rapidly disappearing Philippine forests. My first lesson in exploiting the environment.

All of this complicated the operation. Boise-Cascade more or less held it all together. However, the plant wasn't making very much money. Boise-Cascade had cut a deal with the original owners under which Boise-Cascade didn't put a lot of their own money into the project. However, Boise-Cascade put some pretty good paper people out there. The plant operated for a while under Boise-Cascade until the U.S. Government changed the tax law for Americans operating overseas. I don't know whether you remember this, but historically the first \$75,000 in salary made from overseas employment were tax-free. For a short period of time the U.S. Government did away with this provision, which meant that all personal income derived from overseas operations was subject to U.S. taxes. As soon as this change in the tax law was enacted, the Vice President of Boise-

Cascade called me on the phone and said: "We've guaranteed our workers a bottom line wage. This means that we have to compensate for all of these taxes. There isn't enough money in this operation to do this, and we want to sell out. We are withdrawing from the operation of this plant, as well as from our other operations overseas."

Boise-Cascade had found a potential buyer, a Philippine company. I talked with representatives of this Philippine company. This was in the mid 1970's. By this time we had been through at least three major, financial restructurings. We didn't quite go through "Chapter 11" [form of bankruptcy] but we almost did. So we kept going through one restructuring after another. We were trying to keep Boise-Cascade in there to run the operation. We eventually made a small, "Cooley Loan" to help keep the Philippine company afloat.

When the proposal came in that Boise-Cascade sell its interest in the plant to a Philippine conglomerate, which had some pretty powerful Philippine businessmen in it, I thought about it. Then I said to the Boise-Cascade people: "Before we do this, I think that we need to give the original investors an opportunity to put together their own proposal. If we sell this plant, control of this company will eventually go to the new investors. The original investors put in their own money and then they put in a substantial, additional amount of money during the restructurings. So they should have first option in buying you out. If they can't put a package together, then we'll go with this one."

So I went to the Philippines. I was in the Philippines on another trip and I talked to some of the people in the business community. This group put together a proposal under which they put up as the plant manager a Chinese-American from Taiwan, named Elon Ting. Elon Ting was a Stanford MBA, had worked for Boise-Cascade for a time and had spent two years in the Philippines working at this paper mill. He had left Boise-Cascade and was out "on his own." His father had been the financial manager of a company called Formosa Plastics, which became the largest maker of PVC [polyvinyl chloride] products in the world. Elon knew the Philippines and he knew the Chinese business community. He was offered the job of managing the Bataan paper mill.

We decided that this proposal was worthwhile. I went back to the U.S. and discussed it with the Boise-Cascade people. So we ended up with the original Boise-Cascade share of the investment being sold back to the original investors, with the proviso that they would bring in Elon Ting to run the paper mill. That was the smartest thing that we ever did.

By 1997, when I last visited Manila, Elon had built Bataan into a major paper conglomerate - the largest and most profitable in the Philippines.

Q: That experience was the first project that you dealt with. What does that lead you to conclude about AID involvement in that kind of enterprise?

LOVE: Well, it led me to the conclusion that there was no way that AID was going to be able to develop the specialist expertise required to deal with "unsecured" loans to the private sector (We had an only slightly less horrendous problem with a cement plant in

the Philippines.). Look at the history of AID private loans for paper companies around the world. There was a company called Parsons and Whitimore. This company had promoted a long, sad list of paper mills around the world.

They were very good at making paper out of "exotic" raw materials, such as kenaf and bagasse. In Tunisia I think that it was esparto grass that they used. You can do this technically. However, economically there are a lot of problems in using such raw materials. A lot of these paper mills were built and financed by the U.S., the World Bank, and the IFC. Many didn't work. In Canada, P+W did the same thing with the Canadian Government. OPIC, or perhaps it was AID, extended a major, investment guarantee on the construction of a paper plant in Thailand for a firm called Siam Kraft Paper Company. This was a very big operation - it had big problems.

All of these projects got into trouble. Finally, I concluded: "We have no business doing direct lending to the private sector. We can't development the expertise to understand these industries. What I've learned from working on such projects is that there are some very subtle, basic problems in these industries which determine whether they will be economical or not. In some cases these considerations involve the technical feasibility of these projects." I continued: "Unless you're really in the business, you're not going to have the necessary expertise. Secondly, once you lend to the private sector, on an unsecured basis, you must be able and willing to walk into these projects and make concessions in negotiations, if you go through a financial restructuring."

Boy, I'll tell you, when you get to the point of writing off U.S. owned debt - it's not easy! We eventually converted our U.S. dollar debt to peso-denominated debt. In this way we were able to stop burying Bataan under U.S. dollar debt.

Instead, AID should have looked for other "interventions" to promote the private sector - not direct loans.

Now, if you go through the DLF's "package" of U.S. dollar loans, our lack of sophistication is apparent. One of my classic stories about the paper mill in the Philippines was that, when DLF approved the loan, they accepted what are called "convertible debentures." These debentures are a portion of the debt which state that at such and such a conversion price, you can convert the debt into stock in the company. This was the investment banking "know how" of the government in saying: "Well, if this company does well, the stock is going to go up. While we may not want to take the stock ourselves but we can sell these 'convertible debentures' to other investors, so that we can make a bundle of money on them."

We also got debentures in the Sui gas field project in Pakistan and other private sector projects around the world.

Q: This was DLF-funded?

LOVE: Yes. As we were going through these restructurings in the Philippines, Bataan's Philippine lawyers called us up and said: "When we go through this restructuring, you

will have to return these 'convertible debentures' to us, because we are eliminating them. Until we receive the convertible debentures, the agreement will not become effective."

So I called up the AID Controller's office, which was then up next to the Hilton Hotel, and I said: "I need the convertible debentures on the Bataan Pulp and Paper Mill. Would you please send them down to me?" The man to whom I was talking said: "Okay." So a week went by, but no convertible debentures were received. I called this man up again and said: "I really need these convertible debentures. Haven't they been found yet?" He said: "Don't worry about them. We'll get them." So this went on and on. After about four phone calls I said: "I've got to have these things." He said: "Well, we haven't found them." I paused for a moment and then I said: "Do you know what a convertible debenture is and do you know what it looks like?" He admitted that he did not. I said: "Where's your office?"

So I hopped into a cab, I went up to his office in the Universal North Building, and I said to him: "Where are your files?" I went over to the files, started opening file drawers. There was a stack of convertible debentures on about four different companies piled up in the bottom of one file cabinet. Nobody knew exactly what they were. I took out the debentures for Bataan Pulp and said: "This is what a convertible debenture is. Those other debentures belong to some other companies, in case you ever get a call for them."

We took these convertible debentures back to our office and mailed them to the Philippine lawyers. I thought: "If you ever wanted to prove that AID is not capable of administering an 'Investment Banking' type of operation, here is the evidence." I was fortunate even to find them.

It's illustrative to look at the local currency "Cooley Loans" and say: "Why did the 'Cooley Loan Program' have such a good record of success, while the U.S. dollar loans which the DLF [Development Loan Fund] extended did not? I attribute that to a couple of things. First, the "Cooley Loans" were made to reputable, American firms putting a substantial block of equity into a "start-up operation" and you got with it a financial commitment and a commitment of managerial know-how. They were clearly committed to the operation. Meanwhile, we were making our DLF dollar loans to indigenous companies, many of which were not experienced in business. They were capitalizing their company in U.S. dollars. So they were running into all kinds of problems. It's not that the "Cooley Loans" did not also have some failures. But, the bulk of them worked. They worked because the American companies involved in them were interested in staying there. They made these companies work. Whatever problems they encountered, they resolved them.

So that experience left me with a feeling that the private sector is important. However, if AID is going to do anything as an agency with the private sector, it should be otherwise than by means of direct lending. It should be focusing instead on the broader institutional needs that are there to help to support the private sector. I still feel that way.

Q: What was your view of AID at that time? What did you understand its larger purposes

were at that time?

LOVE: Frankly, my interest at that time was very much "project specific." I mean that I was interested in activities at the project level. I was looking at it more from that point of view. Then, of course, as time passed, I began to grasp the fact that these programs weren't going to work, unless they were set in a favorable economic framework - e.g., we had a very interesting project in the Philippines, also during my first year in AID. This involved setting up a private, development bank, generally working with the World Bank and with Mr. George Woods, who was then still the Chairman of the First Boston Corporation. He did the feasibility study for this private development bank at the request of Eugene Black at the Bank. The Filipinos had asked for help in establishing it.

We helped finance the development Bank. We transferred some local currency out of a PL480 account and made what was called a "quasi-equity" loan. It was a low interest, long term loan to increase the bank's capitalization. We got into a horrendous argument within the U.S. Government on this project. The U.S. Treasury Department tried to block this loan, because they didn't like the concept of our making a subsidized loan of this kind. The alleged issue was whether we were again taking public money and subsidizing the private sector. But we did it anyway.

We just made the one loan to the Bank. This got it started. The IFC then provided some of the equity in the private development bank and loaned a substantial amount of money to it. Subsequently, the World Bank and the Asian Development Bank put a lot of money through it. Almost 20 years later, in the mid 1980's, I had the opportunity to go back and do an evaluation of the Bank. I was still working on Africa at the time.

Anyway, what was so clear in retrospect in the 1980s was that the real problems in the financial community in the Philippines were primarily structural. This private development bank became a conduit for channeling foreign loans. But, its ability to grow and diversify was really constricted by the fact that its capital base came from foreign loans. It had no real access to local resources.

It was a mistake on the part of AID, the World Bank, and IFC to have taken a "project approach" to the problem. A new development bank could not solve the financing problems in the Philippines. What needed to be done was to stop, analyze the financial sector, and look at the constraints that were there.

So, as you begin to work along on various project level activities, you become more and more convinced that you need to have a proper sectoral framework. In addition, you start getting into "softer" types of activities. You start working on health and population projects and other activities, which are even more difficult.

Q: How long were you in this position in project development?

LOVE: In one way or another I was in project development until you called me in 1978 to go to Nairobi. By that time I was chief of the loan operation in Asia.

Q: However, you had stayed in this one office...

LOVE: No. I started out working on project matters but I was also assigned on the Philippine desk, even though, in the ad hoc arrangement we had then, I was handling four countries. I was involved in a lot of work concerning Vietnam until it really began to "take off." That was a kind of crazy, structural arrangement.

Assignment as Philippines Desk officer - 1965-1969

Then I got involved in the Philippines. Obviously, I was doing more on the Philippines, from the substantive point of view, because I was working on the Philippine desk. Eventually, I was appointed Philippine desk officer. So at that point I really "shifted out" of project work and into broader, programming work.

Q: You left the Capital Projects Office?

LOVE: At that time there was no Capital Projects Office. There were Capital Projects Officers on the various country desks. That was where we started. At that point the Capital Projects Officers began competing with the Program Officers over who was going to become the country desk officer.

So I became the Philippine desk officer and worked there for quite a few years.

Q: When was that?

LOVE: I'm trying to remember. That was perhaps from 1965 to 1969, or somewhere in there.

Q: What was the situation in the Philippines at that time, when you were working on the Philippine desk?

LOVE: At that time I actually thought that the Philippines was doing quite well. Let's see. Diosdado Macapagal was President of the Philippines. I thought that he was a pretty good President of the Philippines. The policies he supported were all right. President Marcos took over around 1963 or 1964, or somewhere around there.

I found a good opportunity to work in the Philippines with a lot of capable people in a lot of different sectors. At that time I became interested in a lot of different issues, other than project work. Mary Jane Hyle had been the Philippines desk officer at the time. The Philippines desk was part of an office which included South Korea, the Philippines, and Indonesia. So there was some interaction with these programs.

Of course, the South Korean program at the time was huge.

Q: Do you remember what our broad purpose was in the Philippines? What did we seek to accomplish?

LOVE: Aside from the general objective of trying to promote broad based economic growth, our program was targeted very heavily at agriculture and population control. I remember those two areas as being predominant. Now, we had some project activity, including some efforts in the field of health. Agriculture and population control were probably the two biggest problems facing us.

When Wes Haraldson came out as Director of USOM [United States Operations Mission] in the Philippines, he took over from a predecessor who had been one of those "tycoons," a man named Jim Ingersoll. Haraldson, of course, was a career Foreign Service Officer who spent most of his time with AID. He was an economist by training. He arrived in the Philippines, perhaps in 1965, or somewhere around there.

This was about the time when we were struggling very hard to figure out what to do about the rice deficit in the Philippines. The Philippines had a major rice deficit problem. Of course, IRRI [International Rice Research Institute] was located in the Philippines. The IR-8 rice variety was the first "miracle rice" to come out of the IRRI research program. IRRI was beginning field trials of this seed in Los Banos. One of the major programs was whether or not you could get some of these "miracle rices" extended throughout the country to the point where they would begin to start making some impact on the rice deficit. There was a lot of resistance to it.

Q: A lot of resistance?

LOVE: Yes, resistance. The Filipinos would say, "This rice doesn't taste the same. You can tell that this is not good rice." It was almost like the Africans allegedly not wanting to eat yellow maize meal. I remember that Wes Haraldson gave a big dinner and invited a lot of the senior Philippine officials there. He served them various rices and said: "All right, I want you people to tell me which one is which." Of course, nobody could tell which were the "miracle rices" and which were not. Wes was trying to make the point, at least to the people at the top, that there really was no substantial reason not to promote the growth of the "miracle rices."

Wes Haraldson pushed very hard to get the "miracle rice" programs out. That got us into a variety of issues. One of them concerned access to fertilizer and whether there were adequate fertilizer supplies. However, and most importantly, all of a sudden there were quite different, credit structure problems than had previously existed. We were now looking at greater production "inputs" than we had seen before.

Among other things, this meant that the credit system had to be more effective. The history of the credit system in the Philippines was one of disaster piled on disaster piled on disaster, involving public sector credit systems which eventually went bankrupt and then had to be recapitalized and started anew. Of course, this was helped by politicians going out and telling the farmers who borrowed the money that they would not have to repay their loans. A lot of the loans were also going to people for political reasons. So the credit system didn't work too well.

Meanwhile, the Chinese moneylenders were out lending money at four times the usual interest rate and collecting 99.9 percent of their money. I guess that they were standing on the side of the harvest field when the harvest was brought in. They were also lending to the "right people."

The efforts to go out and convince people to try these "miracle rices" met with a lot of resistance on the part of farmers also. The farmers felt that they were taking a much greater financial risk than before. They were not convinced that this was worth the risk. When you get right down to it, you could say: "These dumb farmers don't know what's good for them." When you really looked at the "micro economic" aspect of rice cultivation at the individual farm level, the farmers had a very legitimate concern. They had to be convinced that the potential returns were large enough for them to take what they considered to be a large financial risk. Now they were going to have to borrow money to finance their rice crop. Previously, they didn't have to borrow money to pay for fertilizer and insecticides.

What started to happen was that the "IR-8" rice variety grew so quickly that the farmers who weren't planting that type of seed waited and watched the field next to theirs, where another farmer was planting IR8. The IR8 crop grew so well that farmers plowed their old crop under and replanted with IR8. Once they saw what was happening and realized what it implied, you had this "spread" effect. This process went from farmer to farmer and spread through the Philippines.

I don't think that the "agricultural credit" problem itself was ever solved. Experiments were tried with financing crops through rural credit systems, and these had some success.

Q: Growing "miracle rice" required a lot more "inputs."

LOVE: They required a lot more "inputs" and much more sophisticated systems than were in use previously. I would say that the technical side of the agricultural program, marvelous as it was, and it was called the "green revolution," was maybe the easiest change to bring about. Once you had the new seeds, the fertilizer, and the insecticides, this system kind of "sold itself," from the technical point of view. However, the managerial aspect of ensuring that these "inputs" were actually applied was a problem. In some cases problems occurred in connection with marketing and storing the crops.

As a result, the whole agricultural sector became a lot more complex in the areas where these new "inputs" and procedures were applied, particularly in Central Luzon. The Southern Philippines is basically a maize [corn] growing, rather than a rice growing economy. Of course, as I said, you had to use fertilizer with the new seeds. You had to have agricultural credit, and you had to have water. So, at that point, this consideration began to drive more concerns about irrigation.

We started looking at programs to upgrade the National Irrigation Administration in the Philippines and to identify some of the initiatives that might be taken in connection with irrigation. Now, these did not involve the construction of major water storage dams as

such. A lot of systems were run on the river systems. Nevertheless, the problems of managing the irrigation systems were worse than the problems of managing the credit systems. So we found ourselves in an environment in which our ability to handle the credit problems and the irrigation problems was simply "enormous."

The private sector in the Philippines moved in on the fertilizer problem and began to take up importing, producing, mixing, and distributing the fertilizer. The private sector did that well. So, that got us out of the problems which we had had in some of the South Asian countries in connection with fertilizer production. Of course, the Philippine system of fertilizer distribution only worked to the extent that credit was available to finance it.

Q: What was the "heart" of the irrigation problem?

LOVE: There was a variety of problems. One of them was that the irrigation systems, in many cases, were owned by the government, in this case the National Irrigation Administration [NIA]. This meant that the NIA was responsible for the operation and maintenance of the system. The farmers theoretically would pay for the water and would do some of the maintenance at the lower end of the operation. Of course, the Philippine Government didn't have the resources to do the maintenance, and the people didn't feel any responsibility for maintaining them.

Also, the "social packaging" that you need to put together an effective, irrigation system was not available. Putting such a system together means that the people have to have ownership and accept responsibility for it. This was really not there. The systems would deteriorate and the water wasn't available where it was wanted, or it would be "ripped off" at the other end of the system. People would complain and say that this is a "political problem." The government isn't doing its job.

From the "cultural point of view, this situation was not quite as bad in the Philippines as it was in Indonesia. Indonesian farmers felt that they had a God-given right to free water anyway. Filipino farmers felt that they had a God-given right to "steal" the water. It was a little different "nuance," but basically it was the same problem.

We never really resolved the irrigation problem. We tended to try to solve the problems by "fixing" the institutions and throwing money at the problems, through the irrigation or credit end of it. We weren't really getting to the root of the problem, which was at the "user" level.

Working with the private sector projects in the Philippines did give me some opportunities to be exposed to the people who were really running the private sector in the Philippines. You don't really get this experience when you are working with the more traditional types of AID projects.

The classic example of this was the private development bank. This was because it was the Filipinos who approached the World Bank and said: "We want to set up a private development bank. We want it to be 'private.' We don't want a public sector, development

bank because we know that we can't trust our government." The Philippine Government was supporting this. This was the new administration of President Marcos at the time. So the World Bank called George Woods, who went out personally and did the "feasibility" studies. I didn't realize at the time that Woods was about to become President of the Boston World Bank. He was a very "smooth" operator. He was the man who "put the arm" on AID to put the subsidy money in there.

The Filipinos sent a delegation which included some very senior people from the Philippine Government, the National Bank of the Philippines, the economic planning office, and the National Economic Council. I would say that these included the six or eight persons who were the "creme de la creme" from the private sector. They included Washington Syup, the head of a major accounting firm in Manila. He was 42 years old. There were also some Filipino-Spanish businessmen on the delegation. Those people came to the U.S. as the "Philippine Negotiating Team." Of course, we got to know them pretty well because we were negotiating with them for something like three weeks. We spent eight hours a day, negotiating the terms of the agreement for over two weeks.

In the process I got to know these Filipinos very, very well. That acquaintanceship stood me in good stead for many years I could go to the Philippines 15 years later, call one of these businessmen up, and say: "I really need your advice on something." They would always respond. If you really want an assessment of doing business in the Philippines, you really have to ask the local businessmen who know what's going on, rather than American embassy commercial officers.

This experience of negotiating with these Filipino businessmen gave us credibility, which you get, even though you're "fighting" over a negotiating table. Eventually, this gives you an established rapport which I found very, very helpful.

At the same time I also realized that these Filipinos had a very "stilted" outlook on what the economy was and what the important issues are. They were much less knowledgeable about what was happening in agriculture and what was needed in terms of decentralized, financial institutions. They had somewhat of a myopic view in that connection. They were much more oriented toward what was going on in Manila and bigger industrial operations.

I also concluded that AID had far better connections with the Philippine private sector than the American Embassy in Manila did. The Embassy really didn't have the ability to go in and talk to private executives on a straightforward basis, to the extent that you might think. AID had better relationships, both with the private sector and with the public sector because of its day to day working contacts with these people. In many cases AID had more or less "grown up" with them. There were key Filipinos with whom AID had worked in the past, who would surface later on.

For example, Cesar Virata had become Philippine Minister of Finance. For a couple of years he was the Chairman of the Development Committee of the World Bank and the International Monetary Fund. He is a brilliant economist. I remember talking to him one

day. He said: "Look, I was one of your first 'participants.'" I said: "You were?" He said: "Yes. You guys sent me to Graduate School." Of course, he still appreciated this. I don't know whether there was anybody in the AID structure in the Philippines or in Washington who remembered what had happened to the participants. Somewhere in the AID Oral History I would hope that you could put together a profile of the participant training program as an element of the history, in and of itself. There was a big "payoff" from participant training programs.

So I got some contacts out of those negotiations which really made a big difference. Now, I can't say that I had the same degree of knowledge of and familiarity with the Indonesians. Of course, that involved President Sukarno's problems. We went into a deep decline with our program for quite a few years, until the Indonesians restructured their economy and came back up. By that time I was pretty much working elsewhere in Asia.

Q: Before we leave this subject, you also mentioned the population program. Were you much involved with that or understood what was involved with that?

LOVE: Oh, yes.

Q: What were the issues and how did it work?

LOVE: The Philippines is a Catholic country. The Catholic Church is very "hostile" to population programs. AID pushed these programs nevertheless and did so with some degree of success. You can look at other countries which have very high population growth rates and a high abortion rate. I think that there was a great desire on the part of Philippine women to control their family size. Of course, we were working with a pretty well-educated population. The Philippines had an excellent educational system started by the U.S. years ago. The Church was always pushing against population control programs.

The AID Mission in Manila was able to get population control programs established and functioning. The population control program got the support of Imelda Marcos. She sometimes did some things well. She supported the establishment of a population control program when she was in a position of power and influence. She "allowed," as it were, the government population programs to go on. This was despite the fact that there were, within the Philippine Government, some determined opponents of population control. There was a man who was the head of the National Economic Planning Office. He was a member of a "hard core" organization called "Opus Dei." This was a Catholic organization which was very conservative in orientation. In brief, he "hated" population control programs. Here we were working with him as the director of the National Economic Planning Office. However, he was surrounded by people who wanted to support population control programs. Most of the time, he was not able to stop them. But, in subsequent years he was able to get himself into a position where he was able to block such programs.

Q: Were there any particular policies which AID followed to try to cope with this opposition and make some progress?

LOVE: Well, I think that when you got out into the countryside, where you worked with the people, you didn't have a problem there. I don't think that the problem was at the level of "delivery" of population control services.

Our approach to population control included two aspects. First, we focused on supporters of population control in the Philippine central government, those that were willing to support these programs and "got them on board." Then, initially, we started operations by working with indigenous NGOs [Non Governmental Organizations] and channeling money through them. The Philippine Government would cooperate in this approach. Even though the government theoretically supported population programs, it wasn't quite prepared to "take the heat" from the Catholic Church, which is very strong in the Philippines, both politically and in other respects. So the initial efforts were to work through the local NGOs, not through official government programs.

I remember that very well, because the local NGOs were really kind of "fly by night" operations. They were very small and very poorly managed. Their strength was really in the substance of what they were doing. We started channeling money into these NGOs, and there were a lot of them. One of the major problems was how this was going to be managed. We were providing them with money, but they couldn't keep the books, couldn't account for the money, or explain what was going on. There was a big debate in AID about how they were going to do this. A proposal was made that these NGOs should hire an American accounting firm to come out to the Philippines and start working with them.

At that point the man who was in charge of the capital development office in USAID Manila stepped in. He was a very interesting person. He had retired as Vice President of the National Lead Company. He had spent three years in the Philippines and four years in Thailand before he retired again. He brought a fresh perspective from his private sector background.

He was brought into a meeting in Manila on the subject of support to the NGOs operating on the population control program. He said: "This is crazy! You've got one of the biggest and best accounting firms West of Chicago right here in Manila." It was this firm which I mentioned before, Syup, Gorres, and Velayo.

So the AID Mission in Manila went to Syup, Gorres, Velayo and said: "We have a problem. To start this population control program, we're going to have to work with these NGOs. They're almost all too small and inexperienced. They don't keep their records right. If we keep going this way, we're going to be in deep trouble with the auditors. Something must be done about this. If we don't establish better control of expenditures on population control, we won't be able to continue this program. Solving this problem is critical, because we can't conduct population control through governmental systems because of the politics involved."

The Syup representatives said: "Okay." So what they did was to set up a standard accounting system. They took on the whole NGO group. They ran schools for them and ended up as the oversight body for what was going on. When we got through with this

process, we had a credible accounting system installed and an incredible accounting firm, which would certify the quality of the books, and who was working with the NGOs on a daily basis. And it didn't cost a hell of a lot of money.

Q: Did they provide training as well?

LOVE: They provided training as well. As I said, they went in with a standard accounting systems and they helped the NGOs with training in handling these systems. Syup became the "external auditor" to certify the books at the end of the accounting period. This was done at a far, far lower cost than otherwise would have been involved. They were always making the point that AID kept bringing in people from overseas when Syup had qualified accountants sitting right there in Manila. This was a chance for them to prove their point.

Q: They were Filipinos?

LOVE: They were 100 percent Filipinos. Well, they were often Chinese Filipinos. They were all local people and very highly qualified.

Washington Syup was the head of the accounting firm. He was an American citizen and had been in American intelligence during World War II, but he was born, raised, and lived in the Philippines. He is really quite a remarkable fellow.

That was the system for the delivery of population control services in the early days. Subsequently, the Government of the Philippines set up a Population Office which became much more active in population matters. That office was subsequently "blown out of the water" by opponents after Imelda Marcos left. I'm not sure how population control services are handled today.

If you look at the statistics, Thailand and Indonesia left the Philippines "in the dust," in terms of the control of population growth. Of course, the progress in Taiwan stemmed from different causes - e.g., higher incomes, better education, no religious opposition. I'd say that our most successful population program in Asia was probably Indonesia. Foreign aid played the key role in Indonesia's success in reducing birth rates.

Q: Is there anything else on the Philippines which you would like to comment on? If not, we can go on to some of the other countries.

LOVE: Let me see. We had a big and successful rural electrification program. In the case of the Philippines AID went into the power sector some time in the early 1960s. We sent out a team of experts. This was a group that went around East Asia. It was headed by a representative of one of the old utility companies. They would go into a country and do a "sector" analysis, which they completed in the Philippines in 1961-1962.

Now, that group was put together in Washington. When they came in for the briefing, there were "fireworks" going on across the table between the private power companies

and the electric cooperative representatives. I just sat there. I didn't know what the hell was going on. I grew up in California and didn't know what an electric cooperative was, nor did I have any understanding of the history of the "bad blood" between the "coop" people and the "public power" people.

This "joint" team went out to the Philippines, looked at the situation, and recommended a number of programs, including one to deal with the rural areas. The investment banking approach to power development was one option proposed by the Government of the Philippines [GOP]. The GOP said: "We will set up an investment banking function which will help finance small electric utilities and help them join together, in the way a lot of electric utilities did in the early days in the United States."

However, since there was a rural electrification expert on the U.S. team, they also proposed setting up a pilot project involving a couple of pilot rural electrification cooperatives. Subsequently, we made a loan to help to set up two electric power cooperatives. One of them was on Mindanao Island, and the other one was in the Visayas. At that time the Government of the Philippines was convinced that the private sector approach was the one that was going to work. Of course, from the economic point of view, this was not at all clear. So even though the government tried this, working with some Filipinos who were pretty sophisticated and could do the economic analysis themselves. But, they couldn't demonstrate that small "for profit" power companies would pay. The other options were either "public sector power" or electric coops. The electric coops were private sector - but non-profit.

We got the two pilot electric power coops started. Fortuitously, one of the coops that we helped to establish was in an area called Cagayan de Oro, in northeastern Mindanao. There was a fellow who lived in Cagayan de Oro named Emmanuel Pelaez, who had been Vice President of the Philippines under President Macapagal. He had been the opponent of President Marcos in the campaign for the nomination of the Nacionalista Party or the Liberal Party for President in 1965. If he had won his party's nomination, he would have become President of the Philippines. He is a wonderful, talented fellow.

He saw these Americans going around Cagayan de Oro and went down to see what was going on. Of course, he was no longer in the administration at that time but he had run and been elected to the Philippine Senate. He became very interested in rural electrification and became a major sponsor of it. The two electric power coops did well. As a result of that, he said: "We've got to set in place an institutional structure that will take care of the rest of the country. We can't do this on an ad hoc basis, one after the other, the way you guys are doing it." So he spent some time on this matter. He was a respected lawyer who had his own law practice, as well as a Senator.

He did a lot of research and looked into what had gone on under the laws of the United States. With the help of the NRECA people, he drafted and sponsored a basic enabling law for the rural electrification program in the Philippines. This law was intended to set up a National Electrification Administration to oversee the cooperatives, set the rate structures, and also finance them. When we discussed financing the cooperatives, I said:

"We are going to have no foreign exchange debt with these cooperatives, because eventually you will devalue the Philippine peso. There is no way that you can raise the electric rates sufficiently to offset that. You have to absorb the foreign exchange risk in a transitional structure in the central government and lend money to the cooperatives in local currency. If you don't do that, we won't finance anything." This was because I was sure that I knew what was going to happen to the Philippine peso. This principle of avoiding the foreign exchange risk was "burned into my brain" from my experience with the paper mill.

So we set up such a transitional structure. Senator Pelaez introduced the enabling legislation, the bill was passed, and President Marcos signed it.

President Marcos got actively behind this rural electrification program in the Philippines. He realized that the politics of supporting rural electrification were excellent. An interesting thing happened, which taught me another lesson about the Philippines. Once Marcos decided that this program was more important as a political and development tool than it was as a source of "graft," he put an honest administrator in charge of this program. Subsequent to that, I said to a friend: "You know, if you want to find out whether the President is serious about a given program, go take a look at the top two or three people he appoints to run the program. If they're honest, the President is serious about the program. If they're not honest, he is only interested in graft. It's that simple."

Of course, what happened was that when you had an honest administrator, you also had committed support from the President, things would go well. I'm not saying that there weren't some problems of honesty at the local cooperative level. There were, but not many. Again, we went out and hired a local accounting firm. We had them come in and set up financial control systems for the coop, and so forth. President Marcos then turned his not insignificant, political talent to promoting these electric power cooperatives. Subsequently, they spread like "wild fire." Philippine Government officials couldn't believe how fast the process of rural electrification was going. I believe that the technical assistance that came from NRECA on this program was some of the best that we got anywhere.

Q: Were these subsidized operations? Did their economics work out?

LOVE: Well, the coops that we were working with were given a subsidized interest rate. We told them that they would be responsible for carrying all of their operation and maintenance costs and paying back the capital costs, plus the reduced interest. That was the target. I believe that they got a loan at 3.0 percent interest. So there was a subsidy on that.

What subsequently happened, as we really focused on it, was that the economics of coops varied. One model involved connecting the cooperatives into an electric power "grid" system. Then the cooperatives could buy power from the grid system at a reasonable cost. These coops were in very good shape. The economics of this system worked out.

If, on the other hand, the coop had to put in a self-generating system, involving a small, diesel generator, then they had much higher capital and operating costs, and the basic cost of power was substantially higher. After all, there are some 7,000 islands in the Philippines, and you have to do this in some places. So there were mixed results.

Q: When they bought into the power network, was this loan at a subsidized rate of interest?

LOVE: No, those loans were repaid at the standard rate of interest. There were some "nuances" there about what rates they would charge for the electricity. Traditionally, the power companies would give a big discount to large, commercial users of electricity anyway. So if a given consumer was a "bulk buyer," theoretically they would get such a discount. However, in terms of power distribution, this system worked. In terms of social experimentation, it also worked.

Q: What was the impact?

LOVE: I think that the social impact of organizing the people around electric coops was excellent. They went on from that to form cooperative local water supply systems and made some efforts to engage in some local manufacturing. We made an effort later on to figure out what the overall, economic impact was. Of course, the real impact of rural electrification comes in an area like Bangladesh, where you get an electric pumping system put in. It is in areas where electrification can help in irrigation that you begin to attribute the behavior of agricultural production to it and get the "surge" of identifiable economic benefits. In other areas it is much more subtle.

However, there is no doubt that this rural electrification program "jump started" services to the rural areas by at least 20 to 30 years. Two other results evolved out of that program.

One was water supply systems. They started out in their rural electrification efforts by putting in small pipe systems and electric pumps, with a "standpipe" and so forth. They also put in systems of security lighting, which was really one of the biggest and most welcome advantages.

We got very interested in rural water supply and started a local water utilities program, hoping to duplicate the success that we had in rural electrification with rural water systems. This turned out to be a much harder problem. It was more difficult to organize. It doesn't have as great an impact on people. We had turned electricity on in an area which had never had it. Electricity is a "galvanizing" agent. You go down to inaugurate an electric system at dusk, and the lights go on. If you ever tried to live in your house without power for a while, you begin to realize how dependent you are on electricity. The impact of electricity is amazing.

Now water supply is different. People have other sources of water. They don't react in quite the same way to the introduction of a water supply system, even though you've got the problem of walking some distance to get water. The management and economics of

water supply are different. Plus, you keep creating a waste disposal problem. The more water you bring in, the more water you have to get rid of. The economics of water delivery are not particularly attractive, but they are manageable. The economics of water disposal are virtually "impossible." So we ended up supporting a program that did some good but was less successful. In fact, I was looking at that when I was in Asia last fall. There are still major problems there.

The other program was a fascinating offshoot. We were always trying to figure how to get more economical power sources out to rural areas. I had a phone call from a Mr. Rogers, who owned a small engineering company in San Francisco, He said: "We want to get \$25,000 out of one of your feasibility study loans which you have in the Philippines to do a pilot, geothermal project down in southern Luzon. What we plan to do is to drill a little hole and put in a five megawatt power plant. We're going to show everybody how to generate electricity out of it." So I said: "Geothermal?" I remembered from my days at Pacific Gas and Electric Company that PG&E had a huge, geothermal operation just North of San Francisco. I said: "Are you working with PG&E?" [Pacific Gas and Electric Company] He said: "Yes." I said: "Well, I'm on my way to Manila. When I come through San Francisco, why don't we just get in a car and drive up to look at the PG&E field? You can show me what's happening in the commercial operation of geothermal power."

I had called around and talked to all of the technical people I could find in AID in Washington. They had told me that geothermal power was an experimental process that you shouldn't play around with. I said: "Well, I think that I'll take a look at it, anyway." So I went out there, and Mr. Rogers put me in a car. We drove up to Geyserville, CA, North of San Francisco. I remembered an old article I had read in "Fortune" magazine on the use of geothermal energy. We went up to Geyserville, and the PG&E people took us through this big complex. They had electricity generating plants going full blast. Of course, the plants were much simpler, because you don't need boilers. All you have is a nice, clean room with an electricity generator in it. I looked around and didn't see many people working there.

I turned to the PG&E guy and said: "Well, how large a crew do you have doing this?" He said: "Oh, we're just here for eight hours a day. We do routine maintenance. At night, we lock the door and leave this plant alone. We have an alarm signal on it. If anything goes wrong, it trips an alarm signal. These things are almost maintenance free. We don't have any problems with it." And they had a big operation. As we were going around the facility, I noticed that the company that was drilling the wells for this operation was the Geothermal Division of Union Oil Company. What they did was to drill the well and then they sold the steam to PG&E. In effect, PG&E had said: "You deliver steam to our door. We'll take it, we'll generate electricity with. We're responsible for all of the plant and investment. You're responsible for delivering the steam. We'll contract with you for a fixed price, against which you go out and drill the wells." So I said: "Well, gee, this is quite a good thing."

So I went to the Philippines and went to see Senator Pelaez. I said: "I think that I've found a source of power for some of your rural projects." He was on his way to visit the

NRECA convention in Las Vegas. He stopped in California and looked at the PG&E project North of San Francisco on the way.

Then I went to talk to a good Filipino friend of mine and an Annapolis graduate, who was Chairman of the Philippine Power Development Council. I talked to him about this subject. I said: "I really think that this may have good potential. You guys ought to look at it." So he sent a team to California and looked at the PG&E plant. He had some contacts with the President of PG&E from somewhere. They went to PG&E and talked to them about it. PG&E said: "We'll give you all of our contract documents and everything we've got with Union Oil. Your problem is that you've got to get someone who knows how to drill these wells. That's the tricky technical problem, not generating electricity."

So we talked to Union Oil Company and said: "Would you people be interested in looking at the possibility of doing something in the Philippines?" Meanwhile, the Filipinos had said: "To hell with the five megawatt operation. We want to know whether there's real potential here." We said: "Okay."

So we set up a luncheon at the State Department in Washington during one of the annual meetings of the World Bank. On one side of the table were the Philippine Minister of Finance, the head of the Philippine Power Company, the head of the Power Development operation, and two or three other Filipinos. On the other side of the table were the president and CEO of Union Oil Company, the head of the Union Oil Geothermal Division, and a financial executive of Union.

We started the lunch and we said: "We're just here to provide a forum for you people to talk about electricity generated from geothermal power. It sounds as if both of you have an interest in this." Then we sat back and shut up, and let the Filipino and American representatives start.

The Union Oil president asked if the Philippines has an investment law for petroleum. The Filipinos said: "No, but we're about to finalize one. It's patterned after the law the Indonesians have." The Union Oil president said: "We've been operating in Indonesia for a long time, and that law is perfectly all right with us." So then they went on, back and forth. Then the Union Oil president said: "We're interested in drilling wells in the same kind of framework that we have with the PG&E. We'll come out. We'll undertake exploration. If we think that it's promising, we'll put up the money, 'up front,' to drill wells. Then, if we can agree on a contractual relationship with you, we'll put in the investment and drill production wells." Everything seemed to be going well. Finally, one of the Filipinos said: "We want a 25 percent interest in your company."

The Union Oil representatives stopped talking, and I could see that they were thinking: "All right. Here it comes." Then the Filipino said: "No, you don't understand. We don't want this interest for nothing. We'll pay our way. We'll put up our share of the cost of drilling. We want to learn the business. We want to develop some expertise in doing this and we think that we can only do this by participating with you in the operation. You'll have a 75 percent interest in the company. We'll pay in our 25 percent interest. We don't

expect a 'free ride.'"

So the Union Oil president said: "Okay." The lunch was over, and we had a deal! So the Union Oil representatives left the diningroom and went down to another area of the State Department, where Mr. Rogers presented his little, five megawatt plant. They looked the proposal over and said: "Well, we're going to go out and drill a six inch hole, which is a production hole." I said: "Why don't you drill a 'pilot hole' first?" He said: "The steam is either there or it's not there. If it's there, we want to go ahead rapidly with a full scale operation. If we drill the hole and the steam is not there, we will pack up, and go home." Time is money.

So Union Oil drilled the hole, came back to Washington, and said: "We have enough steam for 50 megawatts of power." The Union Oil representatives said: "We want to put in two, 25 megawatt units." Eventually, they did so, but with Japanese financing. We couldn't get any American companies to invest in it. We went to GE [General Electric], to Westinghouse, and to Allis-Chalmers, but without results. The problem was that the steam which came out of the holes was "low pressure steam." With the improving technology of steam power plants, new plants kept getting higher and higher steam pressure. For the American companies, a low pressure turbine has to be an expensive turbine. They weren't interested in producing a lower pressure turbine. They felt that there was no market out there for it.

So Union Oil and the Filipinos went to Hitachi Company, and the Japanese said: "We don't know much about geothermal energy, but we'll certainly learn." So Hitachi representatives went to California. They hired a company in Southern California to "teach them" about geothermal energy. Then they went into production, and they manufactured the necessary turbines. That geothermal installation became one of the major sources of indigenous power generation in the Philippines. The Filipinos don't have any coal, to speak of. They've put in a huge, nuclear plant. It has never started into operation. It is located on an earthquake fault. At one point the Philippine Minister of Energy said: "Our geothermal production of electricity is now greater than the capacity of the nuclear generating plant. If we'd had any brains, we would have dumped the nuclear and gone for geothermal generation of electricity."

Q: You were the catalyts.

LOVE: We were the catalyts. I would guess now that the Philippines is the second or third largest source of geothermal energy in the world.

Furthermore, the "spin-off" to Indonesia was interesting. Indonesia also has a huge geothermal potential. They were going at it in a different way. After they looked at what the Filipinos did, they ended up contracting with Union Oil, I think, but maybe it was with some other firm, to follow the same approach. So this was an example of one kind of program "spilling off" into another.

We could go on forever on the subject of geothermal energy. However, the thing that the

Philippines had, which was very similar to what California had and to the Locarno fields in Italy, was clean, superheated steam. It had very little sulphur in it. Sometimes, when you drill a geothermal hole, you come up with substantial contaminants.

If you have too much in the way of contaminants, then you have two problems. One is that you can't put it through your turbine. Secondly, at some point, as the steam comes up through the hole, which is the problem in Turkey, the pressure drops, by definition, because the steam is no longer confined. When the pressure drops, the capacity of the steam to hold the chemicals in solution also drops. Therefore, the sulphur and the other chemicals suspended in the steam start precipitating out. In some cases these chemicals can plug that hole in a couple of days. So in order to keep the flow of steam going, you have to keep cleaning out the hole. The only way around that, really, is to go to a different, technical system.

Q: Does this cover what you have to say about the Philippines?

LOVE: I would say that about the time I left the Philippines, those were the last programs that we worked on. Now, the Filipino rural electrification people said: "We think that we've learned a lot. What we would like to do is to set up a regional training center for rural electrification. Would you put some money into this? We'll take care of the overhead and so forth if you'll help us out."

We put up a couple of hundred thousand dollars in there, and the Filipinos set up a rural electrification training center. The case that the Filipinos put up to us was that in the United States the cooperatives that were started in the 1930's were set up in rural areas, or at least outside of the urban areas. They continued: "Many of these cooperatives have been overtaken by 'urban sprawl' and are now part of major, urban areas. When we send our people to the United States to look at your rural coops, it is very difficult, in many cases, for these people to relate to what they have seen in their own villages, because the areas have been urbanized. So we think that if we could bring developing country people to the Philippines, we could show them what's going on here," and this would help.

So the Filipinos set up a program. The first group that they brought in was from Indonesia. They also brought in other groups from Bangladesh and Pakistan. The man who managed that first program was head of the NEA [National Electrification Agency] at the time. He was a retired Philippine Army colonel and a very smart guy. My assumption was that the Pakistanis, who were technically the most advanced in this first group, would be the best in this course, followed by the Indonesians, with the Bangladeshi's last.

After we finished the course, I asked the Filipinos to give me their assessment on how the participants did. The course director said that the Bangladeshi's were the best, the Indonesians the next best, and the Pakistanis were "hopeless." I said: "That's exactly the opposite of what I expected! Why is that?" He said: "First of all, the Pakistanis were arrogant. They think that they know everything. They didn't pay any attention to what was going on. The Indonesians were kind of in between. They were willing to listen, but

they had their own ideas. The Bangladeshi's came and said: 'We don't know anything about this. We have a big problem and we want to get this program done.'" The course director continued: "Half of the Bangladeshi's couldn't speak very good English. I could see that those who could speak English were listening carefully to the lectures and then were repeating the essence of them to those members of their delegation who couldn't speak good English. And they would stay up all night, working. I knew, when they finished, that these guys were serious about what they were doing."

They went back to Bangladesh and set up a program that really, in some ways, exceeded the Philippine programs. The Bangladesh electrification was used in those major irrigation areas where they were able to punch into their water table and add a third crop. A lot of that "spinoff" came from this proposal which the Filipinos made to us. It wasn't our idea. It was theirs.

Q: That's interesting. You were working on some other countries at that time. What about the situation in Vietnam? Did you have much feel for that?

LOVE: Regarding Vietnam, I'd say two things. First, when I got there, we were trying to build a major water system. Actually, it was a matter of getting water from one side of the Saigon River to the other side. This involved construction of a major pipeline system under the river and over to the fields on the other side. This was to increase the water supply. I guess that we had four projects there. So we were working on those.

Then we were working on the Thy Duc thermal electricity generating plant to supply the city of Saigon. Furthermore, we had done some work on a hydroelectric project upcountry, called Dan Heim. And we were also working on locomotives for the Vietnamese railways. These were all capital development projects.

Q: What year was this?

LOVE: This would have been from 1962 to 1963, just before the big American military buildup started. I found the Vietnamese very, very able people. They were well-trained, smart, hard working, and very easy to do business with. Of course, the security problem was beginning to get serious. For example, the hydroelectric project was useless because the Viet Cong would just blow up the transmission lines. They didn't blow up the dam because they figured that they would get it one day or another. As fast as we would fix the transmission lines, the Viet Cong would blow them up. So we ended up with the hydroelectric project not going anywhere, but we finished the water project and we finished the thermal electricity generating plant.

Then we got into a big, controversial contest on supplying the locomotives for the railroads. This involved a bidding process. General Electric underbid General Motors for the locomotives by a substantial margin. The consultant involved on this matter recommended that the Vietnamese railway service buy the General Motors locomotives. I said: "Well, we can't do that." So we went through a big argument about whether the GM locomotives were better and whether we should pay more for them. There was a real

argument about that. Then, a picture was published in "Time" magazine of a South Vietnamese locomotive blown off the track, with its wheels up in the air, lying in a ravine.

We then realized we were having unrealistic discussions about discounted "cash flows" over a period of 20 years. I said: "Look, fellows, these locomotives are going to wind up being blown off the tracks by the Viet Cong. It seems to me that the cheapest thing that we can put on the track that's going to work is the most economical. Don't tell me that it makes any sense, if we end up theoretically saving money over the course of 20 years. They're not going to last 20 years. We should urge the Vietnamese to go ahead and buy the cheaper locomotive and get on with it."

However, at that point, a change took place in the AID Mission. I remember that we had a meeting with a man from AID Washington named Walter Stoneman. He was a retired Army colonel who was the Office Director for Vietnam, which was still in the Asia Bureau. At the time of this meeting the AID Mission had asked for some support. I said: "I really don't think that that makes any sense." Stoneman said: "Whatever the Mission asks for, they're going to get. If we have to put these things on a C-130 and fly them out to Vietnam tomorrow morning, that's what we're going to do, because we have a 'can-do' attitude."

I said: "Well, as of now this business has changed." We had reached the point where we could see that what was dictating what was going on in Vietnam was the politics and the military priorities. This had nothing to do with development. During the first couple of years the situation had not yet deteriorated all of that much from the security point of view. We were still trying to carry out development projects, even though we were in an environment which was making it increasingly difficult to accomplish anything. All of a sudden, all pretenses were "off" and nobody raised any questions. If you did, you got "run over." So I said to myself: "To hell with it. I'm not going to work on this country any more." I just stopped working on Vietnam because of the change in the nature of the aid program. Vietnam programs were still under AID, but they were being handled by a separate bureau.

Q: Well, you mentioned Indonesia. Was that a big part of your operation as well?

LOVE: I worked on Indonesia during the early 1960's. Then, of course, we sort of "shut down" operations because of President Sukarno. There was a big, "blank period" during the 1960's, until he was overthrown [in 1965]. After that, we started going back in again. I did some work on Indonesia, then, but not quite as much as I had before.

At one point in the early 1970's I left the Philippines desk and shifted back into project operations.

Q: Were you still on the Philippine desk at that time or...

LOVE: No, for a while the projects I had been working on were handled through the desks. Then AID was running into problems in terms of procedures, tracking projects,

and a bunch of other things. So, the Asia Bureau set up a Capital Development Office. They put Sy Taubenblatt in charge of it. However, the projects were still being handled through the geographic desks. At that point Sy was not "strong enough" bureaucratically to pull the projects away from the desks. When I got to the Philippines desk officer, I said: "I don't want to handle the projects. I'd rather have them in Sy Taubenblatt's office. We have enough problems, working on getting the program structured, drafting our strategy statements, and dealing with Consultative Groups and all the rest of that. Project details are very time-consuming and specialized. I'd rather have capital development people work on them in the office where you can handle them, as long as we're on the same wave length at the strategy level."

At some point, and I can't remember exactly what happened, Sy Taubenblatt ended up getting the project people assigned to his office, and we shifted back to a separate project office in the Asian Bureau.

Q: And you moved into that?

New position as Chief, Capital Projects Division, South Asia - 1970

LOVE: Subsequently, I did. What happened was that the Asian Bureau went through a couple of "mergers." I mean, at one time the East Asian and South Asian Offices were merged within the Near East Bureau. I remember that this happened when I was on one trip. When I got back, I was working in a different Bureau. We went through some "reshuffling" which moved us over. Within the Capital Project Office two regional divisions were created: one was for South Asia, and the other one was for East Asia. Subsequently, they combined those divisions. I can't remember what all of the structures were but at one point I decided to go back and take over as chief of one of those regional divisions, rather than stay on the desk.

Q: Which one did you take over?

LOVE: South Asia.

Q: In the Capital Project Office? What year was that?

LOVE: That was probably in the early 1970's. At that point we "picked up" Pakistan and Joe Wheeler, who was a great director, but a pain in the butt to "backstop." We also picked up responsibility for India.

Q: Wheeler was working in Pakistan then?

LOVE: Yes, he was Mission Director for Pakistan. We also picked up responsibility for Bangladesh. Of course, in the early years we had no India program. We had theoretically "left" India. Then we reinstated a program there and went through a very, very painful, protracted, and distasteful process of negotiating with the Indians on reopening the program there. They took "standing loan agreements" and every damned legal agreement

that we had. We went through a paragraph by paragraph, word by word, discussion of them. The Indians were determined not to have the Americans "dictating" to them. Whereas other countries would sign an agreement, the Indians would go through draft agreements and say: "We don't want this or that provision."

There was a lot of "posturing" on the part of the Indians to make sure that the ensuing relationship would be on a different basis than it had been at the time we had previously closed down our program in India. They were determined to be much more "in command" of what was going on, and they regarded the program as "theirs." I think that this attitude was perfectly legitimate.

Q: What kind of projects were involved?

LOVE: That was the problem. I said: "Look, the Indians make nearly everything that they need, so they don't need foreign exchange to buy things from another country. They could use foreign exchange in their balance of payments." The one exception was that they were short of fertilizer.

So, we ended up going back into India using a program loan "wrong." We ended up handling fertilizer imports. It's not that I'm against fertilizer imports. Joe Wheeler also was financing fertilizer imports in Pakistan and we were doing the same in Bangladesh. These two programs were being "tied" to real, sectoral reform. I mean, in terms of price structures, distribution systems, and all of that. The Indians, however, were doing nothing on reform. They just wanted the fertilizer.

If I remember correctly, we also started a small, population control program in India. Of course, that made a lot more sense than anything else there. However, I don't think that we had done a particularly good job of "thinking through" where and how we would "interface" with a country like India, because we were still thinking in terms of traditional approaches, such as the usual projects, commodity imports, and so forth. Of course, they didn't need these. To the extent that they were building major, new irrigation systems, the World Bank was financing that. We should have backed up and looked at population, the environment, etc, programs we subsequently did support years later.

However, the Pakistan and the Bangladesh programs were going "full blast." There were population programs in both of them. I think that the population program in Bangladesh was going far better. By this time Joe Toner was the Mission Director in Bangladesh. Dennis Brennen was the Director of the Capital Development Office. Bangladesh had a major population program going and were making a major effort in agriculture, "Food and People." The agricultural effort in Bangladesh was really comprehensive. It involved major changes in the distribution system, major imports of fertilizer, and eventually construction of a major fertilizer complex called "Ashuganj." This complex involved an investment of \$400 million. This was one of the last two large projects in the history of AID up to this time. They were both started by the Near East Bureau. So the "Ashuganj" Project was already underway when we inherited the program in a reorganization.

The second such project was in Pakistan. It was called "Fauji." It had been put together

conceptually but not actually started. It was also worth about \$400 million. This was roughly in 1974. Mike Adler was Deputy Assistant Administrator of AID at the time. John Sullivan was the Assistant Administrator of AID.

Anyway, Mike Adler said: "You guys don't know how to build these plants any more." I said: "Well, there are only three or four people left in AID who can do this, and you've got them all in the Asian Bureau. We can do these two, but I don't know whether we can do any more than that." At the time we had the World Bank, the German aid program, and the British aid program involved in supporting these projects. There was also some Iranian money involved in the Pakistan fertilizer plant. The Asian Development Bank and AID were supporting both Indian and Pakistani fertilizer plants.

The Pakistan fertilizer plant was a major project, involving multiple aid donors, who were trying to put together \$400 million to implement it. In terms of a coordinated, multi-donor approach for a project, the only other one like that was the "PUSRI Fertilizer Project" in Indonesia. They were all ammonia-urea complexes. Denny Brennen had worked on PUSRI and knew the ropes.

Q: Were we the "core" agency in this project?

LOVE: Well, in my view, we ended up being the "driving force" on these operations. The real "activist" on the project was supposedly the World Bank. Now, it was assumed that when the other donors put their money in and got a "piece of the action," we found out very fast that the World Bank, which had no one "in the field," tends to lose contact with what is going on out there. Secondly, the World Bank doesn't know anything about procurement. They follow the concept that it is the host country that handles the procurement of the equipment and supplies. Therefore, the consultants take care of that.

That's fine, as long as things go well. However, we ran into a couple of major problems. This was a situation where I became convinced that AID had better capacity to deal with some of these problems than the World Bank. This was because, first, we had people in the field, who were essential in Pakistan, Bangladesh, and Indonesia. They were "engaged" in the whole fertilizer sector, so this was being done as part of a "sector" strategy and not as a "one-off" operation. Now, the Ashuganj project was a publicly-owned plant. The one in Pakistan [Fauji] was privately owned. I think that we wound up taking the leading role in straightening out the mess that developed.

In the case of the Ashuganj plant one day an engineer came to me and said: "We've got a problem with the project." I said: "What's the problem?" He said: "It looks as if, should they have an earthquake in Bangladesh, the Ashigansh plant is going to sink into the mud." I said: "What? This is going to happen to a \$400 million plant?" He said: "Yes, that could happen. There is a process called 'liquefaction.' If there is an earthquake, certain types of soils have water molecules in them. They will 'liquefy' for an instant of time under certain shock waves radiated by an earthquake. That's just long enough for the foundations to 'settle.'" Of course, if you've ever seen a major chemical plant, it is nothing but pipes all over the place. Foundation settlement would be bad news!

I said: "Good heavens!" I had visions of every pipe in the place folding up. So I said: "Okay, how much is it going to cost to fix it?" He said: "Well, our consultant says that it's going to cost \$85 million to do the remedial work on the foundation." At this time Foster-Wheeler (U.K.)...

LOVE: Foster-Wheeler had the construction contract. I said: "So, we will have to spend \$85 million to fix the problem." The engineer said: "No, that will just reduce the likelihood that the foundations will collapse in an earthquake." I said: "Put your coat on. We're going to go over and see the A. A." It was Arthur Z. Gardiner Jr. This was on a Thursday afternoon. We walked into Gardiner's office, and I said: "Art, we've got a real problem! We've already got a \$45 million loan. Equipment is being bought and everything is on the high seas and so forth. We've got a major problem. If we build it on this site, it may sink into the mud in the event of an earthquake."

He listened calmly and collectedly and said: "Well, thank you for telling me. I'm sure that you guys will find a way to work it out." I walked out and said to the engineer: "I can't believe this guy. He's so cool about it." Well, the next day at 5:00 PM he resigned! So I guess he wasn't going to be "rattled" about it.

So I thought back to my soil mechanics days in engineering school. I said: "We're going to get the best soil mechanics people from the United States," which means a company called Dames and Moore. Well, it turned out that Dames and Moore had a requirement contract with AID to do environmental work. So I said: "Get their representative up here." We called them up, and the right guy came up. I showed him everything. He went through it and said: "Well, you've got a problem." I said: "Well, can it be fixed?" He said: "I don't really know. We would have to do a lot more analysis than what's in this report, but it's possible. We can put together a team. We've done a lot of earthquake work in San Francisco. I said, "We're having an aid donors' meeting in London next week. I want you to come with me. We'll all go to this meeting." So we went to this meeting in London.

At the meeting a Bangladeshi official stood up and said: "Get out of our way. We've got to have this fertilizer. The plant's not going to collapse. This river has been there forever. You donors are nothing but trouble makers! We want to build the plant right here." Of course, what the Bangladeshis could see was two years' delay and \$100-200 million in cost overruns in the operation. They were absolutely fit to be tied. I had great sympathy with them. Finally, the other aid donors said: "Okay, let's fix it." I said: "No. I don't know what the U.S. position is going to be. We have retained Dames and Moore to advise us. Mr. So-and-so is here from Dames and Moore to do an independent analysis of this problem. We're not going to take a position, one way or the other, until this is done. You people can do what you want, but if you go ahead with this project under these circumstances, we're withdrawing, because we're not going to invest money on this proposed solution." At that point the World Bank representative said: "Dames and Moore should be the consultants for the aid donors, and everybody should take the position that we're going to take a look at the problem."

So at that point we said to the Dames and Moore representative, "Okay, we're going to reconvene in a month. You go back and you've got 30 days to work this problem out."

So the Dames and Moore representative went back and, three weeks later, they made a presentation to us. They said: "You've got a really serious problem. First of all, you would never have had this problem if you had 'compacted' the soil properly." The Bangladeshi's had been pumping silt up from the river and using it as the soil fill for the plant site. He said: "If you'd compacted this soil properly, running a bulldozer over it every couple of feet, the compaction of the subsoil would have been such that you would not have this problem. Instead, you dredged up the soil and allowed it to settle out of its own weight. That won't work. There are dams that have collapsed in California and projects that have failed in Japan in the 'earthquake zones' because of this approach. That was the first mistake that you made. That would have cost you very little to do, but that's water over the dam. We have hired a British expert, who is one of the leading specialists on earthquakes. He worked on the Mangla Dam in Pakistan and so forth. We have also hired a Puerto Rican expert from San Francisco who has worked on earthquakes."

So three of these experts did a study of the likely behavior of the soil at the site in the event of an earthquake. Then the engineer had to say: "Okay, this soil structure will be able to withstand liquefaction after further processing." So they did the analysis and said: "Okay, we can go through a process of recompacting this soil, using a process called 'dynamic compaction.' We will be able to make up for the fact that you didn't do it properly in the first place. We will 'recompact' it. When that's done, this plant will stand up." So I said: "Now, tell me what this process of 'dynamic compaction' is." He said: "Now, don't laugh." I said: "Okay." He said: "You take this big block of concrete, lift it up in the air with a crane, and then you drop it on this ground." I said: "You're kidding!" He said: "No, no. Not only am I not kidding, but the only people who have a 'patent' on this process are the French." I said: "I don't understand this." He said: "The problem is that as you drop these concrete blocks, they hit the ground, and the shock wave goes out in the shape of a cone. That 'shock wave' compacts the soil. So the mathematics of where you drop it and how hard you drop it are 'critical.' Otherwise, what you do is you end up compacting only the top layer of the soil. The bottom layer is still uncompacted. When an earthquake comes, the bottom layer of the soil liquefies, and down goes the plant! So the mathematics of this process are everything. We're going to have to hire this French firm to do this."

So I said: "Okay. Well..." This engineer from Dames and Moore said: "Now, before you have your donors' meeting, we want to go to London. We want to meet with the British soil engineers and spend a week with them, before you get there. We have a British report by their soil mechanics, who have recommended another approach. We want to talk to them in private, discuss what we think the problem is and what this approach to resolving it is." So the Dames and Moore representatives disappeared to London. A week later, we went to the subsequent meeting, and I've got to give this Dames and Moore representative credit. This British Lord came in. He had his moustache, he was tall, and he was aristocratic. He stood up and said to the whole group of aid donors: "We have spent a week with our American colleagues in analyzing this problem. They have convinced us

that they are right and that we are wrong. Not in everything, because there are a couple of points where we are right. However, basically, they're right. They've come up with a solution to take care of this problem." It was going to cost us \$20 million but, more importantly, it was going to work.

Q: Had the plant been built already?

LOVE: No. Only the plant site had been prepared. The foundation designs were being finalized for pouring the foundations. It was at that point that we ran into this problem.

Q: You really didn't have anything built on the ground as yet?

LOVE: No, because the concrete experts had to ask: "Tell us what the bearing strengths of the soil are." Then the designers said: "You've got a problem." So we'd stopped everything, except that equipment was being manufactured, pipes were being shipped, and all of this other stuff was going on.

At that point we came out and said: "Okay. We're going to hire Dames and Moore to supervise the remedial work on the soil." Then we took our money to the French and had to negotiate with them. So the French went out and did the corrective work. The point of the case was that the World Bank didn't know what the hell to do. Here, I think, was the one time when I said that we had "technical expertise" for this operation which was really "world class." It's not what we normally get from our "Beltway" consultants. It was really a case of tapping into basic American "know how," at the "cutting edge" to take care of a very difficult, technical problem. It saved the fertilizer plant, it saved us two years, it saved us hundreds of millions of dollars in terms of fertilizer imports. So I came away from that experience, feeling that if we hadn't been able to get the Americans in there on the technical side...

Q: The compaction technique was used?

LOVE: Yes. We finished the meeting and we drove down to the Foster-Wheeler headquarters in Reading, West of London. This Frenchman walked in, and it looked as if they had gone to Central Casting for a Frenchman. He had a long, handlebar mustache and slicked back hair. He looked like Hercule Poirot [character in a TV series on Public Television]. He was rather chubby. We contracted with him and we paid him. We said that we had to have his people compact the subsoil at the plant.

So that worked out. We had to pour more money into doing it, but the plant was finished and worked out all right.

There was a totally different problem at the Fauji plant in Pakistan. In fact, there were two problems there. First, the plant had been authorized, but no work had yet been done on it. I guess that we had just signed the agreement. At the time we were in the middle of an unrelated debate on the issue of indications that Pakistan was developing nuclear weapons, in violation of the nuclear non-proliferation agreement. So we went back and

forth on what was happening in connection with this issue. It was pretty clear to us that this fertilizer project in Pakistan might be "shut down" in the not too distant future.

So we went to our lawyer, and I said: "Well, what's our obligation here?" He said: "If we sign the loan agreement, even though we shut the plant down, we will still have to implement the project. If you haven't signed the loan agreement and you just have the project authorization, this can be 'deauthorized' and the money will go back into the hopper."

The company which was to operate the plant was a private firm, with American investors in it. Joe Wheeler, Mission Director for Pakistan, was trying to encourage private sector investment in Pakistan, versus public sector investment. Both Pakistan and Bangladesh had major sources of natural gas. They had very large food shortages and needed the fertilizer. They had been fooling around with this project in Pakistan for years. We had a firm called Williams Brothers, a major fertilizer company, which had invested in this project.

At some point, when we were putting the final touches on this project in Pakistan, a mob burned the American Embassy in Pakistan. The next day we got a phone call from Williams Brothers saying: "We're leaving. We're withdrawing from this project." Now, at the same time, Williams Brothers had just bought Peabody Coal for umpteen hundred million dollars, so I think that they were going through a corporate change. Once this happened, either it changed the decision making process or it gave them an "out," and they just withdrew from the project. So, all of a sudden, we had no American investor.

Then we started a process of trying to find alternate investors to put the damned project back together. Of course, everybody accused the American Government of wanting to pull out of the project because there was no longer an American investor in it. So then we got into a different kind of negotiation with Ernie Stern, a vice-president of the World Bank. Ernie Stern was head of the Asia Bureau at the World Bank at that time. It really was kind of interesting. The World Bank got itself into a mess and wanted to withdraw from this project, but they didn't want to take the blame for doing so. So the World Bank was trying to arrange it so that AID would take the blame for withdrawing from the project, thereby causing it to collapse. The problem was that Pakistan, which had been a "Bank" country until then, was becoming an IDA [International Development Authority] country. So they could no longer make a "Bank" loan to Pakistan and they didn't have a budget allocation for the IDA money.

We kept negotiating patiently and we found an investor syndicate led by a Danish man called Halder Topso, who owned one of the technical processes required, and an Italian firm called Snamprugetti. As we were putting the whole thing together, we knew what the World Bank was up to. They didn't tell the borrowers or any of the other donors what was happening. They let the process continue all the way up to the final negotiation. We had finished everything and had a luncheon at the end of it. We went around the table for final comments. I think that the World Bank was waiting for AID to say that we couldn't go ahead with this project, because there was no American investor. So they got to us,

and I said: "We're perfectly satisfied with everything. We're going to put our money on the table tomorrow morning." Then they got to the World Bank. At this time I thought that Ernie Stern really played "dirty." I'd found this out from Mike Adler, who got it from somebody working at the World Bank. Ernie Stern had not told the man responsible for this project at the Bank that there was a problem with the loan until that morning.

Halder Topso was also chairman of the board and a member of the board of directors of Scandinavian Airways. He had put in months of time, negotiating this project. So when we got to the World Bank representative, he had to say: "Sorry, we don't have the money." Boy, what an explosion greeted that comment! People were thinking: "What do you mean that you don't have the money! We've been negotiating at this table for three months!" So I said: "Look, it's just a temporary delay. We'll be able to do this project as soon as they get into the next budget cycle, which will begin three months from now. For our part, we're prepared to go ahead and put enough money in to start the engineering and design processing and get all of that underway. Then the World Bank can come on board. We're not going to lose this project."

I was annoyed. I was very much distressed at the way Ernie Stern and his people handled this matter. However, the Fanji project finally went ahead. We signed the agreement. Then the U.S. shut off the aid program to Pakistan. The Fanji project went ahead anyway, of course. It was finished on schedule, under budget, and produced up to 100 percent of rated capacity. Then we also restarted the aid program to Pakistan.

Q: Did you find another American investor or...?

LOVE: No, the equity investors were Danes and Italians.

Q: I see. They picked it up.

LOVE: They picked it up. We couldn't find another American investor at that point.

That ended up being a very successful project. Of course, the private sector project had a better record in Pakistan than the public sector project had in Bangladesh. However, the Pakistanis also had a stronger, technical manpower base.

Q: Was the World Bank's problem essentially that they did not have the "replenishment" funds?

LOVE: The World Bank had to shift Pakistan from a "Bank" category to an IDA [International Development Authority] category, and at the time of the "final meeting" they didn't have enough IDA funds in their budget. They were just hoping that they could "bluff" their way through, one way or another, until they got to the end. Actually, what the Bank people were saying was that they were sure that AID was going to pull out of supporting the project, because the private American investor had withdrawn.

Nevertheless, those two projects, both worth about \$400 million each, were completed. There were somewhat different "mixes" of support for these projects, but both of them

had at least six or seven major financial institutions involved in them. There was a major problem involved in coordinating the investment, because everyone had his own government regulations. That is, they were going to buy this item of equipment in Germany and that one in Japan, or whatever. But it worked out pretty well.

Q: Why don't we stop there and pick it up next time in the mid 1970's, when you were still in the Asia Bureau?

LOVE: Still in the Asia Bureau. One last thought about the Pakistan fertilizer plant. This project convinced me of a couple of things. First, I had always thought that the World Bank was really "top drawer" in terms of its capability in handling projects. It had huge, technical support staffs and so forth. I thought that Bank people were able to do more in these areas than we were, because AID had been continually losing its technical staff over the years, even though some of this was compensated for by American contractors. In reviewing the Pakistan project and the parallel project in Bangladesh, almost identical fertilizer plants, I concluded that the World Bank was far less competent in the technical area than I had realized. The Bank was particularly weak when it came to understanding some of the mechanics of business, including the procurement procedure and the management involved. The Bank tended to go to the borrower and say: "You people do this. You have to do the procurement," and so forth.

Well, depending on where you were, the host country bank personnel may or may not have had the capacity to do the job. It turned out that the bilateral donors had to play a much stronger hand in the technical project area than I had appreciated. Obviously, a portion of this work had to be done by the consultant.

The second thing that was clear was that the World Bank really suffered from not having an "in country" presence. When we reached the point where we started running into difficulties in some of these programs, we still had a fairly strong staff in both Bangladesh and in Pakistan. In the case of Pakistan and Bangladesh, Joe Wheeler and Joe Toner were there at the time. In the case of the fertilizer plants, AID was involved in the whole agricultural sector, in terms of the policy, distribution, agronomics, and fertilizer mix. The fertilizer plants were just a part of a more comprehensive AID presence. A part of the AID input into this project was a very strong sense of what was going on in the country and what was going on in the sector more broadly, far better than what the World Bank had.

This surprised me because I began my contact with those two projects, more or less presuming that the World Bank would be "head and shoulders" above the bilateral aid donors and that we would take care of our own, particular interests and get on with the project. What I found was that we had to take a far more active role in dealing with some of these problems than I had expected. It was just another example of a circumstance which, I think, is a continuing feature of international aid programs.

In other countries the impact of the AID presence could be on overall economic policy. I think that the USAID "field presence" has been critical to the whole development process

over the last few years. What is beginning to happen now, if I may jump ahead a little bit, is that, as AID begins to cut back on its field presence, it begins to weaken its comparative advantage. Even by the 1970's we were not "big bucks on the street," relative to the overall aid donor flow, in the sense that we were, say, 15 years before. Although, we were still large. However, increasingly we were compensating for our reduction in financing by good quality, technical people; good quality, "on the ground field presence;" and our ability to play an active, coordinating role in counterpoint to the World Bank.

Both of the fertilizer projects in Bangladesh and Pakistan were case examples of the AID role. I think that in today's world, as we begin to cut back on the aid we are providing, we have failed to look back at some of the lessons that I think are there for us to see. For example, I know that the first occasion that I spent any real time with the DAC [Development Assistance Committee] was when I went to defend the American program, when I was a Counselor of AID. I remember, at that time, that the Dutch delegate to DAC who was present at that meeting made a point of asking us what we were going to do about our field presence. He pointed that the other aid donors, including at least the Dutch and, felt that we played a "critical role" by our field presence. He felt that this was particularly so because we provided a counterpoint to the World Bank and the International Monetary Fund at the field level, where a lot of these issues were resolved. He felt that AID's role helped the other, bilateral aid donors to have a better and broader view of what was going on. He and other national representatives hoped that we would maintain this field presence, even though they were "unhappy" about declines in our overall level of aid and ratio to GNP [Gross National Product].

These representatives felt that we were playing an equally important role in providing coordination and insight, particularly at the country level. When it was my turn to serve as Chairman of the DAC, I sat through two American reviews. The same issue came up. On both occasions, concern was expressed about where the United States was going, with regard to the field presence of AID. This view was pretty much "volunteered" by other country representatives around the table. It represented, I think, continuing concern, on the part of the other aid donors about whether the Americans were "withdrawing" from our commitment to the development process. They looked, not only at the overall funding levels, but also at what we were doing in terms of other indicators. They were more "fearful" that we would withdraw from the process than they were that we would just cut back on our funding level, although they were "unhappy" about that, too.

Q: We can come back to that subject.

LOVE: I would like to come back to that later, because I think it is important when you try to "synthesize out" the key questions from all of our discussions. Field presence is one of the key issues that we need to look at. If we focus on where the U.S. might go in the future, we need to focus on field staff. I think that we probably have a better "feel" for this now than in Africa in the early 1960's, when they cut down and almost abolished all of the aid missions. They later had to create Washington units, and so forth. This really put Africa "behind the 8 Ball" in terms of the other regions of the world. We "lost" a

decade of development there because of that. We had to rebuild it, little by little, over time, painfully squeezing in a few bodies, opening up a post here or there.

Anyway, I think that the big fertilizer projects were probably the "tail end" of AID's involvement in major infrastructure. We were right at the point where we were beginning to pull back, for a variety of reasons. One of these reasons was that we didn't have enough capital to do major infrastructure. Secondly, it also appeared that, through the World Bank, export credit programs and other institutions were prepared to pick up the infrastructure. We were also beginning to lose our "in house" talent and capacity to handle these projects.

This happened first, I think, in the engineering area. I think that we were losing technically qualified people across the board, but we were losing them one by one, particularly in the engineering field, and not replacing them. We were finding ourselves in a position where we had minimal "in house," technical capacity. When you participate in some pretty sophisticated operations. You have to supplement "in house" capacity with consultants. But, you at least have to have "in house" capacity to handle the consultants. Otherwise, the consultants were on a "free ride," and you really don't get what you want.

So we were losing people in the technical area. Then we began to lose the project officers who had spent a lot of time working with major capital projects.

Q: You're talking about this period now.

LOVE: Yes. This was in the mid 1970's. In the 1960's AID had project teams which had project or loan officers, whatever you wanted to call them, and lawyers who were pretty sophisticated when it came to dealing with major construction activities and so forth. They understood the construction process and the work attendant on construction. Then you had the support people, including some financial, engineering, and also agricultural people who supported that kind of activity.

By the time we reached the mid 1970's we were getting pretty weak. I mentioned discussing this subject with Mike Adler. I used Frank Kenefec as the project officer on these plants. When responsibility for these projects was transferred into our bureau, I didn't have anybody working in the Asian project office who really had the capacity to handle something like this, on the project side. So I went through the agency and out to the other regional project offices. We talked to people there. We went through and talked about these projects, step by step. We asked: "Whom do you have out there who still has the background and experience to do something like this?" At that time Frank Kenefec was being "med-evaced" [evacuated for medical reasons] out of Nicaragua because of some problems with his back. He had a very good background for this kind of project. He had a combination of an engineering and MBA background, plus a lot of experience in handling infrastructure.

So I picked up Frank Kenefec for that. Then Peter Bloom was added on the project side. He had a legal and project background and had been through the State Department

economics course. So he was strong in virtually all areas. Then, in the field, we had Dennis Brennen, who had worked on the PUSRI Fertilizer Plant project in Indonesia. As a result, this was the team that we were able to put together in Washington. We didn't have as much strength on the ground in Pakistan, but in Bangladesh we had a good team. There was a residuum of people who had worked on projects like this for 15 to 20 years. They trained under the Ted Lustigs and Sy Taubenblatt's of this world, the people who had done nothing but this sort of thing. They had done all of the Middle East kind of construction. They had been through power plants, road projects, irrigation systems, and fertilizer plants. They really knew them. They were some of the best professional people in the world in these areas.

I would say that, by the end of the 1970's, that capacity had pretty well disappeared from AID. There were a few of these professionals still floating around, mostly who had moved into other types of positions, one way or the other. I think that this reflected, in part, a reduction in the financing and, in part, the belief that the evolving character of the international development community was such that these capacities could be "picked up" elsewhere. Some of that was true, some of it was "wishful thinking," and some of it involved rationalizing the decision to get out of it because we didn't want to do it any more.

This was similar to the situation concerning economic and financial analysis. AID concluded that we didn't need to do this kind of thing any more. The World Bank was going to do it for us. Therefore, we just turned to the Bank and looked to them to do this instead of maintaining the "in house" capacity to do it ourselves. Later on, we reversed this view in certain cases like Africa and the Development Fund for Africa.

Q: Meeting basic human needs.

LOVE: Meeting basic human needs. We were going in new directions and we weren't to do these big, "dirty infrastructure" any more. The ruling view was that we had to get down to the small farmer himself and show that we were doing it.

Joe Wheeler was actually a big help on this because he took a fertilizer import program, actually a commodity import program, and made the case that this should have priority in terms of meeting the basic human needs strategy, because this really got to the small farmer. I said: "Joe, you'll never be able to do this." But he did! The ensuing argument began to break through this question of whether or not to proceed with the investments we needed to make to achieve some of the objectives of satisfying basic human needs.

Q: So this was your understanding of the "New Direction" of AID philosophy and what Congress was after.

LOVE: Well, I'm not sure that I always totally understood this "New Direction." I thought that AID had gotten into real trouble with Congress. Part of it had been due to the diversion of the agency's attention because of the Vietnam War. There was a feeling that the agency had "prostituted" itself in getting out of the development business and becoming a political arm of the U.S. Government as part of this war. Therefore,

something needed to be done to "re-focus" development assistance and get it focused back on development. We needed to get our assistance directed toward the people who really needed it and making it clear that we were not pursuing political objectives. There was a small group of critics of the program in the Congress and outside it, as well as in the administration itself, who were able to take advantage of that and push through a program of promoting attention to satisfying basic human needs.

I never totally understood exactly how they were going to go about this. The view was widely held that we wanted aid to be more "developmental" and "humanitarian" in its focus and aimed at benefiting the people. We didn't want to follow a policy of "trickle down" assistance. We didn't want political diversion of our programs. We were going to aim at "pure" development objectives.

As near as I can see, going back to the days of the Marshall Plan, we were never, ever committed to "pure" development objectives. It was always a blend of political objectives, along with development. These joint purposes were part and parcel of the supporting fabric.

Q: How did that policy and "New Directions" affect the work we were doing in the Asia Bureau in terms of the projects and programs we had, for example?

LOVE: It began to make it very difficult for us to do anything in the major, infrastructure area. Project assistance of a variety of types was becoming "suspect" if you couldn't "prove" that this was getting to the "poorest of the poor," whoever they were. For example, as I mentioned, we were also doing a lot of work in rural electrification. We had a huge program in the Philippines, which was working pretty well. Subsequently, this effort expanded to Bangladesh and was very successful there.

My feeling was that this was one of the infrastructure type programs that was really getting to the rural population. In fact, it was. It was working. The ordinary people loved it. It was creating employment for them and it was improving the quality of their lives. It was even helping population control, if you believe the AID people, by "keeping the lights on at night." However, we were attacked on rural electrification, on small scale irrigation projects, and on rural roads.

Q: Do you remember what the point of this criticism was?

LOVE: The point was that this was still infrastructure and was part of the traditional, "trickle down" theory, which had allegedly been discredited. I said: "Who discredited it?" I still hear that view today. Allegedly, "everybody" knows that the theory of "trickle down" development has been discredited. I said: "I've never seen any analysis that shows me that building and supporting infrastructure in a country is not good for its development and ends up with improving the lives of the majority of the population, as long as you are selective about what you're doing. On the other hand, if you put in urban transportation, that's not going to help the people in the rural areas. However, if you put in 'trunk line power' and telecommunications, if you put in rural transportation systems, the ordinary people are going to benefit."

There was a very "purist" attitude which, I think, kind of evolved out of this basic, human needs and New Directions approach. This made it difficult to do some of these individual projects. I don't think that this new approach was as destructive to agriculture. I think that agricultural research and some of the supporting, agricultural programs and so forth got along all right. Except, that they needed transport and other, supporting things, so they were hurt indirectly in that sense.

However, I think that this approach began to push us into experimentation with integrated, rural development programs.

Q: You were doing that in the 1980's?

LOVE: No, not as much as you people were doing them in Africa. AID began creating these extremely complex activities which, in terms of conceptual objectives, were not bad. However, in terms of practical ability to implement, particularly if you didn't have the administrative and political supporting structure in a given country, this kind of program just wasn't going to work. It was too complicated. We were too far removed from the scenario.

Q: Do you have any examples that you could mention in the Asian area that you were associated with?

LOVE: Actually, some of these programs were tried in the Philippines and in Indonesia. There was an integrated rural development program undertaken in one of the outer islands of Indonesia as part of the "transmigration" [resettlement] effort. This program involved moving people out of overpopulated Java to the outer islands of Indonesia. In support of this a number of integrated rural development programs were undertaken in the outer islands. There were some done in Kalimantan [previously known as Borneo], South of Java.

On paper these projects looked good. However, they suffered from a variety of things. One was a weakness in the underlying economics of Indonesian agriculture. This project involved moving people from Java, which is inherently rich in terms of its agricultural resources. That is why there are so damned many people in Java. They were going to the outer islands which, in many cases, had "degraded" tropical soils which were not particularly fertile. The land was covered by forest, which would be cleared. You would get a couple of years' crops out of the soil and then you started to run into real problems in terms of the "leaching" of nutrients from the soils and a negative impact on the economic prospects. Then support activities had to be added for the people being resettled. In many cases the project began to deteriorate, economically. The social cohesion of these people wasn't there because the people had been moved in there from other, disparate parts of Java. So they had to "hammer out" a social community. Many of these people packed up and went back home. So I think that many of these Indonesian resettlement projects "failed," and others encountered real difficulty.

In the Philippines we were a little bit more successful because the AID Mission in the

Philippines, going back to the early 1960's, had worked very extensively in decentralized rural development programs. The mission had started two provincial programs, one in the Province of Laguna [East of Manila] and one in the Province of Tarlac, North of Manila. The program in Tarlac was interesting because the Governor of Tarlac at that time was Benigno Aquino, who worked very closely with the AID Mission in the 1960's on this provincial development program before he became a national, political figure and a Senator. In this case the Filipinos had built up administrative capacity which was suited to the local area. In brief, we had better luck because we had political and institutional support.

I think that you would have to go back and look at the project portfolios of those periods to see what had really changed in practice, as opposed to what was changing in terms of rhetoric. There is no doubt that it didn't become impossible to do some of these things, but it became a hell of a lot more difficult to do them. I would not say that the focus on satisfying "basic human needs" disappeared, but it sort of died out, if it ever really did. I would say that, probably, this focus continued through the Carter administration [1977-1981]. Then, when the Democrats left office [in 1981] and the Republicans came in, the world was viewed somewhat differently.

Q: Well, let's pick up on your career at this point. You finished up in the Asian Bureau?

LOVE: I was in the Asian Bureau through 1978 or 1979. I can't really remember now. That was when you called me and said: "Do you want to go to Nairobi [Kenya]?"

Q: Right.

**Transfer to the USAID Regional Economic Development Service Office (REDSO)
in Nairobi, Kenya - 1979**

LOVE: So I said: "Sure." So I left the Asian Bureau and went overseas. Now the factors leading up to this were that, at this point, I was a "GS" employee [member of the Civil Service]. I had joined the Development Loan Fund as a loan officer and "GS" employee and stayed there. In 1975 I was married to a Foreign Service Officer in AID. That was all right for two or three years, because she was stationed in Washington. However, then, what started to happen was that we would go out of Washington for a week and we would come back to find that she was assigned to Central America! Or she was assigned to Africa or somewhere else. Finally, I went to the Director of Personnel and said: "If you're trying to tell us something, why don't you just tell us? I told my bosses in the Asian Bureau that every time we left Washington on leave, my wife was assigned overseas. Now, if the agency is trying to tell us that it's time to pack up and go, that's fine. I'll start looking for another job, and we'll go." The personnel director said: "No, we're not trying to push you into doing anything." Well, it was obvious that the personnel system was saying one thing and that the Bureau of Management was saying something different.

So I think that we had reached the point of saying that we both had to be in the same

personnel system. We were either both going to have to be "GS" employees or we would both have to be Foreign Service employees. We couldn't be members of two different personnel systems. I think that this was the first time that I was exposed to this problem of "tandem" couples which, over the years, became a far more serious problem for AID. In this case it was the same agency, AID. However, many couples, as you know, were "tandem" State and AID or USIA [U.S. Information Agency] and AID. The question of how to deal with that, and particularly the evolving character of married couples, reflected what was happening in society generally. There were more and more women who were professionals, who had their own professional qualifications, and who wanted to pursue a career path of their own. The old days, when the wife stayed home to take care of the kids, seemed to be disappearing. In those days, when the couple went overseas, the wife's job was to play a supporting role for her husband. This was beginning to change, and now we were beginning to grapple with the question that if we tried to get the young people that we wanted, we were going to have to deal with this "tandem" couple problem. Or we could bring in bright, young people, and they get could get married while in the service!

Q: Right.

LOVE: Then the service would have to deal with it. In my case it was time to move on to something else anyway. We had more or less decided that it was time to go overseas. So when you called me and asked if I was interested in going to Nairobi...

Q: How did we resolve the "tandem" couple problem?

LOVE: I came into the Foreign Service, which actually worked out well. The procedures at the time for going from "GS" status to the Foreign Service were pretty easy. This was before the new Foreign Service Act [of 1980], the "Senior Foreign Service," and all of that. There was less concern about where people were put, what this does to the hierarchy, and so forth. It was just a question of what my grade was in the Civil Service and what was the Foreign Service equivalent. Then I was just "moved across" in terms of where I was. So I did that, and I was transferred to the Foreign Service.

Then, of course, we had the "tandem couple" problem of being at the same post. One of the reasons that Nairobi was particularly attractive was that there were four component parts in the AID Mission. These were: the "Bilateral Mission," the Regional Office, the Regional Auditing Office, and the Regional Financial Office. There were four operations there, so that my wife, Mary, was able to take on a position in the "Bilateral Mission" and pretty well stayed out of any official "interface" with me during the whole time that we were there in Nairobi. Not totally, because she handled personnel matters. The "Bilateral Mission" basically provided a lot of personnel support for the whole system.

Q: Please describe your understanding of what the rules were all about and what they covered, so that people will get an idea of what this phenomenon was which, I think, is disappearing from the scene.

LOVE: You obviously know more about what was being done than I do. When I got to

Nairobi, the Africa programming and mission support mechanism had been "decimated" in 1963 and 1964, when one of the Ambassadors, whose name I can't remember...

Q: Ambassador Korry.

LOVE: Yes, he prepared the "Korry Report." I had never seen that report until I got back to Washington. It still wasn't generally available then. However, the "Korry Report" resulted in "decimating" the overseas AID Missions and the creation of offset mechanisms, which included the establishment of some Missions in Washington. I never understood what they were supposed to be, because they were gone by the time I got to the Africa Bureau in Washington. However, they resulted in the establishment of some "regional centers." These included OSARAC [Office of Southern Africa Regional Assistance Coordination) in southern Africa. Large, regional offices were established in Nairobi [Kenya] and in Abidjan [Ivory Coast] which provided general support to the eastern and western parts of Africa.

Then there were some sub-regional operations which did different things. There were the "BLS" countries, or Botswana, Lesotho, and Swaziland, which combined to form one mission entity. I think that there was one Ambassador, if I remember correctly. I'm not as familiar with the situation in West Africa, but there was a sub-regional operation to cover it, and I think that David Shear had something to do with it at one time. Anyway, the nub of it was that, we weren't maintaining AID Mission staff as such, in a given country. If we had somebody "in country," we had a minimal presence there. However, we needed regional support in the field to compensate for that. The combination of regional support, plus the "in country" presence, if there were any. Operating out of regional offices was an ingenious invention of the Africa Bureau to take care of the reduced field presence.

I think that this mechanism was also driven by the problem that Africa had a lot of countries, many of which were small. Obviously, it was a hell of a lot more difficult to justify putting a full AID Mission in a country that has 1.0 million people, rather than a country like Indonesia, which then had 100 million people, or the Philippines, which had 60 million people. So there was an economy of scale problem there.

It was also difficult to handle that, aside from what came out of the "Korry Report." Our AID Missions in Africa experimented with a variety of regional approaches. When I got to Africa in 1979, the two regional offices in East and West Africa had substantial responsibilities. Outside of some of the bigger missions, the mission presence was substantially less at that time than it became subsequently. However, the Africa Bureau was engaged in a steady and fairly methodical process of beginning to build up these missions where they could justify it and so to expand the programs and field presence.

I always thought that the REDSO's [Regional Economic Development Office] acted as kind of a "surge tank." My attitude in Nairobi was always that, as soon as the people "in country" could pick up a responsibility, they should handle it. When they needed complementary activities, it was better to get it out of somebody who was in Africa than having to go all the way back to Washington and going through the process of

recruitment there.

Q: What was the geographic and the functional coverage of the REDSO/East Africa?

LOVE: Geographically, it covered 22 countries. It covered Ethiopia, South to Southern Africa, and the Indian Ocean countries out to Mauritius. It included Uganda, Ruanda, Burundi, Zambia, and ultimately Zimbabwe. It also covered the "BLS" countries [Botswana, Lesotho, and Swaziland] and then, of course, Tanzania, and Sudan. It covered Angola, although we had no program in Angola at the time. All of West Africa was picked up by REDSO-West. So the geographic extent of the office was reduced. North Africa proper did not come under the Africa Bureau. So REDSO/EA had 22 countries in all.

Then we had roughly 30 people assigned to the REDSO in Kenya. We had the legal and economic staffs and staffs covering a number of "project people." We had an economist, we had procurement expertise, and we had technical specialists in the fields of health, agriculture, population. WE had one well rounded engineer. So we had project people but no program officers as such, because the program function was vested in the missions themselves. Even if they had only one person, the primary programming responsibility was handled there. We might go down and help them do their CDSS by sending down people who would assist them by doing the background support and so forth. However, the primary responsibility was theoretically theirs.

There was a complementary, fairly broad, full service staff. I thought that we got a lot out of it.

Q: Where would you say that most of the activity took place?

LOVE: It varied. I was in Nairobi for four years, and we went through different cycles. For one thing, we found that it was very difficult to do anything for the Kenya AID Mission.

Q: Why was that? You were right there.

LOVE: I think that it was because we were right there. The AID Mission had a couple of Mission Directors during this time, and there were people assigned there whom I knew. However, the AID Mission really didn't like to use REDSO people and be somewhat "beholden" to them. There was somehow a feeling that REDSO was "getting into" their operation, and they didn't want that.

Q: So it was not just personalities. It was...

LOVE: It was not an individual Mission Director, or a Program Officer, or anybody in particular. It was sort of "inherent" in the relationship. We really tried. The first AID Mission Director was Glen Roane. We sat down with the AID Mission people a number of times and said: "Look, this is crazy. We can see what you're doing because we read the same cables that you read. Why don't you take advantage of the people who are two

floors away?"

Q: The AID Mission had a full staff but they didn't have all of the specialists.

LOVE: It was not a full staff, but even when they had a generally full staff, we were "stronger" in a number of ways. Well, they did use our lawyers, because they didn't have a legal staff. We had more strength in project work, in procurement, and in a whole series of areas. They were a little less reluctant to use what I would call "policy neutral" people, especially if they did not get involved in their strategy documents or even the conceptual frameworks of their projects. They were very, very "schizophrenic" about being "second guessed" on policy. We never got into that.

So the bulk of our "market" was outside Kenya. This meant that our people were on the road all the time. Maybe different people could have solved the Kenya problem, but there just seemed to be something inherent in the relationship that the people in the Kenya AID Mission didn't like. However, the majority of the people in the other AID Missions had exactly the opposite attitude. They welcomed the outside help we offered them. If they disagreed with it, they would tell us and we made it clear that they didn't have to do what we advised them to do. We were advisors, consultants, not a supervisor layer.

I think that we tried very hard to avoid "undercutting" the AID Mission. My feeling was that the relationship that we had with the Mission Director or the AID Representatives in other countries, and the trust that was involved in that, was incredibly strong. At times, we really had to "bite our tongues" to avoid picking up the phone, calling Washington, and saying: "You can't let this happen!" But this would have killed our effectiveness. We had to go back and try to convince the AID Mission that they shouldn't be doing this or that. If we went behind the Mission's back, even if we were "dead right" on the merits of the case, we would sacrifice the relationship that we had built with the Mission people. You can't do that. Once you lose the relationship of trust that you have, you are basically ineffective, and they won't use you.

Q: Did you have many experiences like that, or was that fairly rare?

LOVE: It was very rare. I would say that we had a good, working relationship with most of the AID Missions. Now, the other thing that we would do is that, any time that one of our people would go into an AID Mission, we would try to assess, not just what happened substantively, but we would also try to get a "reading" from the AID Mission Director as to how that individual from our staff worked with the mission. Most of the time we got this kind of evaluation "unsolicited," particularly if there were a problem with this individual from our staff.

So over the course of time we had to do a little bit of "sorting," in the sense that certain people didn't work out at certain posts, for a variety of reasons. Some of this was due to some personal habits and some of it was due to friction between certain individuals. That is what I mean by "sorting it out." However, for the most part, that wasn't too much of a problem. Then it became a matter of favorite choices. Certain AID Missions would say:

"We want you to send down this or that person, because we are comfortable working with them. He or she understands 'our country,' our thought process, or our strategy, and we can work together." So we would sometimes get that reaction. Sometimes we didn't want to support that way of doing business, but we had to build a working relationship with the missions that had trust in it and which they saw as being "complementary" to what they were doing.

In turn, the AID Missions liked this arrangement better than asking AID in Washington, if they needed outside help. This was because, first, they could get help almost overnight, because we were in the same time zone. Certainly, if a given AID Mission had an "emergency," we could get them help within two days, at a maximum. It was harder to get access to AID Washington. The missions never "trusted" Washington quite as much, because Washington never quite knew the situation. There were too many people reading cables reporting on what was going on. Washington was a bigger community for the AID Mission Director to control, and he was farther away. So the Mission Directors appealed to Washington when they had to, but if they could get help somewhere else, they would do it. However, I think that the major consideration was familiarity, working relationships, and easy access. The cost of obtaining help was basically already covered by REDSO's own budget - e.g., travel, per diem, etc.

Q: Let's talk about some of the significant examples that you recall.

LOVE: When we got to Nairobi, Ethiopia had a functioning AID Mission of sorts, although I think that Colonel Mengistu was already in power. However, the "shift" of U.S. emphasis from Ethiopia to Somalia was already under way. We were beginning to get into a weaker and weaker position in terms of our program in Ethiopia. This was before a full-scale war had broken out in Ethiopia. So we had a big program in Ethiopia.

In Uganda the AID program had been totally shut down because of the behavior of President Idi Amin. In Sudan the program was pretty good-sized. Southern Rhodesia was still Southern Rhodesia. At the time we were doing nothing there. We had a big presence in the "Horn of Africa," still keyed around Ethiopia and Sudan. Of course, the AID program in Kenya was very large. We were also active in Tanzania.

Then in southern Africa, the concerns of the "front line states" and how we would deal with apartheid in South Africa were our major concerns. Through regional coordination down there and our efforts to support Zambia in particular, we were trying to help the southern African countries. Now, we were doing nothing in Mozambique, even though it was one of the "front line states," because of the communist orientation, nor in Rhodesia (Zimbabwe) because of white control.

In the Central/East African countries, Uganda had no program. We had a solid, ongoing program in Rwanda, which was pretty good, though small. There was a less "solid" effort going forward in Burundi because of ethnic tension. I always thought that the Rwandan program was pretty good and the ethnic problem under control - how wrong!

However, during the four years that I was in Nairobi, major changes took place. In

Uganda, Idi Amin was thrown out of office. A series of successive governments came and went in Uganda. We went through the experience of trying to open up and deal with the changing character of successive governments, until the current government finally came to power. This happened after I left Nairobi. Uganda then began slowly to become a part of the scene.

In Ethiopia we had to "shut down" the AID Mission. The "trigger point," if I remember correctly, was the U.S. request that the Ethiopian Government compensate for the expropriation of some damned Herb and Spice company. I don't remember who it was. To me that was the vehicle for doing something that people in Washington wanted to do as a political matter. The Ethiopians were bending over backwards, saying: "We can work this out!" However, Washington claimed I didn't believe that the Ethiopian Government was not going to work this problem out. The Mission Director in Ethiopia was one of my predecessors in REDSO. He was Ed Hogan and had been the REDSO Director at two incumbents before me. Ed was trying very hard to keep a "core," working relationship in Ethiopia, particularly with the RRC. The RRC was an instrument which AID helped create in the earlier years. As it turned out, during the height of the war in Ethiopia and at the high point of the Mengistu regime, RRC turned out to be an extremely effective operation critical to the drought relief effort.

Q: The RRC was the Ethiopian National Relief and Rehabilitation Commission.

LOVE: Right. I think that the RRC was one of AID's more successful efforts to build an institutional capacity "in country" to handle that kind of problem.

So an effort was made to try to "hold onto" some of the key elements of the AID program, even though we weren't trying to carry on a major effort in Ethiopia. However, it was fruitless, and eventually the AID Mission was shut down. It wasn't the first time that I was involved in shutting down a mission. In Pakistan, we went through the process of shutting down the program and deciding what was involved in doing it. When we decided to shut down the program in Ethiopia, we would also have to go through the program project by project, program by program, and contract by contract. As we started "pulling these plugs," we had to decide how to do this. How much flexibility did we have under the law to continue projects in Ethiopia?

Here I thought that, even though the policy decision had been made to "back out" of Ethiopia, there were questions about what was the common sense thing to do. In some cases it seemed to make more sense to "finish" this or that activity, if we could, and carry it through, rather than "abort" it mid stream and waste a substantial amount of taxpayer money. This was particularly true if we took the long term view and realized that we would be coming back to Ethiopia at some point.

So we went through a fairly complex process of doing that, which I found kind of interesting. As I said, we had done a little bit of that in Pakistan because, at the time that they were trying to put that fertilizer project together, we knew that the nuclear proliferation issue was already "hot" at that time. It eventually led to a program

shutdown.

Q: Right.

LOVE: And we knew that the Pakistanis were doing some kind of work on nuclear weapons. They were not yet technically in violation of the non-proliferation agreement, but we expected that they might become in violation of it. So, again, it was a question of trying to decide what to do. In the case of Pakistan the decision was made to go ahead with the \$40 million loan on the fertilizer project, even though we knew that, within 12 months, Pakistan might be in "default" under whatever the law was at that time.

Q: You mentioned that before.

LOVE: I say that because yesterday I was talking with a person who was involved in Central Asian operations at the World Bank. The World Bank had just "chopped off" all of its loans to Turkmenistan because of a problem on one aid project. They did this rather precipitously. Of course, what happened was that the contractors and everybody else who was being funded by the World Bank started packing up and going home. Everything started "shutting down" throughout the whole country.

I said: "You know, if you're going to do this, you have to stop and ask yourself: 'What does this mean? Is this really what I want to do?'" In other words, do I want to "destroy" all of these things and end up having to pay all of that extra money later on because, theoretically, this is going to be resolved in a month or two, or six months at the most. Then we would have to "start up" all of this activity again.

Q: Right.

LOVE: Then we would have to pay more to get these people back on the ground, "re-energize" contracts, and all the rest of it. So I was really kind of surprised that the World Bank was not more "sophisticated" in handling this kind of problem. However, they were not.

Q: So you closed down the AID program in Ethiopia?

LOVE: We closed down the program in Ethiopia. And that was an example where REDSO, as we began to shut down the program in Ethiopia, began to spend more and more time working with the shrinking AID Mission staff up there. REDSO became a sort of "surge tank" in reverse. As we were shutting down the AID program, REDSO assumed a far more active role than when we had an active AID Mission in Ethiopia. Then, when the AID Mission Director, and almost everybody else was gone up there, the only person we had to work with was an officer in the Embassy.

It then became a REDSO responsibility to monitor whatever was going on in Ethiopia. Ethiopia went from a minor REDSO client to a major one.

In Uganda REDSO was active when AID was coming back in, during the transition from Idi Amin. We started sending people in. We had had only a few people there. Then the AID Mission "pulled back" again. So REDSO was very active until, eventually, Uganda got its own AID Mission. The same thing happened in Zimbabwe. That is, REDSO was beginning supporting the buildup...

Q: Talk a little bit about the working environment, because that was a fairly traumatic time. It was at the end of the UDI [Unilateral Declaration of Independence by Southern Rhodesia] period and before the establishment of the Zimbabwean Government. I believe that you were very much personally involved in that.

LOVE: I was also personally involved in the Ugandan situation because I arrived on the first plane, which brought in the Embassy DCM [Deputy Chief of Mission], myself, and three staff members. Let's go to the Rhodesia situation first, because that was very interesting.

One night I got a telephone call from Morty Dagata, the Office Director, telling me that I might have to get on a plane and go down to Zimbabwe/Rhodesia very soon. Morty said: "I think that it will be in two days. I'll call you back tomorrow. I think that this is true but I just wanted to give you some advance warning." Of course, he called back the next day and said that I was to go to Zimbabwe/Rhodesia ASAP.

So we went down and took...

Q: Do you remember when this was?

LOVE: This would have been in 1980, or whenever the end of the Rhodesian regime set up under the UDI was. I went down to Zimbabwe/Rhodesia myself with Ed Spriggs, Tim Boric, and Anita Mackie.

Q: Anita was in health, and the two others were lawyers, I believe.

LOVE: Anita had double degrees, one in agriculture and one in health.

Q: That's right.

LOVE: I think that she was primarily concerned with the health programs. Of course, in addition, having come from Northern Ireland, she was British, which turned out to be very useful to us when we got down there. So we were told by Washington: "Go down there and put something together for independence." Then the guidance came out, I, with heavy State Department input, saying very clearly: "We are doubtful that you can work with the new Mugabe Government. It may well be weak after independence. We think that you should take a hard look at the NGO [Non Governmental Organizations] community. Probably your first project in Zimbabwe should be with the NGOs."

This sounded fairly sensible to us, so we went to Zimbabwe. We met with the DCM in

the Embassy, or, rather, the Charge d'Affaires, a big fellow...

Q: David Dow?

LOVE: Yes, Jeff David Dow, a very bright fellow. He was very skeptical of "these AID types." When we came in, he sat us down and gave us a lecture. He said that it made no difference that we thought that we were running this operation. He said that he was running it. He said, "This is what I want you to do, etc." Anyway, it took us about 24 hours to "get around him." Then he realized that we were not a group of problem children. We wound up having a good relationship with him.

What we did on that first day was to send Anita Mackie out to establish contact with the NGOs. We got a list of them from David Dow and we told her: "Please go out and do an assessment of all of the NGOs. We'll meet for dinner tonight and go over the operation. We're going to canvas the public sector."

So we started out. We went to the General Auditing Office, the Procurement Office, the Ministry of Health, the Ministry of Agriculture, the Ministry of Finance, and other government departments. We just covered them, one right after the other. We got back, and I said: "This government is very well run. As to its institutional capacity, although it is 'white dominated,' it is extremely good." The procurement system was excellent. The General Auditing Office was capable of good oversight. The quality of the people we met in the Ministry of Agriculture."

On the other hand, the impression that Anita Mackie got of the Non Governmental Organizations was that there was a lot of "in-fighting" in the NGO community. The relationship between the NGOs was not good, and their relationship with the government was also not good. There was about to be a big "blow-up" in about two days in the NGO community with a possible change in leadership.

So we concluded that we should probably just work with the public sector. It was good. The people in it knew what they were doing. Eventually, we decided that doing something in the health sector would fit in very well with the need to resettle back to their homes the people who had been displaced in the fighting.

We also looked at "demobilization" of the military. There were three military organizations: Nkomo led the organization out of Zambia. Mugabe led the organization out of Mozambique. Then there was the so-called "Black Army," which I hadn't focused on. The Rhodesian Army was also black. The officer corps was composed of whites, but the fighting soldiers were black. They were based on the old "Rhodesian Rifles." They were unlike the South Africans who, down the line, had a predominantly white organization. So, really, there were blacks fighting blacks there for many years, and they were left with three major armies to demobilize.

Then there was a huge group of young, teen-aged hangers on who sort of followed Nkomo and Mugabe forces. They carried guns by age twelve or so. All of the kids who

belonged to it had been out of school and had little education. What the hell was to be done with them?

Plus, the fighting had displaced a substantial group of people. I don't remember how many. They had been driven from their homes, which had been destroyed. Anything resembling a health clinic had been "guttled." All of the farms had lost roofs, windows, and doors. The question was how to put this structure back together. It was a challenge.

Anyway, we picked the health sector because it was "doable." It was about the right financial size. It was something that fit in with what the government was going to be doing. By this time the "white government" that was running the country was very actively focusing on the practical issues of the post-independence period and the re-integration of the country. The political signals had changed. I thought that the governmental machinery was starting to run fairly effectively in dealing with the problems facing it.

Q: What were you going to do in the field of welfare?

LOVE: Basically, we wanted to go in, take a group of rural health clinics, and rehabilitate them. This meant putting the doors and windows back in and repairing the facilities so that they would be there when people came back to their homes. We also planned to provide the clinics with equipment and medicines, but that was a different program. So we agreed on that, and our objectives were pretty straightforward. I thought that the Ministry of Health was pretty sophisticated.

Then we ran into this "wonderful" problem of trying to take AID's procedures and put them into effect in the country. We started by saying: "Now, there are things like 'source origin.' The Ministry of Health is going to go out and buy a bag of cement in a local store out in the countryside. Then we'll get the seller to certify that this cement did not come from Communist China."

We started talking to these people, and their eyes started glazing over. Then I said: "We've got to do something different here." So we reported back to AID that we were going to "waive" many of these procedures. We were just going to give the people involved in these projects "local procurement options." We were going to do away with all of this "certification of origin" procedure. We were going to make a pre-judgment that what they would be doing was to make use of materials whose source of origin was "in the region." We decided that we were going to let them bid on the materials needed. Then we just placed the construction activity in the hands of the Zimbabweans.

That turned out to be the beginning model for what I think was one of the more successful approaches that I saw anywhere in the world. We never did anything that "innovative" in Asia. Basically, we said: "This country has the administrative capacity. These people can handle this project. Let's get out of their way and let them do it. Then we'll 'assess' the end product and feel that they're doing what we want them to do."

Q: This involved an "after the fact" payment of funds, like the F.A.R. (fixed amount reimbursement) approach.

LOVE: What we tried in Asia was the F.A.R. approach, but this was different. I'm trying to remember some of the details on this. We made available to these contractors some of the money in advance. Conceptually, what we were trying to do was to get ourselves out of the way. After the AID Mission was set up in Zimbabwe, the Mission used this procedure in a variety of different activities. In effect, we "backed off" and made use of the facilities that were there. In fact, the Zimbabweans said to the other aid donors: "Why can't you do business the way AID does? Your procedures are so complicated." I can't remember who was the AID Mission Director in Zimbabwe at that time. It was either Chuck Grader or Roy Stacey, one or the other.

Q: It was Roy. Chuck Grader was the Mission Director for a while.

LOVE: This was near the end of Roy's days in Zimbabwe. They became more sophisticated in dealing with these projects. I said: "This is really terrific." I know that at one point Bob Berg went out. I think that at that time he was...

Q: Head of Evaluations?

LOVE: Head of Evaluations. He didn't like this approach at all, for some reason. I said: "AID has come up with what is really a 'partnership' approach, in which you leave implementation of the project in the hands of people from the country. This is one of the most 'innovative' things that has been done by the agency." We weren't getting any "flak" from the auditors for doing this.

Q: Can you say anything more about what this approach is so that people will understand the facts of the matter?

LOVE: I think that AID traditionally has tried to look at the "inputs" required for aid projects and try to control them. This includes the procurement and transportation of these "inputs" and their manner of payment in a very detailed manner and to account for them afterwards. This procedure gets you very much involved in the project. This procedure has grown up as a result of problems that have developed, with money "disappearing," things not getting done, and so forth. We tend to feel that we have to use our own engineers to oversee these things. This was another question, involving technical "oversight" of these projects.

In this case we started going through the society in Zimbabwe. We realized that the government sector, and certainly the private sector, to a considerable degree as well, had tremendous capacity. Unlike what we were told when we first went in there, this capacity was not just limited to the "white" sector. There was pretty good capacity among black Zimbabweans, too. This capacity was strengthened when the people who had left the country to escape the fighting returned home.

So we tried to go through this society and decide how many ways we could "cut out" normal AID requirements and eliminate them. This involved "source origin

determination," "price determination," and "bidding procedure." We really put ourselves in the hands of the Zimbabwean Government's own system. That was why we went to the General Auditing Office on almost the first day we were there. We went to the Government Procurement Board and said: "What are your 'checks and balances'? Who does business with the Ministry of Health over here? Who oversees what these people are doing?" Of course, we found that the "checks and balances" in that system were excellent at the time. We were able progressively to say, instead of using our own procedures: "Let's 'back off' and rely on their procedures." The government would do the engineering analysis on a project, rather than have us do it independently, either in AID or through a contractor. They would handle the procurement and payment operations. Basically, we were just making the funds available.

Q: How and on what grounds were you able to get AID to waive all of these rules, which are pretty well "sacrosanct"?

LOVE: We had an extremely forward-looking "front office" in the African Bureau in Washington. We reported back to Washington and said that this is what we wanted to do. I recall that we dug through the Procurement Manual and my staff's personnel files. We could find a bunch of procedures which originally came from Latin America, documents going back 15 years and more, with records on different approaches which are no longer covered in the Manual. So we went through and found every "loophole" we could find in the Manual. This was where having a good legal staff and a good procurement capability made it possible for us to do most of this right there in the field. So we created a framework and then reported back to Washington and said: "This can be done. The rules will allow you to do this and that. Give us policy approval. We would like to do this." And AID Washington was very supportive of this approach.

In this way we were able to start on a procedure which really put project implementation in the hands of the Zimbabwean Government, and the Zimbabweans did not let us down. They did their part, they did it promptly, we got the end product out of it, and we ended up with a cost effective way of doing business.

Q: The key, of course, was the fact that Zimbabwe had this capacity, as many other countries did not have it.

LOVE: The key was the fact that Zimbabwe had that capacity. Now, I think that we were really interested in saying what lessons can the agency learn from the experience in Zimbabwe, in terms of the way to do business. If we go into a country which does not have the same, broad-based capacity, we may still find limited areas of capacity there where we can rely on the local government. Plus the fact that there is the other, underlying question, which is: "How do we build capacity? If we continue to impose our system on top of them, and if all aid donors do this, following different systems, we will end up doing nothing to strengthen the local capacity to do things. If the donors as a group...

If the aid donors as a group begin to place more reliance on the local government system,

then progressively the government procurement, auditing, and oversight services will all be strengthened.

I don't know what happened down there. It is clear that AID never completely learned this lesson. You should interview Roy and Chuck Grader, when he gets back from Pakistan, if he stays "put" for a while. Perhaps you could also usefully talk to Ted Morse, but Ted lives on a "third rail."

Q: I talked to Ted.

LOVE: It was mostly Chuck Grader and Roy even more so, in terms of the time that they were in Zimbabwe. That is the kind of experience that AID does not totally take into consideration.

Q: How much staff did that approach require in the AID office?

LOVE: It was not very big. It was quite a small staff. The U.S. Mission in Zimbabwe at that time consisted of, perhaps, five or six people.

Q: Was there some backup?

LOVE: Yes, there was some backup. Maybe there was more at the beginning, but I'd say that once the Mission was up and running, it was small. The question was, "How is this setup organized?" It took a lot of time to determine this. However, once we got the model set up, it got to be less work for us, because the system was running. Again, we didn't have to send down a lot of the people that we would normally have had to employ to support capacities which the mission in Zimbabwe didn't have, because the Zimbabwe Government was doing it for us.

Q: In the initial period you were under considerable pressure to get something ready for signing at the ceremony inaugurating the AID Mission in Zimbabwe, I believe.

LOVE: Yes.

Q: Do you remember having been involved in that?

LOVE: Well, we got down to Harare on a Monday and we spent maybe four or four and a half days there. During that time we canvassed the government and the NGO community and we went through all of the sectors. We picked the sector where we planned to work. We designed the project. We negotiated a project with the Ministry of Health. We went through the revised implementation procedure and got Washington approval on that. Then we negotiated the project agreement.

We started with a standard project agreement, and I'll never forget this. We sat down with the Zimbabwean Minister of Finance who subsequently, after independence, became the Minister of Agriculture. We had substantially revised the standard project agreement. Of course, now we were starting from scratch with a new borrower. This was the first AID

project agreement that Zimbabwe had seen in years. So we went through standard clauses in project agreements. Once you've done this, as I once did with the Indians, you realize that there are a lot of clauses in our standard project agreements that are pretty hard to explain. It's sort of like a "take it or leave it arrangement."

Q: Right.

LOVE: I remember that we went through that standard agreement with a red pencil. Consistent with what we were saying about simplifying things, we must have cut at least one-third out of that agreement or perhaps more. On the morning of the fourth day we were in Harare, we went back to the Zimbabweans and dropped off the reduced text at the Ministry of Finance, I think. We said: "It would be nice if we could at least talk about this agreement before we leave town. Otherwise, we'll have to come back. However, take your time to read it." So I called up the assistant to the Minister of Finance and said: "Would we be 'pushing' it if we asked if we could sit down and go through this draft agreement with you tomorrow morning?" He said: "Well, how about 6:00 PM tonight? That should give us enough time to read it." I said: "Fine!"

So we turned up at his office. We sat down that evening and went through the draft agreement, clause by clause. When we walked out of there, and I don't remember when it was, we had negotiated the agreement! I remember his looking at me at the end of the meeting. He said: "You guys are really complicated to do business with!" I said: "You don't know the half of what's about to hit you! This is simple, compared to the procedures of the other donors you're going to be faced with." However, that was an example of how fast the Zimbabwean Government could work.

They gave us the background analysis we needed to support the projects. They agreed on matters of priority. They helped us pull this all together and approved the basic agreement. It was all done very quickly.

Q: And it was signed...

LOVE: It was signed on Zimbabwe independence day. When we left Harare, everything was done. But it wasn't signed until the "independence day" proceedings.

Q: You had a State Department office in Washington that was just wringing their hands. They were calling me, day and night, saying: "When are they going to get this aid agreement completed?" I said: "Take it easy. They'll take care of it."

LOVE: In most countries that would have been difficult to do. However, the people in Zimbabwe with whom we negotiated were an absolute pleasure to do business with. Now, when we went into Uganda, we never saw this kind of attitude.

Q: Okay, let's turn to Uganda.

LOVE: In Uganda it was the exact opposite. Here was a country that, during its "heyday," had probably been as sophisticated in its own right as Zimbabwe was. Uganda had

physically been demolished. I won't say that Kampala, the capital, was a "ghost town," because it was full of people. However, the stores were empty. Everything was gone. There were bullet holes up and down the buildings. The government bureaucracy had been virtually demolished. Makerere University was "guttled." Mulago Hospital was "guttled." These had been major institutions in their own right. Idi Amin did not only physically ruin the country, but he had "wiped out" an incredible number of people, including a lot of the "elite." He created the infamous State Research Bureau to accomplish this.

Well, we flew into Entebbe with David Lamb. He was stationed in Nairobi at that time and had come up with the invading forces from Tanzania. He came in with the first forces. He had gone down into the detention center at the State Research Bureau. He described that visit to us. He said that the bloodletting that went on in that place was just incredible.

So the question was: how do we get started again? There was political uncertainty. I can't remember the name of the President of Uganda at the time. He was a nice man but had no strong, political base. There were several subsequent political changes. Until the present government entered power, there was never enough political stability to do anything. There was no institutional strength, even though there were quite a number of capable Ugandans left over, despite the carnage that had taken place. The situation in Uganda was a lot tougher than that in Zimbabwe. We put our programs together but we weren't about to do what we had done in Zimbabwe, in terms of turning things over to the government. It would have disappeared into the sands.

Despite the fighting in Zimbabwe, the displaced people, and the demobilization of some of the armed forces, the economy had not been destroyed. The economy was working. Even during the UDI [Unilateral Declaration of Independence], the Rhodesians had access to South Africa, and they were incredibly ingenious in their own way, they were able to keep the Rhodesian economy going. On the other hand, in Uganda there was virtually no functioning economy. It was a "scorched earth" scenario.

I guess that if you looked at the situation today, some 15 or 18 years later, and considering that Uganda got rid of Idi Amin a year or so before the independence of Zimbabwe was generally recognized, it's taken Uganda at least 15 years to start getting back on its feet. People are now beginning to say that this is one of the "winners." In Uganda AID tried to concentrate on agriculture.

Q: Well, let's turn to some of the other countries.

LOVE: In Ethiopia, of course, the fighting started toward the tail end of my time there. We still weren't doing too much, I guess, until I returned to Washington. So Ethiopia was kind of "on hold." We had shifted our attention to Somalia, where we were trying to put an active program together. Of course, from the political point of view, four or five years previously we had been supporting Ethiopia, while the Soviets supported Somalia.

We were continuing our aid activity in Sudan. The program in Sudan was a very traditional type of activity. We had some agricultural research programs and some infrastructure projects. It was not a big, active program. I sort of got the sense that Sudan was going through a process of "studied decay." Some 10 or 15 years earlier we had been much more effective in what we were doing. The Sudanese Government had been much more effective. However, the process of decay had been settling in.

The other thing that I noticed is that I came back from a trip to Kampala and then went to Sudan. At that time, in conceptual terms Sudan was supposed to be a "bankrupt" country, because of the balance of payments situation, and Uganda was also a "bankrupt" country. When I was in Kampala, I walked into one of the local "supermarkets," which had a guard at the door. In Kampala about 99 percent of the shelves in the stores were totally empty. Only a few odds and ends were over in one corner. There was nothing in the market, although the vegetable and fruit stands in the streets were functioning. However, nothing much was going on. Everybody seemed to be trying to hold onto his or her position in the government. People were trying to grow enough food to stay alive, because you couldn't keep going on your salary. The country seemed empty.

Then I got to Sudan. From the macroeconomic situation Sudan was supposed to be in the same state as Uganda. When we walked into any of the hundreds of stores around Khartoum, we found that they were full of canned goods from Kenya and everywhere else. There were electronic goods available. Consumer goods were available, "wall to wall," in the country.

Then I went out to an AID Mission house in a high-priced suburb on the North side of Khartoum. New "mansions" were being built, one right after the other, out there. I said: "There's bankruptcy and there's bankruptcy." My hosts told me: "This kind of bankruptcy in Sudan is not the same kind of bankruptcy as what's going on in Uganda." So I said: "What's going on here? The balance of payments account of Sudan is really in terrible shape. However, it's obvious that something's going on here. So what's going on?" Well, I finally concluded after that trip that what was going on was the enormous, offshore earnings of Sudanese who had been working in the Middle East. The foreign exchange that they were earning was being transferred back to brokers who were providing them with Sudanese pounds. In return for that, those Sudanese pounds were going into real estate development, a safe area. The foreign exchange was also being used to import goods. All of this was taking place outside the official government accounts of Sudan. This meant that it was the government that was "bankrupt." However, the economy, in the broadest sense, was not.

Q: This was the result of the foreign exchange flood.

LOVE: It was part of the foreign exchange flood. I never forgot that. I can remember, in later years, sitting down and having a "knock down, drag out" discussion with Princeton Lyman (Deputy Assistant Secretary for Economic Affairs - Africa Bureau, State Department. Princeton wanted us to release a tranche of \$50 million to go into the IMF "standby agreement." I said: "Princeton, I'm not going to waste that money by throwing it

down a rathole. We can use that money somewhere else in Africa. If we release this money, the best thing that can happen to you is that it's going to end up in the coffers of the IMF [International Monetary Fund]. I'm not sympathetic to helping out the IMF. If it doesn't go to the IMF, that money is going to go down a rathole, because the IMF does not have a handle on this problem, for some reason. It's still looking at the traditional accounts and the devaluation of the Sudanese pound. The IMF thinks that this might be done to promote the export of Sudanese cotton. The IMF is just not getting its hands on the economic situation.

At that time, the Sudanese political situation was not as bad as it subsequently became, in terms of the Muslims in control of the North and what later evolved. So we had an aid program that I think made sense, on paper, and was consistent with what was being done by other aid donors. However, we were not really dealing with the underlying problems. I'm not sure that we ever would have been able to do that in Sudan. I think that the odds were stacked against us. Now, the question again is: "Were there overriding, political considerations regarding Sudan which were such that we were going to stay there anyway?" At the time, there probably were such political considerations. Sudan was one of the countries that we were helping, even though many people were not convinced that this was going to work. However, this is what we did. By contrast, there were no such political considerations in Uganda.

Q: What about the situation in Tanzania, as far as the "front line" countries were concerned at that time?

LOVE: Of course, Tanzania was still the darling of the Scandinavians. They committed huge resources there. This was an area which, because of its charm, had been able to maintain external support. However, the Tanzanian economy was not working well.

Q: How would you characterize the economic situation?

LOVE: I don't remember whether we were in Tanzania itself or in Nairobi, but one day we were getting a briefing by a group of agricultural economists who were reviewing what was going on in rural Tanzania. When they finished going over how bad things were in rural Tanzania, I said: "You know, in its own way the government in Tanzania has done almost as much damage to the rural structure in this country as Idi Amin did in Uganda. Government controls have undermined all of these institutions that have been working there. Through government policies some of the village level operations which had so much promise have been undermined, step by step. So everything is collapsing in the rural area. The markets are no longer working, and government operations are no longer operating, either. What we are ending up with is incredible poverty in the rural areas of the country."

So Tanzania was then at the point where the Tanzanians themselves were beginning to think that they needed a new way of doing business. However, the area was still under the control of local bosses, and people were not socially prepared to do something "radical." They were not going to go through a revolution in Tanzania. It wasn't like throwing Idi Amin out. They had to go through a cultural assimilation and evolutionary process to

make the necessary changes. I am convinced that that is what is happening there.

We often tried to work through the port of Dar-es-Salaam, and its railroad for the "front line states." I remember trying to ship fertilizer into Zambia. We ended up shipping it through South Africa, up through Southern Rhodesia, and into Zambia. We could do that cheaper and faster than we could ship it through the port of Dar-es-Salaam. Even though we had, in Dar-es-Salaam, a port that wasn't controlled by the "dirty" South Africans. In fact South Africa and Rhodesia both cooperated to let goods go through to Zambia, even though they were fighting the Zambians. I said: "There's something 'different' about this part of the world. People seem to have a different set of values. They seem to prefer holding onto that whole, southern Africa linkage, which never died." The question seemed to be: "How much can we use South Africa from the political point of view?" That situation continued to hold through the final transition in South Africa itself.

Q: Before we go to Rwanda and Burundi, is there anything of anything you want to say about the AID program in Tanzania?

LOVE: No. I just felt there that the aid donors, across the board, were project-oriented and were trying to work in the rural areas. However, I think that most of the aid donors had reached the point where they said that they really couldn't implement projects in Tanzania any more. They felt that the economic framework was such that the projects simply wouldn't work. At first the aid donors were saying that they would finance the local currency costs of the projects and would put more people out here in Tanzania to try to "prop up" the system. Eventually, the aid donors were beginning to say: "No, we have to 'back off.'"

A big meeting was held in Nairobi. I remember sitting there and listening to what was being said. The aid donors were saying, one by one, that they had taken the step of financing local currency costs of projects. They were talking about "structural adjustment" and the Elliot Berg Report, which was then floating around just before I left Nairobi. At this time the aid donors, including the European donors and the Scandinavians, were beginning to say: "We're not going to do any more projects or at most very few, additional projects. We're going to start considering cancelling some of our projects and transferring those resources to economic support and program assistance." Comments like that were beginning to be heard. It was a sort of discussion about how to get our hands around the macroeconomic situation.

What was beginning to happen, of course, was that the macroeconomic problems in Africa were beginning to dominate other considerations. There were political changes in Ethiopia, Rhodesia, and so forth. Across the board, Africa was beginning to go into another series of macroeconomic problems that were forcing the aid donors to "rethink" their way of doing business. They were reluctant to get out of these areas, whether it involved working on rural development or whatever they wanted to do. Now they were telling themselves that they couldn't do some of these things and were beginning to "back off."

I think that that was the beginning of the creation of the environment that allowed the

establishment of the SPA [Special Program for Africa] mechanism at a later date, even though that didn't happen for a while. They went through the discussion of the Berg Report, there was some flailing of hands, and the period when Princeton Lyman became involved. They got Joe Wheeler after he had left office as Deputy Administrator of AID. Then the "Wheeler Group" was set up, which we should talk about at some point, because it was an interesting experiment in interagency coordination.

So I would say that by the time I got to the end of my tour in Nairobi, first, the United States government had changed. The Reagan administration had come into office, and Peter McPherson was on board as AID Administrator. By that time we had built a far more extensive African AID Mission structure than we had four years before that. There were better staff missions. I think that there were pretty good programs. We had somewhat changed the "mix" of the people in REDSO [Regional Economic Development Support Office].

Q: What about the southern African countries, apart from Zimbabwe?

LOVE: I'm trying to remember, but our AID programs in the BLS [Botswana, Lesotho, and Swaziland] countries, when I first got to Africa, were all run under one mission based in Swaziland. Then this single mission was split into independent AID Missions for each of the BLS countries. They had pretty good staffs, all three of them. They were good, little operations.

Southern Africa Development and Coordination Council (SADCC)

Q: Were they involved in the infrastructure projects?

LOVE: The only infrastructure projects that I got involved in was the road from Maseru to wherever the hell it went.

Q: Qachas Nek.

LOVE: Qachas Nek. I'll never forget that. Now, this project, as I understood it, was developed when South Africa declared the area outside of Lesotho a "racial homeland." I can't remember what it was called. It was "Ciskei," or something like that. The international community stood up and said: "This is 'terrible.' We can't allow this. It is part of the apartheid process." The South Africans retaliated by closing the border accesses to a number of areas. One was in the southeast part of Lesotho and another one was at Qachas Nek. Of course, the Lesothans were used to going out to South Africa, which was fairly flat and had good roads. They would drive around and get back into Lesotho. So the way to get to the other side of Lesotho was to go into South Africa, drive around, and re-enter Lesotho on the other side. Obviously, Lesotho was a little mountain. The people had retreated into the mountain. When the British left, the people stayed there.

So the idea for this road project came out of the international community. I think that it

was at some UN meeting that they came up with a group of projects which were supposed to help Lesotho, one of which was this road. So they were busy working on that.

When I first went down to southern Africa, I can't remember who the AID Mission Director was. He was there before Frank Correl. It was somebody else. I went there and was briefed on the AID Mission program. I think that this was during the first couple of months that I spent in Nairobi. I looked at most of the projects. However, I didn't have time actually to "drive" along this road between Lesotho and Qachas Nek, which would have taken some time. So I said: "Can we rent an airplane and maybe we can just fly along the road, so that I can see it."

So we flew along the road and back. I said: "Good heavens." One of the last projects that I had when I was in the Asia Bureau was a project in Nepal called the "Western Hills Road." This was in the far western part of Nepal. It goes from the Terai up into the mountains and just ends up there. I remember flying over that road. There were workers carting land fill along the side of the face of this mountain. Of course, the land fill was sliding off, and it was costing a fortune to build and maintain the road. We got to the end of the road, and it just stopped at a little village there. I said: "What the hell is the purpose of this road?" I never forgot that.

Later, when we flew over this road in Lesotho, I said: "This looks awfully familiar! Another Western Hills Road." I went back to the Mission Director and said: "I'm telling you. There isn't a chance of a 'snowball in hell' that you're going to be able to build that road with anything close to the cost you're talking about here. You are going through some incredibly difficult terrain." What was happening was that the original project, which had been proposed by the UN, had not been too difficult. It proposed going quickly along existing roads for the most part, with improvements in certain spots where it was not really passable. The idea was to make the road "passable," and it was proposed to make it workable so that people could travel from point A to point B ASAP. That was what was originally proposed. It made sense.

At one point, when I was down there with Don Reilly (REDSO engineer), we sat down and, for two days, we read every file on the road from the beginning of that project to the point where it then was. You could see how, step by step, this project had been "upgraded." I'm not blaming this on the technical people and the AID Mission people, but on the consultants. The consultants came in and said: "Well, you can't do this. You have to put bridges in here and tunnel through this corner." So we started out with upgrading a rural road, which could have been done quickly and not too expensively. Here we were, four years later, and the design of the road had become more and more "sophisticated" and more and more expensive. We were really now trying to do a major piece of highway construction through extremely difficult terrain.

I told the AID Mission Director: "My advice to you is: 'Don't do this.'" That was the last time REDSO [Regional Economic Development Support Office] was asked down to do any work for that AID Mission, until the Mission Director changed. The Director was very angry at what I had told him.

Q: Why was the upgrading of this road "incremental"?

LOVE: I've never seen anything like it. It was a classic case of "little by little" somebody would "upgrade" it a little bit. The next person would pick it up and then say: "Maybe we also ought to do this, but upgrade it." From making incremental changes...

Q: Were the road consultants involved in this process?

LOVE: Some of them were. Some of the suggested improvements were justified. I can't say that it was due to the Lesothan Government, because when I first went down to Lesotho, I went to meet with government officials. All of the senior positions in the Ministry of Roads were occupied by expatriate whites. They were not Americans. There was a young, black Lesothan who was "taking notes" at the end of the table. When I left REDSO, he was sitting at the head of the table, running the operation! The others were all gone. That was a step in the right direction.

This road project kept getting more and more complex as they went on. I said: "I'm telling you. You just can't do what you're talking about. You're going into territory that is extremely complicated. I don't know whom you are going to employ in this part of the world, unless you want to use South African contractors, which, I'm sure, you don't want to do, to come and build this road. So your mobilization costs are going to be high." However, as I said, the AID Mission Director didn't want to hear that.

I said the same thing to the U.S. Ambassador to Botswana about a week or two later. This road was one of the top projects on his list of what they wanted him to do. So, in effect, REDSO was "kicked out" of that AID Mission to all intents and purposes. Then Frank Correl came in. I told him the same thing also. Efforts were made to "cut back" the design of the road, which they did. However, they just should have "killed" the project, because, in the first place, they had wanted to do something in a hurry when the South Africans had closed off an access road to Lesotho. Now, several years had gone by and we hadn't completed the road. People were able to get into Lesotho. The South Africans began to loosen up. Even though, on paper, the South Africans hadn't agreed to it, we went to the border points and interviewed the people there. They said: "Sure, people are crossing the border all the time."

The underlying economic rationale for the road was gone. The political rationale may not have gone. However, we had "backed ourselves" into a highway upgrading program which was totally different in character and purpose from what had originally been intended. It had happened without anybody in the system, either in the field or in Washington or in REDSO, having had this road project placed in front of him and being told: "We're building a road from this to that point." It appeared in the budget. People said: "We're upgrading this road," but we really didn't see what was going on. It was kind of an interesting little lesson.

Q: From the political point of view, the pressure was to do it.

LOVE: Well, that's what started it. The political motivation was still there, but at some point the program motivation kind of shifted from dealing with the South Africans and the apartheid issue. At that point it became a question that at that point we had committed ourselves to the Lesothan Government to participate in the upgrading of an internal transportation route. This consideration became part of that relationship. It was a real evolution of the project.

However, regarding the rest of the infrastructure program, we did some work in Zambia on the upgrading of a road, known as the "Kafui" highway project.

Q: Was it in Zambia or was it in Zimbabwe?

LOVE: it was in Zambia, going to Zimbabwe. We did some work on that.

Q: Did you work with the Botswana Government, too?

LOVE: Yes. I'm trying to remember what we did for them. I remember going in there. That country seemed to be working out. We didn't see a lot of problems in Botswana, other than dealing with the AID Mission Director, who was my predecessor [at REDSO], Mr. Cohen.

Q: Lou Cohen?

LOVE: Yes. Lou Cohen kept saying: "You guys [in REDSO] are not spending enough time down here." We kept saying: "You guys don't have any problems down here. The government seems to know what it's doing, and your programs are okay." Cohen would come to the scheduling meetings and scream that he was not getting a proportionate amount of help [from REDSO]. So finally I said: "Okay. Stop. I want a tabulation. I want to know where everybody is going and has gone in the past year. I want to know how much time the different AID Missions get." We looked this tabulation over and, of course, Lou Cohen was getting about four times as much on any kind of relative ratio as anyone else. This was because he knew what REDSO was, he knew the people, he knew what he could get, and he knew what he could access. He was inclined to do that.

That was an interesting exercise. After we worked up that schedule of work done, we started posting it, in an attempt to keep track of what was going on. This was essentially a management problem. In REDSO, some of the people were screaming that they were forced to do more traveling than the others. So I said: "Okay, we'll put up another board right here. We'll have a look at what AID Missions get service and we'll have a record of who is traveling and where you go." Of course, as you would expect, the guys who were really traveling the most never complained. They would come back from trips, pick up a change of underwear on Sunday morning, and then go out again. When people started seeing what was really happening, all of the complaining stopped. Then a process of something almost like competition started out. When it was all over, we figured out that REDSO personnel were now traveling something like 20 to 25 percent more than they had been traveling before, a big increase in productivity just from these simple changes.

This was something that we "stumbled into." Basically, this was a way of getting rid of the complaining, because everybody could see what was going on with everybody else. Competition set in, and people started traveling more. When the Ambassador tried to cut our travel expenses, I said: "Now, we have 30 people here in this office. These people are now traveling 20 to 25 percent more than they previously did. That's equivalent to putting another seven or eight people in here, which you don't want to have in terms of the program presence. Now, don't tell these guys that they have to cut back staff and further increase travel because of what they're doing." So the Ambassador backed off. Overall, this controversy was helpful to us.

Q: Do any observations come to your mind about REDSO operations?

LOVE: The only other, main event that happened was another trip by an Ambassador. I think that it was Ambassador Hermann Eilts. He had been ambassador to Egypt. He visited Egypt, Kenya, and Thailand. He had this phobia about reducing staff, because the Mission in Egypt had "blown up" under him and he had not been able to prevent this. I was not there at the time of this visit. I was out on a TDY [Temporary Duty] assignment. My deputy was out, so Ambassador Eilts talked to others. I asked how the Ambassador's visit had gone. They said that it had been fine and that he had been very nice. Then he left.

I was home sick one day. The U.S. ambassador in Nairobi called me and said: "I have a cable from Washington which I have to answer today. I need your 'input.'" I said: "What does it say?" He said: "It recommends abolishing REDSO." I said: "What?" He said that this was part of Ambassador Eilts' report. I said: "May I come in and read the cable?" He said: "No, I have instructions that you may not read this cable." I said: "Well, can you give me a little hint of what's in it?" So he basically read it to me over the phone.

I got up, got dressed, went downtown, sat down, and drafted a memorandum to the Ambassador saying that here are the reasons why you should not abolish REDSO. We dug through some of what had been done by my predecessor in REDSO. When we finished with that, the Ambassador prepared a very good cable to Washington. I don't know what you guys were doing on the other side, but we never heard about this subject again. We set up a file and went back through all of our records and summarized every discussion and argument that had been presented on regional operations that needed to be done. We sent a copy of this file to REDSO West and said: "This is for your information. Anything you can send to us, please do it." Then I said to John Koehring, my successor: "This issue is going to keep coming up. The question is should we have REDSO's or not. The whole history of this bureau has recorded its expansion and contraction, and all of the fights about what you do in small countries. This is almost a problem unique to Africa."

What you had, as you know better than I, is that you had a different structure in terms of the number of countries covered and the small population, lower political priority, and how you handle something like that. You can't do it in the same way we did it with India

and Pakistan, Bangladesh, the Philippines, Bolivia, and other countries. You need different models, and I think that the Africa Bureau created some innovative approaches to dealing with this problem. However, AID Washington was under continuous pressure to get rid of establishments like REDSO and not have a field presence or not do business in small countries.

Toward the end of my tour in REDSO in Nairobi, and I think that it was during my last year there...

Q: That was in 1982.

LOVE: Yes. At that time the AID Missions, as I have said, had been strengthened quite a bit. There was a pretty good Mission structure, and a pretty good collection of AID Mission Directors and AID Representatives there. They were pretty senior people. This was also a period when AID had been pushing on delegations of authority to the field, which they had done in a number of the major AID Missions.

I remember a regional meeting in one of the smaller countries in West Africa. I guess that it was a conference of AID Mission Directors, because the Berg Report was presented at that point, and we discussed that. Then we got into a big discussion on the delegation of authority. The AID Mission Directors wanted more authority in the field. Then the question became how could we do this, because the various Missions didn't have enough staff. They didn't have procurement people, they didn't have lawyers, and they didn't have some of the key people that they needed. It really wasn't practical to try to put all these skills in the AID Missions.

So the first proposal was to give this authority to REDSO and let REDSO do it for the AID Missions. I don't know whose proposal this was. My feeling was that I didn't want that responsibility. That would put me in a position with the AID Missions of giving approval or disapproval that was inconsistent with the partnership relationship we had. I said that if you do that, you're going to destroy my relationship with the AID Missions.

Even though some of the Mission Directors were prepared to do that, I said: "No, I don't think that that is a good idea." So we eventually hammered out a procedure under which authority would be delegated to the field or, on a shared basis, between the AID Missions and REDSO [Regional Economic Development Support Office]. We would then hammer out the details under which this would be done.

It might be that we would send a lawyer down there, if that was all they needed. If they were a little too weak and needed more "in depth" effort, we would do these things together. So we were able to promote delegations of authority on approval. More importantly, we were able to push implementation authorities, because I always felt that implementation authority was far more important to have in the field than "approval authority." At some point we would have to ask Washington's approval, anyway. We had to be on the same "wave length" in what we were trying to do, whether we signed the "titular authorization" in the field or not.

However, when we got down to implementation authority, we really didn't want to be dependent on having Washington involved in these things, unless what was involved was a really huge, complex, procurement authorization and we wanted it in the field. Anyhow, we hammered out delegations of authority to the field. That put us in a position where we would have been able to do more of the innovative things that we did in Zimbabwe.

Again, I think that the Africa Bureau was supportive and willing to try something new. There was no precedent in the agency for anything like this. You either got such approval or you didn't get it in the other bureaus. There were some regional authorities running around in Latin America but, for the most part, the Africa Bureau did the innovation. I think that this worked pretty well.

Q: You can add more later, but what happened after that?

LOVE: After that, Frank Ruddy asked me to come back to Washington.

Appointment as Deputy Assistant Administrator, USAID Africa Bureau - 1982

Q: He was the Assistant Administrator of AID.

LOVE: He was the Assistant Administrator of AID. I don't know all of what happened, but he came to me at a conference in Africa and said: "Would you come back to Washington and work with me?" He and Peter McPherson, [AID Administrator] had been in conflict on some things. So when I got back to Washington, we ended up with three Deputy Assistant Administrators in the Africa Bureau. I don't think that there ever had been more than one Deputy Assistant Administrator in the Africa Bureau before that.

Q: I think that there had been constant pressure on the Africa Bureau to have more Deputy Assistant Administrators to cover all of the functions. My approach had been to strengthen the geographic units and try to elevate the directors of the units, rather than put Deputy Assistant Administrators over them.

LOVE: Well, at that time, the World Bank had a Vice President for West Africa and a Vice President for East Africa. So they were split. Eventually, they merged again. There was apparently some feeling that the authority should be broader. I don't know whether this pressure came from Frank Ruddy, from Peter McPherson, or from whom.

Peter McPherson had asked for someone to help him out. Anyway, eventually there were Frank Correl and myself and Phil Birnbaum, an economist who subsequently went to work for the World Bank as part of the SPA.

Q: Was this Phil Birnbaum?

LOVE: Yes.

Q: He was the Deputy Assistant Administrator before that, before my time.

LOVE: Yes, but he came back again for a brief period.

Q: I didn't realize that.

LOVE: So, in the summer of 1982 I returned to Washington. Frank Ruddy told me that I was "his" Deputy Assistant Administrator. Peter McPherson put Birnbaum in.

Then we had the problem of sitting down and trying to hammer out how in hell the three of us were going to work. Frank Ruddy didn't take much interest in how we worked it out. One person supervised East Africa and one person supervised West Africa. Then I played the role of "senior" Deputy Assistant Administrator. I took care of personnel, administration, and other matters.

We sat down, shut the door, and there were the three of us. We said: "Okay, how are we going to do this without falling all over each other and without friction? What are the 'ground rules' going to be and can we work together?"

That worked out all right, except for Frank Correl. The problem there was that Frank just didn't like the bureaucracy. Of course, I had known Frank before when he was in the Asia Bureau. He's always been a contrarian. Frank did a first rate job as AID Mission Director in Lesotho. He handled the Embassy and the Ambassador beautifully. His Mission staff liked him. They were happy and productive. Then when he got back in the bureaucracy, he started reverting back to his extremely cynical, caustic personality.

He stayed in Washington for about six months and then went off to Sri Lanka as Director and eventually retired from there. Then a couple of things happened. One was friction among the "political appointees" in AID Washington. There was Peter McPherson [AID Administrator]. Then John Bolton was the head of PPC [Program Office]. He had first started in as GC [General Counsel of AID] and then shifted over to the PPC. Bolton was the "voice of the conservatives"; Peter McPherson was more moderate. Ruddy and Peter McPherson got more and more at odds. Ruddy lasted for a while and then moved on..

We had some real policy problems. We had the population issue. I remember that. Every time we did anything on population, we looked at it to make damned sure that we weren't somehow financing somebody who was giving abortion counseling and advice to teenagers or something like that. Ruddy was really "up tight" about that. These issues would be really "controversial" with the conservatives, and demanded close scrutiny.

The population issue was one thing. However, other important issues that "popped up" involved broader political questions. The first one to come up was Ethiopia. I remember that one so well. Fighting was going on in Ethiopia, people were being displaced, and the drought had hit. You remember, the drought in 1984. We were trying to put through a "block" of food aid for Ethiopia. There was a group of people in Congress who believed we should not provide food to "those communists in Ethiopia." We were blocked at the interagency working group on food aid. We couldn't get this food aid "busted loose."

People were dying!

Weeks went by. The food was available. The budget was no problem, but opposition remained. Congress didn't want to authorize this food aid. I came home one night. I remember sitting on a couch. I turned on the TV evening news, and a Kenyan-Asian was on. He said: "I am here in Ethiopia. We are now in Mak'ele." He was standing by himself on a hill. You couldn't see anything behind him. There was almost nothing in sight. He said: "Behind me is Mak'ele." Then the TV camera started moving toward the village. It got closer and closer, and then you could see the village and a group of people. Eventually, we were looking at this kid, an emaciated little baby standing there with his mother. I turned to my wife and said: "Tomorrow morning we're going to have no trouble getting that food aid through."

In the next couple of nights it was on all of the other evening news broadcasts. So we had "coverage" of Ethiopia. On the following day or, perhaps the day after, all of the "stops" were pulled out in terms of food aid flowing into Ethiopia, communism or no communism. We were able to engage in the first stages of what became the enormous effort of handling the drought in Ethiopia. At the time, we were prohibited from giving aid to Ethiopia in the Foreign Aid legislation, unless it was for humanitarian purposes. There was always that exception. There was the same kind of prohibition and exception on aid to India following the nuclear explosions.

So we started that process. I remember that by the end of the year, when I added up all of the bills, we had put more money into Ethiopia, by far, than into any other country in Africa. All of this aid had gone through a humanitarian conduit. The public supported this aid. We saved thousands of lives. The willingness to provide help to political adversaries in cases like this is a credit to the U.S.

There were some interesting aspects of the program. I worked directly on the Ethiopian drought, because it cut across the regions at the time. I did a lot of the liaison work with the NGO [Non-Governmental Organizations] community at the time. A couple of important lessons emerged. First, in Ethiopia we were working 100 percent through the NGO community. There was a well-established, NGO community in Ethiopia.

While we were able to get the "green light" to help Ethiopia, we were not able to put in money through the Ethiopian Government apparatus, even though the Ethiopian RRC [National Relief and Rehabilitation Administration] was still there and was still a pretty damned effective operation. There were times when I felt that the RRC would have been a good, complementary conduit to use. However, politically, we just couldn't do it. We just couldn't allocate any money to the Ethiopian Government. And that was the right position.

So we put money in through the NGOs. Of course, the NGOs had developed a substantial capacity to operate in Ethiopia. They were well connected on both sides of the fighting. They could move across the front lines and deal with both sides. This made them very effective when the front line moved, and the people "bounced back and forth" from one

side to the other. They were able to deal with this. At the end of the day the loss rate on food delivered in Ethiopia through the NGOs was lower than it was in standard programs going through the Government channels in other countries. So the NGOs were efficient and effective. They were able to "bridge the gap" in this situation. The Ethiopian Government did not attempt to hamper food aid. Nor did the Eritreans, for that matter.

I think that both sides felt that letting the food aid get to the people was in their overall, best interests. So despite the fact that there was a war going on, and sometimes roads were "cut" and so forth, the food aid flowed pretty well. Working through the NGOs was a very effective mechanism, and the Ethiopians were very cooperative.

To handle this, however, Ted Morse was brought in, and a special office was set up to deal with the drought situation and the problems of doing that. We maintained that office until it kind of "died out" in 1985 or 1986 or somewhere around that time. I think that there was also a lot of "back and forth" on what did OFDA do, what did the Africa Bureau do, whose responsibility was it, should we be turning this problem over to the OFDA, or was this program really part of the Africa Bureau's responsibility? Was this "diverting" our money and people away from their normal functions?

My feeling was that we used OFDA as much as we could, but the Africa Bureau obviously couldn't turn its back on this. It was our AID Missions that were doing everything out in the field. First, we had to be "front and center" in providing food aid. We couldn't say that we were conducting our "development" activity while the NGOs provided food aid to the people. Outside of the special case of Ethiopia, we started looking at drought conditions in other parts of Africa. One such place was in the Sahel area [of West Central Africa], where drought conditions had gone on for a long time. We realized that this was part and parcel of a long term, development agenda. We had to deal with living in a drought environment and had to deal with the problems that were there. We had to create a mechanism, by which these countries could respond to what was going on. That was part of the development agenda. Our AID Missions had to be involved in that, as did the Africa Bureau in Washington.

West Africa was further ahead in dealing with drought conditions than East Africa was, because of the "crisis" in the Sahel area, which had been going on since the 1970s.

However, the controversy over the administration of the Ethiopian program went on until just before the end of this effort. Eventually, we shut down that special office for providing aid to Ethiopia. I think that the OFDA was pretty good. I don't think that we did as good a job of learning the lessons from it as we might have done. We documented a lot of what we did in terms of techniques used. Of course, people had gone back and "picked up" a lot on what had been done in West Africa and what didn't work in the Sahel area in terms of techniques. When we were through, we made an effort to try to put together some handbooks and looked at some of the procedures that had been developed. When this happened again, we could deal with it.

Still, after the rains came, people forgot pretty quickly about what had been happening in terms of the drought. We were able to get something concerning drought aid into the G8

[Group of Eight Most Industrialized Nations] Bonn Summit Meeting. We had a special working group set up in Bonn following that, which the Germans "chaired." We had two sessions on steps that we might take to help Africa prepare for problems like this in the future.

I remember that because the British delegate who was sitting next to me at the meetings was from the old Colonial Service. He was a very smart fellow. We had been discussing the drought and all of these problems. He said: "Well, what about the locusts?" We just looked at him. He said: "Remember that frequently in the course of the history of Africa, after you've had a drought for a period of time, conditions become propitious for a population explosion among the locusts. If you look back over the history of this century, you'll see that this is true." Of course, we hadn't seen any locusts yet. However, we were about to see them, and in spades, in about another year.

Anyhow, we had a high level meeting. The group put a very interesting document together. This was a document in which the participating members of the G8 group spoke about steps that might be taken to help Africa follow up on the drought. For the most part the document was drafted because the G8 group instructed us to do so. Actually, it was a pretty good document. However, there was no mechanism in place to follow up on this document. The only good thing that I can remember as coming out of it was that it was helpful in getting the Special Program of Agricultural Research set up.

The reason that happened was that I had gone to a meeting where the World Bank was chairing a meeting to set up a special program for agricultural research. I remember that meeting because the French representative made a point of standing up, in typical French fashion, this was a "dumb idea" and that we shouldn't be doing it. So we couldn't reach a consensus at that meeting.

Then, the following week, I went to Bonn for the G8 meeting follow-up. We got around to the subject of agricultural research. We talked about it, and I said: "Look, I went to a meeting last week, and everybody around this table seemed to feel that supporting a program of agricultural research in Africa would be a good thing to do. However, we can't get this idea off the ground in the World Bank because the French delegate thinks that it's a 'dumb idea.'" The French representative at this meeting said: "We don't think that it's a 'dumb idea.'" I said: "Well, go back to Paris and talk to your associates. There's a follow-on meeting next week." The French representative said: "We'll do that." So the next week, when I arrived at the World Bank meeting, the French representative walked in, sat down, and said: "I want to tell you that France thinks that this is a good idea and that we should get on with it." So that's one concrete result that I can remember as coming out of it.

At the same time, the other aspect of the drought problem was one where the Africa Bureau of AID did a pretty good job. There was an aspect of it on which President Reagan, after looking at pictures of what was happening in Africa, said that we should have an African initiative. He set up an interagency task force which met for months, basically under NSC [National Security Council] leadership, to look into where we should go in Africa. We had a working group on economic affairs and on all sorts of

things. We didn't really address the question of drought, drought prevention, and so forth. We looked at the more traditional areas of concern. I said: "Remember the time and think about what we should be doing about this." We never did anything. I've always kicked myself since then for not putting this problem, "front and center."

The fact was that we had these problems (disasters) in Africa to deal with. We also should have put the political problem on the table, too. That is, civil wars. If you don't deal with natural and man-made disasters in Africa, you're not going to get to the framework of what needs to be done.

In any event, we didn't do either one of them. We didn't deal with the question of man-made or natural disasters. I think that that has turned out to be a real problem subsequently. These problems have continued in Africa. They have dominated the situation. We talked a lot about economic problems, including debt issues, debt forgiveness, and what might be done there.

I think that we probably made some progress on debt, although the U.S. Treasury representative was emphatic in saying that there would be nothing in any document that would indicate any willingness on our part to waive the repayment of a "nickel" of debt. He said that if anybody mentioned this subject outside of this room, the New York stock market was going to "crash." Treasury was "stonewalling" on the debt question.

OMB [Office of Management and Budget] was not. OMB was saying that maybe we should be thinking about ways to forgive some of the debts of the African countries. The OMB representative said that this was going to have to be done. And, of course, this is what happened, eventually.

It was out of those discussions that some of the ideas emerged which led to the creation of the Development Fund for Africa [DFA]. The view was expressed: "Isn't there some way that we could come up with a special initiative for Africa?" So the concept of a special initiative for Africa subsequently led, over the course of a couple of years of discussion, to creating a different mechanism for Africa. I'll try to get into this later.

I think that the interagency task force did some good work. It came up with some good recommendations. However, it was "flawed" in a variety of ways. As I mentioned, it didn't deal with the continuing problems of natural disasters in Africa and it ignored the primacy of civil wars and civil unrest, which were characteristic of the area.

I was on the working group that looked at the question of how we could follow up on these discussions and how we could create a mechanism for interagency coordination. We went back and looked at the legislation on different things that had been done. Of course, we found that there was a history of efforts made over the years to create mechanisms for interagency coordination. These included the parent organization for AID.

IDCA (International Development Cooperation Agency)

Q: IDCA?

LOVE: Yes, IDCA itself. These efforts had all failed. The only example of interagency coordination that had worked, and worked fairly effectively, was the "Wheeler Group."

Q: What was the "Wheeler Group"?

LOVE: The Wheeler Group was set up under the initiative, principally of Princeton Lyman, who was Deputy Assistant Secretary of State for Africa at the time. It was an effort to try to get the U.S. Government to focus, on an interagency basis, on the macroeconomic problems facing Africa. At that time Joe Wheeler had just been replaced as Deputy Administrator of AID but hadn't yet gone on to his new job as Deputy Director of UNEP in Nairobi. So Joe came down to the Africa region and he and Princeton Lyman worked together. I remember that this effort worked very well. It was dubbed the "Wheeler Group." It was set up on the assumption that this group had no legal status, as such, in any organization. It was not run by anybody, so it didn't tread on anybody's bureaucratic toes. When they started it, there was a question as to whether the Department of State should do this, the Treasury Department should do that, and which government department was going to do something else.

It was finally decided that, bureaucratically, they couldn't come to an agreement on how this might formally be done. So they kept it as an informal exchange of views and as a "non group," for all intents and purposes. They just did it. They did it because the agency representatives felt that it was in their best interests to sit and discuss these various issues. Joe Wheeler ran it. I think that it may have gone on for a year or even longer. I thought that it was a wonderful example of successful, interagency coordination, because nobody tried to "throw the gauntlet down" and solve the question of who had jurisdiction over it.

By contrast, the IDCA model never was really used, because the U.S. Government didn't want to use it. We also went back and looked at the legislation establishing the Interagency Working Group on Food. This was a subset of a broader piece of legislation that had been passed earlier. This earlier legislation also had created an interagency mechanism. However, the only one that actually functioned was the Interagency Working Group on Food, because there was a need to do it. The other parts of it remained inactive.

So there was a long history of efforts to arrange for interagency coordination which hadn't worked. We tried it. Peter McPherson, the AID Administrator, had chaired a number of meetings of an interagency follow-up to President Reagan's African initiative, after the work was all done and the report was prepared and approved. In the course of, perhaps, three meetings, attendance declined from the principal agency representatives to the next level below that. Then it was over with. It was totally unsuccessful.

So if there was an issue that was sort of "agency specific," people from that agency would take it and run with it. For example, this would apply to people working on the debt problem and on other matters. I'm not saying that the combined, interagency approach

was useless, but the problems involved in trying to coordinate on the followup were just tremendous.

Q: What did this group come up with?

LOVE: We just discussed the needs of Africa, what was the need for program financing, and how could the necessary resources be pulled together. Then we simply went through the situation, country by country, and discussed what was happening in these areas. It gave us a view of what the IMF [International Monetary Fund] was going to do and also gave us a view of what was involved in the changed thinking of the World Bank. We discussed, in particular, the coordination or lack of coordination between the World Bank and the IMF, in terms of their evolution of a common strategy.

We also discussed the question of debt and what we were going to do about debts. Then there was the question of the resources gap and how to invest our resources. We talked about trade and other issues that went along with it. However, the macroeconomic issues were driving the discussion.

Q: Did you come up with specific recommendations?

LOVE: By country, yes. There was a lot of discussion on Sudan in particular and, I think, Zambia and Liberia.

Q: Did you come up with some major, new initiative?

LOVE: The discussion did not result in a major, new initiative. I think that what the discussion did was to help set the stage, throughout the administration, for thinking differently about what we were doing in Africa. Clearly, this discussion helped prepare the way for what eventually became a very "permissive" attitude toward debt forgiveness. That discussion took place early on in the process. Then there was a shift into more program assistance. However, we were some distance away from the FTA [Free Trade for Africa] issue. That didn't pop up until later, but it was the beginning of the process. Even though it didn't come up with a total pronouncement on a change in U.S. policy, it started the process of bureaucratic "vetting" and thinking. I think that this discussion helped individual agencies feel that the attitude throughout the U.S. Government was probably in favor of going in this direction. We weren't going off by ourselves in this respect.

Q: What were some of the other areas and initiatives that you were trying to consider and implement in running the Africa Bureau?

LOVE: One of them was the one you started on. The first question was what we could do to continue to strengthen the personnel of the Africa Bureau. The Africa Bureau had always had difficulty in competing with the Asia and Latin America Bureaus in terms of recruiting people. So, even though a lot of progress had been made by the time I got back to Washington, this issue was still a challenge. We kept working on the personnel issue

and particularly just went directly to the other bureaus. Management studies on this subject were worthless. We needed to have our operating people work on this. We even tried, on a person by person basis, to "steal" people from other bureaus.

So I was doing this from the position of the DAA. I would call up a junior employee and say to him or her: "Look, maybe you should consider doing a 'rotational' tour in REDSO [Regional Economic Development Support Office] Western or REDSO Eastern and in your specialty," and so forth. I think that we had a lot of people trying to popularize the perception of Africa as a place where things could work. That was one of the things we did. I continued to work on trying to strengthen the capacity of the missions in the field, although they were pretty good by then.

From the program point of view, we were diverted by the drought in northeastern Africa, where it started out. This took up an enormous amount of time. We had fewer problems with drought in the Sahel area of West Central Africa. Droughts were developing in southern Africa. We had the drought problem which we went through in Zimbabwe.

We had a major problem with Mozambique. We had sent a group of people into Mozambique to look at starting up a program. This group went down from REDSO East, together with some people from AID Washington. They looked over Mozambique as a program option and came back. Word of that trip got back to Congress. At that time Mozambique was in the middle of a drought, and there was also a civil war going on there. The country was in deep trouble.

I remember that we were talking about proposing a food aid package for Mozambique. There was a major meeting in the State Department, chaired by the Counselor to the Secretary of State at that time [Ed Derwinski]. He was a big fellow who, during the next Congressional session, went to take over the Veterans Administration. Something like 50 people attended this meeting. We talked about Mozambique, and Derwinski said: "This is the 'right' thing to do. This is in the tradition of the United States. We're going to help these people." So I thought that this was all fine.

However, that was before we heard from Congress. After we heard from Congress, I told the Administrator, "Three days ago, everybody in the building supported setting up a program for Mozambique. As of today, people are reluctant to go 'on the line' to do something for Mozambique. People are saying that it is Mozambique's communist policies which have screwed that country up. They are ignoring the drought and they're ignoring the civil war. Obviously, Mozambique's communist policies have been a major factor in this situation, but these are not the only aspects."

The underlying, political issue in this program, and what the Mozambicans were saying was that they were really "fed up" with what was going on in their relationships with the communist countries. All that they were getting out of the Russians was that the Russians were coming down, scooping up Mozambican shrimp, and going home. Mozambique wasn't getting any economic support, the country was "going down the tubes," and they were making no progress in fighting the civil war. So they wanted a change. I think that

there was a political "signal" out there. I think that it was important that we took that signal into account. The subsequent evolution of what happened in Mozambique supports this.

Q: AID started a Mission in Mozambique?

LOVE: Yes, but not for a while. We just started some food aid going in there at first. Then, of course, eventually, when the "communist wall" came down, we expanded it. By that time, Sumara Machel was of a mind to do something different. He could see what was happening in Zimbabwe. I remember that one of the first things that Mugabe did was that he renamed the main street in Harare, the capital of Zimbabwe. Then Sumara Machel came on a visit to Zimbabwe, and the Zimbabwean Government renamed the main street, "Sumara Machel." Machel came, looked around, and was quoted in the press as saying to Mugabe: "I thought that this was the country that the war was fought in. This country is in great shape. Compared with it, Mozambique is a disaster area."

Machel was influenced by looking at what was going on in Rhodesia/Zimbabwe. He and Mugabe were obviously very close. Machel was ready to change directions and become more active in the "SADCC" [Southern Africa Development Coordination Council] operation. The SADCC operation was beginning to get under way at that time. So if you look at it with hindsight, you can see there were signals for a political shift, if we were prepared to support it. However, some people in the U.S. were hesitant to help an alleged "communist" country.

Q: That operation that you mentioned, were you associated with it very much?

LOVE: Not a lot. Actually, I didn't do much with SADCC. SADCC hadn't gotten very far off the ground until the latter part of my time as DAA [Deputy Assistant Administrator]. I went to a couple of the regional SADCC meetings. Of course, we started struggling with the question of how to structure a presence in southern Africa which would be more responsive to the situation. There was a feeling that we needed a regional office in southern Africa. That would be more consistent with what was going on.

Of course, we all wanted to locate that office in Harare, Zimbabwe. This was because everything was better there. The housing was better, communications were better, and so forth. We were beginning to set up a structure that would be a little better positioned to "interface," not just with the southern African region, but with SADCC. I'm not saying that the programs were the same. They weren't. However, we wanted to begin to do that.

At that time SADCC hadn't really kind of "settled down" in its Botswana home, which it subsequently did. We tried to deal with the question of where was the best place to operate in southern Africa, what would be involved in it, and what were the factors bearing on it. How would we do this, what would be its impact on the AID Mission if we did this, and so forth?

However, SADCC was getting started. SADCC at that time was still basically "driven" by the "front line" states mentality. The primary consideration was dealing with apartheid

in South Africa. Secondly, Angola and Mozambique were "out of the loop." Malawi was "struggling," because it had so many refugees from Mozambique, and Tanzania was not a significant factor. So it was not yet a very cohesive operation.

However, they were a big apparatus, and they had different groups set up to take care of the different specialties. They were busy grinding out papers and project priorities but they hadn't yet reached the point where they were beginning to grapple with some of the real issues of regional integration. In other words, what kind of system were they going to set up and how this was going to work. There were discussions about the "Club du Sahel," whether there were better models, and so forth.

The southern Africans went their own way. They made a conscious decision that they did not want any kind of "supra-legal body" involved in there. This was going to be a coordinating operation, and national independence was going to be paramount. They didn't want regional institutions which had major, operating responsibilities. I'm not sure that they totally held to that view, but I think that, for the most part, they have tried to do so.

So I think that these were the first stages. A lot of the stuff that was coming out was "want lists." They identified the airports and roads that they wanted. This was really an effort to get "donor funding" for the activity concerned. I think that getting to the next level of sophistication in terms of the way in which they looked at it was a way of discussing their mutual problems. They were trying to come up with regional approaches to resolving them, as well as moving toward regional integration. This was something that was yet to come.

EEC [European Economic Community] representatives were making speeches to the effect that SADCC should be looking at areas of greater, regional integration. However, at that time the southern Africans were not ready to go anywhere close to the European model, and I don't think that they are today.

Q: What other programs were you dealing with during the time you were there?

LOVE: Let's see. We had the Liberian mess, in which we were trying to deal with the consequences of Sgt Samuel Doe overthrowing the Liberian Government.

Q: Let's discuss the Liberian situation.

LOVE: The Liberian situation hit first, when I was still in Nairobi. I remember that the State Department and other organizations were trying to see if we could find some way to help the Liberians. This was the situation initially. Then, of course, Sgt Doe evolved in his outlook, as we all know. He went from "Sergeant" to "General." Liberia was in a state of continuing, economic disaster and political instability.

The AID Administrator agreed to send a team out to Liberia to work with the Liberian Government in "restructuring" their system of financial management. The idea was that

Doe would receive this team, and they would "attempt to create" a system of financial management of Liberia and seek to solve some of these problems.

Peter McPherson picked up a phone and called the AID Mission in Cairo and asked to talk to the Deputy AID Mission Director, Frank Kimball's deputy. He had been the AID Mission Director in Tanzania previously.

Q: I remember him.

LOVE: I guess that this Deputy Mission Director in Cairo was getting ready to retire, anyway. Peter said to him, over the phone: "I'd like you to take this job of advising the Liberian Government." He told Peter: "No way." Then Frank Kimball, who was also near the phone in Cairo, said: "Give me the phone." Frank got on the phone, talked to Peter McPherson for about five minutes, and then said: "I'll take that job." So Frank resigned from AID. I said: "I wonder why he would do that." Anyhow, Frank Kimball retired, joined Price Waterhouse and went to Liberia. He got his own "vault" and started trying to come up with a system of financial management under Doe in Liberia. This, of course, was "problematical."

There was a history in Liberia, going back to the foundation of the country, of the American Government trying to help the Liberian Government to organize its finances. So Frank Kimball went there and tried again to do this job.

Q: Was Kimball and his team actually working in the Liberian Government?

LOVE: They were in the government. They were taking control over the financial disbursements of the Liberian Government. They were keeping the books, paying the bills, and everything like that. They had actually assembled a unit to go in there and do that. The purpose was to reestablish confidence in the ability of the Liberian Government to manage its money. At the time everybody figured that the money was "leaking out of the holes" in the system of financial management.

Q: I suppose that we were providing a fair amount of money to do this.

LOVE: Yes, we were providing a fair amount of money. Kimball probably had the "right" personality for doing something like this. He was tough enough and he was able to deal with this. However, of course, eventually the Doe Government was overthrown. It turned out to be an extraordinary contract. I guess that Frank Kimball was in Liberia for about a year. It was a violent effort, but was the kind of thing that you just can't do for long.

Q: I think that they had problems with the funding.

LOVE: They tried to build around the Liberian financial system something that would keep it working. It was just a "patchwork" effort to try to solve an underlying problem which we were never going to solve that way. However, at that time the State Department

felt that Liberia was so important politically that we had to try to do it. I don't know how much money we poured into Liberia, but we poured a hell of a lot of money into there over the years. When Sergeant Doe took over, our whole effort to support Liberia was threatened, because there was no viable, honest, political solution in there. So there was no way that you could really compensate for the problems. However, the contract helped insure oversight of the taxpayer's money - even if it didn't solve the long-term problem.

Now, as to the situation in the Sahel area, I didn't spend as much time working on West Africa when I was Deputy Assistant Administrator of AID. The Sahel program seemed to go along pretty well, except for the one case when we ran into the Senegal River basin. The outline of this program must have been four inches thick when it reached AID Washington. It got to be very controversial. It got into this whole problem of whether or not, in developing the Senegal River basin, they were going to grow rice and what were the economic considerations involved in doing this.

David Shear had a very ambitious program to go in and develop the Senegal River basin. It was somehow tied in to the construction of the Manatali Dam project, which the Europeans were financing. We had agreed to participate in that by doing a resettlement analysis on how to take care of the people who would be displaced by construction of the project. We also agreed to consider some of the environmental impact of this project.

What David Shear and the AID Mission in Senegal were doing was trying to develop activity "downstream" from the Manatali Dam that would take advantage of the water held in the reservoir above the dam. I thought that the Manatali Dam looked as if it wasn't going to have any economic benefits, even if you wrote the capital costs off from the very beginning. Here was a classic example of the Europeans being very interested in promoting their exports of equipment and getting big construction and equipment supplier contracts out of that project. This was not dissimilar from what they tried to do with the Bardera Dam in Somalia, which never quite got "off the ground." It was similar to what they tried to do with one of the small dams in Kenya. The Europeans were fairly consistent in trying to push these major, infrastructure projects, partially by export credits and partially by donor and bilateral funds as an export operation. In the process they frequently became involved in building projects which were not economical and probably should not have been attempted in the first place.

So the Senegal River basin development project got to be controversial and was "kicked upstairs." I thought that this project was proposed to be built in a very, very tough area. David Shear took me up to visit the area. We walked around this godforsaken stretch of sand along the water. I said to him: "David, how can you do this? You're going to irrigate this land and bring all of these people in here. You're going to create communities to manage the irrigation system. In Asia, where people have been handling irrigation systems like this for centuries, we can't get them to manage these systems and pay the bills. In Asia these are the same families, the same culture, and the same communities of people who have grown up in a system of irrigated agriculture, which we are trying to improve. The success rate is still low. Here you're going to move people in from all over the country. Many of them are not farmers. You are going to put them in this

environment. Aside from the technology of doing this, it seems to me that the social aspects of what you're doing are 'mind boggling.' Irrigation is tough in Asia, but it's even tougher in this setting.

I don't what eventually happened to the Senegal River basin development project.

Q: Was the project turned down?

LOVE: No, but the project was cut way back and redesigned. If I remember correctly, they were set to go out and do some pilot studies on the project. How it ever evolved, I don't know. There were different questions about what the purpose of the Senegal River was going to be. There also was a conflict. Part of the problem is that we were handed the Manatali Dam as a given aspect of the situation. The construction of this dam, at that time, was a foregone conclusion. As a result of the construction of the dam, it would be possible to control the use of the water in the reservoir, but only at the cost of partially displacing the relatively successful, recessional agriculture along the river. So water use got to be very controversial.

Overall, I think that the program in the Sahel seemed to be coming along very well. The Club du Sahel seemed to be working, and the Africans seemed to be working together relatively well. They seemed to be making progress in resolving the food security problem and were hammering out agreements on how to do this. Maybe some of the individual activities were not all that they wanted them to be, but overall the effort was succeeding well.

Also, a "Famine Early Warning System (FEWS)" had been put in place during the 1984 drought, also built, to some degree, on experience that had come out of the Sahel. FEWS continues to this day, although why it isn't yet "institutionalized" in the African governments is a concern.

Concerns with West Africa at this time, and my problem with the Club du Sahel was not so much its manner of functioning. What we were looking at in West Africa was a program born out of the shared misery of the 1920s drought. Mechanism were created to do that: the Club Du Sahel and the CILSS. On the other hand, the economics and the history of West Africa have the coastal states playing a key role in this region. The trade routes go north-south, not between Chad, Niger, and so forth, but between Niger and Nigeria and Chad and Nigeria. I used to wonder: "Why can't we focus on a regional mechanism that begins to deal with the integration of the Sahel countries and the coastal countries of West Africa?"

Of course, there were problems. There were the problems in Liberia and Sierra Leone, there were problems in Ghana. The coastal states of West Africa were not the most stable areas in which to operate. The population was flowing South, goods were flowing South, and the entry ports were overwhelmed. My problem was a conceptual one. We should be thinking of West Africa in a broader, more integrated fashion than we were doing. The future of the Sahel area, over the long run, was going to be tied to its ability to work

effectively with the coastal countries. We really didn't have the programs in place to do that.

I remember discussing this with the State Department, with Princeton Lyman when he was there in Washington, and with him later on, when he was Ambassador to Nigeria. I had the same discussion with Roy Stacey at the 25th anniversary of the Club. When he got through, I said: "Roy, where are the coastal states in here?" The politics of the Club were looking at that, even though I thought that the background work that they did for the Club's 25th anniversary included some really interesting material. This material showed the changes in the dynamics of population growth in West Africa and the changes in the economic focus. What was happening and what had happened during the previous 10 years were so clear. The population dynamics had changed. The Sahel countries were becoming more urban. Coastal countries and the Sahel were increasingly linked economically.

Q: Did you have any dealings with ECOWAS [Economic Community of West African States] in that context?

LOVE: Yes, we talked about these problems with ECOWAS. I thought that, outside of the Club proper, West Africa was a "graveyard" of skeletons of regional experiments. Was ECOWAS funding the agricultural research out there?

WARDA (West African Regional Development Association)

Q: Well, there was the "WARDA" research station in Liberia.

LOVE: That was called the "WARDA" station. We didn't do too much with ECOWAS. We had a big program with WARDA, whose headquarters were in Liberia. Did they have something going on in Sierra Leone? In West Africa we were getting involved in the same problem as we actually had with regional institutions in East Africa, particularly with the "Remote Sensing Center." These regional institutions were created with financing from aid donors; and apparent political participation by the recipient countries.

However, the major problem was that these countries never really took over the "ownership" of these facilities. Because these programs were "regional," they very quickly attached themselves to the Africa-wide standards for living, cars, schooling, and everything else that went along with them. The cost of running these institutions began to get very high. The participating governments, which were usually not in particularly good, financial condition, stopped supporting these allowances.

In some cases, we seemed to want these institutions more than the local politicians did. Many of these countries just wouldn't put the money up to support them. It wasn't that they had a lot of money available. They didn't. But, the problem was actually more deep-seated than that. In the case of the "Club" and the "CILSS" I think that there was a continuing commitment there. In the case of some of these other institutions, such a commitment may have been there at one time, but it started to disappear, and the other countries were no longer willing to carry these things. In any case, they didn't work.

Q: Did you spend much time testifying in Congress?

LOVE: I spent a lot of time there.

Q: What was your experience?

LOVE: Regarding testifying in Congress, defending the Zaire program was not enjoyable. I remember testifying before Senator Daniel Inouye [Democrat, Hawaii], sitting in that little room across from the Senate chamber. I was sitting five feet in front of him. He would look me in the eye and say: "Mr. Love, I want you to tell me why the United States taxpayer should be giving more money to President Mobutu."

Q: Did the State Department finally handle that question?

LOVE: No, the State Department didn't handle that question and was not about to do it. I just said: "We're not giving money to Mr. Mobutu. Our request for funds covers projects which are under our control. This is what we're doing, and this money is not being drained off by Mr. Mobutu. It's going for the needs of Zaire. We think that it's doing some good, despite the fact that we know that there are problems." Senator Inouye accepted that. Jim Barnes, a Republican Senator, jumped in from the other side of the table and helped me.

Q: Give me a little bit more about the Congressional testimony, since that's what we're talking about.

LOVE: I guess that there were two aspects involved in Congressional testimony. One was the "normal" hearings that went on in terms of defending the program in the budget, which I found "not too frustrating." Actually, at that stage of the game, there was some pulling and hauling between people that were security-oriented in what they wanted to do and people who were more development-oriented. So we had different, small groups up there, in terms of the different committees, who were interested in the program.

Regarding the House Appropriations Committee, especially under Obey. I found the Appropriations Committees far more active, more responsive, and more action oriented than the Committees that handled the budget authorizations. The Committees handling the budget authorizations had some interesting hearings, but they were never able to deal successfully with an authorization bill. As a result, by default, the hearings which you knew were going to count were those conducted by the Appropriations Committees. There were staff people like Congressman Jim Bond, and so forth, who, through some astute handling of the appropriations bills could in fact, so to speak, create new authorities to spend money. Your ability to go up and try to get a new authorization bill approved never quite resulted in anything. Come to think of it, I'm not quite sure that there ever was a new authorization bill passed when I was involved in this effort. So even though there were hearings across the board, I found that the hearings before the Appropriations Committees ended up as the more important.

Q: What did you find that the Appropriations Committees were interested in? Were they interested in development or were they just interested in ad hoc issues?

LOVE: I think that they were really interested in development. There was a certain amount of going back and forth in terms of other things. There was the business of getting at the various country problems. That is, the Liberian problem, the Zairian problem, and answering the question of why we proposed to help these countries, when it didn't necessarily look as if we were achieving anything on the development side. There was the further question of trying to deal with the security of technical and development assistance. These would come up as further issues.

I didn't find that the State Department carried much of the baggage on that, so frequently I was testifying by myself. I didn't have a State Department officer there with me. Or, if I had somebody from the State Department up there with me, he was usually some junior officer who came up to "watch over" me. Sometimes there was the Assistant Secretary or Deputy Assistant Secretary from the State Department to help.

Q: What was the condition of the appropriations at that time? Were they going up or down?

LOVE: I think that there were two things. I think that the DA [Development Assistance] side was Okay. We were able to hold on. We didn't have as much as we wanted. The problem that I was most concerned about was on the "Supporting Assistance" side. First, in terms of the levels of such assistance that were approved. However, and more important, was what really happened to that money during the course of the year. The "Supporting Assistance" account tended to be "raided" toward the end of the fiscal year. Africa was obviously the highest priority, unless there was another priority, in which case Africa had second priority. If you were by yourself, everybody agreed that Africa was top priority. However, if "push came to shove," and you needed some Supporting Assistance money for Central America or some place like that, it was going there, and there was no way you were going to stop it.

Even if you had a State Department representative up there with you, such as Chester Crocker [Assistant Secretary of State for African Affairs], going up there and fighting for you, it was tough. During the whole time that I was there, Chester Crocker was engaged in negotiations on "conflict resolution." The U.S. was working on that problem. Crocker was working full-time on it. It was often the Deputy Assistant Secretaries of State for Africa that were really running the Bureau of African Affairs in the State Department on a day to day basis. Crocker was frequently out of the office, working on Angola, in particular, and southern Africa as well, trying to resolve some of those problems. I thought that Crocker was pretty good at solving some of them.

So it was both a question of how much money was approved and, also, if you were able to get the money, where did it actually go? If you wanted to "recycle" the money in other places, you had to go through a process of presenting a security rationale for it, and you

had to make the case for it. Could you get the State Department to agree?

Furthermore, there was a bloc of people in Congress, including Democratic Congressmen and their staff members in particular, who "disliked" security and supporting assistance money. They never liked it and they gave you a hard time on it. They supported the DA program.

Q: Did you find that your relations with the State Department were affected by their concern about raising or lowering aid levels to various countries? Did you find that you had a lot of issues involving political and security priorities that affected what you were trying to do?

LOVE: I believe we had a good cooperative relationship with the State Africa Bureau. Frank Wisner was ambassador to Zambia when I was Director of REDSO [Regional Economic Development Support Office].

I remember that we were at dinner at the home of the Ambassador in Nairobi. Wisner came up and said: "I'm going back to Washington. I'm telling you, even though it hasn't been announced, that I'm going to take over the senior DAS [Deputy Assistant Secretary of State] job there in the Bureau of African Affairs. I want you to watch over the AID program in Zambia. You need to monitor your AID program down there." I said: "Well, that's very nice, but I thought I'm going back to Washington, too." When we got back to Washington, Frank arranged to hold a meeting every Friday, at 11:00 AM, which the three Deputy Assistant Administrators from the AID side would meet in his office at the State Department. Princeton Lyman attended this meeting, along with the third DAS.

We would be over in the Department of State for about an hour to an hour and a half. We would just talk about issues that were going on. Things that concerned State and things that concerned AID and the problems we jointly had. Of course, they always had their check list of what they needed and so forth.

Basically, this arrangement created a very open dialogue at a very helpful level where we could talk back and forth about all of these problems. When Frank Wisner left and Chas. Freeman came in and took over, we continued the process. It was just as effective. During the whole time that I was there, we had this meeting every week.

The opportunity was there so that you could put on the table a whole series of issues, and you could talk about them. I found this arrangement to be very effective. First of all, it kept communications open, and I think that it helped to build the confidence level. I think that it made the working relationship between the two bureaus in State and AID very effective, at least during the time that I was there.

Q: Did the State Department people specifically pressure you for an increase in the aid level for particular countries and so on?

LOVE: The disagreements that we had, if I had any, concerned Sudan. I think that we

came to a parting of the ways conceptually about what was happening there. There was an IMF [International Monetary Fund] "standby agreement" with the Sudanese, which had spun out of control. Then the State Department representatives tried to get back to the IMF with a request, as I mentioned before, for \$50 million which we had "pulled back." The State Department kept putting pressure on us, saying: "You've got to put this money on the table." That was when the IMF got ready to go back with another "tranche" of money. I said: "No. I think it's not going to work." In fact, this fight was still going on, even after Peter McPherson had left AID and gone over to the Treasury Department as Deputy Secretary of the Treasury. By that time I had left the Africa Bureau of AID. However, the Africa Bureau was still fighting to avoid doing more. We went over and had a "knock down, drag out" session with the Treasury people.

Princeton Lyman became unhappy about that. He was negotiating with the Sudanese on the "Falesha" refugee issue in Ethiopia. That was going on, but I wasn't aware that that was going on behind the scenes. So the negotiations were going on, and the Sudanese president was being very cooperative on that front. They may not have wanted to be responsible for this. It kind of appeared that the Americans were keeping this negotiation from collapsing.

Q: Was this actually proven?

LOVE: Not while I was there. I gave them a couple of options. I said that "I don't mind spending the money in Sudan. Don't misunderstand me. I don't want to throw this into the IMF 'Standby Agreement.' I don't think that we ever did that. They probably got used elsewhere.

A lot of noise would come from State, particularly from the U.S. ambassadors to small countries, who wanted "walk around" money. That stuff would pop up every once in a while. The Africa Bureau had already done a pretty good job by giving the Ambassadors small amounts of money which the Ambassadors could make use of. These were "self help funds," which had gone a long way to finance a number of good projects. I really didn't find the working relationship to be very difficult at all.

The big debate, and this got back to the Capitol Hill session, too, went back to the Reagan interagency "workup" on Africa and the fact that we should try to do something as a special initiative. That led to discussions on whether we should look for a special fund to do something for Africa. I remember that we had a meeting in the AID Administrator's conference room. They were arguing about what we could do and Congress was "earmarking" everything. The impression was that we were being increasingly "tied up in knots." We wanted to find some way to get around this in the Africa Bureau, so we were talking about options. I remember that the consensus around the table, including the head of Congressional Liaison in AID, was that while things were "bad," they could get worse and let's not "rock the boat."

I recall that I said that for the Africa Bureau things couldn't be any worse than they were at that time. We were getting placed at the tail end of everything. It was time to go back and try something different. If the agency didn't want to do this, then let the Africa

Bureau try this as an experiment. We would do this on our own responsibility. If it blew up in our face, that was our problem. So I said: "You don't have to make a policy decision for the agency as a whole. This is not a new, overall approach. We'll try something on our own."

The head of Congressional Liaison did not want us to do that. Peter McPherson, the AID Administrator, said: "You may get into trouble." I said: "Well, we can't be any worse off than we are now. We'll be happy to try this. Besides, we have a kind of presidential mandate, coming out of the White House, because of the work of the interagency group. It's not as if we're creating something new." I added that we really haven't followed through on this. So McPherson said: "Okay."

We started working with what had come out of the interagency working group and began discussions with Congress on what might be done to set up a Development Fund for Africa. It was very interesting. The hearings started before the Senate Foreign Relations Committee. The first two witnesses were Senator Ted Kennedy [Democrat, Massachusetts] and a Senator, a Republican, who was Jim Bond's boss. He was then the Chairman of the Senate Appropriations Committee. They came over and testified together to show that there was joint political support on the Senate side for doing something for Africa.

This set off a whole series of hearings to try to carve out a Development Fund for Africa. These hearings were still going on at the time I left the Africa Bureau. We found that there was a group of Senators who were very "pro-Africa." They were willing to do something. They were not, however, necessarily in favor of security assistance.

So in our Friday sessions with the State Department, to which I have referred, we discussed these hearings. Larry Saiers and I went to the State Department one day. Right up front with Chas Freeman and Princeton Lyman. We said: "Look. 40 percent of our money, roughly, goes for security assistance. The Democrats on the Hill hate these security programs. Beyond that, whenever somebody else in the world needs that money. They take the security assistance away from us. What we would like you to agree to is that we change the 'mix' of the aid money in Africa. We should eliminate as much of the security assistance program as we can and replace it with Development Assistance [DA]. We should put these additional DA funds into the Development Fund for Africa. I sense from our discussions with some people on the Hill who are well-disposed toward Africa that they will 'support' this arrangement because we are reducing the Supporting Assistance category."

I continued: "The only 'down' side of this is that we would be taking money out of the control of the State Department and putting it more under the control of AID. In other words, we all have to trust each other, and you can trust us." We discussed it and the State Department people said: "Okay." When Larry and I walked out of the room, we said: "Good heavens! We never thought that they would say 'Yes.'" But they did! They were very frustrated at fighting their own system, anyway. They said: "Okay, but we want to continue this cooperative relationship."

Q: Did this result in an increase in the funds available for Africa?

LOVE: Well, we tried for it. However, what they agreed to was a substantial increase in the Development Assistance category by shifting funds on the margin from Supporting Assistance (SA). That had good support on the Hill, even though it was a Republican-controlled Congress. This set the funding basis for the DFA.

The next debate concerned the question of whether we could avoid "earmarking" of funds by Congress. We said: "Now, the whole concept of this Development Fund for Africa is that it's not 'earmarked.' We do what we think is important for Africa." We knew that we were going to have a problem at least with the lobbies on population programs and the environment.

So we started working on that. I had a meeting with a senior representative of one of the main population NGOs. She came in, and I went through a whole scenario about what we were trying to do. I said that the bottom line was that we were trying to get and protect more money for Africa. We were trying to get more money approved. However, as far as accounting is concerned, we didn't want any "earmarking" of funds. We wanted to get rid of the "earmarks." She said something to the effect that it will be a cold day in hell before they agree to that.

Well, we kept negotiating and ended up with "targets" instead of "earmarks." When we finally got through with this, I said: "Don't 'earmark' the funds." We said that we'll agree that the "target" for our allocations under the population control heading will be whatever it was, either five or 10 percent. However, we said that we don't want to be legally 'earmarked' on this because once we legally 'earmark' funds for you, then other people are going to want 'earmarks' for other programs. What we want is an 'open fund' but we'll work against agreed targets. We said that they could look at this after the fact and, if they found that we were not performing properly, then we could have a discussion on it.

So we had good hearings before Congress. Actually, they were continuing at the time I left the Africa Bureau.

I remember sitting down with the Appropriations Committee people. They smiled and said: "You're never going to get this authorization through. However, when you don't get it through, this is what we're going to do. Here's the language that we're going to put in the appropriations account which will enable you effectively to get the Development Fund for Africa launched." So that is what happened. Basically, in terms of the process, much of the substantive discussion before Congress in terms of what we were doing, and which went into the public, Congressional record, took place in the authorization committees. However, at the end of the day we couldn't get an authorization bill. So what the appropriations people did was to "pick up" that theme from the hearings and put facilitative language in the appropriations bill which allowed us to get started. That was how the Development Fund for Africa got off the ground.

Q: And you retained the "targets" or did you get the "earmarkings"?

LOVE: We retained the "targets" for a couple of years. The program began to "degrade" later on. One of the things that began to happen is that people in other parts of AID began to realize that they could not, under any circumstance, get their hands on the money appropriated for Africa, because there really was a "wall" around it. The way I described this arrangement when we started, and I think that I said this in so many words in discussions with the State Department, was: "You know, we've got to build a 'fence' around this money to keep the damned Indians out. Otherwise, every time we turn around, somebody will be coming over the back wall, and they're going to 'steal' the money we have." We did build such a "fence."

Q: So it was an "earmark" for Africa.

LOVE: It was an "earmark" for Africa. Among other things, the price for this was to place the funds predominantly in the Development Assistance account. At least in the initial stage, the people in the "special interest lobbies" were prepared to accept the idea of "targets."

Q: There was no year money?

LOVE: I'm trying to remember whether it was "no year" money or not. It might have been. The "targets" weren't a problem, because we knew that we were going to do this, anyway. We weren't going to have a problem with the population program because my feeling was that what was holding us back on population was, as much as anything, the opportunities to carry on this program, rather than the funding.

Although we carried out this agreement, there was some friction between the Africa Bureau and the Population Office, after the Office Director left. Relationships got a little "testier" there, and you began to feel that the Central Population Office had its own agenda and wanted to run with the ball, rather than allow the Africa Bureau to handle the program.

An example was Nigeria. We started a huge, multi-year, population project in Nigeria. We knew that oil production was "drying up" and we had to do something. So we put this big project together in Nigeria. We had some arguments with the Population Office at the time. The population people wanted to take control of this project themselves. I said: "No, the first thing is that you want to leave it here because I want to count the funds against this target. The scenario that you people are working on with the Hill and with the lobbying groups is that: 'We're the good guys in the Central Population Office. We want to carry out this program. It's these recalcitrant people in the Africa Bureau that don't want to do it.'"

I said that at that time there was no good reason why we shouldn't manage this project. I said: "We're going to carry out this program in the Africa Bureau. We're going to control it and we want the credit for it. That's the way it should be. You people should be cheering that we're doing this."

In any case, the Development Fund for Africa got off the ground. Much of the credit for that goes to Larry Saiers and his people. After the first few years of implementation of this program, I moved upstairs.

Q: Are there any other dimensions of your experience in the African Bureau which you would care to mention?

LOVE: The one other case of Congressional testimony which was unique was the Mickey Leland group. I can't remember what that committee was called.

Q: The "Committee on Hunger"?

LOVE: The Committee on Hunger. It sponsored a series of meetings which, in many ways, were more substantive than what the regular Appropriations and Authorization Committees were doing. It included some experienced people on Ethiopia. I did a lot of testifying before that committee. I found them very, very helpful. They were a positive influence on the whole thought process for supporting Africa. They were very much into the "disaster issue" and how it was impacting on development generally in Africa. To a considerable degree, I thought that its efforts were well done and very effective. So it was generally helpful.

The other point that bothered me during the time I spent working on Africa, more than before, was that we had been under the tight control of AID's management office. The agency had cut back and, in fact, eliminated for a couple of years, the IDI [International Development Intern] program. We had some discussion of this, including a long session at one of the Administrator's seminars or "retreats" on this whole question of bringing "young blood" into AID. As I recall it, and my wife Mary has reminded me of it from her days in Personnel, all through the history of AID, even when AID was under severe budget pressure, the agency always maintained at least a minimal intern program to bring in "new blood."

During the time I was in the Africa Bureau, a couple of things happened. One of them was the redefinition of what an "intern" was. We brought in some middle level people under that category. Then, for a period, this "intern" program was stopped, so this stopped the intake of "young blood" into the agency. As you know, the interns who came in were very bright and highly motivated. It didn't take long for them to be "up and running." I think that one of the reasons that the agency has had what I think was a unique staff over the years was that it kept bringing in this "young blood." This was a critical point.

I remember that on one occasion we were down in Annapolis in the old building on the circle there at the Annapolis Hotel, the one shaped like a piece of pie. Mr. Rollins was making his budget presentation. He said: "We have been very successful in doing this, and therefore we have eliminated the budget gap." I said: "Great! That means that we can start up the IDI program tomorrow!" He said: "Oh, no, I'm not sure that we can do that."

AID Director Peter McPherson, who always said that in principle he supported the IDI, was never quite willing to override Rollins on this issue.

I remember saying at that point: "This is wrong. Will everybody in this room who came into the agency through some kind of management program, either the JOT [Junior Officer Trainee] program or the IDI, please raise your hands." Basically, every career person in the room raised his hand, plus a number of "political appointees." Mark Ederman, AA for Africa, raised his hand. He was a management intern under the old Bureau of the Budget. It was overwhelming to see how many people had come into government service through these programs. I said: "Look, we're chopping this system off at the knees."

Today, when you go through the building, you can look around. While it's clear that we've lost a lot of the old talent, who were pushed out the door during the staff reductions, what's even worse is the fact that we've lost a lot of this "young blood." If there was any lesson to be learned from that, it was that we can't continue to do that. Even though AID is a "shrinking" agency, we have to continue to bring in "new blood." I'm just very sorry to see that we are not doing very much at present.

What happens is that these younger people who might otherwise have come into AID are now working for AID contractors and NGOs. You see them running around the boondocks all over the world. I think that that was a problem that the agency never really resolved.

In general, I thought that we were making pretty good progress in Africa, despite the wars and so forth and what was going on.

Q: How would you characterize that in summary fashion?

LOVE: First, I think that, by that time, the Africa Bureau had a good presence established in the field. I think that there was a good, career staff assigned there. I think that we had changed the parameters of our relationship with Congress so that we had the mechanism in place to support the program. I think that we were willing to work both in terms of project level activities and policy and macroeconomic level programs, where it was necessary to do this. I don't think that we had as much deterioration in terms of "unrest" as we had subsequently.

We were past the period of the drought, in the case of Ethiopia. I think that we had a mechanism for dealing with a number of the countries which were certainly on the "friendly" list at that time. When there were humanitarian concerns, we were able to find a way to get in there and help them without, in effect, allocating public resources to the support of communist governments.

What I think we never succeeded in resolving was estimating the severity of the macroeconomic problems. First of all, I think that we underestimated the seriousness of these problems and the time it was going to take to work around them. We were never

able to resolve the conflicts between the various countries and the natural disaster problems. We probably did better on the natural disaster problems than on international conflict resolution. If you stop and go through Africa, country by country, you might consider the fact that, during the past 15 to 20 years, many of these countries have had disasters, either natural or man made. You wouldn't find many countries that have not had such disasters.

Q: That's right.

LOVE: The environment was suited to disasters, and you would have to stop and say: "How can I be so totally critical of the Africans' economic performance when they are trying to survive in this kind of adversity?" We didn't really have problems like that in a lot of the developing countries in other continents. There were long stretches of relative stability in those areas. Maybe these countries were not democratic, but they were relatively stable and militantly "peaceful." That gave them a chance for some of these development initiatives to "kick in."

Promotion to Counselor of the Agency - 1987

Q: Good. We can add some more later if you like. Can we move on from there to the time when you became a Counselor of the Agency for International Development? How did that happen?

LOVE: As I said previously, Peter McPherson and Frank Kimball had "cut a deal" for Kimball to go to Liberia. Then we had an Africa Bureau Mission Directors' conference down in Williamsburg. At that meeting Peter corralled me and said: "Kimball is coming out of Cairo. I want you to go to Egypt." I said: "I won't work for those Egyptians. They're not interested in undertaking any reform. I'd rather work with Sub-Saharan Africans. Send Buster Brown to Egypt and give me the Counselor's job." Then Peter said: "Okay." So he called Buster, who said: "Sure." So Buster went to Egypt, and I went upstairs in AID as a Counselor of the Agency. I didn't know at the time that Peter was going to leave the agency before I took over the job of Counselor of the Agency.

Q: Before you got there.

LOVE: Before I got there. I agreed, we cut a deal, and then he called me a week later and said: "I'm leaving AID. I'm going over to the Treasury Department."

Q: When was it that you went up to the AID Administrator's office?

LOVE: In the fall of 1987. So I went up there. Jay Morris was Acting AID Administrator at the time.

Let me back up one more time, back to Africa. One of the problems that we had during the whole time that I was in Africa, and Jay Morris was very much involved in this issue, was the question of small countries programs in Africa. Were we spending too much

management and budget time in dealing with these small countries? Some people thought so. They were absolutely convinced that this was the case. Therefore, we should "get out of these small countries." Just close down our programs and go home.

We were arguing against this. I said: "No, we shouldn't shut the programs down. Some of these small countries are 'important' in their own right." In some cases, the "SAS" [Shared Administrative Services] costs established by State were just about equal to the DA level.

I mentioned this matter to Princeton Lyman at one of our Friday meetings. I said: "Princeton, this is ridiculous. We can't justify this. You've got to go back and get these SAS figures cut." He said: "I don't think that we can." I said: "If you can't 'lower the rent,' we're going to move out. We're just not going to stay there, if you're going to do that." So Princeton went back and, essentially, had to "rejuggle" their books, somewhere. He worked out a more rational apportionment of SAS costs there.

My feeling was that the small countries were not necessarily "eating up more," in terms of their overhead. Much of the experimentation going on in small country programs involved program approaches that were not "manpower intensive." We concentrated on one sector or even on one project. The experimentation that we did in Comoros was an example of this. In this case, we made a grant to CARE [Cooperative American Relief Everywhere], who developed and managed the whole thing. It made sense. It gave us a program that did not cause any real problems. However, the almost insurmountable, preconceived conclusion was that you can't do business economically in small countries and therefore we should get out of them.

Jay Morris and Frank Kimball (then counselor) used to "beat us around the head" on this subject. Our failure to sell the rationale for dealing with small countries is unfortunate.

So back to the AID front office. Jay Morris was Acting AID Administrator after Peter McPherson had gone to the Treasury Department. I was faced with settling into the job of Counselor of AID. Allen Wood was nominated and finally came over as AID Administrator. I think that the position of Counselor had existed on paper, maybe for a long time - but was dormant!

Q: Must have been.

LOVE: If I remember correctly, Frank Kimball was the first recent Counselor of AID, then came Jim Norris, Buster Brown. I was the fourth Counselor of AID. The scenario, if I remember correctly, was that up until the time that Jay Morris was put into the position of Deputy Administrator of AID, there had been a string of "career Deputy Administrators" in the agency. Some people may have felt that they were not as "career" as others, but basically Joe Wheeler, Maury Williams, Bob Nooter, and others had come up from the Regional Bureaus and knew the AID business very well. They had come up from the bureaus, had served overseas, and then became Deputy Administrators. That gave us the balance between a "political" Administrator and a "career Deputy

Administrator" in the front office.

Peter McPherson decided that he wanted Jay Morris as Deputy Administrator of AID. Prior to that time Jay had been some kind of "special associate." Peter and Jay had worked together for a long, long time. Peter "trusted" Jay. Peter decided to "reinvigorate" or to "establish" or "re-establish" the Counselor job and put a "career person" in that. So he then could put Jay Morris in the position of Deputy Administrator of AID. These changes were made more or less simultaneously. This still meant that there was a career person in the front office of AID. He was no longer the Deputy Administrator. He was the Counselor of AID. So that was done. Peter thus left somebody in the front office who had some contacts throughout the agency. Peter "worked that little triangle." My working relationship with Jay Morris was very good. No problem there.

Q: What was your function as Counselor of AID? What did you actually do?

LOVE: Basically, the counselor's function was what the AID Administrator asked him to do. At least when I talked to my predecessors, I sensed that that was what they did. They were given certain, specific tasks to do that were "special programs." They didn't have a strong, "line function," although they played a role in executive placement matters. By the time I arrived in the AID front office, there was a new AID Administrator in there. I ended up doing a couple of things. I had a role in executive placement, so I ended up being the senior, career person around the personnel table. Since the AID Administrator tended not to come to most of these executive placement meetings, the Counselor, 80 percent of the time, was "calling the shots" in terms of the process that went on. Now the AID Administrator had the final "sign off" on whatever was decided. However, the Counselor ended up playing a very active role in the whole executive development and executive placement process.

When I was Counselor of AID, I also took over Personnel and Financial Management activities. I was "AA" ["Assistant Administrator"] for PSM [Personnel, Supply, and Management Affairs] until they got around to making other arrangements. I had an increasingly active role in what went on in the Personnel side of the operation. I didn't spend a lot of time on the Finance side but I spent a lot of time on the Personnel side.

My view was that: "Any problems that 'floated' up to the front office policy, personnel, process, and procedure problems, including contract disputes, were issues in which I wanted to be involved." I wound up spending a lot of time on the Hill, particularly on problems coming out of Egypt. There were big protests on major contracts. Those usually involved technical questions about whether the contracts went to the "right" bidder. Were there "kickbacks" involved in anything? Did the Agency make the correct decision? Jay Morris asked me to handle that.

So I would go up to Congress, as my predecessors did, and usually spend time with the committees on the Hill, explaining why this went on. I said that I was trying to see what was happening, to make sure that the Mission or the operating bureau had made the right decision, and to see whether we needed to take a look at that.

Then I had a certain amount of time to do what I wanted to do. Whatever the AID Administrator said that he wanted me to do, obviously I had to do it. With Peter McPherson I felt that we needed good, strong career deputies because he basically had all "political" AA's [Assistant Administrators]. The career deputies provided balance and basically had a good relationship with Peter. Periodically, we would meet with him as a group of maybe 10 DAAs or equivalent. We just locked the door and talked to him about AID and problems.

So when Allen Woods came in as AID Administrator, I said: "You really need to get to know your 'career people' better." I indicated that with Peter McPherson we met together with him as a group. He knew them all. When we wanted to discuss certain agency-wide problems, we would get all the DAAs together and have a closed door discussion. Allen Woods said: "It sounds like a good idea," but he never really did it until he got beat up by the attendees at a closing session of the Development Studies Program. Allen and I went over to the closing session of the DSP program. In the audience were a "crew of malcontents." We started going through the question, "Does growth eliminate poverty or do you have to intervene directly to do it?" That ended up being a very, very "testy, active" discussion between Allen Woods and these Mission Directors. There was a big group of them in there. Allen was kind of "taken aback." Instead of saying that they knew the "party line" and that it sounded great to them and that growth per se was good, they were really challenging him. They were saying: "Now, wait a minute. What about this and what about that?"

Allen Woods held his own. We got back to the State Department. He went into his office, and I went into my office. Five minutes later he was standing at my door, and he said: "I want you to set up that meeting with 'career' deputies." I said: "Okay."

So we did that the following week. We set up a two-hour meeting with no agenda. We just opened up a dialogue. I watched the process. It took one whole hour for Allen to begin to lower his guard and speak his mind and for the deputies to feel comfortable enough really to speak their minds. During the second hour we had a pretty good dialogue going back and forth about where he wanted to go and the kind of problems that he had in his own mind about AID not responding to his new initiatives and all of that. This really drove home the point that we really had to continue to develop communications and trust between "political" and career appointees. We really had to do everything that we could to break down this division. Even if we weren't going to agree on specific issues, that was less important than having the trust there that we could disagree honestly and, more importantly, that we were talking to each other. We had meetings of this kind a number of times.

I think that often the most frustrating aspect about the Counselor's job is being outside of a "line" function and having to work more by "remote control" than you would like. I remember one time going to Mark Edelman [Deputy AID Administrator] and saying: "People keep asking what the Counselor of AID is." I would reply to them: "The Counselor of the Agency acts as an adviser to the AID Administrator." Then they would

ask: "You must be a lawyer, right?" I got so tired of explaining to people outside the agency what the Counselor's job was.

Q: What position was Edelman in at that time?

LOVE: He had taken over as Deputy Administrator of AID. Edelman and Woods were very close associates, going back to St. Louis politics and so forth. Allen Woods worked very hard to get Mark Edelman, who had been my last AA [Assistant Administrator of AID] when I was in Africa, to come in and be Deputy Administrator of AID. Woods relied heavily on Edelman, particularly toward the end of his term as AID Administrator, when he knew that he was dying of cancer. He felt that he needed somebody there to work with him.

So Woods got Mark Edelman in there. I'm not sure that Mark had actually even been sworn in when Allen Woods died. Then Mark took over and was Acting AID Administrator for quite a while. I went to him and said: "You know, the title of 'Counselor' is a terrible one for this job. Why don't we change it and make it the 'Career Deputy to the Administrator'? This is something that the outside world can understand." Edelman said: "No! We won't do that." I think that he saw this as a challenge to the authority of the Deputy Administrator of AID.

Q: Right.

LOVE: Previously, the Counselor, in fact, had served as a Deputy to the Administrator. Certainly my predecessors were used extensively by the political leadership of AID. I think that it's important to have a career person in that position.

However, it was a frustrating job to be in because nobody knew quite what it was. I was working through my personal contacts, but it was harder to get things done in AID.

Q: You had no special authority, apart from your own experience and competence.

LOVE: Yes. I could still do a lot, particularly if there was a vacuum. Then it was easy to step into it and sort of assert authority. However, it got to be a little frustrating.

Q: You had to be a coattail on the Administrator.

LOVE: That's true. Working with Allen Woods was a good experience. I liked working with him. He was honest, straightforward, and easy to work with.

Q: What was his view of what AID should be doing?

LOVE: He came into the job of AID Administrator with more of a private sector background. I think that his focus was trying to get back to promoting economic growth, paying less attention toward satisfying basic human needs by direct programs. He had a very strong preference for moving more development activity to the private sector. I would say, in terms of broad strategies, his preference was more on the growth side and less on the direct intervention side. In other words, out of the public and into the private

sector.

That's what he was trying to do when he prepared that well known, black covered report. It "blew up in his face" to a significant extent. That was too bad, because I believe he was right in what he was trying to do. The way his view was presented and the author that he used to prepare it were really unfortunate. At that stage he knew that he was dying. He knew that right after that first operation. He was in a hurry.

Q: What were your views about his emphasis on using the private sector, which was very much involved in direct overseas investment? What was your view of that?

LOVE: To answer that, I would have to go right back to the days of the Kennedy administration. My feeling was that during the Kennedy administration, when AID was first set up under that name, the agency was very much oriented toward doing business with the private sector. The investment guarantee program was built up from nothing during that time. The OPIC [Overseas Private Investment Corporation] operation was then part of AID. It was part of the old "Investment Guarantee Bureau," or whatever it was called at that time. Those functions were in AID until Senator Jacob Javits [Republican, New York] spun them off into a separate operation because they were self-sustaining.

Q: Into OPIC?

LOVE: OPIC was created out of AID. However, there was already an active program going on. We did a lot of work with the private sector. In those early days we made loans to the private sector. The DLF [Development Loan Fund] certainly had a big portfolio of loans to the private sector. We discussed this previously.

Q: I think that you touched on it in referring to your AID experience, but not too much in terms of OPIC as an agency, in the sense of policy.

LOVE: There was the supporting Investment Guarantee Program and there were also efforts to extend direct loans. There were also programs in those early days to do feasibility studies for the private sector. Working on a reimbursable basis, if they actually made the investment. There was a lot of experimentation going on about how could we do more effective work with the private sector.

Now, at that time, the U.S. private sector was "feeling its oats." There were many companies which were beginning to "go international." Many companies which had not been previously involved in international business. It was interesting, new, and novel to them. So they would be willing to go to the Philippines, Indonesia, or wherever. Of course, John Kennedy had brought in a lot of people under the "Operation Tycoon" program who came from the private sector. So there was a strong private sector "spin."

However, as AID got dragged into Vietnam and then into the "New Direction" scenario, the private sector, at least as we traditionally think of it, began to disappear off the radar scope. I can't say that this reflected a "Republican-Democratic" policy shift, because the

Kennedy administration, of course, was controlled by the Democratic Party and had a rather strong interest in working with the private sector. So, as much as anything, this shift was driven by other factors. This newer, larger role for the private sector didn't start until the Reagan administration entered office.

However, that is only part of it. There were philosophical changes afoot. When we looked "outside" of AID, for example, at the World Bank, we could see the evolution in thinking of public versus private sector approaches. For example, Mary Shirley at the World Bank worked on this problem for years. She had been a confirmed advocate of "restructuring" public sector institutions, converting them into corporations and putting management controls in place. After many years, she threw up her hands and said: "This approach just doesn't work. You've got to get these institutions out of the public sector and into the private sector."

So I think that a "sea change" has taken place during the last 10 years or so. People are beginning, more and more, to start looking toward the private sector as an engine of growth. More and more, they are thinking about what the role of the government should be in trying to support private sector development in various foreign countries. How do you do that? It's not just a question of "privatizing" telecommunications and all these other activities. It's a question of what the government has to do to put in place an environment that will allow the private sector to grow. This involves macroeconomic policies and a whole bunch of things.

Also involved in this process is how to redefine the role of the government and cut down its size. Part of the argument is, of course, driven by political differences in the United States. Part of it also has been an evolutionary process of getting away from large governments, state planning mechanisms, and state controls that were applied (even in the non-communist governments) in the 1950's and 1960's. Part of this change has resulted from the fact that the private sector, beginning in the late 1980's, has become such an incredible source of finance in the developing world. Private capital for development is now available in quantity and in a variety of new instruments that didn't even exist, conceptually, 15 or 20 years ago.

So there is a whole range of instruments available. In the power, telecommunications, and transport sectors you have structures built on transfers and other mechanisms which probably didn't exist to any great degree 10 years ago. These new structures are now an incredible force in places like Asia. I went out to give a speech in Hong Kong last fall on infrastructure. The whole conference was on private financing of infrastructure development.

Q: Did AID participate in this, particularly with the creation of the PRE Bureau?

LOVE: I found that the PRE Bureau was not of any particular help to us when I was in the Africa Bureau. We had a little shop of our own. However, we were "floundering." I don't think that we had a viable approach. We were looking for project level interventions. We resolved a number of things. One was the degree to which we had to look toward reform at the governmental level to create the environment for such change.

Part of this involved institutional reform and part of it was macroeconomic reform, getting rid of screwed up exchange rates and exchange controls, opening up repatriation of resources, and opening up the banking community so that it could be developed internationally, rather than domestically. Those changes go very far in promoting development. We weren't yet clearly focusing on the policy level reforms that were necessary to accomplish this. Therefore, I think that we were only "marginal" in terms of our impact. Today, I'm not at all sure what AID is doing. However, the development community at large and is far more active and aggressive in supporting private sector approaches.

There were problems. I remember the one problem that came up when I was Counselor of AID. It concerned financing power development in the Philippines. A deal was being cut with the U.S. Export-Import Bank to provide special financing for power development in the Philippines. We were discussing this matter in Allen Woods' office. The Export-Import Bank was going to provide the finance, and this was going to allow the United States to get in there. We helped to take a bigger percentage of the export market to the Philippines.

I had just been to the Philippines, doing an evaluation on the Private Development Bank Corporation of the Philippines, if you remember that bank. While I was in the Philippines, I had some long discussions with some old Filipino friends of mine. One of the discussions was with a group of people who were on the Power Development Council and concerned the policy fight then going on in the Philippine Government on whether the power sector was going to be developed by the public or private sector, and how this was going to be done. The Philippine Government was split almost 50-50. Of course, the people in the National Power Corporation and their allies who had, under President Marcos, expropriated the big private electricity distribution company, wanted to keep as much as possible in the public sector. Therefore, they wanted all electricity generating capacity to be in the public sector.

So I argued to the Administrator: "You realize, of course, that there now are a couple of U.S. objectives which are in conflict with each other. If we promote this program as proposed, we are going to put money in the hands of the people in the Philippines who are 'pro public sector.' We are going to undercut the people in the Philippines who are arguing for private sector development. What you're doing is making loans which are only going to go to the public sector."

I felt that, even though AID wasn't putting any big money into it, there was a policy issue here. The World Bank, the Export-Import Bank, and now AID would be making money available for the public sector, but not the private sector. Therefore, we would all be contributing to distorting the investment patterns in favor of public sector control.

Q: Well, the counselor role was your last assignment in AID?

LOVE: That was my last assignment.

Q: Do you have any comments about AID in general?

AID issues of special concern

LOVE: There were other things going on in AID which I thought were of concern. One of them was the "evolution of the IG [Inspector General] 'monster.'" This is what I thought it should have been called. The problem started in the 1980's or even earlier, probably when I was in Nairobi.

The IG became stronger and more and more invasive in terms of what it was doing. AID got itself in a terrible dilemma in which it couldn't control the IG. The IG had established incredibly strong linkages to the committees of Congress. It was grinding out information which was damning us to a major extent. There was no good system of communications between AID and the 16 in most cases. The "Contra" operation, which you discussed with Ted, was an exception. The IG was very, very helpful on that.

So, the 16, under the guise of trying to "weed out" Agency problems created a very unhealthy situation at the operating level. AID Mission Directors were becoming very "uptight" about what was going on. They were afraid that they were going to wind up in jail for having signed a contract wrong or done something else wrong. They were getting "creamed" on projects and programs by the IG. This was bad. The long-term effect of this on committees of Congress was that it created a deep sense that AID was grossly mismanaged, that we couldn't do anything right, and that we were always "screwing up." So a lot of the dialogue between Congress and AID was on management issues, with Congress asking: "Why don't you straighten up your management? Why do we have all of these reports? Look at what's going on. Thank God, 16, that you're up here to tell us about this. What the hell is going on down t here in AID?" Some of these hearings were "brutal."

It was difficult to find your way around this problem. In a word, it was a "losing proposition."

Q: Were any of the IG reports inaccurate or unfair?

LOVE: I think that a lot of the reports were "distorted." I think that there was some "selectivity." However, the audits were not run in a manner that was helpful. These reports were done and then were sent to Congress. What we ended up with was that people in the field, who might otherwise have wound up saying: "Thank you for helping us find out these problems. Now, let's go out and fix them," were now on the defensive. They were trying to defend themselves against the IG and trying to fight this. Then we ended up with more friction. Those who "took on" the IG, if they survived, came away "bruised." Nobody came away unharmed. Some did not survive.

At one time AID had a central audit office who, everybody in the agency felt, worked with AID. But the IG became more and more an independent over the years. The price we paid for the "independence" of the IG was actually the loss of AID's in-house independent audit capacity. The IG became an "outside auditor." We almost needed to

recreate a new internal, audit capacity so that the agency would have its own ability from Mission Director to, say, the field, to say: "I think I have a problem here. Can you send me somebody to help?"

We had an oversight group at one time. They used to assign experienced Mission Directors to it to go around and check on things. They did that famous report on Africa, with the "Pogo" quote on the front cover: "We have met the enemy, and he is us!" But, they weren't really auditors. We really ended up with no internal, audit capacity, when you think about it.

So here was a huge agency, with diverse operations and lots of problems. To whom is management going to turn? If the AID Administrator turned to the IG, the matter would end up with a report to a committee of Congress. If a Mission Director raised the matter, he would probably end up with his hide nailed to the wall! We lost the self-policing capability that we once had.

Q: What were the IG's motives? Did you have any idea of why successive IG's were taking this extreme line?

LOVE: I'll tell you. I'm thinking of an IG who was in that position for a long time. I spent a long time with that IG. I respected him in many ways. I had some long, long discussions with him when I was Counselor of AID. His office was just down the hall from mine. I would go down and see him, and we'd talk about some of the problems. He was kind of a shy man, but once you got him going, he really started telling you what was going on in his head. Here was a man who had been working on these AID problems for years and years. He had a feeling that the agency wasn't paying any attention to him and wasn't responding to or correcting these problems.

He never said any of this, "up front." It was very hard to get him to "open up." He was seething with frustration inside. His way of getting attention to these problems was to put these matters out in public and take them to Congress. He was going to force the agency to do something about these problems.

When we had the first "retreat" held by Mr. Roskins, the IG was there. I said to Roskins: "Invite the IG to give a talk to the group. I want you people to listen to what he has to say. I want you to get some feeling of where he is coming from." Well, the IG really didn't want to get up and talk. He was really rather shy until he got started. So Roskins said that the IG didn't want to give a talk. I said: "Make him do it! I think that he has to get up there."

So the IG was persuaded to get up, and he started talking. During the first 10 minutes it was sort of a standard sort of presentation. Then he got more relaxed. He was up there for a fairly long period of time. Then out came some of these deep-seated frustrations about what he saw as the failure of the agency to respond to these long-standing problems. He said, more or less: "Why can't you people see what's going on and why can't you do something about it?" I think that it was an eye-opener for his audience. Of course, I had

heard him say this before in conversations between the two of us.

I think that this was part of the problem. Apart from that, I can't say that I thought that it was inherent in the IG mechanism. Across the government the Inspectors General of the various departments were being forced in this direction. I have to compare this situation with that affecting the IG in the State Department, who behaved in a totally different manner. The IG in State was much more open, much more oriented toward correcting problems internally, rather than going to Congress. He was one of the most senior and respected IG's in the government.

This problem, I think, has contributed to the substantial deterioration in the reputation and credibility of AID in the eyes of Congress.

Q: What was your view of the IG's issues? Were they fairly considered, had they ever been addressed, or were they just in his imagination?

LOVE: Oh, I think that it was a collage of things. A lot of them were persistent problems that the agency never had been able to resolve. Some of them, I think, were positions that I disagreed with. I came from a school which believed that there was real value in host country contracting. Your task is to build institutional capacity and not just to get the project done. You don't do that just by building a project and then handing it to local people. You've got to work with them in its development from the beginning.

When we repaired the port of Kismayo in Somalia, I said that the Somalis were not going to build another port, they were not going to be in the port building business. I thought that if we got the port done and gave it to them, turnkey - we had done our job. However, if we set out to build an electricity power generating system in Somalia, we would be installing a growing industry which the Somalis would have to operate for a long time. So in that case we want to build a strong institutional capacity. Part of this task is that we have to give the local people responsibility for selecting their contractor, negotiating with him, and managing the contract.

The IG took the position that every recipient country is "dishonest" and every official is "corrupt." Any time that you do business with the host country, you are putting yourself "at risk" in terms of the improper diversion of money. Therefore, he believed, the answer to avoiding these problems is not to do host country contracting. I think that the IG was just wrong. Of course, you have to be sensible about how you arrange host country contracting. We discussed this in the Zimbabwe discussion earlier.

AID had a lot of problems. However, at the same time AID didn't have the kind of "feedback" mechanism in which the IG personnel, who were on the spot, worked with the missions collaboratively. Take the case of people who go to the IG to complain. This happened a number of times when I was in Nairobi, where we had an IG office. If you want to try something novel, you have to tell the IG people: "I want you people to consider this approach. We don't want to do it and then get into trouble after we finish the project." For the most part they would say: "In no way are we going to give you pre-

approval to do this project. This is not our job, and the Inspector General has given us hell every time we tried to do this."

We tried to give the IG people some advance warning about what we were trying to do. We said: "Give us some help in setting the mechanism up." They wouldn't do it, with one major exception. That was when we got the "Contra" program [in Central America]. When responsibility for this program was given to AID by Congress, the agency didn't want it, but we had to do it. Woods said to me: "Whom can we get to run this program?" Well, I had seen Ted Morse in the halls that afternoon. I said: "I think that I know just the man. He's a good operator."

We put Ted in charge of the Contra support program. We went up to see the Deputy Secretary of State to talk about how we were going to do this. Then, on the way back to my office and as we walked around a corner near General Beckington's office, I said: "I think that we ought to stop in here, because this man is going to be important to what we're going to be doing." Particularly since this program was pulled out of other agencies because it was difficult to monitor. So we walked into his office and sat down. I broke out laughing because on the corner of the IG's desk was every audit report that had ever been done on the Contra programs. By 10:00 AM the first morning he was sitting there, reading through all of the background information on the Contras. I said: "Damn it, you're ahead of us already!" However, we sat down and said: "Look, we're obviously going to have some real problems with this program. We're going to need your help. You're here and you're the second person that we've talked to. Let's talk about how we can work out a relationship on this."

I think that maybe on this case, because of his background in the Marine Corps, he had a totally different attitude toward this particular kind of program. As it worked out, members of his staff would sit down and work with Ted Morse. When Ted had a difficult problem, and he'll tell you about some of the problems that he had on this program, Gen Beckington was very supportive in suggesting various ways of handling them. Some of the things that we proposed were "unorthodox" ways of dealing with some of these issues, but there was no alternative. Now, virtually everything had to be cleared with Congress. The people we dealt with on the Hill ranged from the most conservative to the most radical of liberals on the other side.

Throughout, the IG was very supportive. They tried to work out ways to deal with the problems we encountered. We were able to "vet" the proposed lines of action in advance, before things were tried, so we didn't get into trouble. The IG in this case had a totally different attitude. It made a big difference.

Q: This involved the IG in the continuous auditing of the operation as you went along.

LOVE: Yes. And we were really "going in harm's way" on that program.

A second problem was earmarking. I mean, proponents would say: "It's terrible that AID program levels are being cut, but by God you're not going to cut my program out." So

they would go up to Congress and "earmark" funds for population programs, the environment, micro-enterprises, or whatever.

It became fairly difficult to handle all of these "earmarks" in the context of conflicting priorities in the developing countries. This made the programming matrix basically unmanageable. Then we would get into hot water with whoever happened to be the focal point of one program or another on the Hill.

The question of what AID was all about, what we were trying to do, and what U.S. foreign policy development interests were was getting lost. I kept saying to myself: "This whole process of earmarking is time-consuming, it's aggravating, and it's irritating all sides. What we are losing is a real overall program rationale." Of course, what we weren't getting was any real leadership from the White House. And you aren't getting any real leadership from the White House today. So it's left to the AID Administrator, whose "clout" in the bureaucracy has eroded, to get "front and center" on these issues.

It's not that we couldn't carve out a better rationale in terms of what's happening in today's world about the terms of development cooperation. I know that we can do that. I once said to AID Administrator Roskins: "Why don't you re-structure the agency? Break it into two categories. The really 'developing countries' will include all of Africa, Bangladesh, Bolivia, Haiti, and maybe Nepal. These are the countries which need traditional Development Assistance. Put them under one bureau. Then deal a little differently with the other countries, which are doing fairly well, can access private capital, and can obtain technical assistance on their own. Take the Development Fund for Africa concept and expand it to cover this first group. That becomes your development priority group. You are working on the other countries for other reasons. For example, trade, health, environment, drugs, whatever. You'll run into problems with the State Department, but if you do this, it would be more realistic. It would be an approach to today's development challenges.

I haven't read any of the testimony before Congress for the past five or six years. The last time I went up for Senate hearings was watching Mark Edelman and the IG in front of the Senate Appropriations Committee. Mark was just "stomped into the ground" by the Senators. Things don't seem to have changes. Have you read McConnell's testimony when he was confronting the AID Administrator?

Q: I've heard about it.

LOVE: Well, it was really brutal and very personalized.

Q: Do you have any more points of this kind, or should we go back to your more general views?

LOVE: That's enough on that, I think.

Q: When did you finish up in AID?

LOVE: I left AID and went to DAC [Development Assistance Corporation] in January, 1990, I think. Let's set that back for another day because it's a long chapter.

Views on development aid coordination

Q: How about a little more on the coordination process, apart from the DAC? You attended Consultative Group meetings and other, coordinating events. You said something to the effect that these meetings should be "country-led," in effect. What is your basic thought on this? What should we be doing?

LOVE: I'll use the DAC as an example, even though I'm not talking about DAC right now. If you go back and read what Rud Poats said in connection with the 25th anniversary of DAC, coordination was "front and center" on the agenda, almost from the inception of the effort to bring the international community into the development assistance program, as well as back in the days of the Marshall Plan. The question then was: "Not just how you get the aid donors to coordinate but how do you get those countries to take a leadership role?"

In the case of Europe, those countries had been severely damaged by World War II. Subsequently, the United States told the Europeans: "You people are going to have to get together and coordinate together or you're not going to get reconstruction funds from us." The Europeans set up a coordinating mechanism in the OEEC [Organization for European Economic Coordination], which eventually became the OECD [Organization for Economic Cooperation and Development]. Prior to that time, there were efforts made to work individually, and the French, the Germans, and the British were fighting among themselves about what was right and wrong.

When we shifted our main attention to the developing countries, we ran into this problem of substantially weaker institutional and human capacities. The aid donors began to take a more active role in the programming process. They began to send in their technical advisers to work on these things. These advisers began to "take over" the leadership role in the development process. This differed from country to country. The South Koreans, for example, never let the donors do it. The South Koreans got control of their development process and did what they damned well wanted. If the aid donors didn't like it, too bad.

So there evolved a situation in which the aid donors became more and more dominant. Then the World Bank got in there. To the extent that a country was more centralized, there was a tendency to develop further in this direction.

When I went to Africa and started working there, I was really kind of "stunned" to see the degree to which the Africans would "defer" to the aid donors, compared to the Asians. While there were differences in Asia, they were able to handle their own development. The extreme case was the South Koreans, who did what they wanted. Much the same consideration applied in the case of the Filipinos and other Asians. They had much more control over what was going on. They handled the aid donors, pointed them in different directions. The Asians never let the aid donors have as much control over the

development process, as happened in Africa.

Now, in Asia there was a different scenario, compared to Africa. First, the Asian countries had a substantial resource base beyond what the aid donors were putting in. They had a good, domestic resource base to work with and they had access to other sources of external capital. So the Asians were not as totally dependent on aid donors as the Africans were. The Asians had a far stronger institutional framework and a much broader base of human resources. With the passage of time the Asians became more and more sophisticated in terms of their ability to deal with the aid donors. The Asians had more options in terms of their finances. That gave them a degree of independence that meant that the aid donors were working in selected areas but didn't have the Asians "up against the wall," except in cases like the IMF [International Monetary Fund] problems of recent years.

What I think has happened is that, in the case of Africa and some of the other countries, the host country has lost control of the development process. The African countries have become dependent on the aid donors for so much of their money that the minister of finance is more beholden to the World Bank and the International Monetary Fund than he is to his own appropriations process at home. In effect, we have begun to destroy that appropriations process. The question has become how to put that appropriations process back in place and how to get it back into the hands of the local government. In recent years African governments have been talking about "ownership."

I think that we've just got to go back to basics in the remaining countries of the world, which are predominantly in Africa. We've got to go back and decide what we have to do to put the Africans back in the driver's seat, although they've never really been in control of their own destinies, in many ways. We need to help the Africans build up their institutional structure, help them to move in the direction of having alternative sources of financing. Africa receives more aid per capita than many other countries have received. Yet they still don't have enough sources of capital to finance the rate of growth that they should be having. Why? Because they have no domestic resource generation and have practically no private investment.

I don't think that the aid donors have been very good in dealing with this problem. I think that the SPA [Special Program of Assistance to Africa] mechanism and the Consultative Group mechanism have all been dominated by the countries providing aid to the African countries. I don't know about the UN "Round Tables." They might have been a little bit better, in a few cases, in terms of what they're doing.

Then there is the whole question of technical assistance, which we haven't touched on, and how it is provided and managed. What is the impact of technical assistance and what kind of people do you assign to provide the technical assistance? Do you use foreigners, do you use people from the country? Do you displace people from the country, do you supplement salaries? That whole practice has an impact on domestic, institutional capacity and the strength of the public sector.

These are issues which are so broad, conceptually, that you have to focus on them at much more of a policy level. You need to develop an understanding among the donors of assistance as to how you are going to deal with these issues. Then you need to focus your actions on trying to support the host government leadership. If you don't do that, I just think that you're not going to be successful.

In Africa, I think that we've gotten to a point where we are only losing ground. In fact, we've never quite gotten certain countries into the driver's seat and ensured that they are successful, for whatever reason. They need to develop certain practices. As they begin to grow, and become stronger, they obviously gain control of the system and become more independent. There are examples in Africa when the countries are weaker than they were at the time of independence. Some of their best people were taken out of the country and sent to the World Bank, to the IMF, to the UN, and to African regional institutions. They got improved salaries and educational allowances for their children. They got away from a war-torn country.

Concluding observations

Q: Well, let's wrap up this phase. Maybe this is difficult to do off the top of your head, given that you had such a rich project orientation and management experience with programs across the board. Focusing just on development assistance programs, what are some of the lessons that appear to be of universal relevance to you. What do you look for and what does your experience keep telling you?

LOVE: Well, the first and most important thing to say is that, when you work at the broad, policy level of macroeconomic adjustment, whether you are working at the program level or even at a small, localized project level, the most important factor is the host country entity. It is particularly important, whether you are working at the level of the national government, in a local or provincial municipality, or whatever, that nationals of the country should be in control of the operation. Basically, this must really be "their" activity. They are the people who not only have to help put the project together but they have to make it work.

If you don't have that ingredient there, you're probably going to fail.

Q: Then what do you do?

LOVE: Then you should stop. In some cases you should just turn around and walk away. You should say that the people of that country are not qualified to handle a program of this kind, and we shouldn't do it. Now, the more difficult thing to say is: "Okay, they're not up to doing it now. What I should do now, perhaps, is to help to create the capacity so that they will get to the point and have adequate arrangements to handle a program of this kind." This may involve our intervening in different ways, perhaps in a different sector and area.

The problem may be local political rather than institutional or national leadership. We may be dealing with political leadership in the country which isn't willing to do the things

that we want. In today's world, when our people say: "Well, we're only going to support people who are doing the right things, so that we can be sure that the return on our investment is good. If we help the people who are doing things right, it's going to give us a good return. If we don't get a good return on our investment, we won't make an investment in that country."

Then you might say: "Well, what about the people who weren't doing things right? What do you do in that area?" We had a discussion about food security last week. I heard people say: "We're going to work on food security programs in those countries which are doing well." I said: "Okay. Now what are you going to do if you have a drought in one of the non-performing countries? Are you going to turn your back on the humanitarian interests? What are you going to do if you feel that one of the problems is women's education and the fact that this particular country is not educating its women? This gets to the heart of the decision-making on nutrition and so forth. Is it inconsistent to go in and work on a targeted program that might get at this institutional blockage? It isn't like giving a general resources transfer to somebody who is doing everything right. If you find a country that isn't doing everything right, then you're going to have to be careful, target your resources, and make sure that they can handle the implementation of a given program. However, this course of action will help to eliminate some of the institutional bottlenecks that are preventing us from doing other things."

Under existing circumstances we will not be in a position to do some of these things. In this case, we just don't do them, starting right now.

I think that if the capacity in the recipient country to handle some of these programs just isn't there, and you try to "force" something into them, whether it's a multi-million dollar IMF or World Bank standby agreement or rural project, it doesn't make any difference. You're going to fall on your face. It's not going to work.

Q: You can't substitute for that capability?

LOVE: No, you can't. When we see that a given country needs to do a certain thing and that we've got the resources to do it, it's human nature to say that we're prepared to "paper over this shortcoming." It may be a little unfair to describe the situation this way, but if we do this, then we start abusing the whole concept of technical assistance. In this case, instead of putting technical assistance in that country really to get to the point of building institutional capacity or giving that country a short-term "shot" of something, we are kidding ourselves, and it won't work.

Over the long term, there's no reason why such a country must have this "something" in the near term. However, they may need some outside help over the short term. Then we may be tempted to start trying to "paper over" these shortcomings by putting in a project manager. These people whom you put in become your "safety valve" to paper over what you already know is a weak situation in that country. However, all of a sudden, these additional people become the managers who are trying to implement the project on the ground. However, it turns out that they can't get gasoline for their car, they can't get

foreign exchange, they can't get things done, because this project is still not a priority matter for the host country. So these additional managers spend all of their time, running around the country and trying to make things work. But they can't. We just have to do things differently from this.

Q: That's excellent. Are there any other things that you would like to add? That is one of the most fundamental comments, I think.

LOVE: I guess that the only other matter I would come back to is the institutional issue of headquarters-based and field-based operations. In other words, what really is at stake in terms of the cost of the field presence? I think that AID itself and certainly some members of Congress, have looked at this issue primarily from the dollars and cents viewpoint. Certainly, it is an important administrative cost of our programs. However, they haven't always looked at field staff in terms of what we are really getting for this money.

Field staff have far better communications with the host country and a far better chance to influence host country programs and policy. They do not have to make decisions on a "remote control" basis. The local staff in charge of programs also have a far greater opportunity to influence host country institutional development.

AID is also better able to "interface" with other aid donors at a meaningful level on the ground and in the field, because we're there all the time. In Africa, we put up five percent of the aid money, with 95 percent of it coming from other aid donors. If we can influence the reallocation of even 15 percent of the money coming from other aid donors, we've "quadrupled" our own impact, and we haven't had to increase our budget by \$1.5 billion. All we would have to do is to pay for the overhead costs out there in the field. That's a real fact!

Furthermore, the AID Missions overseas have provided a "counterpoint" to what I think is their very heavy-handed influence at the World Bank and, in some cases, the International Monetary Fund. The host country is unable to deal with the Bank and Fund without having its officials travel to Washington and meeting in a room with Bank/Fund bureaucrats, on the territory of foreigners and playing by their rules.

I am really fearful that reduction of AID field presence is progressively wiping out our capacity to influence developing countries, particularly in countries where the local governments are institutionally weak. We use the excuse that we are doing this or that to save money. Reduced field presence is undermining one of the few, real, competitive advantages that we have in providing development aid overseas. As we are more and more constrained by reduction of our program budget, we should be more concerned about ensuring that the host country and the other aid donors are going in the right direction. Some of these directions might include the population program, the economic privatization program, or the institution of democracy, renewed attention to agriculture. These directions should be consistent with achieving U.S. goals. If we can't do this through leadership in terms of money, we could do it through intellectual leadership and technical talent.

Q: Looking back over the whole history of AID and our other foreign assistance programs, how would you characterize the significance of the U.S. role in the world of international development?

LOVE: First of all, the United States provided, from the beginning, leadership in terms of financing. Then, as time moved on, other aid donors came in and began to pick this up. Those donor countries began to assume more responsibility themselves. Still during this initial period, I think that the United States has played an extremely important role in providing intellectual leadership to the development community. At least, I thought that way.

Q: In what ways, for example?

LOVE: Through our field presence, through the dialogue between our AID Missions and AID Washington, through what I think were strong technical capabilities, and a willingness to innovate.

Q: What about particular development sectors?

LOVE: Do you mean in which sectors did we perform best?

Q: Where we led the way, so to speak.

LOVE: We clearly led the way in efforts to control population growth. If there were no U.S. population program, there might have been some kind of an effort made by the UN. However, without the United States, there would never have been the population change that has taken place. I think that that's clear.

Q: What other areas could you mention?

LOVE: I think that in the field of agriculture the United States played a key role, because the United States is a major, agricultural country. I think that the United States, both directly and indirectly, through the creation of the International Agricultural Research Centers, has played a leading role in agriculture. However, I think that we've backed off substantially from this role in the last 10 to 15 years. To some degree we have really "lost our way" in terms of the things that we were doing. Still, we never had quite the impact on African agriculture that, I think, we had in Asia. So I think that the U.S. was "front and center" in Asia.

I think that in the early stages the U.S. played a critical role in the area of infrastructure. As time passed, it was less so. Other countries got into this field.

Q: Including innovative work, as well as just financing it?

LOVE: I think so, if you include rural electrification, as I do and, in fact, everybody does.

There's nobody in the world who handles rural electrification programs as well as the Americans. I wish that we did this through cooperatives. However, the technical approaches that were used in the field of rural electrification were an American invention. They came out of the rural areas of the U.S., in response to a policy failure in this country in the 1930s.

Q: What about the environment? What is your impression?

LOVE: Well, on the environment I think that our performance has been much more a "mixed bag." I think that at the ground level, the working level, and the NGO [Non Governmental Organization] level the Americans were very active in pushing these issues. I think that we were far slower at the governmental level. The U.S. Government responded to pressure from the private sector before we did anything much.

You remember that in AID it was a slow process to get around to doing much about the environment. At the same time, when the administration finally adopted reforms on the environment, we were still way ahead of what the other aid donor countries were doing. A lot of the environmental practices that we adopted in this country were picked up by the other aid donors, just like a lot of the other U.S. innovations. When I read through a World Bank document now, I have to smile. I see a lot of procedures which the Bank has adopted from AID.

I think that the U.S. has not been particularly forthcoming at the very, very senior, top policy level in terms of the environment. Because of our own, domestic problems, we have been unable to put the political "imprimatur" on these issues which was needed. Just as we didn't want to do in the case of land mines, until we were dragged into doing it. That's not an aid issue, but it's a U.S. political leadership issue, which is important.

Q: But they interact.

LOVE: Again I say that, even in today's world, while we may be down at the bottom of the pack, in terms of per capita transfers of resources, our political "clout" in the international financial community, on the trade front, and so forth is very powerful.

There is a lot that we could do to improve development cooperation that would be at virtually no cost to our aid budget. One of the questions in my mind is whether the World Bank has gotten to be so strong in the international arena, particularly in Sub-Saharan Africa, that we have lost some of our innovative practices. I think that changes have come from somewhat broader and more varied sources.

Q: Are there any other areas where the U.S. aid program has been significant over the years? You spoke about some of the emergency situations.

LOVE: I think that the Americans have been very good in dealing with emergencies, both through the public sector and through the NGOs. Of course, in most of those emergencies it has been hard to tell the difference between public sector and private sector assistance,

after a while. The relationship between public and NGO programs has been very close.

However, the development of the NGO "conduit," say in Ethiopia, was driven very heavily, although not totally, by American support, encouragement, and financing. We created that capacity to provide help. In the early stages I think that the U.S. compensated for weaknesses in the UN system. I know the UN has tried to strengthen its own, institutional capacity in terms of dealing with emergencies. I imagine that the UN has improved quite a bit by now.

The U.S. was "present," I think, in the course of human disasters and human problems like drought, civil war and various, other emergency scenarios. Yes, I think that the U.S. was strong in that area.

Q: In the broader picture and looking back over the years when you've been involved in it, do you think that the U.S. foreign assistance program has made a difference? Has it had a real impact? People are always talking about impacts. Some people say that the U.S. impact has disappeared and that we don't see any evidence of what the U.S. has done and is doing. What's your view of this?

LOVE: I've been asked that question many times. I was once asked that question by an Austrian parliamentarian, when I visited Austria as DAC Chairman and talked to them. Two Austrian parliamentarians met with me. One of them, a woman and a member of the "Green" [environmental] party, said immediately: "Foreign aid has been a failure. Why should we continue this?" I said: "First off, let's start with the question of economic development. It has clearly not been a failure. More has happened in economic development throughout the world since the end of World War II than has happened in the history of the human race. This happened in most areas of the developing world, although it hasn't happened yet in portions of Sub-Saharan Africa and some other areas. So I think that we can start out by saying that economic development has been successful and a major achievement over the past 30 years.

"Then the question becomes: what are the factors that have contributed to this success story? I believe that the answer varies from country to country. Aid has been extremely important in certain countries. It was in South Korea and in Taiwan, and it's been very important in certain sectors, such as population control and so forth. Can I say that, without the aid program, there wouldn't have been development? No. However, it's been a factor and, on balance, I think that it's been a positive factor, although there have been cases where political meddling, on the aid side, has supported governments which shouldn't have been supported."

Q: How would you characterize your career in the foreign assistance field over time, as a final comment?

LOVE: Well, as I think I told you when we first started this interview, I started out telling Joe Toner that I would stay for a minimum of a year and a maximum of two years. Then I had so much "fun" doing it that I stayed for much longer. Basically, I enjoyed myself,

except for a few spots here and there, right up to the end.

I thought of this when I was sitting at the 35th reunion of my class at Harvard Business School, listening to a lot of my classmates who had made a lot of money. In fact, most of them didn't make all of that much money, but a few made an awful lot of money.

Of course, by the time you get to your 35th class reunion, people are becoming reflective and mellow about what life's all about. They ask themselves: "What did I do and did I go to all of the right way?" Then you stop and think and say to yourself: "So you went out and became president of a big corporation and did all of these things count." On the other hand, work in the public sector, which is really part of the question that you are asking me, had had its own rewards.

Working in AID during the period when we were working there had a lot of "pluses" in it. People in the public sector were treated better than they are being treated today. Where else would you get an opportunity to play around with a resource base as large as the one you deal with when you work for AID? For example, I was out there playing around with two \$400 million fertilizer plants. Believe me, I was helping to call the shots. When I was in the Africa Bureau, I was dealing with a \$500 million annual budget. When I was in the Counselor's office, I was dealing with a \$10 billion budget. Then, when I was Chairman of DAC [Development Assistance Corporation], I was working on policy issues but I was still working on a \$60 billion a year combined program.

The number of people who are affected, positively or negatively. What we worked on was substantial, even if I only had a minor impact on them. Working at the international level is a lot of fun. Even with all of its frustrations, you come away with the feeling that you have made some contribution. I think that I was lucky to have worked with a bunch of good people. For the most part, I had good "bosses." I certainly had good people working for me.

I would do all of this again if I was in the same environment. I'm not sure whether I would do it again in today's world, because it's a different world, and the government's different. The challenges of development are different. I was lucky. I had a somewhat "time specific" opportunity to both enjoy my work and hopefully make a contribution.

Q: Well, that's great. That's the end of this interview.

End of interview